

VERSAR INC  
Form 11-K  
June 29, 2015

**United States**

**Securities and Exchange Commission**

Washington, D.C. 20549

**FORM 11-K**

**xANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the year ended December 31, 2014

or

**..TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**Commission File Number: 001-09309**

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

Versar Employee 401(k) Plan

C/O Versar, Inc.

6850 Versar Center

Springfield, VA

22151

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Versar, Inc.

6850 Versar Center

Springfield, VA

22151

Financial Statements and Report of Independent Registered Public Accounting Firm

**Versar Employee 401(k) Plan**

December 31, 2014 and 2013

Versar Employee 401(k) Plan

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## Report of Independent Registered Public Accounting Firm

Plan Administrator

### **Versar Employee 401(k) Plan**

Springfield, Virginia

We have audited the accompanying Statements of Net Assets Available for Benefits of the **Versar Employee 401(k) Plan** (the “Plan”) as of December 31, 2014 and 2013, and the related Statement of Changes in Net Assets Available for Benefits for the year ended December 31, 2014. These financial statements are the responsibility of the Plan’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan’s control over financial reporting. Accordingly we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2014 and 2013, and the changes in net assets available for benefits for the year ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

The supplemental information in the accompanying Schedule H, Line 4i – Schedule of Assets (Held at End of Year) as of December 31, 2014, and Schedule H, Line 4a – Schedule of Delinquent Participant Contributions for the year then ended have been subjected to audit procedures performed in conjunction with the audit of **Versar Employees 401(k) Plan’s** financial statements. The supplemental information is presented for the purpose of additional analysis and is not a required part of the financial statements but include supplemental information required by the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental information is the responsibility of the Plan’s management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information

presented in the supplemental information. In forming our opinion on the supplemental information in the accompanying schedules, we evaluated whether the supplemental information, including its form and content, is presented in conformity with the with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental information in the accompanying schedules is fairly stated in all material respects in relation to the financial statements as a whole.

/s/ Aronson LLC

**Versar Employee 401(k) Plan**

## Statements of Net Assets Available for Benefits

December 31,	2014	2013
Assets		
Cash – noninterest bearing	\$4,892	\$79,699
Investments, at fair value	41,398,334	34,779,506
Receivables		
Notes receivable from participants	401,991	375,865
Employer contributions	202,297	228,613
Employee contributions	852	—
Total receivables	605,140	604,478
Total assets	42,008,366	35,463,683
Liabilities		
Due to Broker	4,857	79,636
Total liabilities	4,857	79,636
Net Assets Available for Benefits, at Fair Value	42,003,509	35,384,047
Adjustment from fair value to contract value for interest in collective trust fund relating to fully benefit-responsive investment contracts	(61,568 )	(37,329 )
Net Assets Available for Benefits	\$41,941,941	\$35,346,718

**Versar Employee 401(k) Plan**

## Statement of Changes in Net Assets Available for Benefits

Year ended December 31,	2014
Additions to Net Assets	
Contributions:	
Participant contributions	\$2,093,257
Employer contributions	850,607
Rollover contributions	45,993
Total contributions	2,989,857
Investment income	
Interest and dividend income	185,324
Net appreciation in fair value of investments	1,696,064
Total investment income	1,881,388
Interest income on notes receivable from participants	16,848
Other income	134,728
Total Additions	5,022,821
Deductions from Net Assets	
Benefits paid to participants	6,939,134
Administrative expense	143,584
Total Deductions	7,082,718
Net Decrease Before Transfer	(2,059,897 )
Transfer in from Geo-Marine, Inc. Savings and Retirement Plan	8,655,120
Net Increase	6,595,223
Net Assets Available for Benefits, beginning of year	35,346,718
Net Assets Available for Benefits, end of year	\$41,941,941

Versar Employee 401(k) Plan

Notes to Financial Statements

*December 31, 2014 and 2013*

**NOTE A<sup>3/4</sup>PLAN DESCRIPTION**

The following description of the Versar Employee 401(k) Plan (the Plan) provides only general information. The Plan's investments are held in a nondiscretionary trust by Wells Fargo Bank, N.A. (Wells Fargo or Trustee). Wells Fargo also serves as recordkeeper for the Plan. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

***General***

The Plan is a defined contribution plan covering substantially all eligible employees of Versar, Inc. (Company or Plan Sponsor) who are age 18 or older except for leased employees, non resident aliens, employees covered by a collective bargaining agreement and Davis Bacon Act employees.

Effective January 1, 2014, the Plan was amended to exclude part-time employees from participation in the Plan until they are credited with at least 1,000 hours of service in a plan year.

On June 30, 2014, the Company acquired J.M. Waller Association, Inc. (JMWA). Effective July 1, 2014, the Plan was amended to temporarily exclude employees acquired from JMWA through December 31, 2014.

The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

### ***Contributions***

Each year, participants may contribute a minimum of 1 percent up to 50 percent of pre-tax annual compensation, as defined in the Plan. Roth contributions are also permitted. Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions. Participants may also contribute amounts representing distributions from other qualified plans (rollover). The Plan includes an auto-enrollment provision whereby all newly eligible employees are automatically enrolled in the Plan unless they affirmatively elect not to participate in the Plan. Automatically enrolled participants have their deferral rate set at 3 percent of eligible compensation and their contributions invested in the Wells Fargo AdviceTrack program (see Investment Options below) until changed by the participant. The Plan's automatic enrollment provisions include an auto escalation feature that provides for a 1 percent automatic annual increase up to a maximum of a 6 percent deferral rate.

The Company makes a safe harbor matching contribution equal to 100 percent of the first 3 percent of eligible compensation a participant contributes and 50 percent of the next 2 percent of eligible compensation a participant contributes to the Plan. Employer safe harbor matching contributions are made on a quarterly basis in cash. The Company may make an additional discretionary matching contribution to all eligible participants employed as of the last day of the Plan year. No such discretionary contributions were made for the year ended December 31, 2014.

Contributions are subject to certain Internal Revenue Service (IRS) limitations.

### ***Participant Accounts***

The Plan maintains an account for each participant. Each participant's account is credited with the participant's contributions, allocations of the Company's contributions and Plan earnings and charged with an allocation of Plan losses and administrative expenses. Allocations are based on participant earnings, account balances, or specific participant transactions, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Versar Employee 401(k) Plan

Notes to Financial Statements—Continued

*December 31, 2014 and 2013*

**NOTE A<sup>3/4</sup>PLAN DESCRIPTION—Continued**

***Investment Options***

Participants direct the investment of their contributions and can select from two available options, core investment funds (Core Funds) or the Wells Fargo AdviceTrack program (AdviceTrack). Under the Core Funds option, participants direct their contributions to mutual funds and collective trust funds (CTF) selected by the Company and offered by the Plan. Alternatively, participants can elect to invest 100 percent of their current balance and all future contributions to AdviceTrack. The investment funds available under AdviceTrack include, in general, a different group of mutual funds and CTFs than are available under the Core Funds option and are selected and maintained by Wells Fargo. Wells Fargo monitors the investment performance of the funds and makes changes as deemed appropriate; however, any changes must be consented to by the Plan Sponsor. Wells Fargo has retained an independent financial expert who provides the participant with an investment allocation strategy under AdviceTrack, using personal and financial information provided by the participant, which is then implemented by Wells Fargo. The participant's account is monitored and re-balanced based on investment performance, market conditions and changes in the participant's personal situation. Participants may terminate participation in AdviceTrack at any time and revert to the Core Funds option.

Company common stock is held in the Plan for certain participants who received in-kind employer matching contributions in prior years. Restrictions of participants' transfers, contributions (purchases) or distributions (sales) are described in Note D.

***Voting Rights***

Each participant is entitled to exercise voting rights attributable to the shares of Versar stock allocated to their account. Participants are sent a proxy by the Trustee for the shares they own and they may vote those shares. The Trustee is not permitted to vote any share for which instructions have not been given by a participant.

### ***Vesting***

Participants are immediately vested in their contributions and Company contributions plus actual earnings thereon. However, certain participants are subject to prior vesting schedules.

### ***Notes Receivable from Participants***

Plan participants may borrow from their employee contribution and rollover fund accounts a minimum of \$500 up to a maximum equal to the lesser of \$50,000 or 50 percent of their vested account balance. All loans bear interest at the current prime lending rate of Wells Fargo plus one percent and are secured by the balance in the participant's account. Generally, the loans must be repaid within five years unless the loan was used for the purchase of a primary residence, in which case the term may be up to 10 years. Participants may only have one loan outstanding at any time. Principal and interest is paid ratably through bi-weekly payroll deductions.

### ***Forfeitures***

During 2014, forfeitures totaling \$108,983, due to certain participants' termination prior to full vesting and monies merged into the Plan (see Note K) were used to offset the safe harbor matching contribution for 2014. At December 31, 2014 and 2013, forfeited non-vested accounts totaled \$14,441 and \$18,852, respectively.

Versar Employee 401(k) Plan

Notes to Financial Statements—Continued

*December 31, 2014 and 2013*

**NOTE A<sup>3/4</sup>PLAN DESCRIPTION—Continued**

***Payment of Benefits***

On termination of service including death, disability, early or normal retirement, a participant may elect to receive a lump-sum distribution equal to the value of the participant's vested account balance. Distributions of a participant's elective deferral and rollover contribution accounts are made in cash. The matching contribution is distributed in the form in which the employer match is invested (cash and/or Company common stock) at the time of the distribution.

Hardship distributions to employees are permitted from the participant's elective deferral account if certain conditions are met. After withdrawal, participants may not make savings or other contributions to the Plan for at least six months after receipt of the hardship distribution.

The Plan also provides for required minimum distributions (RMD) per IRS regulations by April 1 of the calendar year following the later of the calendar year in which the participant reaches age 70 ½ or the calendar year the participant retires. Installment payments are permitted for lifetime RMDs only. In addition, the Plan does permit in-service withdrawals from the participant's elective deferral and safe harbor matching contribution accounts after reaching age 59 ½.

**NOTE B<sup>3/4</sup>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Accounting*

The financial statements of the Plan have been prepared on the accrual basis of accounting.

*Investment Valuation and Income Recognition*

The Plan's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note E for discussion of fair value measurements.

Investment contracts held by the Plan, either directly or as an underlying asset of a CTF, must be reported at fair value. However, contract value is the relevant measurement attribute for the portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts, because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Plan invests in stable return funds (SRF) which are CTFs that hold an investment in another CTF, which invests in fully benefit-responsive investment contracts. The statements of net assets available for benefits present the fair value of the SRFs as well as the adjustment of the funds from fair value to contract value. The statement of changes in net assets available for benefits is prepared on a contract value basis.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) in fair value of investments includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Versar Employee 401(k) Plan

Notes to Financial Statements—Continued

*December 31, 2014 and 2013*

**NOTE B<sup>3</sup>/4SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Payment of Benefits*

Benefits are recorded when paid.

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

*Administrative Expenses*

Certain expenses of maintaining the Plan are paid directly by the Company and are excluded from these financial statements. Administrative expenses paid by the Plan include primarily investment related expenses and also include fees related to the administration of notes receivable from participants charged directly to the participant's account. Participants who are invested in AdviceTrack are charged an asset-based fee for program services, such as fund selection and monitoring, of 0.50 percent plus 0.13 percent to reimburse Wells Fargo for actual expenses.

*Notes Receivable from Participants*

Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Interest income is recorded on the accrual basis. Related fees are recorded as administrative expenses and are expensed when they are incurred. No allowance for credit losses has been recorded as of December 31, 2014 or 2013. If a participant, who has experienced a distributable event, ceases to make loan repayments and the Plan administrator deems the participant loan to be in default, the participant loan balance is reduced and a benefit payment is recorded.

## Versar Employee 401(k) Plan

## Notes to Financial Statements—Continued

*December 31, 2014 and 2013*

**NOTE C<sup>3/4</sup>INVESTMENTS**

The following presents investments representing five percent or more of Plan net assets as of December 31, 2014 and 2013.

December 31,	2014	2013
T Rowe Price Blue Chip Growth Fund	\$4,779,487	\$3,626,212
WF Stable Return Fund - N *	4,054,115	4,363,771
WF Enhanced Stock Market Fund	3,942,836	3,618,478
WF Advantage Discovery Fund	2,516,403	2,396,675
WF MFS Value Fund – AT	2,271,491	N/A
WF MFS Value Fund – N	2,157,831	N/A
TCW Total Return Bond Fund	N/A	1,987,033
Thornburg International Value Fund	N/A	1,847,136

\* Represents fair value; contract value as of December 31, 2014 and 2013 is \$3,998,141 and \$4,328,448, respectively.

N/A – The value of the investment does not represent 5% or more of the Plan's net assets at this date.

During 2014, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in value by \$1,696,064 as follows:

Mutual funds	\$811,376
Employer common stock	(426,097 )
Collective trust funds	1,310,785
	\$1,696,064

NOTE D<sup>3</sup>/<sub>4</sub>NONPARTICIPANT-DIRECTED INVESTMENTS

As stated in Note A, certain participants who have received in-kind employer contributions in prior years hold Company common stock as an investment. In addition, all participants may direct funds from Company matching contributions to or from Company common stock without restriction. All Company common stock held in a source other than any Company matching contributions is restricted and may not be directed by the participant.

Information about the net assets related to all Company common stock is as follows:

	December 31,	
	2014	2013
Net Assets:		
Versar, Inc. common stock	\$749,511	\$1,307,790

## Versar Employee 401(k) Plan

## Notes to Financial Statements—Continued

*December 31, 2014 and 2013*

NOTE D<sup>3</sup>/<sub>4</sub>NONPARTICIPANT-DIRECTED INVESTMENTS<sup>3</sup>/<sub>4</sub>Continued

Information about the significant components of the changes in net assets related to all Company common stock is as follows:

	Year Ended December 31, 2014	
Changes in Net Assets:		
Net depreciation	\$ (426,097	)
Benefits paid to participants	(111,675	)
Transfers to participant-directed investments	(20,449	)
Administrative expenses	(58	)
	\$ (558,279	)

NOTE E<sup>3</sup>/<sub>4</sub>FAIR VALUE MEASUREMENTS

Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1—Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access;

Level 2—Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in inactive markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3—Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Versar Employee 401(k) Plan

Notes to Financial Statements—Continued

*December 31, 2014 and 2013*

NOTE E<sup>3</sup>/4FAIR VALUE MEASUREMENTS<sup>3</sup>/4Continued

The following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value, as well as the general classification pursuant to the valuation hierarchy. There have been no changes in the methodologies used at December 31, 2014 and 2013.

*Common Stock:* Valued at the closing price reported on the active market on which the individual securities are traded and are classified within Level 1 of the fair value hierarchy.

*Mutual Funds – Core Funds:* Valued at the daily closing price as reported by the fund. Such mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (“NAV”) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded and are classified within Level 1 of the fair value hierarchy.

*Mutual Funds – AdviceTrack:* Valued at the NAV of units of the AdviceTrack fund as provided by Wells Fargo. The mutual funds offered under AdviceTrack are held in Wells Fargo institutional accounts, in which transactions are effected on behalf of all investors in each AdviceTrack fund on an aggregated basis. Each AdviceTrack mutual fund is a unitized fund and consists primarily of an underlying investment in a specific actively traded open-end mutual fund. A daily NAV is calculated by Wells Fargo based on the fair value of the underlying mutual fund investment held by the fund plus other assets (i.e., cash, accrued income, and due from broker for securities sold) less its liabilities (i.e., accrued expenses and due to broker for securities purchases), and is classified within level 2 of the fair value hierarchy. Daily NAVs are available to Plan administrators and client investors on Wells Fargo’s website and provide sufficient corroborative evidence to ascertain the relationship between each fund’s NAV and the values of the individual underlying holdings.

*Collective Trust Funds:* Valued at fair value measured as the NAV of units of a bank collective trust. The NAV as provided by Wells Fargo is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV. Participant transactions (purchases and sales) may occur daily. Were the Plan to initiate a full redemption of a CTF, the investment advisor reserves the right to temporarily delay withdrawal from the trust in order to ensure that securities liquidations will be carried out in an orderly business manner. All CTFs except the SRFs are classified within Level 2 of the fair value hierarchy. SRFs are classified within Level 3 of the fair value hierarchy. With respect to the SRFs held by the Plan, in order to assess the reasonableness of the fair value methodology used, the Versar, Inc. Retirement Plan Committee, with the assistance of an investment advisor, does not independently develop quantifiable unobservable inputs, but rather evaluates a variety of factors including review of the funds' financial statements, economic conditions, industry and market developments, and overall credit ratings. See also Note F for further information on the SRFs. There are no unfunded commitments from participants in the Plan who invest in the CTFs.

## Versar Employee 401(k) Plan

## Notes to Financial Statements—Continued

*December 31, 2014 and 2013***NOTE E<sup>3/4</sup>FAIR VALUE MEASUREMENTS<sup>3/4</sup>Continued**

The following table sets forth by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31:

	2014			
	Level 1	Level 2	Level 3	Total
Mutual Funds				
Fixed Income Funds –				
High yield bond	\$—	\$588,538	\$—	\$588,538
Inflation-protected bond	—	514,843	—	514,843
Intermediate bond	1,839,302	326,430	—	2,165,732
U.S. Equity Funds –				
Large cap	6,666,790	—	—	6,666,790
Mid cap	3,525,952	—	—	3,525,952
Small cap	2,044,084	—	—	2,044,084
International Equity –				
Large Cap	3,024,685	1,438,646	—	4,463,331
Equity – Real Estate	—	458,901	—	458,901
Sub-total mutual funds	17,100,813	3,327,358	—	20,428,171
Collective Trust Funds:				
Fixed Income –				
Intermediate Bond	—	2,035,764	—	2,035,764
International Bond	—	646,480	—	646,480
U.S. Equity –				
Large cap	—	11,049,841	—	11,049,841

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Mid cap	—	86,764	—	86,764
Small cap	—	1,012,121	—	1,012,121
International Equity –				
Large Cap	—	930,408	—	930,408
Stable Value	—	—	4,459,274	4,459,274
Sub-total collective trust funds	—	15,761,378	4,459,274	20,220,652
Company Common Stock	749,511	—	—	749,511
Total assets at fair value	\$17,850,324	\$19,088,736	\$4,459,274	\$41,398,334

## Versar Employee 401(k) Plan

## Notes to Financial Statements—Continued

*December 31, 2014 and 2013***NOTE E<sup>3/4</sup>FAIR VALUE MEASUREMENTS<sup>3/4</sup>Continued**

The following table sets forth by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31:

	2013			
	Level 1	Level 2	Level 3	Total
<b>Mutual Funds</b>				
<b>Fixed Income Funds –</b>				
High yield bond	\$—	\$347,270	\$—	\$347,270
Inflation-protected bond	—	358,567	—	358,567
Intermediate bond	1,987,033	1,179,871	—	3,166,904
<b>U.S. Equity Funds –</b>				
Large cap	6,663,501	—	—	6,663,501
Mid cap	3,012,170	—	—	3,012,170
Small cap	1,668,634	—	—	1,668,634
<b>International Equity –</b>				
Large Cap	3,169,392	988,080	—	4,157,472
Equity – Real Estate	—	280,747	—	280,747
<b>Sub-total mutual funds</b>	<b>16,500,730</b>	<b>3,154,535</b>	<b>—</b>	<b>19,655,265</b>
<b>Collective Trust Funds:</b>				
<b>Fixed Income –</b>				
Intermediate Bond	—	477,540	—	477,540
International Bond	—	446,510	—	446,510
<b>U.S. Equity –</b>				
Large cap	—	6,979,823	—	6,979,823

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Small cap International Equity –	—	628,864	—	628,864
Large Cap Stable Value	—	667,319	—	667,319
	—	—	4,616,395	4,616,395
Sub-total collective trust funds	—	9,200,056	4,616,395	13,816,451
Company Common Stock	1,307,790	—	—	1,307,790
Total assets at fair value	\$17,808,520	\$12,354,591	\$4,616,395	\$34,779,506

## Versar Employee 401(k) Plan

## Notes to Financial Statements—Continued

*December 31, 2014 and 2013***NOTE E<sup>3</sup>/4FAIR VALUE MEASUREMENTS<sup>3</sup>/4Continued**

The table below sets forth a summary of changes in the fair value of the Plan's level 3 assets for the year ended December 31, 2014:

	WF Stable Return Fund N	WF Stable Return Fund AT	Total Stable Value Funds
Balance, January 1, 2014	\$ 4,363,771	\$ 252,624	\$ 4,616,395
Change in adjustment from fair value to contract value	20,651	3,588	24,239
Realized gains	19,798	398	20,196
Unrealized gains related to instruments still held at the reporting date	44,770	2,594	47,364
Purchases			
Contributions, rollovers and transfers in	3,298,212	262,136	3,560,348
Sales:			
Withdrawals, distributions and transfers out	(3,693,087 )	(116,181 )	(3,809,268 )
Balance, December 31, 2014	\$ 4,054,115	\$ 405,159	\$ 4,459,274

Change in adjustment from fair value to contract value represents unrealized appreciation on fully benefit-responsive investment contracts held by the underlying CTF held by the Plan's SRFs and is not included in the statement of changes in net assets available for benefits as the contracts are recorded at contract value for purposes of the net assets

available for benefits.

*Transfers between Levels*

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The Plan evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets available for benefits. For the year ended December 31, 2014, there were no transfers in or out of levels 1, 2 or 3.

## Versar Employee 401(k) Plan

## Notes to Financial Statements—Continued

December 31, 2014 and 2013

**NOTE E<sup>3/4</sup>FAIR VALUE MEASUREMENTS<sup>3/4</sup>Continued***Fair Value of Investments in Entities that Use NAV*

In accordance with the fair value measurements and disclosures guidance, the following table presents the category, fair value, redemption frequency, and redemption notice period for Plan investments, the fair values of which are estimated using the NAV per share as of December 31, 2014 and 2013:

	Fair Value 2014	2013	Redemption Frequency	Redemption Notice Period
Collective Trust Funds:				
Fixed Income –				
Intermediate Bond <sup>(a)</sup>	\$2,035,764	\$477,540	Daily	Daily
International Bond <sup>(b)</sup>	646,480	446,510	Daily	Daily
U.S. Equities:				
Large cap <sup>(c)</sup>	11,049,841	6,979,823	Daily	Daily
Mid cap <sup>(d)</sup>	86,764	—	Daily	Daily
Small cap <sup>(e)</sup>	1,012,121	628,864	Daily	Daily
International Equity – Large Cap <sup>(f)</sup>	930,408	667,319	Daily	Daily
Stable Value <sup>(g)</sup>	4,459,274	4,616,395	See Note F	See Note F
Total	\$20,220,652	\$13,816,451		

<sup>(a)</sup> *Fixed Income – Intermediate Bond*: The investment objective of the fund in this category is to seek total return consisting of current income and capital appreciation. The fund invests primarily in investment-grade debt

securities, including U.S. government obligations, corporate bonds and mortgage and asset-backed securities.

*Fixed Income – International Bond:* The investment objective of the fund in this category is to seek total return consisting of income and capital appreciation. Under normal circumstances, the fund invests primarily in foreign debt securities, including obligations of governments, corporate entities, or supranational agencies, denominated in various currencies.

*U.S. Equities – Large Cap:* The investment objectives of the funds in this category are long-term capital growth or appreciation. These funds invest primarily in equity securities of large U.S. companies and includes funds which own a diversified portfolio of established companies which produce superior and sustainable earnings growth as well as a fund which focuses on stocks of companies that it believes are undervalued compared to their perceived worth (value companies).

*U.S. Equities – Mid Cap:* The investment objective of the fund in this category is to approximate the total return, before deduction of fees and expenses, of the Standard & Poor's 400 MidCap Index. The fund invests in equity securities of companies that compose the Index and pursues its objective through investments in one or more underlying collective investment funds maintained by BlackRock Institutional Trust Company, N.A.

Versar Employee 401(k) Plan

Notes to Financial Statements—Continued

December 31, 2014 and 2013

NOTE E<sup>3</sup>/<sub>4</sub>FAIR VALUE MEASUREMENTS<sup>3</sup>/<sub>4</sub>Continued

*U.S. Equities – Small Cap:* The investment objective of the funds in this category is primarily to provide certain (e)qualified employee benefit plans with a vehicle for collective investment and reinvestment by primarily investing in three managed portfolios within the Russell 2000® Index.

(f)*International Equity – Large Cap:* The investment objectives of the funds in this category are long-term growth. The fund invests primarily in common stocks of companies located in developed countries outside the U.S.

(g)*Stable Value:* The investment objective of the SRFs is to provide investors with a moderate level of stable income without principal volatility. In order to meet this objective, the funds invest in another CTF that primarily invests in investment contracts, including traditional guaranteed investment contracts and security-backed contracts issued by insurance companies and other financial institutions.

**NOTE F—STABLE RETURN FUNDS**

The Plan has assets invested in two SRFs, Wells Fargo Stable Return Fund N and Wells Fargo Stable Return Fund AT, both of which have invested all of their assets in the Wells Fargo Stable Return Fund G (WF Fund G), a CTF sponsored by Wells Fargo. The daily value of the SRFs' investment is based on the underlying daily value reported by the WF Fund G. The NAV of the WF Fund G is calculated daily and net investment income is not distributed but reinvested and the NAV adjusted accordingly. The SRFs allow for daily liquidity with no additional days' notice required for redemption.

All withdrawals and transfers from the SRFs are payable at contract value. Contract value represents contributions made to the SRFs plus earnings less participant withdrawals and administrative expenses. Participant-directed transfers from the SRFs are permitted to non-competing funds, subject to a 90-day equity wash provision. However, Wells Fargo reserves the right to require a 12-month notification for any Plan Sponsor initiated withdrawal request.

Certain events may limit the ability of the Plan to transact at contract value with the SRFs' issuer. Such events include the following:

- Material amendment to WF Fund G's structure or administration;
- Changes to participating plans' competing investment options including elimination of the equity wash provisions;
- Complete or partial termination of WF Fund G, including merger with another fund;
- Failure of WF Fund G to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA;
- Redemption of all or a portion of the interests in the SRFs held by a participating plan at the direction of the participating plan sponsor including group layoffs, early retirement incentive programs, closing or sale of a subsidiary, bankruptcy or insolvency of the plan sponsor, merger of the plan with another plan, or the plan sponsor's establishment of another tax qualified defined contribution plan;
- Any change in law, regulation, ruling, administrative or judicial position, or accounting requirement, applicable to WF Fund G or participating plans;
- Delivery of any communication to plan participants designed to influence a participant not to invest in the SRFs.

Versar Employee 401(k) Plan

Notes to Financial Statements—Continued

*December 31, 2014 and 2013*

**NOTE F—STABLE RETURN FUNDS<sup>3/4</sup>Continued**

The contract value of the investment in the SRFs as of December 31, 2014 and 2013 was \$4,397,706 and \$4,579,066, respectively. The crediting interest rates for the SRFs are derived from the underlying investments in the WF Fund G which consist of both (1) guaranteed investment contracts at fixed rates and (2) security-backed contracts with variable interest rates reset on a quarterly basis and a minimum interest rate of zero percent. For the years ended December, 31, 2014 and 2013, the average yield based on actual earnings was 1.40% and 1.36%, respectively. For the years ended December 31, 2014 and 2013, the interest rate credited to participants was 1.64% and 1.52%, respectively.

Plan management believes the occurrence of events and circumstances that would cause the SRFs to transact at less than contract value is not probable.

**NOTE G<sup>3/4</sup>RELATED PARTY AND PARTY-IN-INTEREST TRANSACTIONS**

Certain investment options available to participants are shares of CTFs and AdviceTrack mutual funds managed by Wells Fargo, the Trustee and record-keeper. Therefore, transactions with these investments qualify as party-in-interest transactions and are exempt from the prohibited transaction rules of ERISA.

The Plan holds an investment in the Company common stock, and transactions with this investment qualify as party-in-interest and related party transactions. The Plan held 237,187 and 270,764 shares of the Company common stock as of December 31, 2014 and 2013, respectively.

During 2011, the Company failed to remit to the Plan certain employee contributions and loan payments totaling \$463,936 within the period prescribed by Department of Labor regulations. These delinquent remittances are considered nonexempt party-in-interest transactions. The Company made corrective contributions to the Plan in 2014 to compensate affected participants for lost earnings on the delinquent remittances.

Fees paid by the Plan for investment management and other services to Wells Fargo amounted to \$107,170 for the year ended December 31, 2014. Fees paid to Wells Fargo through revenue sharing amounted to \$8,302 for the year ended December 31, 2014.

#### NOTE H¼PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of plan termination, participants would become 100 percent vested in their employer contributions.

Versar Employee 401(k) Plan

Notes to Financial Statements—Continued

*December 31, 2014 and 2013*

**NOTE I<sup>3</sup>/TAX STATUS**

The underlying non-standardized prototype plan has received an opinion letter from the IRS dated March 31, 2008 stating that the form of the Plan is qualified under Section 401 of the Internal Revenue Code (IRC), and therefore, the related trust is tax exempt. The Plan Sponsor has determined that it is eligible to and has chosen to rely on the current IRS prototype plan opinion letter. Once qualified, the Plan is required to operate in conformity with the IRC to maintain its qualification. The Plan has been amended since receiving the opinion letter. The Plan Sponsor has indicated that it will take the necessary steps, if any, to maintain the tax-qualified status of the Plan.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan Sponsor has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2014 and 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2011.

**NOTE J<sup>3</sup>/RISKS AND UNCERTAINTIES**

The Plan invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

**NOTE K<sup>3</sup>/<sub>4</sub>PLAN MERGER**

On February 4, 2014, the plan assets of the Geo-Marine, Inc. Savings and Retirement Plan were liquidated and the assets of the plan in the amount of \$8,655,120 were transferred to the Versar Employee 401(k) Plan. The Plan Sponsor had purchased all of the issued and outstanding shares of Geo-Marine, Inc. on September 3, 2013.

## Versar Employee 401(k) Plan

## Notes to Financial Statements—Continued

*December 31, 2014 and 2013***NOTE L¾RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500**

The following is a reconciliation of net assets available for benefits per the financial statements to Form 5500:

December 31,	2014	2013
Net assets available for benefits per the financial statements	\$41,941,941	\$35,346,718
Less: Employer contributions receivable	(202,297 )	(228,613 )
Less: Employee contributions receivable	(852 )	—
Less: Deemed distributions recorded on 5500 but not in financial statements	(221 )	—
Rounding	1	2
Net assets available for benefits per Form 5500	\$41,738,572	\$35,118,107

The following is a reconciliation of changes in net assets per the financial statements to the Form 5500 for the year ended December 31, 2014:

Net increase in net assets per financial statements	\$6,595,223
Change in employer contributions receivable	26,316
Change in employee contributions receivable	(852 )
Less: Deemed distributions recorded on 5500 but not in financial statements	(221 )
Rounding	(1 )
Net increase in net assets and transfers in per Form 5500	\$6,620,465

**NOTE M—OPERATIONAL COMPLIANCE**

In 2014, it was determined the Plan was not operating in compliance with certain provisions set forth in the plan document with respect to post severance compensation. The Company has discussed the operational errors with counsel and has determined the exposure to be for plan years 2011 through 2014 and, as the corrective contributions are not material, they will be corrected via the self-correction process. The corrective contributions plus lost earnings will be remitted to the Plan during the year ended December 31, 2015 to make the affected participants whole. The Company practices were corrected once the inconsistency was identified.

Versar Employee 401(k) Plan

Notes to Financial Statements—Continued

*December 31, 2014 and 2013*

**NOTE N—SUBSEQUENT EVENTS**

On June 30, 2014, the Company purchased all of the issued and outstanding stock of J.M. Waller Associates, Inc. (JMWA). JMWA sponsored a defined contribution plan, J.M. Waller Associates, Inc. 401(k) Profit Sharing Plan (JMWA 401(k) Plan) for its employees. The JMWA 401(k) Plan's net assets of \$8,859,094 were merged into the Versar Employee 401(k) Plan effective January 1, 2015.

Effective January 1, 2015, the Plan was amended to allow employees of the Company, who were acquired from JMWA, to participate in the Plan. Further, the Plan was amended to grant 100% vesting in all JMWA company contributions for all employees who were acquired from JMWA and were employed with Versar, Inc. on January 1, 2015. However, non-active participants remain subject to a separate vesting schedule.

Effective January 1, 2015, the Plan was amended to include a prevailing wage contribution in which employees working under a prevailing wage contract are eligible to participate in the Plan. Employees are eligible, for purposes of the prevailing wage contribution, on the date their employment is covered under the contract. Further, the computation for the safe harbor matching contribution was amended to be made on a plan year basis.

Effective January 2, 2015, the Company directed Wells Fargo to freeze Company common stock as an investment option in the Plan and direct future funds from Company matching contributions to the Wells Fargo Stable Return Fund N.

**Supplemental Information**

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## Versar Employee 401(k) Plan

## Schedule H, Line 4i - Schedule of Assets (Held at End of Year)

EIN: 54-0852979

Plan 002

December 31, 2014

(a)	(b) Identity of Issue, Borrower, Lessor or Similar Party	(c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value	(d) Cost	(e) Current Value
*	VERSAR, INC., COMMON STOCK ***	Employer common stock	\$586,234	\$749,511
*	WF STABLE RETURN FUND - AT	Collective Trust Fund	**	405,159
*	WF BLACKROCK INT'L EQUITY INDEX FUND	Collective Trust Fund	**	20,102
*	WF BLACKROCK RU 2000 INDEX FUND	Collective Trust Fund	**	76,743
*	WF BLACKROCK S&P MC INDEX FUND	Collective Trust Fund	**	86,764
*	WF CAUSEWAY INT'L VALUE FUND	Collective Trust Fund	**	910,306
*	WF CORE BOND FUND	Collective Trust Fund	**	2,035,764
*	WF ENHANCED STOCK MARKET FUND	Collective Trust Fund	**	3,942,836
*	WF MFS VALUE FUND - AT	Collective Trust Fund	**	2,271,491
*	WF MFS VALUE FUND - N	Collective Trust Fund	**	2,157,831
*	WF MULTI-MANAGER SMALL CAP FUND	Collective Trust Fund	**	935,378
*	WF STABLE RETURN FUND - N	Collective Trust Fund	**	4,054,115
*	WF TRP INST LARGE CAP GROWTH MGD FUND	Collective Trust Fund	**	540,017
*	WF TRP INST EQ INC MGD FUND	Collective Trust Fund	**	1,279,181
*	WFA INTERNATIONAL BOND FUND	Collective Trust Fund	**	646,480
*	WF LARGE CAP GROWTH FUND	Collective Trust Fund	**	858,485
	Subtotal - Pooled, Common and Collective funds			20,220,652

ACADIAN EMERGING MARKETS EQUITY FUND	Mutual fund	**	350,094
ALLIANZ NFJ SMALL CAP VAL FUND	Mutual fund	**	432,187
GOLDMAN SACHS MID CAP VALUE FUND	Mutual fund	**	1,009,549
HARBOR INTERNATIONAL FUND	Mutual fund	**	1,088,552
INVESCO EQUITY & INC FUND	Mutual fund	**	1,887,303
OPPENHEIMER INTERNATIONAL GROWTH FUND	Mutual fund	**	1,923,152
PIMCO HIGH YIELD FUND	Mutual fund	**	588,538
PIMCO REAL RETURN FUND	Mutual fund	**	514,843
PIMCO TOTAL RETURN FUND	Mutual fund	**	326,430
RS SMALL CAP GROWTH FUND	Mutual fund	**	1,611,897
T ROWE PRICE BLUE CHIP GROWTH FUND	Mutual fund	**	4,779,487
T ROWE PRICE REAL ESTATE FUND	Mutual fund	**	458,901
TCW TOTAL RETURN BOND FUND	Mutual fund	**	1,839,302
TEMPLETON FOREIGN FUND	Mutual fund	**	1,101,533
* WF ADVANTAGE DISCOVERY FUND	Mutual fund	**	2,516,403
Subtotal - Mutual funds			20,428,171
Investments, at fair value			41,398,334
* Participant Loans	interest rate of 4.25% and repayment terms ranging 1 to 10 years		401,991
Total			\$41,800,325

\* Party-in-interest

\*\* Historical cost data is not required to be presented, as investments are participant directed.

\*\*\*Historical cost data provided represents the amount for all shares.

Versar, Inc., Employee 401(k) Plan

Schedule H, Line 4a – Schedule of Delinquent Participant Contributions

For the year ended December 31, 2014

EIN: 54-0852979

Plan 002

Participant			Total
Contributions			Fully
Transferred			Corrected
Late to			Under
Plan	Total That Constitute		
	Non-Exempt Prohibited		
	Transactions		
		2002-51	
Check Here			Contributions
if Late			
Participant	Contributions	Pending	
Loan			
Repayments	Contributions	Correction	
are			
Included: <input checked="" type="checkbox"/>	Not	Outside of	
	Corrected	in VFCP	
	VFCP		
\$ 463,936	(1) \$-	\$ 463,936	\$ - \$ -

(1) Delinquent contributions for plan year 2011 corrected in 2014

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the Plan) have duly caused this annual report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: Versar, Incorporated

Versar Employee 401k Plan

By: /s/ Cynthia Downes                      June 29, 2015  
**Cynthia Downes**  
Executive Vice President and  
Chief Financial Officer

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top align="right">

\$49.17

\$ 758,708

3/16/07

3/16/07

\$2,800,200

1/17/07

1/16/07

9,286

37,142

55,713

\$2,100,009

1/17/07

1/16/07

38,889

\$56.54

\$ 620,798

Lawrence A.  
Marsiello

7/18/07

7/16/07

39,375

\$49.17

\$ 682,837

3/16/07

3/16/07

\$2,369,400

1/17/07

1/16/07

8,357

33,428

50,142

\$1,890,019

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1/17/07

1/16/07

35,000

\$56.54

\$ 558,718

Walter J. Owens

7/18/07

7/16/07

27,188

\$49.17

\$ 471,492

3/16/07

3/16/07

\$1,723,200

1/17/07

1/16/07

5,771

23,082

34,623

\$1,305,056

1/17/07

1/16/07

24,167

\$56.54

\$ 385,787

- 
- (1) Equity compensation awards are granted by action of the Compensation Committee. During 2007, the Compensation Committee granted stock awards and stock option awards to named executive officers during Compensation Committee meetings held on January 16, 2007 and July 16, 2007. The January and July Compensation Committee meetings preceded CIT's public announcement of its quarterly earnings by one business day and two business days, respectively. The Compensation Committee believed that it was in the best interests of CIT for stock options granted during the meetings on January 16, 2007 and July 16, 2007 to have an exercise price based on the closing price of CIT common stock on the dates of the earnings announcements, January 17, 2007 and July 18, 2007, respectively.
  - (2) If CIT had achieved the target adjusted net income for 2007, the named executive officers would have been eligible to be awarded a payment under the EIP up to the amount shown.
  - (3) CIT granted performance share awards to the named executive officers in 2007 under the CIT Group Inc. Long-Term Incentive Plan. Performance share payouts may increase or decrease from the target grant, with actual payouts ranging from 0% to 150% of the target grant based on performance against pre-established Return On Common Equity ( **ROCE** ) and diluted Earnings Per Share ( **EPS** ) performance measures. The threshold amount shown assumes the lowest threshold attainable of 25% for the EPS threshold is met, but the ROCE threshold is not met. If neither threshold is met, then the payout would be 0% of the performance share target.
  - (4) The options reported are nonqualified stock options to purchase CIT common stock.
  - (5) Further to footnote 1 above, stock options granted during the meetings on January 16, 2006 and July 18, 2006 have an exercise price based on the closing price of CIT common stock on January 17, 2007 and July 18, 2007, respectively, following the public announcement of quarterly earnings on those dates.
  - (6) Performance share awards are valued at target based on a \$56.54 share price, the closing price of CIT common stock on the date of grant, January 17, 2007. The fair value of stock options granted during the year ended December 31, 2007 is based on the Black-Scholes option-pricing model. The Black-Scholes valuation method and related assumptions used to determine the fair value shown is further discussed in the Annual Report on Form 10-K filed by CIT on February 29, 2008, under the heading "Stock-Based Compensation" in Note 16 "Retirement, Other Postretirement and Other Benefit Plans" to the consolidated financial statements.

**Long-Term Incentives**

*Stock Options*

Each named executive officer received grants of nonqualified stock options during January 2007 and July 2007, as disclosed in the Grants of Plan-Based Awards table above. These options vest and become exercisable in three equal installments on each of the first, second and third anniversaries of the date of grant. Non-vested options generally are forfeited on termination of employment, except in the case of retirement, where unvested options continue to vest as if termination of employment did not occur. Upon termination of employment, options granted during 2007, once vested, will remain exercisable, generally until the earlier of three months after the date of termination of employment or the option expiration date, except in certain circumstances such as: (1) death or disability, in which case unvested options vest and vested options remain exercisable until the earlier of 36 months after the date of termination of employment or the option expiration date; (2) if an executive's employment is terminated by the executive officer for **good reason** or by CIT **without cause** (in each case, as defined in each executive officer's employment agreement and more fully described below under the heading "Employment Agreements"), in the event of a **Reduction in Force** termination (as defined in our Employee Severance Plan) for Mr. Owens, who does not have an employment agreement, or following a change of control, in which case unvested options vest and vested options remain exercisable until the earlier of 24 months after the date of termination of employment or the option expiration date; or (3) retirement, in which case unvested options continue to vest and vested options remain exercisable until the option expiration date. In general, options may be forfeited in certain circumstances, such as if the holder's employment is terminated for cause.

*Performance Shares*

Each named executive officer received grants of performance shares during January 2007, as disclosed in the Grants of Plan-Based Awards table above. Upon termination of employment, performance shares granted during 2007 are generally forfeited, except in certain circumstances such as: (1) death, disability, or if employment is terminated by the executive officer for **good reason** or by CIT **without cause** (in each case, as defined in each executive officer's employment agreement and more fully described below under the heading "Employment Agreements", other than for Mr. Owens who does not have an employment agreement), or following a change of control, in which case performance shares generally vest at target and are paid without regard to attainment of the performance measures; (2) in the event of a Reduction in Force termination for Mr. Owens, who does not have an employment agreement; or (3) retirement, in which case the target number of performance shares are prorated and remain outstanding until the end of the performance period, and are paid based on attainment of the performance measures. Each performance share includes a dividend equivalent right, pursuant to which the holder of the award is entitled to receive a cumulative amount equal to any dividends paid to the holder of a share of CIT common stock during the performance period.

The following table gives information on option awards and stock awards that were outstanding for each named executive officer at December 31, 2007.

**OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END**

Name	Option Awards					Stock Awards(1)			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)

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Name	Option Awards					Stock Awards(1)				
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Jeffrey M. Peek									26,769(11)	\$643,253
									20,063(12)	\$482,120
							29,814(9)	\$716,430		
									41,000(13)	\$985,230
			126,125(2)		\$ 49.17	7/18/14				
			112,112(3)		\$ 56.54	1/17/14				
		31,999	64,001(4)		\$ 47.28	7/19/13				
		28,235	56,471(5)		\$ 51.43	1/18/13				
		116,666	58,334(6)		\$ 43.01	7/19/15				
		83,333	41,667(7)		\$ 41.89	1/18/15				
	230,000			\$ 39.22	1/21/14					
	450,000			\$ 27.65	9/3/13					
Joseph M. Leone									8,888(11)	\$213,573
									8,708(12)	\$209,253
									15,000(13)	\$360,450
			41,875(2)		\$ 49.17	7/18/14				
			37,223(3)		\$ 56.54	1/17/14				
		13,888	27,779(4)		\$ 47.28	7/19/13				
		12,254	24,511(5)		\$ 51.43	1/18/13				
		45,000	22,500(6)		\$ 43.01	7/19/15				
		36,666	18,334(7)		\$ 41.89	1/18/15				
		85,000			\$ 37.60	7/21/14				
	70,000			\$ 39.22	1/21/14					
	201,959			\$ 23.00	7/2/12					
	29,890			\$39.8704	2/4/12					
	41,290			\$74.4731	3/5/09					
Thomas B. Hallman									3,095(11)	\$ 74,379
									6,131(12)	\$147,316
			43,750(2)		\$ 49.17	7/18/14				
			38,889(3)		\$ 56.54	1/17/14				
		14,666	29,334(4)		\$ 47.28	7/19/13				
		12,941	25,883(5)		\$ 51.43	1/18/13				
		50,000	25,000(6)		\$ 43.01	7/19/15				
		36,666	18,334(7)		\$ 41.89	1/18/15				
		85,000			\$ 37.60	7/21/14				
		70,000			\$ 39.22	1/21/14				
	213,450			\$ 23.00	7/2/12					
	29,890			\$39.8704	2/4/12					
Lawrence A. Marsiello									8,357(11)	\$200,819
									8,221(12)	\$197,539
			39,375(2)		\$ 49.17	7/18/14				
			35,000(3)		\$ 56.54	1/17/14				
		13,111	26,223(4)		\$ 47.28	7/19/13				
		11,568	23,138(5)		\$ 51.43	1/18/13				
		41,666	20,834(6)		\$ 43.01	7/19/15				
		36,666	18,334(7)		\$ 41.89	1/18/15				
		85,000			\$ 37.60	7/21/14				
		70,000			\$ 39.22	1/21/14				

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Name	Option Awards			Stock Awards(1)	
	66,152		\$ 23.00	7/2/12	
	29,890		\$39.8704	2/4/12	
	41,290		\$74.4731	3/5/09	
Walter J. Owens					5,771(11) \$138,665
					5,573(12) \$133,925
				3,198(10)	\$76,848
					6,250(13) \$150,188
	27,188(2)		\$ 49.17	7/18/14	
	24,167(3)		\$ 56.54	1/17/14	
	8,888	17,779(4)	\$ 47.28	7/19/13	
	7,843	15,687(5)	\$ 51.43	1/18/13	
	36,666	18,334(6)	\$ 43.01	7/19/15	
	19,047	9,524(8)	\$ 41.70	3/8/15	

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- (1) Shares are valued based on a \$24.03 share price, the closing price of CIT common stock on the December 31, 2007, the last business day during 2007.
- (2) Stock options granted on July 18, 2007 vest in three equal annual installments, on July 18, 2008, 2009, and 2010.
- (3) Stock options granted on January 17, 2007 vest in three equal annual installments, on January 17, 2008, 2009, and 2010.
- (4) Stock options granted on July 19, 2006 vest in three equal annual installments. The amount shown represents two unvested installments as of December 31, 2007, with remaining vesting dates on July 19, 2008 and 2009.
- (5) Stock options granted on January 18, 2006 vest in three equal annual installments. The amount shown represents two unvested installments as of December 31, 2007, with remaining vesting dates on January 18, 2008 and 2009.
- (6) Stock options granted on July 19, 2005 vest in three equal annual installments. The amount shown represents one unvested installment as of December 31, 2007, with a remaining vesting date of July 19, 2008.
- (7) Stock options granted on January 18, 2005 vest in three equal annual installments. The amount shown represents one unvested installment as of December 31, 2007, with a remaining vesting date of January 18, 2008.
- (8) Stock options granted on March 8, 2005 vest in three equal annual installments. The amount shown represents one unvested installment as of December 31, 2007, with a remaining vesting date of March 8, 2008.
- (9) Restricted stock units granted on January 18, 2006 that vests in three equal installments. The amount shown represents two unvested installments as of December 31, 2007, with remaining vesting dates of January 18, 2008 and January 18, 2009.
- (10) Restricted stock granted on March 8, 2005 that vests in three equal installments. The amount shown represents one unvested installment as of December 31, 2007, with a remaining vesting date of March 8, 2008.
- (11) Performance shares granted during 2007 are linked with performance measures for the performance period commencing on January 1, 2007 and ending on December 31, 2009. Actual payouts will be determined at such time that the Compensation Committee certifies following the end of the performance period that the relevant performance measures were achieved. Awards will generally be reviewed by the Committee in January 2010. The amount shown assumes a payout at the lowest threshold attainable of 25% of target.
- (12) Performance shares granted during 2006 are linked with performance measures for the performance period commencing on January 1, 2006 and ending on December 31, 2008. Actual payouts will be determined at such time that the Compensation Committee certifies following the end of the performance period that the relevant performance measures were achieved. Awards will generally be reviewed by the Compensation Committee in January 2009. The amount shown assumes a payout at the lowest threshold attainable of 25% of target.
- (13) Portion of performance shares granted during 2005 above target, which are subject to forfeiture conditions until December 31, 2008.

**OPTION EXERCISES AND STOCK VESTED**

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting(1) (#)	Value Realized on Vesting(3) (\$)

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(a)	Option Awards		Stock Awards	
	(b)	(c)	(d)	(e)
Jeffrey M. Peek		\$	(2)	\$
Joseph M. Leone	172,760	\$5,558,013	30,000	\$ 720,900
Thomas B. Hallman	111,152	\$3,988,601	45,000	\$1,081,350
Lawrence A. Marsiello	224,221	\$7,077,878	45,000	\$1,081,350
Walter J. Owens		\$	15,698	\$ 471,980

- (1) Amounts shown for Messrs. Leone, Hallman and Marsiello represent, and for Mr. Owens include, performance shares granted during 2005 that were linked with performance measures for the performance period commencing on January 1, 2005 and ending on December 31, 2007. Performance share awards are subject to certification by the Compensation Committee that CIT has met certain threshold performance measures following the end of the performance period, and the results were presented for review and certified by the Compensation Committee on March 6, 2008. The amounts shown reflect a payout of 150% of target for Messrs. Hallman and Marsiello, and 100% of target for the other named executive officers. As discussed in the CD&A, the remaining portion of the final award above target Messrs. Leone (15,000 shares valued at \$360,450 based on a \$24.03 share price) and Owens (6,250 shares valued at \$150,188 based on a \$24.03 share price), is subject to further forfeiture conditions until December 31, 2008. The amounts shown for Mr. Owens also include 3,198 shares of restricted stock that vested on March 8, 2007.
- (2) Mr. Peek elected in June 2006 to defer receipt of any final performance shares granted during 2005, that were linked with performance measures for the performance period commencing on January 1, 2005 and ending on December 31, 2007, until the termination of his employment with CIT. Mr. Peek would otherwise have received 82,000 shares valued at \$1,970,460 based on a \$24.03 share price, the closing price of CIT common stock on December 31, 2007. The remaining portion of the final award above target for Mr. Peek (41,000 shares valued at \$985,320 based on a \$24.03 share price) is subject to further forfeiture conditions until December 31, 2008. Mr. Peek also elected in January 2006 to defer receipt of Restricted Stock Units ( RSUs ) granted in January 2006 until the termination of his employment with CIT. Mr. Peek would otherwise have received 14,907 RSUs that vested during 2007.
- (3) Amounts shown represent 2005 performance shares described in footnote 1 based on a \$24.03 share price, the closing price of CIT common stock on December 31, 2007. Also included for Mr. Owens is restricted stock that vested during 2007. The number of shares and value for Mr. Owens are as follows: 12,500 performance shares (\$300,375 based on the closing price of \$24.03 per share on December 31, 2007) and 3,198 shares of restricted stock that vested on March 8, 2007 (\$171,605 based on the closing price of \$53.66 per share on the vest date).

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RETIREMENT PLANS

PENSION BENEFITS

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit(1) (\$)
(a)	(b)	(c)	(d)
Jeffrey M. Peek	CIT Group Inc. Retirement Plan(2)	3.33	\$ 44,151
	Supplemental Retirement Plan(3)	3.33	\$ 350,440
	Executive Retirement Plan(4)	3.33	\$2,212,832
			\$2,607,423
Joseph M. Leone	CIT Group Inc. Retirement Plan(2)	23.67	\$ 259,302
	Supplemental Retirement Plan(3)	23.67	\$ 595,626
	Executive Retirement Plan(4)	23.67	\$1,890,710
			\$2,745,638
Thomas B. Hallman	CIT Group Inc. Retirement Plan(2)	11.67	\$ 126,349

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	Supplemental Retirement Plan(3)	11.67	\$ 435,634
	Executive Retirement Plan(4)	11.67	\$1,533,576
			\$2,095,559
Lawrence A. Marsiello	CIT Group Inc. Retirement Plan(2)	32.42	\$ 439,070
	Supplemental Retirement Plan(3)	32.42	\$ 815,444
	Executive Retirement Plan(4)	32.42	\$2,789,490
			\$4,044,004
Walter J. Owens	CIT Group Inc. Retirement Plan(2)	1.83	\$ 18,590
	Supplemental Retirement Plan(3)	1.83	\$ 66,688
	Executive Retirement Plan(4)	1.83	\$ 116,081
			\$ 201,360

- (1) The actuarial present value of accumulated benefits was computed on the basis of the same actuarial assumptions, with the exception of turnover, retirement, and pre-retirement mortality, as used to compute the accumulated benefit obligation as of December 31, 2007 and as stated in CIT's Annual Report on Form 10-K filed on February 29, 2008, in Note 16 Retirement, Other Postretirement and Other Benefit Plans to the consolidated financial statements. With regard to turnover, retirement, and pre-retirement mortality, the present values of the accumulated benefits payable under Retirement Plan and the Supplemental Retirement Plan have been computed based on the assumption that the executive would remain employed by CIT until age 65 (the normal retirement age as defined in both plans) and then retire and collect the accumulated benefit. The present values of the accumulated benefits payable under the Executive Retirement Plan has been computed based on the assumption that the executive would remain employed by CIT until the later of age 62.5 for Mr. Peek or age 60 in the case of each other named executive officer (the youngest age at which benefits can be received without any reduction) or the youngest age of benefit eligibility, and then retire and collect the accumulated benefit. As further described under Retirement Arrangements for named executive officers below, as well as in footnote 4 to the Summary Compensation Table, each named executive officer, other than Mr. Peek, will be eligible for early retirement benefits upon reaching 55 years of age with ten years of benefit service. Mr. Marsiello and Mr. Hallman met this requirement as of December 31, 2007.
- (2) The Retirement Plan is our tax-qualified plan and is further described under Retirement Arrangements for Named Executive Officers in this Proxy Statement.
- (3) The Company maintains the Supplemental Retirement Plan for employees, including the named executive officers, whose benefit in the Retirement Plan is subject to limitations imposed under the U.S. tax code. The Supplemental Retirement Plan is further described under Retirement Arrangements for Named Executive Officers in this Proxy Statement.
- (4) The Executive Retirement Plan is a nonqualified plan and is further described under Retirement Arrangements for Named Executive Officers in this Proxy Statement.

### Retirement Arrangements for Named Executive Officers

In addition to the CIT Group Inc. Savings Incentive Plan (the **Savings Incentive Plan**), our 401(k) plan, which is described in our Annual Report on Form 10-K for the year ended December 31, 2007, filed by CIT on February 29, 2008, in Note 16 Retirement, Other Postretirement and Other Benefit Plans to the consolidated financial statements, we maintain three retirement arrangements in which Messrs. Peek, Leone, Hallman, Marsiello, and Owens participate: the Executive Retirement Plan, the Supplemental Retirement Plan, and the Retirement Plan. The Executive Retirement Plan and the Supplemental Retirement Plan are nonqualified plans. The Retirement Plan is a tax-qualified defined benefit pension plan that covers eligible employees in the United States.

Participation in the Executive Retirement Plan is limited to existing participants who are key executives that have been designated by the Compensation Committee. The Executive Retirement Plan provides for an annual retirement benefit based upon a formula that takes into account the executive's final base compensation and years of benefit service with CIT. The Executive Retirement Plan defines final base compensation as the highest base compensation for any consecutive twelve-month period in the five years prior to retirement. Benefit service generally means service taken into account for purposes of the Retirement Plan. The benefit under the Executive Retirement Plan formula is reduced by the actuarial equivalent value of the benefits payable under the Supplemental Retirement Plan, the Retirement Plan, and certain predecessor plans of CIT.

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Benefits under the Executive Retirement Plan are paid in the form of an annuity for life beginning at an executive's normal retirement date. Normal retirement date is defined as age 65 with at least ten years of benefit service. An executive who is age 55 and who has at least ten years of benefit service may also elect to retire early with a benefit that is reduced if benefits start before age 60. Executives may elect to have benefits under the Executive Retirement Plan paid in the form of a joint and survivor annuity over the combined lives of the executive and the executive's beneficiary, or as a life annuity.

No benefits are payable under the Executive Retirement Plan if an executive terminates employment prior to attaining ten years of benefit service, except in the case of Mr. Peek for whom special provisions of his employment contract provide for an unreduced benefit with five years of benefit service, or in situations where the Board elects to terminate the plan or a change of control has occurred. Under certain circumstances, if an executive terminates employment with ten years of service and prior to attaining age 55, the benefit under the plan is paid in a lump sum.

The Retirement Plan covers all officers and employees in the United States who have one year of service and are 21 years of age or older. The Retirement Plan was revised in 2000 to convert to a new "cash balance" formula, which became effective January 1, 2001. Under this new formula, except for certain grandfathered participants, each participant's accrued benefit as of December 31, 2000 was converted to a lump sum amount and each year thereafter the participant's account balance is to be credited with a percentage of the participant's benefit pay depending on the participant's period of service as follows:

Period of Service	% of Benefits Pay
1 - 9 years	5
10 - 19 years	6
20 - 29 years	7
30 years or more	8

For purposes of the Retirement Plan, benefits pay generally means base salary, certain annual incentive awards, sales incentives and commissions, subject to certain limits under the plan and imposed under the U.S. tax code. Account balances under the cash balance portion of the Retirement Plan also receive annual interest credits, subject to certain government limits. For 2007, the interest credit was 4.78%. Upon termination after three years (five years if not employed after 2007) of employment or upon retirement, a participant's benefit under the Retirement Plan is generally payable, at the election of the participant, in an annuity or lump sum.

Messrs. Leone, Hallman, and Marsiello began earning benefits under the cash balance formula effective January 1, 2001. Messrs. Peek and Owens began earning benefits under the cash balance formula effective September 3, 2004 and March 8, 2006, respectively.

The Supplemental Retirement Plan covers executives of CIT whose benefits under the Retirement Plan are limited by operation of the U.S. tax code. Each of Messrs. Peek, Leone, Hallman, Marsiello, and Owens participate in the Supplemental Retirement Plan. Any benefits under

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the Supplemental Retirement Plan are paid in a lump sum following a participant's termination of employment with CIT.

The Executive Retirement Plan also provides death benefits for each of Messrs. Peek, Leone, Hallman, Marsiello, and Owens in the event the executive dies while actively employed by CIT. The amount of this benefit is generally equal to three times base salary. We have purchased corporate-owned life insurance to fund this benefit and the retirement benefits payable under the Executive Retirement Plan.

The U.S. tax code requires the payment of the portion of benefits earned after December 31, 2004 for executive officers under the Executive Retirement Plan and the Supplemental Retirement Plan (including potentially each of the named executive officers) to be delayed for six months if the officer's employment ends for any reason other than death or disability. Payments that are delayed as a result of this tax law earn interest at a short-term rate until paid to the officer.

### NONQUALIFIED DEFERRED COMPENSATION

Name	Executive Contributions in Last FY (\$)	Aggregate Earnings in Last FY (\$)	Aggregate Balance at Last FYE (\$)
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(a)	(b)	(d)	(f)
Jeffrey M. Peek	\$952,500(1)	\$183,576	\$2,288,375
Joseph M. Leone(2)	\$	\$ 2,551(3)	\$ 46,613(4)
Thomas B. Hallman(2)	\$	\$ 1,411(3)	\$ 24,273(4)
Lawrence A. Marsiello(2)	\$	\$ 4,799(3)	\$ 63,252(4)
Walter J. Owens	\$	\$ 78,164	\$ 651,987

- (1) The amount shown includes \$200,000 of salary and \$752,500 of Mr. Peek's annual cash incentive award paid in February 2007 under CIT's prior annual cash incentive award plan for performance in 2006. The \$200,000 was included in Salary and the \$752,500 was included in Non-Equity Incentive Plan Compensation in the Summary Compensation Table for 2006.
- (2) Messrs. Leone, Hallman, and Marsiello did not elect to participate in the CIT Group Inc. Deferred Compensation Plan.
- (3) Amounts shown represent earnings during 2007 related to balances in the Supplemental Savings Plan (SSP). SSP balances reflect accrued benefits prior to the conversion of the Retirement Plan to a cash balance formula in 2001. No employee or employer contributions were made during 2007 or will be made in the future to the SSP.
- (4) Amounts shown represent SSP balances as of December 31, 2007.

### Deferred Compensation Plan

In 2005, we adopted the Deferred Compensation Plan, which we refer to as the DCP, which allows approximately 250 senior officers (including all of the named executive officers) the opportunity to defer payment of a portion of their base salary, up to a maximum of 50%, and certain incentive payments, up to a maximum of 75%. Deferred amounts are notionally invested in various investment benchmarks selected by the participant from those offered under the plan and that are aligned with those offered to participants under the Savings Incentive Plan. Changes may be made on a daily basis. Participant deferrals under this plan are payable upon separation from service or in an elected calendar year, or in the event of a participant's death, disability or unforeseeable emergency. Our obligations under the DCP are unsecured general obligations.

In addition, under the terms of our Long-Term Incentive Plan, Mr. Peek elected to defer payment of his January 2006 restricted stock units and his 2005-2007 PSUs, pursuant to the provisions of his applicable award agreements, when those shares vest and become payable on each applicable vesting date.

### Supplemental Savings Plan

Participants in the Supplemental Savings Plan receive an allocation of amounts that were not able to be contributed to the flexible retirement contribution account under the Savings Incentive Plan as a result of limits imposed under the U.S. tax code. Such amounts are notionally invested in the same investments as the participant's flexible retirement contributions under the Savings Incentive Plan. Payments are made in a lump sum following the participant's separation from service.

### Employment Agreements

Currently, two of the named executive officers are party to employment agreements with CIT: Jeffrey

M. Peek and Joseph A. Leone. Thomas B. Hallman retired effective December 31, 2007 and received only those payments and benefits that were due to him under his employment agreement effective at the time of his retirement. Lawrence Marsiello resigned, as of February 29, 2008, for **good reason** (as defined in his employment agreement effective at the time of his resignation). Walter J. Owens is not party to an employment agreement.

#### *Jeffrey M. Peek*

Mr. Peek's employment agreement, dated September 3, 2006 and as amended on December 10, 2007, provides that he will serve as our CEO and as Chairman of our Board. The employment agreement is for an initial term of three years. Upon expiration, the term may be extended for additional one-year periods by written agreement between the parties.

*Compensation and Benefits*

Under his employment agreement, Mr. Peek receives a base salary at an annual rate of \$800,000. His base salary is reviewed when the salaries of all our executive officers are reviewed, and, once increased, may not later be reduced. Mr. Peek is also entitled to an annual bonus pursuant to our incentive plans and programs. The performance targets and criteria for payment of his annual bonus will be established by the Compensation Committee pursuant to EPS, ROCE, net income and other such guidelines. Mr. Peek's target bonus will not be less than 200% of his base salary.

Mr. Peek's employment agreement provides for his participation in all employee pension, welfare, perquisites, fringe benefit, and other benefit plans generally available to senior executives. In addition, the employment agreement provides for continued participation in CIT's Executive Retirement Program and all other supplemental and excess retirement plans on terms no less favorable than provided immediately prior to the effective date of their respective agreements. Mr. Peek is also eligible to receive benefits under the CIT retiree medical and life insurance plan.

Mr. Peek is further entitled to be reimbursed \$25,000 for financial planning assistance, is entitled to use a car owned by CIT and the services of a driver employed by CIT, and is authorized to use CIT's corporate aircraft for business travel and personal travel if CIT's security provider determines Mr. Peek's use of CIT's corporate aircraft is necessary for security reasons.

*Termination*

Mr. Peek's employment may be terminated by us with or without cause, or Mr. Peek may resign with or without good reason (each, as defined below). In the event that his employment is terminated by CIT without cause or Mr. Peek resigns for good reason, Mr. Peek is generally entitled to receive a prorated bonus, continued salary and bonus for three years, continued benefits for up to three years, two years of age and service credit under all relevant CIT retirement plans, and outplacement services. In addition, all of Mr. Peek's outstanding equity compensation awards will fully vest and he will generally have two years to exercise outstanding options (five years for options granted in 2003 and 2004).

In the event of a termination of employment due to Mr. Peek's death or disability, Mr. Peek (or his estate) is entitled to a lump sum payment equal to his annual base salary, a prorated bonus payment, full accelerated vesting with respect to his outstanding equity compensation awards, and amounts due under CIT's general benefits plans and programs, if any. In addition, for a termination due to disability, Mr. Peek is entitled to continue to accrue age and service credit through retirement for purposes of CIT's retirement plans. In the event of a termination due to retirement, Mr. Peek is entitled to a prorated bonus payment.

Under his employment agreement, **cause** generally means (i) willful and continued failure to substantially perform his duties; (ii) willfully engaging in illegal conduct or gross misconduct that is materially and demonstrably injurious to the Company or its affiliates; (iii) conviction of a felony or guilty or *nolo contendere* plea with respect thereto; or (iv) a material breach of the restrictive covenants of his employment agreement. **Good reason** generally means the occurrence of any of the following without Mr. Peek's consent: (i) assignment to him of any duties materially inconsistent with his position; (ii) any material failure by CIT to comply with any of the provisions of compensation provisions of his employment agreement; (iii) relocation to any office or location more than fifty miles from New York, New York; (iv) any purported termination by CIT of his employment otherwise than as expressly permitted by the employment agreement; (v) any failure by CIT to offer to renew the employment agreement on the terms and conditions at least as favorable as in the final full calendar year of the employment

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agreement, unless, at the time of a failure to renew the employment agreement, Mr. Peek has reached the age of 65; or (vi) any failure by CIT to require any successor to assume the employment agreement.

*Change of Control*

In the event of a change of control (as defined in the employment agreement), the term of the employment agreement will be extended to the second anniversary of the change of control. In addition, in the event Mr. Peek's employment is terminated without cause or by him for good reason during the two year extension period, the executive will receive the same severance payments and benefits described above for a termination without cause, except that continued salary and bonus will be paid in a lump sum.

In the event that Mr. Peek becomes subject to excise taxes under Section 4999 of the U.S. tax code, he will receive a gross up payment equal to the amount of such excise taxes.

*Restrictive Covenants*

Mr. Peek's employment agreement also contains certain non-competition and non-solicitation obligations. While employed by CIT and for two years following a resignation without good reason or a termination of employment by CIT for cause, Mr. Peek may not, without the written consent of the Board, (i) knowingly engage or be interested in any business in the United States that is in competition with any lines of business that account for at least 10% of CIT's gross revenues, or (ii) disparage or publicly criticize CIT or any of its affiliates. (Mr. Peek's ownership interest of less than 1% of any class of publicly traded securities is not considered a violation of the provision summarized in the preceding sentence.) In addition, while employed by CIT and for two years following termination of employment for any reason, Mr. Peek may not, without the written consent of the Board, hire any person who was employed by CIT or one of its subsidiaries or affiliates (other than persons employed in a clerical or other non-professional position) within the six-month period preceding the date of such hiring, or solicit, entice, persuade, or induce any person or entity doing business with CIT to terminate such relationship or to refrain from extending or renewing the same.

***Joseph A. Leone***

Mr. Leone's employment agreement, as amended on November 12, 2007, is substantially similar to Mr. Peek's employment agreement, except for the following:

As amended, Mr. Leone's employment agreement provides that any termination or resignation will be treated as a retirement, except for terminations that are due to death or disability; for cause; without cause during the change of control extension period; or due to resignation for any reason prior to the date of Mr. Leone's 55th birthday (May 26, 2008).

As amended, Mr. Leone's employment agreement provides that he will be deemed to be age 55 for purposes of our retirement plans if he is involuntarily terminated without cause before May 26, 2008.

As a result of the changes to the retirement provisions, Mr. Leone's amended employment agreement eliminates the concepts of "good reason" and "evergreen" renewal in the employment agreement.

As amended, Mr. Leone's employment agreement requires him to sign a release of claims in connection with his retirement or termination without cause.

Mr. Leone's employment agreement provides for an annual base salary at a rate of no less than the rate immediately prior to the effective date of the agreement.

Mr. Leone is entitled to an annual bonus opportunity based on the performance of CIT and its business units, in accordance with CIT's incentive plans and programs (with a target bonus of at least 150% of annual base salary).

Mr. Leone is not entitled to Mr. Peek's special perquisites (*i.e.*, financial planning assistance, corporate car and driver and use of corporate aircraft).

In the event of termination without cause, Mr. Leone's continuation of salary, bonus and benefits will be for 2.5 years.

Mr. Leone's non-competition and non-solicitation obligations extend for one year following termination of employment for any reason. Competitive businesses include any business in the United States that is in

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competition with any lines of business actively being conducted by CIT on the date of termination of employment.

***Thomas B. Hallman***

Mr. Hallman retired effective December 31, 2007. Upon his retirement, he received the benefits to which he was entitled pursuant to his employment agreement in effect as of the date of his retirement, *i.e.*, a severance bonus equal to the amount of his target bonus for 2007, and timely payment or provision of the benefits he is eligible to receive under the applicable CIT benefit plans. Mr. Hallman also received outplacement services and is not subject to non-competition or non-solicitation covenants.

***Lawrence A. Marsiello***

As part of CIT's succession planning, Mr. Marsiello, under the terms of his employment agreement, resigned for good reason, effective February 29, 2008, due to the promotion of Nancy J. Foster to Chief Risk Officer.

Pursuant to his employment agreement effective as of his resignation, Mr. Marsiello received the following payments: a prorated bonus for 2008; continued salary and bonus for 2.5 years; continued benefits for two years; two years of age and service credit under all relevant CIT retirement plans; and outplacement services.

**POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE OF CONTROL**

As described above, we have entered into certain agreements and maintain certain plans that will require CIT to provide compensation to our named executive officers in the event of a termination of employment of the named executive officer or a change of control of CIT. The amount of compensation payable to each named executive officer in each situation is listed in the tables below. Under each named executive officer's employment agreement, the named executive officer is entitled to certain payments and benefits upon resignation for good reason, termination without cause, and termination due to death, disability and change of control. The tables below quantify the estimated payments and benefits that would be provided to our named executive officers under their respective employment agreements.

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**Jeffrey M. Peek**

The following table describes the potential payments due to Mr. Peek upon termination of his employment or a change of control of CIT under contractual arrangements and applicable plans as of December 31, 2007.

<b>Executive Benefits and Payments Upon Termination</b>	<b>Retirement(1) (\$)</b>	<b>Involuntary or Good Reason Termination, or COC(1) (\$)</b>	<b>Death(1) (\$)</b>	<b>Disability(1) (\$)</b>
<b>Compensation</b>				
Base Salary(2)	\$	\$	\$ 800,000	\$ 800,000
Severance Bonus(3)	\$	\$ 2,870,500	\$ 2,870,500	\$2,870,500
Severance Payment(4)	\$	\$11,011,500	\$	\$
<b>Long Term Incentives(5)</b>				
Performance Shares				
(2006-2008 Performance Period)	\$	\$ 1,928,480	\$ 1,928,480	\$1,928,480
(2007-2009 Performance Period)	\$	\$ 2,573,012	\$ 2,573,012	\$2,573,012
Stock Options / SARs				
Unvested and Accelerated	\$	\$	\$	\$
Restricted Stock Units				
Unvested and Accelerated	\$716,430	\$ 716,430	\$ 716,430	\$ 716,430
Cumulative Dividend Equivalents	\$ 53,665	\$ 289,145	\$ 289,145	\$ 289,145
<b>Benefits and Perquisites</b>				
Incremental Nonqualified Pension(6)				
Supplemental Retirement Plan	\$	\$ 587,127	\$	\$ 371,149
New Executive Retirement Plan	\$	\$ 3,985,717	\$	\$
Medical/Dental Insurance(7)	\$	\$ 72,000	\$	\$
Life Insurance(8)	\$	\$ 2,000	\$	\$
Disability Insurance(9)	\$	\$ 45,000	\$	\$
Life Insurance Proceeds(10)	\$	\$	\$ 2,400,000	\$
280G Tax Gross-up(11)	\$	\$11,500,994	\$	\$
<b>Total</b>	<b>\$770,096</b>	<b>\$35,581,905(12)</b>	<b>\$11,577,567</b>	<b>\$9,548,716</b>

- (1) The amounts shown represent payments or the present value of future benefits as of December 31, 2007 to be provided to the named executive officer in connection with a termination of employment (i) due to retirement, (ii) by the executive for **good reason** or by CIT **without cause**, each as defined in his employment contract, in connection with a change of control (**COC**), or (iii) by death or disability. A voluntary termination by the named executive officer, other than retirement, generally does not result in any incremental amounts or benefits.
- (2) Represents one times base salary.
- (3) Severance bonus is calculated using the average annual bonus for the two calendar years preceding the date of termination or, if higher, the executive's target bonus for the year, and may be prorated to correspond with the portion of the year ending at termination.
- (4) Calculated based on three-times the sum of base salary plus severance bonus.
- (5)

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Long-term incentive payments are calculated based on the closing price of our common stock as of December 31, 2007 of \$24.03, the last business day of the year. The treatment upon termination for each type of equity award shown in this table is further described under the heading Long-Term Incentives following the Grant of Equity-Based Awards Table.

- (6) As of December 31, 2007, Mr. Peek was not yet eligible to receive any benefits under the Supplemental Retirement Plan and New Executive Retirement Plan upon retirement. In the case of termination by the executive for good reason or by CIT without cause, an additional two years of age and service credit under all relevant CIT retirement plans would be applicable which would result in benefits payable under the Supplemental Retirement Plan and New Executive Retirement Plan. In the case of termination due to disability, Mr. Peek is entitled to continue to accrue age and service credit through retirement, which is assumed to occur at age 65 for purposes of the amounts shown above, which would result in benefits payable under the Supplemental Retirement Plan.
- (7) Represents the estimated value of medical or dental coverage premiums for individual policies to provide coverage for a period of three years.
- (8) Represents the estimated cost of company provided basic group life insurance that provides one times base salary plus the cost of accidental death and dismemberment insurance that provides one times base salary. The base salary is capped at \$500,000 under the plan.
- (9) Estimated cost to purchase individual disability insurance policy coverage for a period of three years.
- (10) Life insurance proceeds based on three times annual base salary.
- (11) Represents an estimate of excise tax pursuant to Section 280G of the U.S. tax code and the related contractual gross-up based on the value of amounts and benefits payable under each termination scenario.
- (12) The total amount for a termination without cause or resignation for good reason not in connection with a change of control is \$24,080,911 (*i.e.*, the total less Section 280G tax gross-up).

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### Joseph M. Leone

The following table describes the potential payments due to Mr. Leone upon termination of his employment or a change of control of CIT under contractual arrangements and applicable plans as of December 31, 2007.

Executive Benefits and Payments Upon Termination	Voluntary Termination Including Retirement(1) (\$)	Involuntary Termination(1) (\$)	COC(1) (\$)	Death(1) (\$)	Disability(1) (\$)
Compensation					
Base Salary(2)	\$	\$	\$	\$ 500,000	\$ 500,000
Severance Bonus(3)	\$	\$1,012,500	\$ 1,012,500	\$1,012,500	\$1,012,500
Severance Payment(4)	\$	\$	\$ 3,781,250	\$	\$
Long Term Incentives(5)					
Performance Shares					
(2006-2008 Performance Period)	\$	\$ 837,013	\$ 837,013	\$ 837,013	\$ 837,013
(2007-2009 Performance Period)	\$	\$ 854,291	\$ 854,291	\$ 854,291	\$ 854,291
Stock Options / SARs					
Unvested and Accelerated	\$	\$	\$	\$	\$
Cumulative Dividend					
Equivalents	\$	\$ 91,282	\$ 91,282	\$ 91,282	\$ 91,282
Benefits and Perquisites					
Incremental Nonqualified Pension(6)					
Supplemental Retirement Plan	\$635,068	\$ 883,741	\$ 883,741	\$ 635,068	\$ 659,443
New Executive Retirement Plan	\$	\$2,723,512	\$ 2,723,512	\$	\$1,849,224
Medical/Dental Insurance(7)	\$	\$	\$ 60,000	\$	\$
Life Insurance(8)	\$	\$	\$ 2,000	\$	\$
Disability Insurance(9)	\$	\$	\$ 37,500	\$	\$
Life Insurance Proceeds(10)	\$	\$	\$	\$1,500,000	\$
280G Tax Gross-up(11)	\$	\$	\$ 3,934,697	\$	\$
<b>Total</b>	<b>\$635,068</b>	<b>\$6,402,339</b>	<b>\$14,217,786</b>	<b>\$5,430,153</b>	<b>\$5,803,752</b>

- (1) The amounts shown represent payments or the present value of future benefits as of December 31, 2007 to be provided to the named executive officer in connection with a termination of employment (i) due to retirement, (ii) by CIT, (iii) in connection with a change of control (COC), or (iv) by death or disability. A voluntary termination by the named executive officer generally does not result in any incremental amounts or benefits other than the Supplemental Retirement Plan.

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- (2) Represents one times base salary.
- (3) Severance bonus is calculated using the average annual bonus for the two calendar years preceding the date of termination or, if higher, the executive's target bonus for the year, and may be prorated to correspond with the portion of the year ending at termination.
- (4) Calculated based on the sum of two and one-half times base salary plus severance bonus.
- (5) Long-term incentive payments are calculated based on the closing price of our common stock as of December 31, 2007 of \$24.03, the last business day of the year. The treatment upon termination for each type of equity award shown in this table is further described under the heading "Long-Term Incentives" following the Grant of Equity-Based Awards Table.
- (6) Present values of the annuity valued under the New Executive Retirement Plan are based on FAS 132 assumptions of a discount rate of 6.75% and the IRS 2008 mortality table.
- (7) Represents the estimated value of medical or dental coverage premiums for individual policies to provide coverage for a period of two and one-half years.
- (8) Represents the estimated cost of company provided basic group life insurance that provides one times base salary plus the cost of accidental death and dismemberment insurance that provides one times base salary. The base salary is capped at \$500,000 under the plan.
- (9) Estimated cost to purchase individual disability insurance policy coverage for a period of two and one-half years.
- (10) Life insurance proceeds based on three times annual base salary.
- (11) Represents an estimate of excise tax pursuant to Section 280G of the U.S. tax code and the related contractual gross-up based on the value of amounts and benefits payable under each termination scenario.

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### Thomas B. Hallman

The following table describes the compensation and benefits that were payable to Mr. Hallman upon the termination of his employment due to his retirement from CIT, effective December 31, 2007.

	Executive Benefits and Payments Upon Termination	Retirement(1) (\$)
Compensation		
Severance Bonus(2)		\$1,050,000
Long Term Incentives(3)		
Performance Shares		
(2006-2008 Performance Period)		\$ 589,264
(2007-2009 Performance Period)		\$ 297,507
Stock Options / SARs		
Unvested and Accelerated		\$
Cumulative Dividend Equivalents		\$ 51,616
Benefits and Perquisites		
Incremental Nonqualified Pension(4)		
Supplemental Retirement Plan		\$ 483,506
New Executive Retirement Plan		\$1,719,961
<b>Total</b>		<b>\$4,242,119</b>

- (1) The amounts shown represent payments or the present value of future benefits as of December 31, 2007 to be provided to the named executive officer in connection with a termination of employment due to retirement.
- (2) Mr. Hallman's severance bonus was equal to his target bonus in respect of services provided in 2007.
- (3) Outstanding performance share awards are prorated through December 31, 2007 and remain subject to the determination of final performance measures to be certified by the Compensation Committee following the end of each respective performance period. Amounts shown above are estimates based on prorated target award values and the closing price of our common stock as of December 31, 2007 of \$24.03, the last business day of the year. Outstanding stock option awards as they appear in the "Outstanding Equity Awards at Fiscal Year-End" table will continue to vest and remain exercisable upon vesting through each respective expiration date.
- (4) Present values of the annuity valued under the New Executive Retirement Plan are based on FAS 132 assumptions of a discount rate of 6% and the IRS 2008 mortality table.

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**Lawrence A. Marsiello**

The following table describes the compensation and benefits that were payable to Mr. Marsiello upon the termination of his employment due to his resignation from CIT for Good Reason, effective February 29, 2008.

<u>Executive Benefits and Payments Upon Termination</u>	<u>Involuntary or Good Reason Termination(1) (\$)</u>
Compensation	
Severance Bonus(2)	\$ 123,288
Severance Payment(3)	\$3,125,000
Long Term Incentives(4)	
Performance Shares	
(2006-2008 Performance Period)	\$ 790,154
(2007-2009 Performance Period)	\$ 803,275
Stock Options / SARs	
Unvested and Accelerated	\$
Cumulative Dividend Equivalents	\$ 102,617
Benefits and Perquisites	
Incremental Nonqualified Pension(5)	
Supplemental Retirement Plan	\$1,118,344
New Executive Retirement Plan	\$3,568,983
Medical/Dental Insurance(6)	\$ 60,000
Life Insurance(7)	\$ 2,000
Disability Insurance(8)	\$ 66,500
<b>Total</b>	<b>\$9,623,562</b>

- (1) The amounts shown represent payments or the present value of future benefits as of February 29, 2008 to be provided to Mr. Marsiello in connection with his resignation from CIT for **good reason**, as defined in his employment contract.
- (2) Mr. Marsiello's severance bonus was equal to the prorated portion of his target bonus for 2008.
- (3) Calculated based on the sum of two and one-half times base salary plus annualized severance bonus.
- (4) Outstanding performance share awards are payable based on the target number of shares awarded, and are not subject to the determination of final performance measures to be certified by the Compensation Committee following the end of each respective performance period. Amounts shown above are based on the closing price of our common stock as of February 29, 2008 of \$22.22. Outstanding stock option awards, as they appear in the Outstanding Equity Awards at Fiscal Year-End, vest as of February 29, 2008 and remain exercisable upon vesting for the lesser of two years or through each respective expiration date.
- (5) Present values of the annuity valued under the New Executive Retirement Plan are based on FAS 132 assumptions of a discount rate of 6.75% and the IRS 2008 mortality table. Mr. Marsiello elected to receive his benefits under the New Executive Retirement Plan in the form of a life annuity with 50% survivor annuity. The monthly annuity payable to Mr. Marsiello is \$23,837.70 and the monthly survivor's benefit payable upon his death to Mr. Marsiello's spouse is \$11,918.85.
- (6) Represents the estimated value of medical or dental coverage premiums for individual policies to provide coverage for a period of two and one-half years.
- (7) Represents the estimated cost of company provided basic group life insurance that provides one times base salary plus the cost of accidental death and dismemberment insurance that provides one times base salary. The base salary is capped at \$500,000 under the plan.
- (8) Estimated cost to purchase individual disability insurance policy coverage for a period of two and one-half years.

**Walter J. Owens**

The following table describes the potential payments due to Mr. Owens upon termination of his employment or a change of control of CIT under applicable plans as of December 31, 2007.

<u>Executive Benefits and Payments Upon Termination</u>	<u>Retirement(1) (\$)</u>	<u>Involuntary or Good Reason</u>	<u>COC(1) (\$)</u>	<u>Death(1) (\$)</u>	<u>Disability(1) (\$)</u>
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	<u>Termination(1)</u> (\$)				
Compensation					
Base Salary	\$	\$	\$	\$	\$
Severance Bonus(2)	\$	\$ 450,000	\$ 450,000	\$	\$
Severance Payment(3)	\$	\$ 900,000	\$1,800,000	\$	\$
Long Term Incentives(4)					
Performance Shares					
(2006-2008 Performance Period)	\$	\$ 535,701	\$ 535,701	\$ 535,701	\$ 535,701
(2007-2009 Performance Period)	\$	\$ 554,660	\$ 554,660	\$ 554,660	\$ 554,660
Stock Options /SARs					
Unvested and Accelerated	\$	\$	\$	\$	\$
Restricted Stock Units					
Unvested and Accelerated	\$76,848	\$ 76,848	\$ 76,848	\$ 76,848	\$ 76,848
Cumulative Dividend Equivalents	\$	\$ 58,751	\$ 58,751	\$ 58,751	\$ 58,751
Benefits and Perquisites					
Incremental Nonqualified Pension(5)					
Supplemental Retirement Plan	\$	\$	\$	\$	\$
New Executive Retirement Plan	\$	\$	\$	\$	\$
Medical/Dental Insurance(6)	\$	\$	\$ 48,000	\$	\$
Life Insurance(7)	\$	\$	\$ 2,000	\$	\$
Life Insurance Proceeds(8)	\$	\$	\$	\$1,350,000	\$
<b>Total</b>	<b>\$76,848</b>	<b>\$2,655,960</b>	<b>\$3,525,960</b>	<b>\$2,575,960</b>	<b>\$1,225,960</b>

- (1) The amounts shown represent payments or the present value of future benefits as of December 31, 2007 to be provided to the named executive officer in connection with a termination of employment (i) due to retirement, (ii) by the executive for **good reason** or by CIT **without cause**, each as defined in his employment contract, in connection with a change of control (COC), or (iii) by death or disability. A voluntary termination by the named executive officer, other than retirement, generally does not result in any incremental amounts or benefits other than the Supplemental and Executive Retirement Plans.
- (2) Severance bonus is calculated using the lesser of base salary or the average of the two highest annual bonuses for the three calendar years preceding the date of termination, and is prorated to correspond with the portion of the year ending at termination.
- (3) Calculated based on the sum of two times base salary plus, in the case of a COC, two times the severance bonus.
- (4) Long-term incentive payments are calculated based on the closing price of our common stock as of December 31, 2007 of \$24.03, the last business day of the year. The treatment upon termination for each type of equity award shown in this table is further described under the heading Long-Term Incentives following the Grant of Equity-Based Awards Table.
- (5) Present values of the annuity valued under the New Executive Retirement Plan are based on FAS 132 assumptions of a discount rate of 6.75% and the IRS 2008 mortality table.
- (6) Represents the estimated value of medical or dental coverage premiums for individual policies to provide coverage for a period of 2 years.
- (7) Represents the estimated cost of company provided basic group life insurance that provides one times base salary plus the cost of accidental death and dismemberment insurance that provides one times base salary. The base salary is capped at \$500,000 under the plan.
- (8) Life insurance proceeds based on three times annual base salary.

**DIRECTOR COMPENSATION**

Name	Fees Earned or Paid in Cash(1) (\$)	Stock Awards(2) (\$)	Option Awards(3) (\$)	Total (\$)
(a)	(b)	(c)	(d)	(h)
Gary C. Butler	\$60,000	\$25,085	\$40,665	\$125,750
William M. Freeman	\$60,000	\$25,051	\$41,498	\$126,549
Hon. Thomas H. Kean	\$	\$15,012	\$27,414	\$ 42,426
Susan Lyne	\$60,000	\$35,918	\$48,494	\$144,412
James S. McDonald	\$40,000	\$ 6,946	\$ 9,664	\$ 56,610

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Marianne Miller Parrs	\$60,000	\$27,853	\$38,031	\$125,884
Timothy M. Ring	\$60,000	\$25,085	\$54,993	\$140,076
Vice Admiral John R. Ryan	\$60,000	\$25,085	\$46,483	\$131,566
Seymour Sternberg	\$60,000	\$27,853	\$35,223	\$123,674
Peter J. Tobin	\$60,000	\$27,853	\$46,483	\$134,334
Lois M. Van Deusen	\$60,000	\$25,085	\$38,031	\$123,116

- (1) Directors receive an annual retainer of \$60,000. Mr. McDonald received a prorated retainer, based upon his appointment to the Board in October 2007. As shown in the following table, the annual retainers were paid as cash or converted into restricted shares at each director's election:

	<u>Paid in Cash</u>	<u>Granted as Restricted Stock</u>
Mr. Freeman	\$51,000	\$ 9,000
Messrs. Ring, Ryan, Sternberg and Tobin	\$30,000	\$30,000
Mr. Butler, Ms. Lyne, Ms. Miller Parrs and Ms. Van Deusen	\$	\$60,000
Mr. McDonald	\$ 7,500	\$32,500

\$7,500 of the annual retainer paid to Mr. McDonald was ineligible to be received as restricted shares. On January 17, 2008, we granted 1,537 shares of restricted stock to Mr. McDonald pursuant to his election, based on the fair market price of CIT common stock on the date of grant of \$21.15 per share. This grant vests 100% on the first anniversary of the date of the award. The grant date fair value of this grant was \$32,508. This award is not included in the amounts shown in the Stock Awards column in the table above.

On May 8, 2007, restricted stock was granted at each director's election based on the fair market price of CIT common stock on the date of grant of \$60.22 per share. These grants vest 100% on the first anniversary of the date of the award. The number and grant date fair value of these grants were as follows: Mr. Butler 499 shares (\$30,050), Mr. Freeman 75 shares (\$4,517), Ms. Lyne 499 shares (\$30,050), Ms. Miller Parrs 499 shares (\$30,050), Mr. Ring 250 shares (\$15,055), Mr. Ryan 250 shares (\$15,055), Mr. Sternberg 250 shares (\$15,055), Mr. Tobin 250 shares (\$15,055), and Ms. Van Deusen 499 shares (\$30,050).

On October 17, 2007, we granted restricted stock at each director's election based on the fair market price of CIT common stock on the date of grant of \$34.98 per share. These grants vest 100% on the first anniversary of the date of the award. The number and grant date fair value of these grants were as follows: Mr. Butler 858 shares (\$30,013), Mr. Freeman 129 shares (\$4,512), Ms. Lyne 858 shares (\$30,013), Ms. Miller Parrs 858 shares (\$30,013), Mr. Ring 429 shares (\$15,006), Mr. Ryan 429 shares (\$15,006), Mr. Sternberg 429 shares (\$15,006), Mr. Tobin 429 shares (\$15,006), and Ms. Van Deusen 858 shares (\$30,013).

- (2) Represents the stock award compensation cost recognized during 2007 pursuant to FAS 123R for each Director, other than for shares of restricted stock granted as part of the annual retainer. The valuation method and related assumptions used to determine the stock award compensation cost recognized during 2007 is further discussed in our Annual Report on Form 10-K filed by CIT on February 29, 2008, under the heading "Restricted Stock" in Note 16 Retirement, Other Postretirement and Other Benefit Plans to the consolidated financial statements.

On May 8, 2007, restricted stock was granted to each director based on the fair market price of CIT common stock on the date of grant of \$60.22 per share. These grants vest in three equal installments on the first, second, and third anniversaries of the date of the award. The number and grant-date fair value of these grants were as follows: Mr. Butler 748 shares (\$45,045), Mr. Freeman 748 shares (\$45,045), Ms. Lyne 748 shares (\$45,045), Ms. Miller Parrs 831 shares (\$50,043), Mr. Ring 748 shares (\$45,045), Mr. Ryan 748 shares (\$45,045), Mr. Sternberg 831 shares (\$50,043), Mr. Tobin 831 shares (\$50,043), and Ms. Van Deusen 748 shares (\$45,045).

On October 17, 2007, we granted 2,383 shares of restricted stock to Mr. McDonald based on the fair market price of CIT common stock on the date of grant of \$34.98 per share. This grant vests in three equal installments on the first, second and third anniversaries of the date of the award. The grant date fair value of this grant was \$83,357.

The number of unvested restricted stock awards outstanding at December 31, 2007, including the grants made during 2007 but not including the grant made to Mr. McDonald in January 2008, was as follows: Mr. Butler 2,710 shares, Mr. Freeman 1,557 shares, Ms. Lyne 3,179 shares, Mr. McDonald 2,383, Ms. Miller Parrs 2,859 shares, Mr. Ring 2,032 shares, Mr. Ryan 2,032 shares, Mr. Sternberg 2,836 shares, Mr. Tobin 2,181 shares, and Ms. Van Deusen 2,710 shares.

- (3) Represents the stock option compensation cost recognized during 2007 pursuant to FAS 123R, for each director. The valuation method and related assumptions used to determine the stock option compensation cost recognized during 2007 is further discussed in the Annual Report on Form 10-K filed by CIT on February 29, 2008, under the heading "Long-Term Incentive Plan" in Note 16 Retirement, Other Postretirement and Other Benefit Plans to the consolidated financial statements.

On May 8, 2007, we granted stock options to our directors with an exercise price based on the fair market value of CIT common stock on the date of grant of \$60.22 per share. These grants vest in three equal installments on the first, second and third anniversaries of the date of the award. The number and grant date fair value of these grants were as follows: Mr. Butler 2,250 options (\$38,974), Mr. Freeman 2,750 options (\$47,635), Ms. Lyne 2,250 options (\$38,974), Ms. Miller Parrs 2,250 options (\$38,974), Mr. Ring 2,250 options (\$38,974), Mr. Ryan 2,750 options (\$47,635), Mr. Sternberg 2,250 options (\$38,974), Mr. Tobin 2,750 options (\$47,635), and Ms. Van Deusen 2,250 options (\$38,974).

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On October 17, 2007, 7,274 stock options were granted to Mr. McDonald based on the fair market price of CIT common stock on the date of grant of \$34.98 per share. These options vest in three equal installments on the first, second and third anniversaries of the date of the award. The grant date fair value of this grant was \$96,212.

The number of stock options outstanding at December 31, 2007, including the grants made during 2007, was as follows: Mr. Butler 23,364 options, Mr. Freeman 26,813 options, Ms. Lyne 7,250 options, Mr. McDonald 7,274 options, Ms. Miller Parrs 29,150 options, Mr. Ring 19,552 options, Mr. Ryan 29,047 options, Mr. Sternberg 6,157 options, Mr. Tobin 41,711 options, and Ms. Van Deusen 30,393 options.

### SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

#### Security Ownership of Certain Beneficial Owners

The table below shows the name and address of each person or company known to CIT that beneficially owns in excess of 5% of any class of voting stock. Information in this table is as of December 31, 2007, based upon reports on Schedule 13G filed with the Securities and Exchange Commission on or before February 15, 2008.

Title of Class of Stock	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percentage of Common Stock
Common Stock	Wellington Management Company, LLP 75 State Street Boston, MA 02109	(1) 11,843,920	6.25%
Common Stock	Barclays Global Investors, NA 45 Fremont Street, 17th Floor San Francisco, CA 94105	(2) 10,827,456	5.71%

- (1) Wellington Management Company, LLP reports shared voting power over 8,369,351 shares and shared dispositive power over 11,814,120 shares.  
 (2) Barclays Global Investors, NA reports sole voting power over 9,269,227 shares and sole dispositive power over 10,827,456 shares.

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#### Security Ownership of Directors and Executive Officers

The table below shows, as of February 15, 2008, the number of shares of CIT common stock owned by each director, by the named executive officers, and by the directors and executive officers as a group.

Name of Individual	Amount and Nature of Beneficial Ownership (CIT Common Stock and Exchangeable Shares)(1)(2)(3)(4)(5)	Percentage of Class
Jeffrey M. Peek(6)	1,457,243.61	*
Gary C. Butler	38,526.87	*
William M. Freeman	25,398.56	*
Susan M. Lyne	6,048.00	*
James S. McDonald	3,920.00	*
Marianne Miller Parrs	34,221.87	*
Timothy M. Ring	18,387.93	*
John R. Ryan	27,103.93	*
Seymour Sternberg	7,126.92	*
Peter J. Tobin	39,606.00	*
Lois M. Van Deusen	33,056.32	*
Thomas B. Hallman	693,274.02	*
Joseph M. Leone	705,667.52	*
Lawrence A. Marsiello	637,762.68	*
Walter J. Owens	118,215.00	*
All Directors and Executive		

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Name of Individual	Amount and Nature of Beneficial Ownership (CIT Common Stock and Exchangeable Shares)(1)(2)(3)(4)(5)	Percentage of Class
Officers as a group (21 persons)	4,497,179.12	2.31%
* Represents less than 1% of our total outstanding Common Stock.		
(1)	Includes shares of restricted stock issued under our existing and prior equity compensation plans, for which the holders have voting rights, but for which ownership has not vested, in the following amounts: Mr. Butler 2,710 shares, Mr. Freeman 1,557 shares, Ms. Lyne 3,179 shares, Mr. McDonald 3,920 shares, Ms. Parrs 2,859 shares, Mr. Ring 2,032 shares, Mr. Ryan 2,032 shares, Mr. Sternberg 2,836 shares, Mr. Tobin 2,181 shares and Ms. Van Deusen 2,710 shares. Includes 3,198 shares of restricted stock issued to Mr. Owens under our prior equity compensation plan, for which the holder has voting rights and for which ownership is scheduled to vest within 60 days after February 15, 2008.	
(2)	Includes shares of CIT common stock issuable pursuant to stock options awarded under our existing and prior equity compensation plans that have vested or are scheduled to vest within 60 days after February 15, 2008 in the following amounts: Mr. Peek 1,047,505 shares, Mr. Butler 18,293 shares, Mr. Freeman 21,242 shares, Ms. Lyne 1,665 shares, Ms. Parrs 24,079 shares, Mr. Ring 14,481 shares, Mr. Ryan 22,848 shares, Mr. Sternberg 1,770 shares, Mr. Tobin 35,512 shares, Ms. Van Deusen 25,322 shares, Mr. Hallman 556,850 shares, Mr. Leone 578,943 shares, Mr. Marsiello 436,912 shares and Mr. Owens 97,866 shares.	
(3)	Includes performance shares issued under our existing and prior equity compensation plans that are scheduled to vest within 60 days after February 15, 2008 for which holders will have voting rights upon vesting, in the following amounts: Mr. Peek 82,000 shares, Mr. Hallman 45,000 shares, Mr. Leone 30,000 shares, Mr. Marsiello 111,310 shares and Mr. Owens 12,500 shares.	
(4)	Excludes performance shares at target issued under our existing and prior equity compensation plans, for which the holders do not have voting rights, and for which ownership has not vested, in the following amounts: Mr. Peek 228,328 shares, Mr. Hallman 36,903 shares, Mr. Leone 85,383 shares and Mr. Owens 51,625 shares. Also excludes 14,907 restricted stock units issued to Mr. Peek under our prior equity compensation plan, for which he does not have voting rights and which have not vested, and 29,814 vested restricted stock units that Mr. Peek elected to defer receipt of and for which he does not have voting rights.	
(5)	Includes 29,214 shares of restricted stock issued under our existing and prior equity compensation plans to executive officers and directors as a group for which they have voting rights, but for which ownership has not vested, 327,686 performance shares scheduled to vest within 60 days after February 15, 2008 for which holders will have voting rights upon vesting, and 3,401,997 shares of CIT common stock issuable pursuant to stock options awarded under our existing and prior equity compensation plans to all executive officers and directors as a group that have vested or will vest within 60 days after February 15, 2008. Excludes 470,011 performance shares and 14,907 restricted stock units issued under our existing and prior equity compensation plans to all executive officers as a group, for which the holders do not have voting rights and for which ownership has not vested, and 29,814 vested restricted stock units that have been deferred and that do not have voting rights.	
(6)	Includes 3,000 shares of CIT common stock held in trusts for his children for which Mr. Peek has disclaimed beneficial ownership.	

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### CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We have in the past and may in the future enter into certain transactions with affiliates, other than directors and executive officers. Such transactions have been, and it is anticipated that such transactions will continue to be, entered into on an arms length basis at a fair market value for the transaction.

Affiliates of Barclays Global Investors, NA, a stockholder of CIT, provide banking and investment banking services to CIT. These services are provided in the ordinary course of business. During 2007, CIT paid Barclays approximately \$4.4 million for services rendered, including fees for cash management services, underwriting fees for issuing unsecured debt and asset backed securities, facility fees for bank credit facilities, fees for hedging activities to protect against certain risks, such as interest rate and currency exchange fluctuations, and investment fees primarily for overnight investments.

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### PROPOSAL 2

#### APPOINTMENT OF INDEPENDENT AUDITORS

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The Audit Committee has appointed the firm of PricewaterhouseCoopers LLP ( **PwC** ), 300 Madison Avenue, New York, New York 10017, as independent auditors to audit CIT's financial statements, to review management's assessment of the effectiveness of internal control over financial reporting as of and for the year ending December 31, 2008, and to perform appropriate auditing services. A resolution will be presented at the meeting to ratify the appointment. The affirmative vote of a majority of the number of votes entitled to be cast by the common stock represented at the meeting is needed to ratify the appointment. If the stockholders do not ratify the appointment of PwC, the Audit Committee will reconsider the selection of independent auditors.

PwC has audited our financial statements since June 2001. A member of PwC will be present at the meeting, will have the opportunity to make a statement, if he or she desires to do so, and will be available to respond to stockholders' questions.

### Fees for Professional Services

The table below shows the aggregate fees for professional services billed by PwC related to the years ended December 31, 2007 and December 31, 2006 (in millions):

	Year ended December 31, 2007	Year ended December 31, 2006
Audit fees (a)	\$13.78	\$12.16
Audit-related fees (b)	.28	0.28
Tax fees (c)	.69	0.93
All other fees (d)	.01	0.09
<b>Total Fees</b>	<b>\$14.76</b>	<b>\$13.46</b>

- (a) Audit fees include fees billed for audit services related to the respective fiscal years presented, including the audit of CIT's consolidated financial statements and effectiveness of internal controls over financial reporting, limited reviews of CIT's unaudited interim financial statements, and as appropriate, statutory and subsidiary audits, issuances of comfort letters, consents, income tax provision procedures and assistance with review of documents filed with the Securities and Exchange Commission. The Audit fees in the 2006 column have been updated compared to the proxy statement filed on April 4, 2007 to include fees for subsidiary audits related to fiscal 2006 that were agreed to after the filing of the previous proxy statement.
- (b) Audit related fees include fees billed in each of the respective years presented for assurance and related services, including audits of employee benefit plans, review of our service centers, and guidance related to emerging accounting standards.
- (c) Tax fees include fees billed in each of the respective years presented for tax services rendered for tax return preparation, tax compliance and tax advice.
- (d) All other fees include fees billed in each of the respective years presented for user licenses for access to a technical reference library.

The Audit Committee has determined that CIT will not retain PwC for any professional services without the prior approval of the Audit Committee, except that the Audit Committee has delegated to the Audit Committee Chairman the authority to authorize management to retain PwC for professional services in which the aggregate fees are expected to be less than \$200,000 in any year. In general, CIT does not retain PwC to provide information systems, tax consulting, or other consulting services. The Audit Committee has determined that the professional services provided by PwC as described above are compatible with the independent auditor maintaining its independence. The Audit Committee gave prior approval to all audit and non-audit professional services provided by PwC in 2007.

**The Board of Directors recommends a vote For the ratification of PricewaterhouseCoopers LLP as CIT's independent auditors for 2008.**

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## PROPOSAL NO. 3

### APPROVAL OF AN AMENDMENT OF THE CIT GROUP INC. LONG-TERM INCENTIVE PLAN

On February 28, 2008, the Board of Directors unanimously approved, subject to stockholder approval, the following amendments to the CIT Group Inc. Long-Term Incentive Plan (the **LTIP**):

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an increase in the number of shares of CIT common stock available for awards under the LTIP Plan from 7,500,000 to 15,900,000;

a deletion of the special limit with respect to the number of shares of CIT common stock that may be subject to restricted stock, restricted stock units, performance stock, performance units and other awards payable in shares of CIT common stock under the LTIP;

an inclusion of a separate share counting rule that provides that, for each share of CIT common stock issued in respect of awards of restricted stock, restricted stock units, performance stock, performance units and other awards payable in shares of CIT common stock under the LTIP, which are granted on or after the date of the Annual Meeting, the maximum aggregate number of shares of CIT common stock that may be issued under the LTIP will reduce by 1.94 shares; and

a revised repricing provision, which indicates that **repricing** includes the cancellation of outstanding options or stock appreciation rights in exchange for cash or other awards granted under the LTIP. The repricing provision will not apply if (x) stockholder approval is obtained or (y) such reduction or cancellation is in connection with a corporate transaction involving CIT.

The LTIP, which was originally approved by CIT's stockholders in May 2006, was established for two reasons. First, the LTIP helps promote the long-term success of CIT by providing eligible individuals with opportunities to obtain a proprietary interest in CIT through the grant of equity-based awards. These awards will provide participants with incentives to contribute to CIT's long-term growth and profitability. Second, the LTIP assists CIT in attracting, retaining, and motivating highly qualified individuals who are in a position to make significant contributions to CIT.

The following is a summary of the principal provisions of the LTIP, as amended, but is not intended to be a complete description of all its terms and provisions. This description is qualified by reference to the plan document, a copy of which is attached to this proxy statement as Annex A.

***The affirmative vote of a majority of the votes present, in person or by proxy and properly cast at the 2008 Annual Meeting, is required to approve these amendments to the LTIP.*** On March 14, 2008, the closing market price of the CIT common stock on the NYSE was \$15.23.

### **Administration**

The LTIP is generally administered by the Compensation Committee. The Compensation Committee has full authority to construe and interpret the LTIP subject to the plan's terms and conditions, including the authority to determine who will be granted awards, the terms and conditions of awards, and the number of shares subject to, or the cash amount payable with respect to, an award.

### **Eligibility**

The Compensation Committee has the authority under the LTIP to select the individuals who will be granted awards from among the officers, employees, directors, non-employee directors, consultants, advisors, and independent contractors of CIT or any parent or subsidiary of CIT. The Compensation Committee also may delegate its authority to grant awards (other than to executive officers) to appropriate officers of CIT.

### **Number of Shares Available for Issuance**

If this Proposal Number 3 is adopted, the maximum aggregate number of shares of CIT common stock that may be issued under the LTIP will be 15,900,000, plus any shares that are available for issuance under the **Prior Plan** (as defined in Annex A) or that become available for issuance upon cancellation or expiration of awards granted under the Prior Plan without having been exercised or settled. Shares issued under the LTIP may be authorized and unissued shares or may be issued shares that have been reacquired by CIT.

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The number of shares of CIT common stock remaining available for issuance will be reduced by the number of shares subject to outstanding awards under the LTIP and, for awards that are not denominated by shares of CIT common stock, by the number of shares actually delivered upon settlement or payment of the award. If this Proposal Number 3 is adopted, then for each share of CIT common stock issued in respect of awards of restricted stock, restricted stock units, performance stock, performance units and other awards payable in shares of CIT common stock under the LTIP that are granted on or after the date of the 2008 Annual Meeting, the maximum aggregate number of shares of CIT common stock that may be issued under the LTIP will be reduced by 1.94 shares.

Shares covered by awards granted under the LTIP that are forfeited or cancelled or otherwise expire without having been exercised or settled generally will become available for issuance pursuant to a new award. In addition, if an award is settled through the payment of cash or other non-share consideration, the shares subject to the award will become available for issuance pursuant to a new award. Shares that are tendered or withheld to pay the exercise price of an award or to satisfy tax withholding obligations and exercised shares covered by a stock-settled stock appreciation right will not be available for issuance pursuant to a new award.

### **Types of Awards; Limits**

The Compensation Committee may grant the following types of awards under the LTIP: options; restricted stock; restricted stock units; stock appreciation rights; performance stock; performance units; and other awards based on, or related to, shares of CIT common stock. However, the LTIP contains various limits with respect to the types of awards. If this Proposal Number 3 is adopted, the limits will be as follows:

the maximum number of shares that may be issued pursuant to options and stock appreciation rights granted to any eligible individual in any calendar year is 3,000,000 shares; and

the maximum amount of restricted stock, restricted stock units, performance stock and performance stock units that may be awarded to any eligible individual in any calendar year is ten million dollars (\$10,000,000) measured as of the date of grant (with respect to awards denominated in cash) and 400,000 shares measured as of the date of grant (with respect to awards denominated in shares).

### ***Stock Options***

A stock option is the right to acquire shares of CIT common stock at a fixed exercise price for a fixed period of time (generally up to seven years). The exercise price is set by the Compensation Committee but cannot be less than 100% of the fair market value of CIT common stock on the date of grant. The only exception is for options granted in substitution for options held by employees of companies that CIT acquires. In that case, the exercise price generally preserves the economic value of the options granted to the acquired employee by the acquired company. The term of a stock option may not exceed seven years.

The Compensation Committee may grant either incentive stock options or nonqualified stock options. As described in detail below, incentive stock options entitle the participant, but not CIT, to preferential tax treatment. The Compensation Committee determines the rules and procedures for exercising options. The exercise price may be paid in cash, shares, a combination of cash and shares, through net settlement (meaning CIT withholds shares otherwise issuable upon exercise to pay the exercise price), or by any other means authorized by the Compensation Committee, including cashless exercise, a procedure whereby vested shares covered by the option are sold by a broker and a portion of the sale proceeds are delivered to CIT to pay the exercise price.

### ***Stock Appreciation Rights***

Stock appreciation rights are awards that entitle the participant to receive an amount equal to the excess, if any, of the fair market value on the exercise date of the number of shares for which the stock appreciation right is exercised over the grant price. The grant price is set by the Compensation Committee, but cannot be less than 100% of the fair market value of CIT common stock on the date of grant. The only exception is for stock appreciation rights granted in substitution for stock appreciation rights held by employees of companies that CIT acquires. In that case, the exercise price generally preserves the economic value of the stock appreciation rights granted to the acquired employee by the acquired company. Payment to the participant on exercise may be made in cash or shares, as determined by the Compensation Committee. If the Compensation Committee determines at the time of

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grant that a stock appreciation right may be settled only in shares, the term may not exceed seven years. The Compensation Committee may grant stock appreciation rights in tandem with an option.

### ***Restricted Stock***

Restricted stock awards are shares of CIT common stock that are subject to cancellation, restrictions, and vesting conditions, as determined by the Compensation Committee. The shares may be either granted or sold to the participant.

### ***Restricted Stock Units***

Restricted stock units entitle a participant to receive one or more shares of CIT common stock in the future upon satisfaction of vesting conditions determined by the Compensation Committee. The Compensation Committee determines whether restricted stock units will be settled through the delivery of shares, cash of equivalent value, or a combination of shares and cash.

***Performance Stock and Performance Units***

Performance stock and performance unit awards entitle a participant to receive a target number of shares if specified performance targets are achieved during a specified performance period. The Compensation Committee sets the performance targets and performance period at the date of grant. When the Compensation Committee determines the performance targets have been satisfied, performance stock and performance units are settled through the delivery of shares of CIT common stock, cash of equivalent value, or a combination of cash and shares.

***Other Awards***

The Compensation Committee also may grant other forms of awards that generally are based on the value of shares of CIT common stock. These other awards may provide for cash payments based in whole or in part on the value or future value of shares, may provide for the future delivery of shares to the participant, or may provide for a combination of cash payments and future delivery of shares.

***Section 162(m) Performance-Based Awards***

The Compensation Committee may determine whether any award is a **performance-based** award for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended, which we refer to as the U.S. tax code. Any awards designated to be **performance-based compensation** will be conditioned on the achievement of one or more specified performance goals established by the Compensation Committee at the date of grant. The performance goals will be comprised of specified levels of one or more of the following performance criteria, as the Compensation Committee deems appropriate: net income; cash flow or cash flow on investment; pre-tax or post-tax profit levels or earnings; growth in managed assets; operating earnings; return on investment; earned value added; expense reduction levels; free cash flow; free cash flow per share; earnings per share; net earnings per share; return on assets; return on net assets; return on equity; return on capital; return on sales; operating margin; total stockholder return or stock price appreciation; **EBITDA** (as defined in Annex A); adjusted EBITDA; revenue; or revenue before deferral, in each case determined in accordance with generally accepted accounting principles consistently applied on a business unit, subsidiary or consolidated basis or any combination thereof.

The performance goals may be described in terms of objectives that are related to the individual participant or objectives that are Company-wide or related to a subsidiary, division, department, region, function or business unit. Performance goals may be measured on an absolute or cumulative basis, or on the basis of percentage of improvement over time. Further, performance goals may be measured in terms of Company performance (or performance of the applicable subsidiary, division, department, region, function or business unit), or measured relative to selected peer companies or a market index.

The applicable performance goals will be established by the Compensation Committee within 90 days following the commencement of the applicable performance period (or such earlier or later date as permitted or required by Section 162(m)). Each participant will be assigned a target number of shares of CIT common stock or cash value payable if target performance goals are achieved. The Compensation Committee will certify the attainment of the performance goals at the end of the applicable performance period. If a participant's performance exceeds such participant's target performance goals, the number of shares of CIT common stock or the cash value payable under the performance-based award may be greater than the target number, but in no event can the amounts exceed the award limits described above. In addition,

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unless otherwise provided in an award agreement, the Compensation Committee may reduce the number of shares or cash value payable with respect to a performance-based award even if the performance objectives are satisfied.

**Amendment and Termination; Term**

Generally, the Board may terminate, amend, modify, or suspend the LTIP at any time. CIT will obtain stockholder approval of any termination, amendment, modification, or suspension if required by applicable law or NYSE rule. Subject to limited exceptions, no termination, amendment, modification, or suspension may materially impair the rights of a participant with respect to an outstanding award without the participant's consent. Unless terminated earlier, the LTIP will expire in 2016, on the tenth anniversary of the effective date, and no additional awards may be granted after this date.

## Change of Control

In the event of a Change of Control (as defined in Annex A) of CIT, the Compensation Committee may take steps it considers appropriate, including accelerating vesting, modifying an award to reflect the Change of Control, or providing that outstanding awards will be assumed, or substituted for, by the surviving corporation or permitting or requiring participants to surrender options and stock appreciation rights in exchange for a cash payout equal to the difference between the highest price paid in the Change of Control and the exercise price. Generally, unless the Compensation Committee determines otherwise at the time of grant, the default treatment of outstanding awards upon a Change of Control is as follows:

- options and stock appreciation rights immediately vest in full and remain exercisable until the second anniversary of the participant's termination of employment or, if earlier, the expiration of the award's initial term;
- restrictions imposed on restricted stock and restricted stock units immediately lapse;
- the performance targets with respect to performance units, performance stock, or other awards that vest upon satisfaction of performance objectives shall be deemed attained at target levels; and
- the vesting of all other awards that are specified with respect to shares shall be accelerated.

Under the LTIP, the following events generally result in a Change of Control:

- one individual or entity acquires at least 35% of the voting power of CIT (the Prior Plan requires that one individual or entity acquire more than 50% of the voting power of CIT);
- a majority of CIT directors are replaced by directors not approved by the Board;
- there is a merger or consolidation of CIT that results in new stockholders having at least 50% of the voting power of CIT;
- there is a sale of all or substantially all of CIT's assets; or
- CIT stockholders approve a plan of liquidation or dissolution.

## Other Provisions

*Dividends and Dividend Equivalents.* The Compensation Committee may provide participants with the right to receive dividends or payments equivalent to dividends or interest with respect to an outstanding award. Any such dividends or interest may either be paid currently or may be deemed to have been reinvested in shares, and may be settled in shares, cash, or a combination of cash and shares. No dividends or dividend equivalents will be paid with respect to options or stock appreciation rights.

*Participant's Stockholder Rights.* A participant will have no rights as a stockholder with respect to shares covered by an award (including voting rights) until the date the participant or his nominee becomes the holder of record of such shares. Generally, no adjustment will be made for dividends or other rights for which the record date is prior to such date.

*Deferrals.* The Compensation Committee may permit participants to defer the payment or settlement of an award to one or more dates selected by the participant.

*Repricing of Options and Stock Appreciation Rights.* Options and stock appreciation rights may not be repriced. If this Proposal Number 3 is adopted, then for these purposes, to reprice an award means (i) to reduce the exercise or grant price, (ii) to cancel outstanding options or stock appreciation rights in exchange for cash or other awards or (iii) to grant a new award with a lower exercise or grant price in exchange for the cancellation of the original award. This provision will not apply if (x) stockholder approval is obtained or (y) such

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reduction, cancellation or grant is in connection with a corporate transaction involving CIT.

*Adjustments or Changes in Capitalization.* In the event of a stock split, reverse stock split, stock dividend, extraordinary cash dividends, recapitalization, liquidation, merger or other corporate event affecting the shares of CIT common stock, the aggregate number of shares of available for issuance under the LTIP, the various LTIP limits, and the number of shares subject to, and exercise or grant price of, outstanding awards will be appropriately adjusted by the Compensation Committee.

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*Limited Transferability.* Generally, an award may only be transferred upon the participant's death to a designated beneficiary or in accordance with the participant's will or the laws of descent or distribution, and, except for incentive stock options, pursuant to a domestic relations order. The Compensation Committee also may permit limited transferability, generally to a participant's family member, a trust for the benefit of a family member, or a charitable organization.

### New Plan Benefits

The number of options and other awards that an individual may receive under the LTIP is in the discretion of the Compensation Committee and therefore cannot be determined in advance. Provided below is a summary of the awards granted in 2007 under the LTIP to our named executive officers; current executive officers; current non-employee directors; and all other employees.

### CIT GROUP INC. LONG-TERM INCENTIVE PLAN

Name and Position	Award Type	Dollar Value (\$)	Number of Units
Jeffrey M. Peek	Stock Options	\$ 3,976,930	238,237
	Performance Shares	\$ 6,054,021	107,075
Joseph M. Leone	Stock Options	\$ 1,320,396	79,098
	Performance Shares	\$ 2,010,054	35,551
Thomas B. Hallman	Stock Options	\$ 1,379,506	82,639
	Performance Shares	\$ 2,100,009	37,142
Lawrence A. Marsiello	Stock Options	\$ 1,241,555	74,375
	Performance Shares	\$ 1,890,019	33,428
Walter J. Owens	Stock Options	\$ 857,279	51,355
	Performance Shares	\$ 1,305,056	23,082
Non-NEO Executive Officers as a Group	Stock Options	\$ 1,140,820	78,156
	Performance Shares	\$ 2,892,078	51,151
Non-Employee Director Group	Stock Options	\$ 472,964	29,024
	Restricted Stock	\$ 278,059	17,712
Non-Executive Officer Employee Group	Stock Options	\$13,647,335	1,125,633
	Performance Shares	\$30,913,415	546,753
	Restricted Stock	\$ 425,011	7,517

### U.S. Federal Income Tax Consequences

*Nonqualified Stock Options and Stock Appreciation Rights.* A participant will not recognize taxable income upon the grant of a nonqualified stock option or stock appreciation right. Upon exercise, the participant will recognize ordinary income equal to the amount the fair market value of the shares on the exercise date exceeds the exercise or grant price. Upon subsequent sale of the acquired shares, any additional gain or loss will be capital gain or loss, long-term if the shares have been held for more than one year.

*Incentive Stock Options.* A participant will not recognize taxable income when an incentive stock option is granted or exercised. However, the excess of the fair market value of the covered shares over the exercise price on the date of exercise is an item of tax preference for alternative minimum tax.

purposes. If the participant exercises the option and holds the acquired shares for more than two years following the date of option grant and more than one year after the date of exercise, the difference between the sale price and exercise price will be taxed as long-term capital gain or

loss. If the participant sells the acquired shares before the end of the two-year and one-year holding periods, he or she generally will recognize ordinary income at the time of sale equal to the fair market value of the shares on the exercise date (or the sale price, if less) minus the exercise price of the option. Any additional gain will be capital gain, long-term if the shares have been held for more than one year.

*Restricted Stock, Restricted Stock Units, Performance Stock, Performance Units.* A participant will not recognize taxable income upon the grant of restricted stock, restricted stock units, performance stock, or performance stock units. Instead, the participant will recognize ordinary income at the time of vesting equal to the fair market value of the shares (or cash) received minus any amounts the participant paid. Any subsequent gain or loss will be capital gain or loss, long-term if the shares have been held for more than one year. For restricted stock only, the participant may instead elect to be taxed at the time of grant. If the participant makes such an election, the one year long-term capital gains holding period begins on the date of grant.

*Tax Effect for CIT.* CIT generally will receive a deduction for any ordinary income recognized by a participant with respect to an award. However, special rules limit the deductibility of compensation paid to named executive officers. Under Section 162(m) of the Code, the annual compensation paid to named executive officers may not be deductible to the extent it exceeds \$1,000,000. However, CIT may preserve the deductibility of compensation over \$1,000,000 if certain conditions are met. These conditions include stockholder approval of the LTIP, setting limits on the number of shares that may be issued pursuant to awards, and, for awards other than options and stock appreciation rights, establishing performance criteria that must be met before the award will be paid or vest. As described above, the LTIP has been designed to permit the Compensation Committee to grant awards that qualify as performance-based compensation for purposes of Section 162(m) and to exclude these awards from the \$1,000,000 calculation.

*The foregoing is not to be considered as tax advice to any person who may be a participant, and any such persons are advised to consult their own tax counsel. The foregoing is intended to be a general discussion and does not cover all aspects of an individual's unique tax situation, such as the tax consequences of deferred compensation or state and local taxes.*

**The Board of Directors recommends a vote For amending the CIT Group Inc. Long-Term Incentive Plan, including the increase in the number of shares available under the LTIP.**

The affirmative vote of a majority of the votes present, in person or by proxy, and properly cast at the Annual Meeting is required to approve the amendment of the LTIP.

#### OTHER BUSINESS

CIT's management does not intend to bring any business before the 2008 Annual Meeting other than the matters referred to in this Proxy Statement. If, however, any other matters properly come before the 2008 Annual Meeting, it is intended that the persons named in the proxy will vote pursuant to the proxy in accordance with their best judgment on such matters to the extent permitted by applicable law and regulations. The discretionary authority of the persons named in the proxy extends to matters which the Board does not know are to be presented at the meeting by others and any proposals of stockholders that were submitted after the deadline.

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#### STOCKHOLDER PROPOSALS AND NOMINATIONS FOR THE 2009 ANNUAL MEETING

Stockholder proposals to be included in the proxy statement for CIT's next annual meeting must be received by the Secretary of CIT not later than November 26, 2008.

Also, under CIT's By-Laws, nominations for director or other business proposals to be addressed at the meeting may be made by a stockholder entitled to vote who has delivered a notice to the Secretary of CIT not later than the close of business on February 5, 2009 and not earlier than January 6, 2009. The notice must contain the information required by CIT's By-Laws.

These advance notice provisions are in addition to, and separate from, the requirements which a stockholder must meet in order to have a proposal included in the proxy statement under the rules of the SEC.

Copies of CIT's By-Laws may be obtained from the Secretary.

By Order of the Board of Directors

Robert J. Ingato  
Executive Vice President  
General Counsel and Secretary  
March 25, 2008

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ANNEX A

**CIT GROUP INC.  
LONG-TERM INCENTIVE PLAN**

**1. Purposes of the Plan**

The purposes of the Plan are to (a) promote the long-term success of the Company and its Subsidiaries and to increase stockholder value by providing Eligible Individuals with incentives to contribute to the long-term growth and profitability of the Company by offering them an opportunity to obtain a proprietary interest in the Company through the grant of equity-based awards and (b) assist the Company in attracting, retaining and motivating highly qualified individuals who are in a position to make significant contributions to the Company and its Subsidiaries.

Upon the Effective Date, no further Awards will be granted under the Prior Plan.

**2. Definitions and Rules of Construction**

(a) *Definitions.* For purposes of the Plan, the following capitalized words shall have the meanings set forth below:

**Affiliate** means any Parent or Subsidiary and any person that directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the Company.

**Award** means an Option, Restricted Stock, Restricted Stock Unit, Stock Appreciation Right, Performance Stock, Performance Unit or Other Award granted by the Committee pursuant to the terms of the Plan.

**Award Document** means an agreement, certificate or other type or form of document or documentation approved by the Committee that sets forth the terms and conditions of an Award. An Award Document may be in written, electronic or other media, may be limited to a notation on the books and records of the Company and, unless the Committee requires otherwise, need not be signed by a representative of the Company or a Participant.

**Beneficial Owner** and **Beneficially Owned** have the meaning set forth in Rule 13d-3 under the Exchange Act.

**Board** means the Board of Directors of the Company, as constituted from time to time.

**Change of Control** means:

(i) Any Person becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing thirty-five percent (35%) or more of the combined voting power of the Company's then outstanding securities; or

(ii) The following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the Effective Date, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including, but not limited to, a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's stockholders was approved or recommended by a vote of at least a majority of the directors then still in office who either were directors on the Effective Date or whose appointment, election or nomination for election was previously so approved or recommended; or

(iii) There is consummated a merger or consolidation of the Company or any Subsidiary with any other corporation, other than (A) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any Subsidiary of the Company, more than fifty percent (50%) of the combined voting power of the securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (B) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing thirty-five percent (35%) or more of the combined voting power of the Company's then outstanding securities; or

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(iv) The stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, more than fifty percent (50%) of the combined voting power of the voting securities of which are owned by stockholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale.

Notwithstanding the foregoing, with respect to an Award that is subject to Section 409A of the Code and the payment or settlement of the Award will accelerate upon a Change of Control, no event set forth herein will constitute a Change of Control for purposes of the Plan or any Award Document unless such event also constitutes a change in ownership, change in effective control, or change in the ownership of a substantial portion of the Company's assets as defined under Section 409A of the Code.

**Code** means the Internal Revenue Code of 1986, as amended, and the applicable rulings and regulations promulgated thereunder.

**Committee** means the Compensation Committee of the Board, any successor committee thereto or any other committee appointed from time to time by the Board to administer the Plan, which committee shall meet the requirements of Section 162(m) of the Code, Section 16(b) of the Exchange Act and the applicable rules of the NYSE; provided, however, that, if any Committee member is found not to have met the qualification requirements of Section 162(m) of the Code and Section 16(b) of the Exchange Act, any actions taken or Awards granted by the Committee shall not be invalidated by such failure to so qualify.

**Common Stock** means the common stock of the Company, par value \$0.01 per share, or such other class of share or other securities as may be applicable under Section 13 of the Plan.

**Company** means CIT Group Inc., a Delaware corporation, or any successor to all or substantially all of the Company's business that adopts the Plan.

**EBITDA** means earnings before interest, taxes, depreciation and amortization.

**Effective Date** means the date on which the Plan is adopted by the Board.

**Eligible Individuals** means the individuals described in Section 4(a) of the Plan who are eligible for Awards under the Plan.

**Exchange Act** means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

**Fair Market Value** means, with respect to a share of Common Stock, the fair market value thereof as of the relevant date of determination, as determined in accordance with the valuation methodology approved by the Committee. In the absence of any alternative valuation methodology approved by the Committee, the Fair Market Value of a share of Common Stock shall equal the closing selling price of a share of Common Stock on the trading day immediately preceding the date on which such valuation is made as reported on the composite tape for securities listed on the NYSE, or such national securities exchange as may be designated by the Committee, or, in the event that the Common Stock is not listed for trading on the NYSE or such other national securities exchange as may be designated by the Committee but is quoted on an automated system, in any such case on the valuation date (or, if there were no sales on the valuation date, the average of the highest and lowest quoted selling prices as reported on said composite tape or automated system for the most recent day during which a sale occurred).

**Incentive Stock Option** means an Option that is intended to comply with the requirements of Section 422 of the Code or any successor provision thereto.

**Non-Employee Director** means any member of the Board who is not an officer or employee of the Company or any Subsidiary.

**Nonqualified Stock Option** means an Option that is not intended to comply with the requirements of Section 422 of the Code or any successor provision thereto.

**NYSE** means the New York Stock Exchange.

**Option** means an Incentive Stock Option or Nonqualified Stock Option granted pursuant to Section 7 of the Plan.

**Other Award** means any form of Award other than an Option, Restricted Stock, Restricted Stock Unit or Stock Appreciation Right granted pursuant to Section 11 of the Plan.

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**Parent** means a corporation which owns or beneficially owns a majority of the outstanding voting stock or voting power of the Company. Notwithstanding the above, with respect to an Incentive Stock Option, Parent shall have the meaning set forth in Section 424(e) of the Code.

**Participant** means an Eligible Individual who has been granted an Award under the Plan.

**Performance Period** means the period established by the Committee and set forth in the applicable Award Document over which Performance Targets are measured.

**Performance Stock** means a Target Number of Shares granted pursuant to Section 10(a) of the Plan.

**Performance Target** means the performance measures established by the Committee, from among the performance criteria provided in Section 6(g), and set forth in the applicable Award Document.

**Performance Unit** means a right to receive a Target Number of Shares or cash in the future granted pursuant to Section 10(b) of the Plan.

**Permitted Transferees** means (i) a Participant's family member, (ii) one or more trusts established in whole or in part for the benefit of one or more of such family members, (iii) one or more entities which are beneficially owned in whole or in part by one or more such family members, or (iv) a charitable or not-for-profit organization.

**Person** means any person, entity or group within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, except that such term shall not include (i) the Company or any of its Subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, (iv) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, or (v) a person or group as used in Rule 13d-1(b) under the Exchange Act.

**Plan** means this CIT Group Inc. Long-Term Incentive Plan, as amended or restated from time to time.

**Plan Limit** means the maximum aggregate number of Shares that may be issued for all purposes under the Plan as set forth in Section 5(a) of the Plan.

**Prior Plan** means the CIT Group Inc. Long-Term Equity Compensation Plan, as amended from time to time.

**Restricted Stock** means one or more Shares granted or sold pursuant to Section 8(a) of the Plan.

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**Restricted Stock Unit** means a right to receive one or more Shares (or cash, if applicable) in the future granted pursuant to Section 8(b) of the Plan.

**Shares** means shares of Common Stock, as may be adjusted pursuant to Section 13(b).

**Stock Appreciation Right** means a right to receive all or some portion of the appreciation on Shares granted pursuant to Section 9 of the Plan.

**Subsidiary** means (i) a corporation or other entity with respect to which the Company, directly or indirectly, has the power, whether through the ownership of voting securities, by contract or otherwise, to elect at least a majority of the members of such corporation's board of directors or analogous governing body, or (ii) any other corporation or other entity in which the Company, directly or indirectly, has an equity or similar interest and which the Committee designates as a Subsidiary for purposes of the Plan. For purposes of determining eligibility for the grant of Incentive Stock Options under the Plan, the term **Subsidiary** shall be defined in the manner required by Section 424(f) of the Code.

**Substitute Award** means any Award granted upon assumption of, or in substitution or exchange for, outstanding employee equity awards previously granted by a company or other entity acquired by the Company or with which the Company combines pursuant to the terms of an equity compensation plan that was approved by the stockholders of such company or other entity.

**Target Number** means the target number of Shares or cash value established by the Committee and set forth in the applicable Award Document.

(b) *Rules of Construction.* The masculine pronoun shall be deemed to include the feminine pronoun, and the singular form of a word shall be deemed to include the plural form, unless the context requires otherwise. Unless the text indicates otherwise, references to sections are to sections of the Plan.

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### 3. Administration

(a) *Committee.* The Plan shall be administered by the Committee, which shall have full power and authority, subject to the express provisions hereof, to:

- (i) select the Participants from the Eligible Individuals;
- (ii) grant Awards in accordance with the Plan;
- (iii) determine the number of Shares subject to each Award or the cash amount payable in connection with an Award;
- (iv) determine the terms and conditions of each Award, including, without limitation, those related to term, permissible methods of exercise, vesting, cancellation, payment, settlement, exercisability, Performance Periods, Performance Targets, and the effect, if any, of a Participant's termination of employment with the Company or any of its Subsidiaries or, subject to Section 6(d), a Change of Control of the Company;
- (v) subject to Sections 16 and 17(e) of the Plan, amend the terms and conditions of an Award after the granting thereof;
- (vi) specify and approve the provisions of the Award Documents delivered to Participants in connection with their Awards;
- (vii) construe and interpret any Award Document delivered under the Plan;
- (viii) make factual determinations in connection with the administration or interpretation of the Plan;

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(ix) adopt, prescribe, amend, waive and rescind administrative regulations, rules and procedures relating to the Plan;

(x) employ such legal counsel, independent auditors and consultants as it deems desirable for the administration of the Plan and to rely upon any advice, opinion or computation received therefrom;

(xi) vary the terms of Awards to take account of tax and securities law and other regulatory requirements or to procure favorable tax treatment for Participants;

(xii) correct any defects, supply any omission or reconcile any inconsistency in any Award Document or the Plan; and

(xiii) make all other determinations and take any other action desirable or necessary to interpret, construe or implement properly the provisions of the Plan or any Award Document.

(b) *Plan Construction and Interpretation.* The Committee shall have full power and authority, subject to the express provisions hereof, to construe and interpret the Plan.

(c) *Determinations of Committee Final and Binding.* All determinations by the Committee in carrying out and administering the Plan and in construing and interpreting the Plan shall be made in the Committee's sole discretion and shall be final, binding and conclusive for all purposes and upon all persons interested herein.

(d) *Delegation of Authority.* To the extent not prohibited by applicable laws, rules and regulations, the Committee may, from time to time, delegate some or all of its authority under the Plan to a subcommittee or subcommittees thereof or other persons or groups of persons as it deems necessary, appropriate or advisable under such conditions or limitations as it may set at the time of such delegation or thereafter; provided, however, that the Committee may not delegate its authority (i) to make Awards to employees (A) who are subject on the date of the Award to the reporting rules under Section 16(a) of the Exchange Act, (B) whose compensation for such fiscal year may be subject to the limit on deductible compensation pursuant to Section 162(m) of the Code or (C) who are officers of the Company who are delegated authority by the Committee hereunder, or (ii) pursuant to Section 16 of the Plan. For purposes of the Plan, reference to the Committee shall be deemed to refer to any subcommittee, subcommittees, or other persons or groups of persons to whom the Committee delegates authority pursuant to this Section 3(d).

(e) *Liability of Committee.* Subject to applicable laws, rules and regulations: (i) no member of the Board or Committee (or its delegates) shall be liable for any good faith action or determination made in connection with the operation, administration or interpretation of the Plan and (ii) the members of the Board or the Committee (and its delegates) shall be entitled to indemnification and reimbursement in the manner provided in the Company's Certificate of Incorporation as it may be amended from time to time. In the performance of its responsibilities with respect to the Plan, the Committee shall be entitled to rely upon information and/or advice furnished by the Company's officers or employees, the Company's accountants, the Company's counsel and any other party the Committee deems necessary, and no

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member of the Committee shall be liable for any action taken or not taken in reliance upon any such information and/or advice.

(f) *Action by the Board.* Anything in the Plan to the contrary notwithstanding, subject to applicable laws, rules and regulations, any authority or responsibility that, under the terms of the Plan, may be exercised by the Committee may alternatively be exercised by the Board.

#### 4. Eligibility

(a) *Eligible Individuals.* Awards may be granted to officers, employees, directors, Non-Employee Directors, consultants, advisors and independent contractors of the Company or any of its Subsidiaries or joint ventures, partnerships or business organizations in which the Company or its Subsidiaries have an equity interest; provided, however, that only employees of the Company or a Parent or Subsidiary may be granted Incentive Stock Options. The Committee shall have the authority to select the persons to whom Awards may be granted and to determine the type, number and terms of Awards to be granted to each such Participant. Under the Plan, references to employment or employed include the engagement of Participants who are consultants, advisors and independent contractors of the Company or its Subsidiaries and the service of Participants who are Non-Employee Directors, except for purposes of determining eligibility to be granted Incentive Stock Options.

(b) *Grants to Participants.* The Committee shall have no obligation to grant any Eligible Individual an Award or to designate an Eligible Individual as a Participant solely by reason of such Eligible Individual having received a prior Award or having been previously designated as a Participant. The Committee may grant more than one Award to a Participant and may designate an Eligible Individual as a Participant for overlapping periods of time.

## 5. Shares Subject to the Plan

(a) *Plan Limit.* Subject to adjustment in accordance with Section 13 of the Plan, the maximum aggregate number of Shares that may be issued for all purposes under the Plan shall be fifteen million nine hundred thousand (15,900,000) plus any Shares that are available for issuance under the Prior Plan or that become available for issuance upon cancellation or expiration of awards granted under the Prior Plan without having been exercised or settled. Shares to be issued under the Plan may be authorized and unissued shares, issued shares that have been reacquired by the Company (in the open-market or in private transactions) and that are being held in treasury, or a combination thereof. All of the Shares subject to the Plan Limit may be issued pursuant to Incentive Stock Options.

(b) *Rules Applicable to Determining Shares Available for Issuance.* The number of Shares remaining available for issuance will be reduced by the number of Shares subject to outstanding Awards and, for Awards that are not denominated by Shares, by the number of Shares actually delivered upon settlement or payment of the Award; provided, however, that, notwithstanding the above, the number of Shares available for issuance under the Plan shall be reduced by 1.94 Shares for every one Share issued in respect of an award of (i) Restricted Stock, (ii) Restricted Stock Units, (iii) Performance Stock, (iv) Performance Units or (v) Other Awards, which, in each case, are granted under the Plan on or after the date of the 2008 Annual Meeting of the Company's stockholders. For purposes of determining the number of Shares that remain available for issuance under the Plan, (i) the number of Shares that are tendered by a Participant or withheld by the Company to pay the exercise price of an Award or to satisfy the Participant's tax withholding obligations in connection with the exercise or settlement of an Award and (ii) all of the Shares covered by a stock-settled Stock Appreciation Right to the extent exercised, will not be added back to the Plan Limit. In addition, for purposes of determining the number of Shares that remain available for issuance under the Plan, the number of Shares corresponding to Awards under the Plan that are forfeited or cancelled or otherwise expire for any reason without having been exercised or settled or that is settled through issuance of consideration other than Shares (including, without limitation, cash) shall be added back to the Plan Limit and again be available for the grant of Awards; provided, however, that this provision shall not be applicable with respect to (i) the cancellation of a Stock Appreciation Right granted in tandem with an Option upon the exercise of the Option or (ii) the cancellation of an Option granted in tandem with a Stock Appreciation Right upon the exercise of the Stock Appreciation.

(c) *Special Limits.* Anything to the contrary in Section 5(a) above notwithstanding, but subject to adjustment under Section 13 of the Plan, the following special limits shall apply to Shares available for Awards under the Plan:

- (i) the maximum number of Shares that may be issued pursuant to Options and Stock

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Appreciation Rights granted to any Eligible Individual in any calendar year shall equal three million (3,000,000) Shares; and

- (ii) the maximum amount of Awards (other than those Awards set forth in Section 5(c)(i)) that may be awarded to any Eligible Individual in any calendar year is ten million dollars (\$10,000,000) measured as of the date of grant (with respect to Awards denominated in cash) or four-hundred thousand (400,000) Shares measured as of the date of grant (with respect to Awards denominated in Shares).

(d) Any Shares underlying Substitute Awards shall not be counted against the number of Shares remaining for issuance and shall not be subject to Section 5(c).

## 6. Awards in General

(a) *Types of Awards.* Awards under the Plan may consist of Options, Restricted Stock, Restricted Stock Units, Stock Appreciation Rights, Performance Stock, Performance Units and Other Awards. Any Award described in Sections 7 through 11 of the Plan may be granted singly or in combination or tandem with any other Award, as the Committee may determine. Awards under the Plan may be made in combination with, replacement of, or as alternatives to awards or rights under any other compensation or benefit plan of the Company, including the plan of any acquired entity.

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(b) *Terms Set Forth in Award Document.* The terms and conditions of each Award shall be set forth in an Award Document in a form approved by the Committee for such Award, which Award Document shall contain terms and conditions not inconsistent with the Plan. Notwithstanding the foregoing, and subject to applicable laws, the Committee may accelerate (i) the vesting or payment of any Award, (ii) the lapse of restrictions on any Award or (iii) the date on which any Award first becomes exercisable. The terms of Awards may vary among Participants, and the Plan does not impose upon the Committee any requirement to make Awards subject to uniform terms. Accordingly, the terms of individual Award Documents may vary.

(c) *Termination of Employment.* The Committee shall specify at or after the time of grant of an Award the provisions governing the disposition of an Award in the event of a Participant's termination of employment with the Company or any of its Subsidiaries. Subject to applicable laws, rules and regulations, in connection with a Participant's termination of employment, the Committee shall have the discretion to accelerate the vesting, exercisability or settlement of, eliminate the restrictions and conditions applicable to, or extend the post-termination exercise period of an outstanding Award. Such provisions may be specified in the applicable Award Document or determined at a subsequent time.

(d) *Change of Control.* (i) The Committee shall have full authority to determine the effect, if any, of a Change of Control of the Company or any Subsidiary on the vesting, exercisability, settlement, payment or lapse of restrictions applicable to an Award, which effect may be specified in the applicable Award Document or determined at a subsequent time. Subject to applicable laws, rules and regulations, the Board or the Committee shall, at any time prior to, coincident with or after the effective time of a Change of Control, take such actions as it may consider appropriate, including, without limitation: (A) providing for the acceleration of any vesting conditions relating to the exercise or settlement of an Award or that an Award shall terminate or expire unless exercised or settled in full on or before a date fixed by the Committee; (B) making such adjustments to the Awards then outstanding as the Committee deems appropriate to reflect such Change of Control; (C) causing the Awards then outstanding to be assumed, or new rights substituted therefor, by the surviving corporation in such Change of Control; or (D) permit or require Participants to surrender outstanding Options and Stock Appreciation Rights in exchange for a cash payment equal to the difference between the highest price paid for a Share in the Change of Control transaction and the Exercise Price of the Award. In addition, except as otherwise specified in an Award Document (or a Participant's written employment agreement with the Company or any Subsidiary):

(1) any and all Options and Stock Appreciation Rights outstanding as of the effective date of the Change of Control shall become immediately exercisable, and shall remain exercisable until the earlier of the expiration of their initial term or the second (2nd) anniversary of the Participant's termination of employment with the Company;

(2) any restrictions imposed on Restricted Stock and Restricted Stock Units outstanding as of the effective date of the Change of Control shall lapse;

(3) the Performance Targets with respect to all Performance Units, Performance Stock and other

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performance-based Awards granted pursuant to Sections 6(g) or 10 outstanding as of the effective date of the Change of Control shall be deemed to have been attained at the specified target level of performance; and

(4) the vesting of all Awards denominated in Shares outstanding as of the effective date of the Change in Control shall be accelerated.

(ii) Subject to applicable laws, rules and regulations, the Committee may provide, in an Award Document or subsequent to the grant of an Award for the accelerated vesting, exercisability and/or the deemed attainment of a Performance Target with respect to an Award upon specified events similar to a Change of Control.

(iii) Notwithstanding any other provision of the Plan or any Award Document, the provisions of this Section 6(d) may not be terminated, amended, or modified upon or after a Change of Control in a manner that would adversely affect a Participant's rights with respect to an outstanding Award without the prior written consent of the Participant. Subject to Section 16, the Board, upon recommendation of the Committee, may terminate, amend or modify this Section 6(d) at any time and from time to time prior to a Change of Control.

(e) *Dividends and Dividend Equivalents.* The Committee may provide Participants with the right to receive dividends or payments equivalent to dividends or interest with respect to an outstanding Award, which payments can either be paid currently or deemed to have been reinvested in Shares, and can be made in Shares, cash or a combination thereof, as the Committee shall determine; *provided, however*, that the

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terms of any reinvestment of dividends must comply with all applicable laws, rules and regulations, including, without limitation, Section 409A of the Code. Notwithstanding the foregoing, no dividends or dividend equivalents shall be paid with respect to Options or Stock Appreciation Rights.

(f) *Rights of a Stockholder.* A Participant shall have no rights as a stockholder with respect to Shares covered by an Award (including voting rights) until the date the Participant or his nominee becomes the holder of record of such Shares. No adjustment shall be made for dividends or other rights for which the record date is prior to such date, except as provided in Section 13.

(g) *Performance-Based Awards.* (i) The Committee may determine whether any Award under the Plan is intended to be performance-based compensation as that term is used in Section 162(m) of the Code. Any such Awards designated to be performance-based compensation shall be conditioned on the achievement of one or more Performance Targets to the extent required by Section 162(m) of the Code and will be subject to all other conditions and requirements of Section 162(m). The Performance Targets will be comprised of specified levels of one or more of the following performance criteria as the Committee deems appropriate: net income; cash flow or cash flow on investment; pre-tax or post-tax profit levels or earnings; operating earnings; return on investment; earned value added expense reduction levels; free cash flow; free cash flow per share; earnings per share; net earnings per share; return on assets; return on net assets; return on equity; return on capital; return on sales; growth in managed assets; operating margin; total stockholder return or stock price appreciation; EBITDA; adjusted EBITDA; revenue; revenue before deferral, in each case determined in accordance with generally accepted accounting principles (subject to modifications approved by the Committee) consistently applied on a business unit, divisional, subsidiary or consolidated basis or any combination thereof. The Performance Targets may be described in terms of objectives that are related to the individual Participant or objectives that are Company-wide or related to a Subsidiary, division, department, region, function or business unit and may be measured on an absolute or cumulative basis or on the basis of percentage of improvement over time, and may be measured in terms of Company performance (or performance of the applicable Subsidiary, division, department, region, function or business unit) or measured relative to selected peer companies or a market index. In addition, for Awards not intended to qualify as performance-based compensation under Section 162(m) of the Code, the Committee may establish Performance Targets based on other criteria as it deems appropriate.

(ii) The Participants will be designated, and the applicable Performance Targets will be established, by the Committee within ninety (90) days following the commencement of the applicable Performance Period (or such earlier or later date permitted or required by Section 162(m) of the Code). Each Participant will be assigned a Target Number payable if Performance Targets are achieved. Any payment of an Award granted with Performance Targets shall be conditioned on the written certification of the Committee in each case that the Performance Targets and any other material conditions were satisfied. The Committee may determine, at the time of Award

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grant, that if performance exceeds the specified Performance Targets, the Award may be settled with payment greater than the Target Number, but in no event may such payment exceed the limits set forth in Section 5(c). The Committee retains the right to reduce any Award notwithstanding the attainment of the Performance Targets.

(h) *Deferrals.* In accordance with the procedures authorized by, and subject to the approval of, the Committee, Participants may be given the opportunity to defer the payment or settlement of an Award to one or more dates selected by the Participant; *provided, however*, that the terms of any deferrals must comply with all applicable laws, rules and regulations, including, without limitation, Section 409A of the Code. No deferral opportunity shall exist with respect to an Award unless explicitly permitted by the Committee on or after the time of grant.

(i) *Repricing of Options and Stock Appreciation Rights.* Except in connection with a corporate transaction involving the Company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, or exchange of Shares), the terms of outstanding Awards may not be amended, without stockholder approval, to reduce the exercise price of outstanding Options or Stock Appreciation Rights, or to cancel outstanding Options or Stock Appreciation Rights in exchange for cash, other Awards, or Options or Stock Appreciation Rights with an exercise price that is less than the exercise price of the original Options or Stock Appreciation Rights.

### 7. Terms and Conditions of Options

(a) *General.* The Committee, in its discretion, may grant Options to Eligible Individuals and shall determine whether such Options shall be Incentive Stock Options or Nonqualified Stock Options. Each Option shall be evidenced by an Award Document that shall expressly identify the Option as an Incentive Stock Option or Nonqualified Stock Option, and be in such form and contain such provisions as the Committee shall from time to time deem appropriate.

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(b) *Exercise Price.* The exercise price of an Option shall be fixed by the Committee at the time of grant or shall be determined by a method specified by the Committee at the time of grant. In no event shall the exercise price of an Option be less than one hundred percent (100%) of the Fair Market Value of a Share on the date of grant; *provided, however* that the exercise price of a Substitute Award granted as an Option shall be determined in accordance with Section 409A of the Code and may be less than one hundred percent (100%) of the Fair Market Value.

(c) *Term.* An Option shall be effective for such term as shall be determined by the Committee and as set forth in the Award Document relating to such Option, and the Committee may extend the term of an Option after the time of grant; *provided, however*, that the term of an Option may in no event extend beyond the seventh (7th) anniversary of the date of grant of such Option.

(d) *Exercise; Payment of Exercise Price.* Options shall be exercised by delivery of a notice of exercise in a form approved by the Company. Subject to the provisions of the applicable Award Document, the exercise price of an Option may be paid (i) in cash or cash equivalents, (ii) by actual delivery or attestation to ownership of freely transferable Shares already owned by the person exercising the Option, (iii) by a combination of cash and Shares equal in value to the exercise price, (iv) through net share settlement or similar procedure involving the withholding of Shares subject to the Option with a value equal to the exercise price or (v) by such other means as the Committee may authorize. In accordance with the rules and procedures authorized by the Committee for this purpose, the Option may also be exercised through a cashless exercise procedure authorized by the Committee from time to time that permits Participants to exercise Options by delivering irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds necessary to pay the exercise price and the amount of any required tax or other withholding obligations or such other procedures determined by the Company from time to time.

(e) *Incentive Stock Options.* The exercise price per Share of an Incentive Stock Option shall be fixed by the Committee at the time of grant or shall be determined by a method specified by the Committee at the time of grant, but in no event shall the exercise price of an Incentive Stock Option be less than one hundred percent (100%) of the Fair Market Value of a Share on the date of grant. No Incentive Stock Option may be issued pursuant to the Plan to any individual who, at the time the Incentive Stock Option is granted, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any of its Subsidiaries, unless (i) the exercise price determined as of the date of grant is at least one hundred ten percent (110%) of the Fair Market Value

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on the date of grant of the Shares subject to such Incentive Stock Option and (ii) the Incentive Stock Option is not exercisable more than five (5) years from the date of grant thereof. No Participant shall be granted any Incentive Stock Option which would result in such Participant receiving a grant of Incentive Stock Options that would have an aggregate Fair Market Value in excess of one hundred thousand dollars (\$100,000), determined as of the time of grant, that would be exercisable for the first time by such Participant during any calendar year. No Incentive Stock Option may be granted under the Plan after the tenth anniversary of the Effective Date. The terms of any Incentive Stock Option granted under the Plan shall comply in all respects with the provisions of Section 422 of the Code, or any successor provision thereto, as amended from time to time.

### 8. Terms and Conditions of Restricted Stock and Restricted Stock Units

(a) *Restricted Stock.* The Committee, in its discretion, may grant or sell Restricted Stock to Eligible Individuals. An Award of Restricted Stock shall consist of one or more Shares granted or sold to an Eligible Individual, and shall be subject to the terms, conditions and restrictions set forth in the Plan and established by the Committee in connection with the Award and specified in the applicable Award Document. Restricted Stock may, among other things, be subject to restrictions on transferability, vesting requirements or other specified circumstances under which it may be canceled.

(b) *Restricted Stock Units.* The Committee, in its discretion, may grant Restricted Stock Units to Eligible Individuals. A Restricted Stock Unit shall entitle a Participant to receive, subject to the terms, conditions and restrictions set forth in the Plan and the applicable Award Document, one or more Shares. Restricted Stock Units may, among other things, be subject to restrictions on transferability, vesting requirements or other specified circumstances under which they may be canceled. If and when the cancellation provisions lapse, the Restricted Stock Units shall become Shares owned by the applicable Participant or, at the sole discretion of the Committee, cash, or a combination of cash and Shares, with a value equal to the Fair Market Value of the Shares at the time of payment.

### 9. Stock Appreciation Rights

(a) *General.* The Committee, in its discretion, may grant Stock Appreciation Rights to Eligible Individuals. A Stock Appreciation Right shall entitle a Participant to receive, upon satisfaction of the conditions to payment specified in the applicable Award Document, an amount equal to the excess, if any, of the Fair Market Value on the exercise date of the number of Shares for which the Stock Appreciation Right is

exercised over the grant price for such Stock Appreciation Right specified in the applicable Award Document. The grant price per share of Shares covered by a Stock Appreciation Right shall be fixed by the Committee at the time of grant or, alternatively, shall be determined by a method specified by the Committee at the time of grant, but in no event shall the grant price of a Stock Appreciation Right be less than one hundred percent (100%) of the Fair Market Value of a Share on the date of grant; *provided, however*, that the grant price of a Substitute Award granted as a Stock Appreciation Rights shall be in accordance with Section 409A of the Code and may be less than one hundred percent (100%) of the Fair Market Value. Payments to a Participant upon exercise of a Stock Appreciation Right may be made in cash or Shares, having an aggregate Fair Market Value as of the date of exercise equal to the excess, if any, of the Fair Market Value on the exercise date of the number of Shares for which the Stock Appreciation Right is exercised over the grant price for such Stock Appreciation Right. The term of a Stock Appreciation Right settled in Shares shall not exceed seven (7) years.

(b) *Stock Appreciation Rights in Tandem with Options.* A Stock Appreciation Right granted in tandem with an Option may be granted either at the same time as such Option or subsequent thereto. If granted in tandem with an Option, a Stock Appreciation Right shall cover the same number of Shares as covered by the Option (or such lesser number of shares as the Committee may determine) and shall be exercisable only at such time or times and to the extent the related Option shall be exercisable, and shall have the same term as the related Option. The grant price of a Stock Appreciation Right granted in tandem with an Option shall equal the per-share exercise price of the Option to which it relates. Upon exercise of a Stock Appreciation Right granted in tandem with an Option, the related Option shall be canceled automatically to the extent of the number of Shares covered by such exercise; conversely, if the related Option is exercised as to some or all of the shares covered by the tandem grant, the tandem Stock Appreciation Right shall be canceled automatically to the extent of the number of Shares covered by the Option exercise.

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## 10. Terms and Conditions of Performance Stock and Performance Units

(a) *Performance Stock.* The Committee may grant Performance Stock to Eligible Individuals. An Award of Performance Stock shall consist of a Target Number of Shares granted to an Eligible Individual based on the achievement of Performance Targets over the applicable Performance Period, and shall be subject to the terms, conditions and restrictions set forth in the Plan and established by the Committee in connection with the Award and specified in the applicable Award Document.

(b) *Performance Units.* The Committee, in its discretion, may grant Performance Units to Eligible Individuals. A Performance Unit shall entitle a Participant to receive, subject to the terms, conditions and restrictions set forth in the Plan and established by the Committee in connection with the Award and specified in the applicable Award Document, a Target Number of Shares or cash based upon the achievement of Performance Targets over the applicable Performance Period. At the sole discretion of the Committee, Performance Units shall be settled through the delivery of Shares or cash, or a combination of cash and Shares, with a value equal to the Fair Market Value of the underlying Shares as of the last day of the applicable Performance Period.

## 11. Other Awards

The Committee shall have the authority to specify the terms and provisions of other forms of equity-based or equity-related Awards not described above that the Committee determines to be consistent with the purpose of the Plan and the interests of the Company, which Awards may provide for cash payments based in whole or in part on the value or future value of Shares, for the acquisition or future acquisition of Shares, or any combination thereof.

## 12. Certain Restrictions

(a) *Transfers.* No Award shall be transferable other than pursuant to a beneficiary designation under Section 12(c), by last will and testament or by the laws of descent and distribution or, except in the case of an Incentive Stock Option, pursuant to a domestic relations order, as the case may be; *provided, however*, that the Committee may, subject to applicable laws, rules and regulations and such terms and conditions as it shall specify, permit the transfer of an Award, other than an Incentive Stock Option, for no consideration to a Permitted Transferee. Any Award transferred to a Permitted Transferee shall be further transferable only by last will and testament or the laws of descent and distribution or, for no consideration, to another Permitted Transferee of the Participant.

(b) *Award Exercisable Only by Participant.* During the lifetime of a Participant, an Award shall be exercisable only by the Participant or by a Permitted Transferee to whom such Award has been transferred in accordance with Section 12(a) above. The grant of an Award shall impose no obligation on a Participant to exercise or settle the Award.

(c) *Beneficiary Designation.* The beneficiary or beneficiaries of the Participant to whom any benefit under the Plan is to be paid in case of his death before he receives any or all of such benefit shall be determined under the Company's Group Life Insurance Plan. A Participant may, from time to time, name any beneficiary or beneficiaries to receive any benefit in case of his death before he receives any or all of such benefit. Each such designation shall revoke all prior designations by the same Participant, including the beneficiary designated under the Company's Group Life Insurance Plan, and will be effective only when filed by the Participant in writing (in such form or manner as may be prescribed by the Committee) with the Company during the Participant's lifetime. In the absence of a valid designation under the Company's Group Life Insurance Plan or otherwise, if no validly designated beneficiary survives the Participant or if each surviving validly designated beneficiary is legally impaired or prohibited from receiving the benefits under an Award, the Participant's beneficiary shall be the Participant's estate.

### 13. Recapitalization or Reorganization

(a) *Authority of the Company and Stockholders.* The existence of the Plan, the Award Documents and the Awards granted hereunder shall not affect or restrict in any way the right or power of the Company or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or business, any merger or consolidation of the Company, any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred or prior preference stocks whose rights are superior to or affect the Shares or the rights thereof or which are convertible into or exchangeable for Shares, or the dissolution or liquidation of the Company, or any sale or transfer of

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all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

(b) *Change in Capitalization.* Notwithstanding any provision of the Plan or any Award Document, the number and kind of Shares authorized for issuance under Section 5 of the Plan, including the maximum number of Shares available under the special limits provided for in Section 5(c), shall be equitably adjusted in the manner deemed necessary by the Committee in the event of a stock split, reverse stock split, stock dividend, recapitalization, reorganization, partial or complete liquidation, reclassification, merger, consolidation, separation, extraordinary cash dividend, split-up, spin-off, combination, exchange of Shares, warrants or rights offering to purchase Shares at a price substantially below Fair Market Value, or any other corporate event or distribution of stock or property of the Company affecting the Shares in order to preserve, but not increase, the benefits or potential benefits intended to be made available under the Plan. In addition, upon the occurrence of any of the foregoing events, the number and kind of Shares subject to any outstanding Award and the exercise price per Share (or the grant price per Share, as the case may be), if any, under any outstanding Award shall be equitably adjusted in the manner deemed necessary by the Committee (including by payment of cash to a Participant) in order to preserve the benefits or potential benefits intended to be made available to Participants. Such adjustments shall be made by the Committee. Unless otherwise determined by the Committee, such adjusted Awards shall be subject to the same restrictions and vesting or settlement schedule to which the underlying Award is subject.

### 14. Term of the Plan

Unless earlier terminated pursuant to Section 16, the Plan shall terminate on the tenth (10th) anniversary of the Effective Date, except with respect to Awards then outstanding. No Awards may be granted under the Plan after the tenth (10th) anniversary of the Effective Date.

### 15. Effective Date

The Plan shall become effective on the Effective Date, subject to approval by the stockholders of the Company.

### 16. Amendment and Termination

Subject to applicable laws, rules and regulations, the Board may at any time terminate or, from time to time, amend, modify or suspend the Plan; *provided, however,* that no termination, amendment, modification or suspension (i) will be effective without the approval of the stockholders of the Company if such approval is required under applicable laws, rules and regulations, including the rules of NYSE and (ii) shall materially and adversely alter or impair the rights of a Participant in any Award previously made under the Plan without the consent of the holder thereof. Notwithstanding the foregoing, the Board shall have broad authority to amend the Plan or any Award under the Plan without the consent of a Participant to the extent it deems necessary or desirable (a) to comply with, take into account changes in, or interpretations of, applicable tax laws, securities laws, employment laws, accounting rules and other applicable laws, rules and regulations, (b) to take into account unusual or nonrecurring events or market conditions (including, without limitation, the events described in Section 13(b)), or (c) to take into account significant acquisitions or dispositions of assets or other property by the Company.

**17. Miscellaneous**

(a) *Tax Withholding.* The Company or a Subsidiary, as appropriate, may require any individual entitled to receive a payment of an Award to remit to the Company, prior to payment, an amount sufficient to satisfy any applicable tax withholding requirements. In the case of an Award payable in Shares, the Company or a Subsidiary, as appropriate, may permit or require a Participant to satisfy, in whole or in part, such obligation to remit taxes by directing the Company to withhold shares that would otherwise be received by such individual or to repurchase shares that were issued to the Participant to satisfy the minimum statutory withholding rates for any applicable tax withholding purposes, in accordance with all applicable laws and pursuant to such rules as the Committee may establish from time to time. The Company or a Subsidiary, as appropriate, shall also have the right to deduct from all cash payments made to a Participant (whether or not such payment is made in connection with an Award) any applicable taxes required to be withheld with respect to such payments.

(b) *No Right to Awards or Employment.* No person shall have any claim or right to receive Awards under the Plan. Neither the Plan, the grant of Awards under the Plan nor any action taken or omitted to be taken under the Plan shall be deemed to create or confer on any Eligible Individual any right to be retained in the employ of the Company or

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any Subsidiary or other affiliate thereof, or to interfere with or to limit in any way the right of the Company or any Subsidiary or other affiliate thereof to terminate the employment of such Eligible Individual at any time. No Award shall constitute salary, recurrent compensation or contractual compensation for the year of grant, any later year or any other period of time. Payments received by a Participant under any Award made pursuant to the Plan shall not be included in, nor have any effect on, the determination of employment-related rights or benefits under any other employee benefit plan or similar arrangement provided by the Company and the Subsidiaries, unless otherwise specifically provided for under the terms of such plan or arrangement or by the Committee.

(c) *Securities Law Restrictions.* An Award may not be exercised or settled, and no Shares may be issued in connection with an Award, unless the issuance of such shares (i) has been registered under the Securities Act of 1933, as amended, (ii) has qualified under applicable state blue sky laws (or the Company has determined that an exemption from registration and from qualification under such state blue sky laws is available) and (iii) complies with all applicable foreign securities laws. The Committee may require each Participant purchasing or acquiring Shares pursuant to an Award under the Plan to represent to and agree with the Company in writing that such Eligible Individual is acquiring the Shares for investment purposes and not with a view to the distribution thereof. All certificates for Shares delivered under the Plan shall be subject to such stock-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any exchange upon which the Shares are then listed, and any applicable securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(d) *Section 162(m) of the Code.* The Plan is intended to comply in all respects with Section 162(m) of the Code; *provided, however*, that in the event the Committee determines that compliance with Section 162(m) of the Code is not desired with respect to a particular Award, compliance with Section 162(m) of the Code will not be required. In addition, if any provision of this Plan would cause Awards that are intended to constitute qualified performance-based compensation under Section 162(m) of the Code, to fail to so qualify, that provision shall be severed from, and shall be deemed not to be a part of, the Plan, but the other provisions hereof shall remain in full force and effect.

(e) *Section 409A of the Code.* Notwithstanding any contrary provision in the Plan or an Award Document, if any provision of the Plan or an Award Document contravenes any regulations or guidance promulgated under Section 409A of the Code or would cause an Award to be subject to additional taxes, accelerated taxation, interest and/or penalties under Section 409A of the Code, such provision of the Plan or Award Document may be modified by the Committee without consent of the Participant in any manner the Committee deems reasonable or necessary. In making such modifications the Committee shall attempt, but shall not be obligated, to maintain, to the maximum extent practicable, the original intent of the applicable provision without contravening the provisions of Section 409A of the Code. Moreover, any discretionary authority that the Committee may have pursuant to the Plan shall not be applicable to an Award that is subject to Section 409A of the Code to the extent such discretionary authority would contravene Section 409A of the Code or the guidance promulgated thereunder.

(f) *Awards to Individuals Subject to Laws of a Jurisdiction Outside of the United States.* To the extent that Awards under the Plan are awarded to Eligible Individuals who are domiciled or resident outside of the United States or to persons who are domiciled or resident in the United States but who are subject to the tax laws of a jurisdiction outside of the United States, the Committee may adjust the terms of the Awards granted hereunder to such person (i) to comply with the laws, rules and regulations of such jurisdiction and (ii) to permit the grant of the Award not to be a taxable event to the Participant. The authority granted under the previous sentence shall include the discretion for the Committee to adopt, on behalf of the Company, one or more sub-plans applicable to separate classes of Eligible Individuals who are subject to the laws of jurisdictions outside of the United States.

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(g) *Satisfaction of Obligations.* Subject to applicable law, the Company may apply any cash, Shares, securities or other consideration received upon exercise or settlement of an Award to any obligations a Participant owes to the Company and the Subsidiaries in connection with the Plan or otherwise, including, without limitation, any tax obligations or obligations under a currency facility established in connection with the Plan.

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(h) *No Limitation on Corporate Actions.* Nothing contained in the Plan shall be construed to prevent the Company or any Subsidiary from taking any corporate action, whether or not such action would have an adverse effect on any Awards made under the Plan. No Participant, beneficiary or other person shall have any claim against the Company or any Subsidiary as a result of any such action.

(i) *Unfunded Plan.* The Plan is intended to constitute an unfunded plan for incentive compensation. Prior to the issuance of Shares, cash or other form of payment in connection with an Award, nothing contained herein shall give any Participant any rights that are greater than those of a general unsecured creditor of the Company. The Committee may, but is not obligated, to authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Shares with respect to awards hereunder.

(j) *Successors.* All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

(k) *Application of Funds.* The proceeds received by the Company from the sale of Shares pursuant to Awards will be used for general corporate purposes.

(l) *Award Document.* In the event of any conflict or inconsistency between the Plan and any Award Document, the Plan shall govern and the Award Document shall be interpreted to minimize or eliminate any such conflict or inconsistency.

(m) *Headings.* The headings of Sections herein are included solely for convenience of reference and shall not affect the meaning of any of the provisions of the Plan.

(n) *Severability.* If any provision of this Plan is held unenforceable, the remainder of the Plan shall continue in full force and effect without regard to such unenforceable provision and shall be applied as though the unenforceable provision were not contained in the Plan.

(o) *Expenses.* The costs and expenses of administering the Plan shall be borne by the Company.

(p) *Arbitration.* Any dispute, controversy or claim arising out of or relating to the Plan that cannot be resolved by the Participant on the one hand, and the Company on the other, shall be submitted to arbitration in the State of New Jersey under the National Rules for the Resolution of Employment Disputes of the American Arbitration Association; *provided, however*, that any such submission by the Participant must be made within one (1) year of the date of the events giving rise to such dispute, controversy or claim. The determination of the arbitrator shall be conclusive and binding on the Company and the Participant, and judgment may be entered on the arbitrator's award in any court having jurisdiction. The expenses of such arbitration shall be borne by the Company; *provided, however*, that each party shall bear its own legal expenses unless the Participant is the prevailing party, in which case the Company shall promptly pay or reimburse the Participant for the reasonable legal fees and expenses incurred by the Participant in connection with such contest or dispute (excluding any fees payable pursuant to a contingency fee arrangement).

(q) *Governing Law.* Except as to matters of federal law, the Plan and all actions taken thereunder shall be governed by and construed in accordance with the laws of the State of Delaware.

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**VOTE BY INTERNET - [www.proxyvote.com](http://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 STOCKHOLDER COMMUNICATIONS**

If you would like to reduce the costs incurred by CIT Group Inc. 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 CIT Group Inc., c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK  
AS FOLLOWS:  
**CIT GROUP INC.**

CITGR1

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**Vote On Directors**

1. To elect 11 directors to serve for one year or until the next annual meeting of stockholders;

**The 11 directors are:**

**Nominees:**

		<b>For</b>	<b>Against</b>	<b>Abstain</b>
1a.	Gary C. Butler	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1b.	William M. Freeman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1c.	Susan M. Lyne	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1d.	James S. McDonald	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1e.	Marianne Miller Parrs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1f.	Jeffrey M. Peek	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1g.	Timothy M. Ring	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1h.	Vice Admiral John R. Ryan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1i.	Seymour Sternberg	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1j.	Peter J. Tobin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1k.	Lois M. Van Deusen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Vote On Proposals**

2.	To ratify the appointment of PricewaterhouseCoopers LLP as CIT's independent auditors for 2008; and	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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3. To approve amending the Long-Term Incentive Plan, including an increase in the number of shares available thereunder.

Please indicate if you plan to attend this meeting

**Yes**  **No**

\_\_\_\_\_  
Signature  
[PLEASE SIGN  
ON LINE]

Date

\_\_\_\_\_  
Signature [Joint  
Owners] Date

**Important Notice Regarding Internet Availability of Proxy Materials for the Annual Meeting:**

The Notice and Proxy Statement and Annual Report are available at [www.proxyvote.com](http://www.proxyvote.com).

**CIT GROUP INC.**

**Proxy solicited by the Board of Directors for use at the Annual Meeting of Stockholders of CIT Group Inc. on May 6, 2008**

The undersigned stockholder appoints each of Eric S. Mandelbaum and James P. Shanahan, attorney and proxy, with full power of substitution, on behalf of the undersigned and with all powers the undersigned would possess if personally present, to vote all shares of Common Stock of CIT Group Inc. that the undersigned would be entitled to vote at the above Annual Meeting and any adjournment thereof. **The shares represented by this Proxy will be voted as instructed by you and in the discretion of the proxies on all other matters. If not otherwise specified, shares will be voted in accordance with the recommendations of the Directors.**

*(Continued, and to be signed on reverse side)*

**Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be held on 5/6/08.**

***This communication presents only an overview of the more complete proxy materials that are available to you on the Internet. We encourage you to access and review all of the important information contained in the proxy materials before voting.***

The following materials are available for view:

**Notice and Proxy Statement and Annual Report**

To view this material, have the 12-digit Control #(s) available and visit: [www.proxyvote.com](http://www.proxyvote.com)

**If you want to receive a paper or e-mail copy of the above listed documents you must request one. There is no charge to you for requesting a copy. To facilitate timely delivery please make the request as instructed below on or before 4/22/08.**

To request material: **Internet:** [www.proxyvote.com](http://www.proxyvote.com) **Telephone:** 1-800-579-1639 **\*\*Email:** [sendmaterial@proxyvote.com](mailto:sendmaterial@proxyvote.com)

**\*\*If requesting material by e-mail please send a blank e-mail with the 12-digit Control# (located on the following page) in the subject line. Requests, instructions and other inquiries will NOT be forwarded to your investment advisor.**

**CIT GROUP INC.**

**Vote In Person**

Should you choose to vote these shares in person at the meeting you must request a "legal proxy". To request a legal proxy please follow the instructions at [www.proxyvote.com](http://www.proxyvote.com) or request a paper copy of the material. Many stockholder meetings have attendance requirements including, but not limited to, the possession of an attendance ticket issued by the entity holding the meeting. Please check the meeting materials for any special requirements for meeting attendance.

**Vote By Internet**

To vote **now** by Internet, go to [WWW.PROXYVOTE.COM](http://WWW.PROXYVOTE.COM). Please refer to the proposals and follow the instructions.

Meeting Type:	ANNUAL	Meeting Location:	CIT Group Inc.
Meeting Date:	5/6/08		One CIT Drive
Meeting Time:	11:00 A.M. EDT		Livingston, NJ 07039
For holders as of: 3/10/08			

**Voting items**

1. To elect 11 directors to serve for one year or until the next annual meeting of stockholders;  
**The 11 directors are:**  
**Nominees:**
  - 01) Gary C. Butler
  - 02) William M. Freeman
  - 03) Susan M. Lyne
  - 04) James S. McDonald
  - 05) Marianne Miller Parrs
  - 06) Jeffrey M. Peek
  - 07) Timothy M. Ring
  - 08) Vice Admiral John R. Ryan
  - 09) Seymour Sternberg
  - 10) Peter J. Tobin
  - 11) Lois M. Van Deusen
  
2. To ratify the appointment of PricewaterhouseCoopers LLP as CIT's independent auditors for 2008; and
  
3. To approve amending the Long-Term Incentive Plan, including an increase in the number of shares available thereunder.

**Voting Instructions**