

VERSAR INC  
Form DEF 14A  
November 08, 2004

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the Securities**

**Exchange Act of 1934 (Amendment No. )**

Filed by the Registrant   
Filed by a Party other than the Registrant   
Check the appropriate box:

Preliminary Proxy Statement

Confidential, for use of the Commission only (as permitted by Rule 14a-6(e) (2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to 240.14a-11(c) or 240.14a-12

**VERSAR, INC.**

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(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

Fee computed on table below per Exchange Act Rules 14a-6(I)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

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2) Aggregate number of securities to which transaction applies:

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3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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4) Proposed maximum aggregate value of transaction:

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5) Total fee paid:

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

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2) Form, Schedule or Registration No.:

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3) Filing Party:

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4) Date Filed:

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## Edgar Filing: VERSAR INC - Form DEF 14A

Dear Stockholder:

You are cordially invited to attend Versar, Inc.'s Annual Meeting of Stockholders to be held at our offices, 6850 Versar Center, Springfield, Virginia 22151, on Wednesday, November 17, 2004, at 10:00 a.m. local time.

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

You can reach the offices of Versar by car, from either I-395 or I-495. From I-395: exit Edsall Road West to Backlick Road; left (south) on Backlick to Hechinger Drive; left on Hechinger Drive to Versar Center. From I-495: exit Braddock Road East to Backlick Road; right (south) on Backlick to Hechinger Drive; left on Hechinger Drive to Versar Center.

The stockholders' interest in the affairs of Versar is encouraged and it is important that your shares be represented at the meeting. We hope you will be with us. **Whether you plan to attend or not, please complete, sign, date, and return the enclosed proxy card as soon as possible in the postpaid envelope provided.** Sending in your proxy will not limit your right to vote in person or to attend the meeting, but it will assure your representation if you cannot attend. Your vote is important.

Sincerely yours,

Paul J. Hoepfer  
Chairman of the Board

October 13, 2004

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

To the Stockholders of Versar, Inc.:

The Annual Meeting of Stockholders of Versar, Inc. (the Company ) will be held at the Company s offices, 6850 Versar Center, Springfield, Virginia 22151, on Wednesday, November 17, 2004, at 10:00 a.m. local time for the following purposes:

1. To elect nine directors to serve until the 2005 Annual Meeting of Stockholders;
2. To approve the adoption of the Versar, Inc. Employee Stock Purchase Plan;
3. To ratify the appointment of Grant Thornton LLP as independent accountants for fiscal year 2005; and
4. To transact such other business as may properly come before the meeting or any adjournment thereof.

Only stockholders of record at the close of business on September 20, 2004, will be entitled to notice of and to vote at the meeting and any adjournments or postponements thereof.

Your attention is directed to the Proxy Statement accompanying this Notice for a more complete statement regarding the matters to be acted upon at the meeting.

By Order of the Board of Directors,

/s/ JAMES C. DOBBS

James C. Dobbs

Secretary

October 13, 2004

**IMPORTANT NOTICE**

**YOUR PROXY IS IMPORTANT**

**WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE COMPLETE, SIGN, DATE AND RETURN THE ENCLOSED PROXY AS SOON AS POSSIBLE IN THE POST-PAID ENVELOPE PROVIDED.**

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VERSAR, INC.

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**PROXY STATEMENT**  
**ANNUAL MEETING OF STOCKHOLDERS**  
**NOVEMBER 17, 2004**

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**GENERAL**

This Proxy Statement and the enclosed proxy card are being mailed on or about October 13, 2004, to stockholders ( Stockholders ) of Versar, Inc. ( Versar or the Company ) in connection with the solicitation by the Board of Directors of the Company of proxies for use at the 2004 Annual Meeting of Stockholders (the Annual Meeting ) and any adjournment or postponement thereof. The Annual Meeting will be held at 10:00 a.m. eastern standard time at the Company s offices at 6850 Versar Center, Springfield, Virginia 22151, on November 17, 2004. Any person giving a proxy pursuant to this Proxy Statement may revoke it at any time before it is exercised at the meeting by filing with the Secretary of the Company an instrument revoking it or by delivering to the Company a duly executed proxy bearing a later date. In addition, if the person executing the proxy is present at the Annual Meeting, he or she may revoke such proxy by voting his or her shares in person. Proxies in the form enclosed, if duly signed and received in time for voting, and not revoked, will be voted at the Annual Meeting in accordance with the directions specified therein.

The Annual Report of the Company for fiscal year 2004 (including financial statements), the Notice of Annual Meeting, this Proxy Statement, and the enclosed proxy card were initially mailed in a single envelope to holders of Versar s Common Stock, par value \$.01 per share ( Common Stock ), at the close of business on September 20, 2004 (the Record Date ).

**Record Date and Voting Rights**

Only holders of record of Common Stock on the Record Date are entitled to notice of and to vote at the Annual Meeting and any adjournment(s) or postponement(s) thereof. There were 7,831,147 shares of Common Stock outstanding and entitled to vote as of the Record Date. Each share of Common Stock entitles the holder to one vote on all matters of business at the meeting.

The By-laws of the Company require that the holders of a majority of the outstanding shares of the Company s Common Stock entitled to vote at the Annual Meeting be present in person or represented by proxy in order for a quorum to exist for the transaction of business at that meeting. Abstentions and broker non-votes (which occur if a broker or other nominee does not have discretionary authority and has not received voting instructions from the beneficial owner with respect to the particular item) are counted for purposes of determining the presence or absence of a quorum for the transaction of business. Assuming that a quorum is present for the Annual Meeting, then those nine nominees for director who receive the highest number of votes cast will be elected. Abstentions and broker non-votes will have no effect on the outcome of the election of directors.

Proposal No. 2 must be approved by the affirmative vote of holders of a majority of the votes cast with respect to the proposal, in person or by proxy, at the Annual Meeting. For purposes of Proposal No. 2, abstentions are counted for purposes of establishing a quorum but are not counted as shares voting and

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therefore have not effect with respect to such proposal. For purposes of Proposal No. 2, broker non-votes are not counted as shares voting and therefore have no effect with respect to such proposal.

Proposal No. 3 must be approved by the affirmative vote of a majority of the shares present in person or by proxy at the Annual Meeting and entitled to vote thereon. For purposes of Proposal No. 3, abstentions are counted for purposes of calculating shares entitled to vote but are not counted as shares voting and therefore have the effect of a vote against such proposal. For purposes of Proposal No. 3, broker non-votes are not counted as shares entitled to vote and therefore have no effect with respect to such proposal.

Any proxy which is returned by a Stockholder properly completed and which is not revoked will be voted at the Annual Meeting in the manner specified therein. Unless contrary instructions are given, the persons designated as proxy holders in the accompanying proxy card (or their substitutes) will vote FOR the election of the Board of Directors nominees, FOR proposals 2 and 3 and in the proxy holders discretion with regard to all other matters. Any unmarked proxies, including those submitted by brokers (other than broker non-votes) or nominees will be voted in favor of the nominees for the Board of Directors and other proposals, as indicated in the accompanying proxy card.

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

### Principal Shareholders

The table below sets forth, as of September 20, 2004, the only persons known by the Company to be the beneficial owners of more than 5% of the outstanding shares of Common Stock.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class of Stock
Dr. Michael Markels, Jr.(1) 6850 Versar Center Springfield, VA 22151	840,847	10.7%
Dr. Robert L. Durfee(1) 6850 Versar Center Springfield, VA 22151	744,903	9.5%
Versar Employee 401(k) Plan(2) 6850 Versar Center Springfield, VA 22151	860,093	11.0%

- (1) For a description of the nature of the beneficial ownership of Drs. Markels and Durfee, see SECURITY HOLDINGS OF MANAGEMENT . The information with respect to shares of Common Stock held by Drs. Markels and Durfee are based upon filings with the Securities and Exchange Commission.
- (2) All of the shares of Common Stock held by the Versar Employee 401(k) Plan ( 401(k) Plan ) are allocated to individual 401(k) Plan participants accounts and are voted by those participants. If the participants do not vote their allocated shares, the Trustees have the power to vote those shares. The 401(k) Plan Trustees have investment power over all shares of Common Stock held by the 401(k) Plan. The 401(k) Plan Trustees are Dr. Theodore M. Prociv and Lawrence W. Sinnott. Each disclaims beneficial ownership of the Common Stock held by the 401(k) Plan solely from their position as Trustee. Such shares are not included in the ownership reported for Dr. Prociv and Mr. Sinnott. The information with respect to shares of Common Stock held by the 401(k) Plan is based upon filings with the Securities and Exchange Commission and a report by the Company s 401(k) Plan Directed Trustee and Custodian, Wachovia Bank.





**PROPOSAL NO. 1****ELECTION OF DIRECTORS****Nominees for Election**

The Board of Directors of the Company recommends the election of the persons named below who will be nominated to serve as directors of Versar until the fiscal year 2005 Annual Meeting of Stockholders and until their successors have been duly elected and qualified. The persons named in the accompanying proxy will vote for the election of the nominees named below unless authority is withheld. Each nominee is presently a director of the Company and has served as such for the time indicated opposite his or her name. If for any reason any of the persons named below should become unavailable to serve, an event that management does not anticipate, proxies will be voted for the remaining nominees and such other person or persons as may be designated by the Board of Directors.

<b>Name</b>	<b>Served as Director</b>	<b>Business Experience and Age</b>
Paul J. Hoepfer	2001 to the present	Business consultant since February 2001; Assistant Secretary of the Army for Acquisition, Logistics and Technology, from May 1998 to January 2001; Deputy Under Secretary of Defense, International and Commercial Programs, from March 1996 to May 1998; President Fortune Financial from 1994 to January 1996. Age 58
Michael Markels, Jr.	1969 to the present	Independent consultant; Chairman of the Board, President and Chief Executive Officer of Ocean Farming, Inc. from 1995 to August 2001 and March 2002 to the present; Co-founder of the Company; Chairman Emeritus of the Board of Versar; retired former Chairman of the Board of Directors of Versar from April 1991 to November 1993; President, Chief Executive Officer, and Chairman of the Board of Versar from 1969 to March 1991. Age 78
Robert L. Durfee	1969 to the present	Independent consultant; Co-founder of the Company; Executive Vice President of the Company from 1986 to June 2004; and President of GEOMET Technologies, LLC., a subsidiary of the Company, from 1991 to June 2004. Age 68
Theodore M. Proxiv	1999 to the present	President of Versar since November 1999; Chief Executive Officer of Versar since July 2000; Deputy Assistant Secretary of the Army from May 1998 to October 1999; Deputy Assistant to the Secretary of Defense from April 1994 to April 1998. Age 56
James L. Gallagher	2000 to the present	President, Gallagher Consulting Group since September 1999; President of Westinghouse Government and Environmental Services from 1996 to 1999; Executive Vice President of Westinghouse Government and Environmental Services from 1994 to 1996; Vice President and General Manager Westinghouse Government Operations Business Unit 1992 to 1994; Age 67

Name	Served as Director	Business Experience and Age
Fernando V. Galaviz	2000 to the present	Chairman, President and Chief Executive Officer of The Centech Group, Inc. from 1988 to the present. Age 69
Amoretta M. Hoeber	2000 to the present	President, AMH Consulting since 1992; Director, Strategic Planning, TRW Federal Systems Group and TRW Environmental Safety Systems, Inc., from 1986 to 1992; Deputy Under Secretary U.S. Army from 1984 to 1986; Principal Deputy Assistant Secretary, U.S. Army from 1981 to 1984. Age 62
Amir A. Metry	2002 to the present	Business consultant since 1995; part-time Versar employee from 1995 to February 2002; Founding Principal of ERM Program Management Corp. from 1989 to 1995; and Vice President, Roy F. Weston from 1981 to 1989. Age 62
James V. Hansen	November 2003 to the Present	President, Jim Hansen & Associates since January 2004; United States Congressman for Utah's 1st Congressional District from 1980 to 2002. Age 72.

#### Committees of the Board of Directors

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

During fiscal year 2004, the members of the Executive Committee were Dr. Proxiv (Chairman), Dr. Durfee, Mr. Galaviz, Ms. Hoeber and Mr. Hoepfer. The primary duty of the Executive Committee is to act in the Board's stead when the Board is not in session, during which time the Committee possesses all the powers of the Board in the management of the business and affairs of the Company, except as otherwise limited by law.

During fiscal year 2004, the Audit Committee, which the Board of Directors has determined is comprised exclusively of non-employee directors who are independent, as defined by the American Stock Exchange listing standards and the rules and regulations of the Securities and Exchange Commission, consisted of Messrs. Gallagher (Chairman), Hoepfer and Galaviz. This Committee's primary responsibilities, as defined by its written charter, are to provide oversight of the Company's accounting and financial controls, review the scope of and procedures to be used in the annual audit, review the financial statements and results of the annual audit, and retain and evaluate the performance of the independent accountants and the Company's financial and accounting personnel. The Board of Directors has determined that Mr. Hoepfer qualifies as an Audit Committee Financial Expert as defined under the rules and regulations of the Securities and Exchange Commission and is independent as noted above.

The Compensation Committee was comprised during fiscal year 2004 of Dr. Metry (Chairman), Mr. Hansen and Ms. Hoeber. The Committee, pursuant to a written charter, approves goals and objectives related to executive compensation reviews and adjusts compensation paid to the President and CEO of the Company and all executive officers, and administers the Company's incentive compensation plans, including cash bonus and stock option grants. The Committee also reviews and determines an appropriate compensation program for the Board of Directors.

The Board of Directors has determined that Mr. Hansen and Ms. Hoeber are independent for purposes of Compensation Committee service in accordance with the listing standards of the American Stock Exchange. Dr. Metry currently does not qualify as independent under such standards because he served as an employee of the company until February 2002. However, the Board of Directors has determined that it is in the best interests of the Company to continue Dr. Metry's service on the Compensation Committee in light of his experience with executive compensation and the work he has performed to date on the Company's benefit

plans. Dr. Metry will qualify as independent under the American Stock Exchange requirements after February 2005.

The Nominating & Governance Committee was comprised, during fiscal year 2004 of Dr. Markels (Chairman), Mr. Hoepfer and Mr. Gallagher, all independent directors in accordance with the listing standards of the American Stock Exchange. The Committee, pursuant to a written charter, reviews and approves Board committee charters, conducts assessments of Board performance, develops criteria for Board membership and proposes Board members who meet the criteria for the annual election of directors. The Committee also identifies potential Board members to fill vacancies which may occur between annual stockholder meetings. Stockholders may submit nominees for the Board of Directors in writing to the Chairman of the Nominating & Governance Committee at the Company's Springfield office, care of the Corporate Secretary, no later than June 30, 2005 for the 2005 Annual Meeting of Stockholders. The Committee also develops and implements corporate governance principles and policies.

#### **Board and Committee Meetings**

During fiscal year 2004, the Board of Directors met five times. The Executive Committee met once. The Audit Committee met four times. The Compensation Committee met three times. The Nominating & Governance Committee met twice. All directors of the Company attended at least 75% of all meetings of the Board and committees on which they served, except Dr. Durfee and Mr. Galaviz did not attend the one Executive Committee meeting.

#### **Directors Compensation**

Since fiscal year 2002, the directors' annual fee of \$3,000 has been paid through the grant of stock options. Each year non-qualified stock options will be granted in lieu of a cash payment on the date of the Board's Annual Meeting. Each non-employee director will receive non-qualified options to purchase that number of shares of Common Stock calculated by dividing \$3,000 by the closing price of Versar's Common Stock on the date of the Annual Meeting and multiplying by three. The stock options will vest over a period of one year. Each director continues to be paid an attendance fee in cash of \$1,000 for each meeting of the Board or of its committees where the director is physically present and of \$500 for each meeting attended telephonically. Starting in fiscal year 2004, the Chairman of the Audit Committee is paid in cash an additional \$5,000 for increased responsibility and work required under recently adopted rules and regulations of the Securities and Exchange Commission and starting in March 2004, the non-employee Chairman of the Board is paid in cash an additional \$12,000 a year for responsibilities and efforts on behalf of the Company.

#### **Certain Relationships and Related Transactions**

On February 5, 2003, Dr. Amir A. Metry entered into a one-year Consulting Agreement with the Company to provide client and strategic relationship services in an amount not to exceed \$45,000 in any one year. The initial term ended in February 2004 and has continued on a month-to-month basis. The terms of the agreement were negotiated on an arms length basis and approved by the Board of Directors. During fiscal year ended June 30, 2004, Dr. Metry was paid \$26,969 under the agreement.

#### **Code of Ethics**

The Company's Board of Directors has adopted a Code of Ethics that applies to all directors and employees, including the Company's principal executive officer, principal financial officer, principal accounting officer and controller. The Code of Ethics is posted on the Company's website [www.versar.com](http://www.versar.com) under Investor Relations. The Company intends to disclose on its website any waivers granted under this Code of Ethics to its principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions. As of the date of this Proxy Statement, no waivers have been requested or granted.

**Corporate Governance**

Versar's Board of Directors has adopted Corporate Governance Guidelines which are posted on the Company's website [www.versar.com](http://www.versar.com) under Investor Relations. In May 2004, the Board of Directors amended the Guidelines to require a director, over a period of time to own at least 2,000 shares of Versar stock.

The Company's Nominating & Governance Committee consists of three non-employee directors, Dr. Michael Markels, Jr., James L. Gallagher and Paul J. Hoepfer, each of whom are independent directors as defined under the American Stock Exchange standards. A copy of the Committee's Charter is posted on the Company's website [www.versar.com](http://www.versar.com) under Investor Relations.

Under the Corporate Governance Guidelines, the Nominating & Governance Committee has the responsibility for determining which individuals, including existing directors, shall be submitted to the Board for nomination and Stockholders for election as directors. There is, however, no formal nominating or screening process or procedures. The Board of Directors determined that no formal written policy with regard to consideration of director nominees recommended by Stockholders is necessary based on the Company's policy to consider any nominee by a Stockholder as set forth on page 5. The Corporate Governance Guidelines require that directors nominees should possess the highest personal and professional ethics, integrity and values and be committed to representing the long-term interests of the Stockholders.

Versar has not adopted a formal process for Stockholder communications with the Board of Directors. Nevertheless, Stockholders and employees who desire to communicate directly to the Board of Directors, any of the Board's Committees, the non-employee directors as a group or any individual director should write to the address below:

Name of Addressee

c/o Corporate Secretary  
Versar, Inc.  
6850 Versar Center  
Springfield, VA 22151

## SECURITY HOLDINGS OF MANAGEMENT

The following table sets forth certain information regarding the ownership of Versar's Common Stock by the Company's directors and each executive officer named in the Summary Compensation Table, each nominee for director and the Company's directors and executive officers as a group, as of September 20, 2004.

Individual or Group	Shares of Common Stock Beneficially Owned as of September 20, 2004(1)	
	Number	Percent
Michael Markels, Jr.(2)	840,487	10.7%
Robert L. Durfee(3)	744,903	9.5%
Amir A. Metry(4)	15,626	*
James L. Gallagher(5)	10,156	*
Fernando V. Galaviz(6)	10,156	*
Amoretta M. Hoerber(7)	10,156	*
Theodore M. Prociw(8)	228,709	2.9%
Paul J. Hoeper(9)	10,156	*
James V. Hansen(10)	2,903	*
James C. Dobbs(11)	91,940	1.2%
George J. Anastos(12)	43,804	*
Lawrence W. Sinnott(13)	85,162	1.1%
Jerome B. Strauss(14)	88,999	1.1%
All directors and executive officers as a group (14 persons)(15)	2,183,154	33.5%

\* Less than 1%

- (1) For the purposes of this table, beneficial ownership has been determined in accordance with the provisions of Rule 13d-3 under the Securities Exchange Act of 1934, as amended, under which, in general, a person is deemed to be the beneficial owner of a security if he or she has or shares the power to vote or to direct the voting of the security or the power to dispose or to direct the disposition of the security, or if he or she has the right to acquire beneficial ownership of the security within 60 days of September 20, 2004.
- (2) Includes shares 416,400 owned by adult children of Dr. Markels as to which he shares voting and investment power and 412,931 shares owned by him and his spouse. Includes 11,156 shares that may be purchased upon the exercise of stock options exercisable within 60 days after September 20, 2004.

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- (3) Includes 34,000 shares owned by adult children of Dr. Durfee as to which he shares voting and investment power. Includes 46,903 shares that may be purchased upon the exercise of stock options exercisable within 60 days after September 20, 2004.
- (4) Includes 9,626 shares that may be purchased upon the exercise of stock options within 60 days after September 20, 2004.
- (5) Includes 5,369 shares that may be purchased upon the exercise of stock options within 60 days after September 20, 2004.
- (6) Includes 10,156 shares that may be purchased upon the exercise of stock options within 60 days after September 20, 2004.

- (7) Includes 10,156 shares that may be purchased upon the exercise of stock options within 60 days after September 20, 2004.
- (8) Includes 175,000 shares that may be purchased upon the exercise of stock options within 60 days after September 20, 2004. Dr. Prociv is a Trustee of the Employee 401(K) Plan and as such he has shared investment power over 860,093 shares and shared voting power over 860,093 shares held by this plan. Dr. Prociv disclaims beneficial ownership of the Plan shares solely from his position as Trustee, none of which are included in the above table.
- (9) Includes 10,156 shares that may be purchased upon the exercise of stock options within 60 days after September 20, 2004.
- (10) Includes 2,903 shares that may be purchased upon the exercise of stock options within 60 days after September 20, 2004.
- (11) Includes 61,500 shares that may be purchased upon the exercise of stock options within 60 days after September 20, 2004.
- (12) Includes 20,000 shares that may be purchased upon the exercise of stock options within 60 days after September 20, 2004.
- (13) Includes 58,500 shares that may be purchased upon the exercise of stock options within 60 days after September 20, 2004. Mr. Sinnott is a Trustee of the Employee 401(K) Plan and as such he has shared investment power over 860,093 shares and shared voting power over 860,093 shares held by this plan. Mr. Sinnott disclaims beneficial ownerships of the Plan shares solely from his position as Trustee, none of which are included in the above table.
- (14) Includes 32,000 shares that may be purchased upon the exercise of stock options within 60 days after September 20, 2004.
- (15) Excludes shares held by the Employee 401(k) Plan as described in notes (8) and (13).

**Section 16(a) Beneficial Ownership Reporting Compliance**

Based upon copies of reports furnished to Versar, the Company believes that all reports required to be filed by persons subject to Section 16 of the Securities Exchange Act of 1934, and the rules and regulations thereunder, have been timely filed except that Dr. Markels failed to file Form 4 s reporting sales of shares of common stock by a member of his family on three occasions in June 2004. Those sales were reported on a Form 5 filed August 16, 2004.

## EXECUTIVE COMPENSATION

## Cash Compensation

The following table sets forth information on compensation paid by Versar for services rendered in all capacities during the three fiscal years ended June 30, 2004, to the Company's Chief Executive Officer and the four most highly compensated executive officers of the Company who were serving as executive officers at the end of fiscal year 2004 (collectively the Named Executive Officers).

## SUMMARY COMPENSATION TABLE

Name, Principal Position, and Fiscal Year ended June 30	Annual Compensation			Long-term Compensation	
	Salary \$	Bonus \$	Other Annual Compensation \$(1)	Awards	
				Securities Underlying Options/SARs #	All Other Compensation \$
Theodore M. Proxiv President and Chief Executive Officer					
2004	\$242,691	0	0	50,000	\$5,001(2)
2003	\$234,998	0	0	0	\$6,324(2)
2002	\$234,998	\$10,000	0	0	\$5,877(2)
James C. Dobbs Senior Vice President and General Counsel					
2004	\$160,000	0	0	20,000	\$5,060(3)
2003	\$160,000	0	0	30,000	\$7,793(3)
2002	\$155,769	\$5,000	0	0	\$7,581(3)
George J. Anastos Senior Vice President					
2004	\$170,000	0	0	20,000	\$5,027(4)
2003	\$170,000	0	0	30,000	\$6,891(4)
2002	\$162,162	0	0	0	\$6,462(4)
Lawrence W. Sinnott Senior Vice President and Chief Financial Officer					
2004	\$160,000	0	\$21,180(5)	20,000	\$3,647(6)
2003	\$157,308	0	0	50,000	\$6,610(6)
2002	\$145,769	\$5,000	0	0	\$5,890(6)
Jerome B. Strauss Senior Vice President					
2004	\$145,673	0	0	30,000	\$3,948(7)
2003	\$123,385	\$8,000	0	10,000	\$5,478(7)
2002	\$117,654	\$5,000	0	0	\$5,218(7)



- (1) No amounts are shown in Other Annual Compensation column for fiscal years 2004, 2003 and 2002, other than Mr. Sinnott, because the aggregate amount of any perquisites or other personal benefits for each of the Named Executive Officers did not exceed the lesser of (i) \$50,000 or (ii) 10 percent of combined salary and bonus in each of fiscal year 2004, 2003 and 2002 for the Named Executive Officer and the Company does not pay any other type of compensation constituting Other Annual Compensation.

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- (2) The amounts shown in this column for Dr. Prociv are comprised of the following: (i) in 2004 a payment of \$2,247 for life insurance premiums on term life insurance, in 2003 a payment of \$1,624 for life insurance premiums on term life insurance, and in 2002 a payment of \$1,159 for life insurance premiums on term life insurance; and (ii) in 2004 a contribution of \$2,754 to the Company's 401(k) Plan on behalf of Dr. Prociv, in 2003 a contribution of \$4,700 to the Company's 401(k) Plan on behalf of Dr. Prociv, and in 2002 a contribution of \$4,718 to the Company's 401(k) Plan on behalf of Dr. Prociv,
- (3) The amounts shown in this column for Mr. Dobbs are comprised of the following: (i) in 2004 a payment of \$1,737 for life insurance premiums or term life insurance, in 2003 a payment of \$1,393 for life insurance premiums on term life insurance, and in 2002 a payment of \$1,350 for life insurance premiums on term life insurance; and (ii) in 2004 a contribution of \$3,323 to the Company's 401(k) Plan on behalf of Mr. Dobbs, in 2003 a contribution of \$6,400 to the Company's 401(k) Plan on behalf of Mr. Dobbs and in 2002 a contribution of \$6,231 to the Company's 401(k) Plan on behalf of Mr. Dobbs.
- (4) The amounts shown in this column for Dr. Anastos are comprised of the following: (i) in 2004 a payment of \$1,496 for life insurance premiums on term life insurance, in 2003 a payment of \$1,122 for life insurance premiums on term life insurance, and in 2002 a payment of \$754 for life insurance premiums on term life insurance, and (ii) in 2004 a contribution of \$3,531 to the Company's 401(k) Plan on behalf of Dr. Anastos, in 2003 a contribution of \$5,769 to the Company's 401(k) Plan on behalf of Dr. Anastos, and in 2002 a contribution of \$5,708 to the Company's 401(k) Plan on behalf of Dr. Anastos.
- (5) The amount in this column for Mr. Sinnott is comprised of the following: (i) \$4,305 for executive medical reimbursement; and (ii) \$16,875 for educational tuition reimbursement.
- (6) The amounts shown in this column for Mr. Sinnott are comprised of the following: (i) in 2004 a payment of \$324 for life insurance premiums on term life insurance, in 2003 a payment of \$318 for life insurance premiums on term life insurance and in 2002 a payment of \$290 for life insurance premiums on term life insurance; and (ii) in 2004 a contribution of \$3,323 to the Company's 401(k) Plan on behalf of Mr. Sinnott, in 2003 a contribution of \$6,292 to the Company's 401(k) Plan on behalf of Mr. Sinnott, and in 2002 a contribution of \$5,600 to the Company's 401(k) Plan on behalf of Mr. Sinnott.
- (7) The amounts shown in this column for Mr. Strauss are comprised of the following: (i) in 2004 a payment of \$938 for life insurance premiums on term life insurance, in 2003 a payment of \$543 for life insurance premiums on term life insurance, and in 2002 a payment of \$512 for life insurance premiums on term life insurance; and (ii) in 2004 a contribution of \$3,010 to the Company's 401(k) Plan on behalf of Mr. Strauss, in 2003 a contribution of \$4,935 to the Company's 401(k) Plan on behalf of Mr. Strauss, and in 2002 a contribution of \$4,706 to the Company's 401(k) Plan on behalf of Mr. Strauss.

## OPTION/ SAR GRANTS IN LAST FISCAL YEAR

Name	Number of Securities Underlying Options/SARs Granted	Percent of Total Options/SARs Granted to Employees in Fiscal Year	Exercise or Base Price \$ per Share	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Terms	
					5% (\$)	10% (\$)
Theodore M Prociv	50,000	13%	\$ 2.80	10/01/2013	\$ 88,045	\$ 223,124
James C. Dobbs	20,000	5%	\$ 2.80	10/01/2013	\$ 35,218	\$ 89,250
George J. Anastos	20,000	5%	\$ 2.80	10/01/2013	\$ 35,218	\$ 89,250
Lawrence W. Sinnott	20,000	5%	\$ 2.80	10/01/2013	\$ 35,218	\$ 89,250
Jerome B. Strauss	30,000	8%	\$ 2.80	10/01/2013	\$ 52,827	\$ 133,874

## AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR

## AND FISCAL YEAR-END OPTION/SAR VALUE

(a) Name	(b) Shares Acquired on Exercise (#)	(c) Value Realized (\$)	(d) Number of Securities Underlying Unexercised Options at 6/30/04 (#) Exercisable/Unexercisable	(e) Value of Unexercised In-the-Money Options at 6/30/04 Exercisable/Unexercisable(1)
Theodore M. Prociv			160,000/40,000	\$ 408,500/\$14,280
George Anastos	14,400	\$ 24,480	10,000/34,000	\$ 11,300/\$90,920
James C. Dobbs	12,763	\$ 23,523	61,737/34,000	\$ 119,733/\$90,920
Lawrence W. Sinnott	63,500	\$ 162,130	40,500/46,000	\$ 64,000/\$128,600
Jerome B. Strauss	5,000	\$ 14,950	22,000/28,000	\$ 33,600/\$62,400

(1) On June 30, 2004, the closing price of the Company's Common Stock on the American Stock Exchange was \$4.95.

## Employment Contracts

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On December 1, 2002, the Company entered into an Employment Agreement with Dr. Prociv for a period of twelve months which provides for him to serve as President at a base salary of \$235,000 plus any fringe benefits available to executive officers of the Company including participation in any incentive compensation programs which may be in effect. In September 2003, the Company's Board of Directors agreed to extend Dr. Prociv's Employment Agreement on its current terms until November 30, 2004. On September 8, 2004, the Company's Board of Directors agreed to extend Dr. Prociv's Employment Agreement for an additional two years at a base salary of \$285,000 which amount had been previously determined by the Compensation Committee. If Dr. Prociv's employment is terminated during the term of the Employment Agreement, except for voluntary termination or termination for cause and, except as noted below, he will be paid 12 months salary, fringe benefits, and any incentive compensation then due and shall be entitled to immediate vesting of all stock options. If there is a change in circumstances (change in title, salary reduction, or change in geographic location) following a change in control of the Company (as defined in this

agreement), Dr. Prociv could terminate the agreement and upon termination would be paid 24 months salary and fringe benefits and would be entitled to immediate vesting of all stock options.

**Change in Control Agreements**

On January 30, 1999, the Company entered into Change-in-Control Severance Agreements with Lawrence W. Sinnott, Senior Vice President, Chief Financial Officer and Treasurer and James C. Dobbs, Senior Vice President and General Counsel, for a period of twenty-four months. In January 2001, these agreements were extended to January 31, 2004 and in March 2004 were extended to February 28, 2006. These agreements provide that if there is a change in circumstances (change in title, salary reduction or change in geographic location) following a change in control of the Company (as defined in the Agreement), Messrs. Sinnott or Dobbs could terminate their employment and upon termination receive 24 months salary, fringe benefits, and incentive compensation due and would be entitled to immediate vesting of all stock options.

**STOCK PERFORMANCE GRAPH**

The following graph and table show a comparison of the cumulative total return for the last five fiscal years on \$100 invested on June 30, 1999 in Versar Common Stock, the Standard & Poor's, 500 Stock Index and Versar's Peer Group. The Peer Group c