

VERSAR INC
Form DEF 14A
October 09, 2008

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 under § 240.14a-12

VERSAR, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No Fee Required
- Fee computed on table below per Exchange Act Rules 14a-6 (i)(1) and 0-11.
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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

Dear Stockholder:

You are cordially invited to attend Versar, Inc.'s Annual Meeting of Stockholders to be held at the Springfield Golf and Country Club, 8301 Old Keene Mill Road, Springfield, Virginia 22152, on Wednesday, November 19, 2008, 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 Springfield Golf and Country Club by car, from either I-95 or I-495. From I-95: exit Old Keene Mill Road West, entrance about two miles on the left to Springfield Golf and Country Club. Stay right to the Club House. From I-495: exit I-95 South to Old Keene Mill Road West, entrance about two miles on the left to Springfield Golf and Country Club. Stay right to the Club House.

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. Hoeper
Chairman of the Board

October 9, 2008

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 Springfield Golf and Country Club, 8301 Old Keene Mill Road, Springfield, Virginia 22152, on Wednesday, November 19, 2008, at 10:00 a.m. local time for the following purposes:

1. To elect ten directors to serve until the 2009 Annual Meeting of Stockholders;
2. To ratify the appointment of Grant Thornton LLP as independent accountants for fiscal year 2009; and
3. 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 26, 2008, 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,

James C. Dobbs
Secretary

October 9, 2008

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.

VERSAR, INC.
6850 Versar Center
Springfield, Virginia 22151
(703) 750-3000

PROXY STATEMENT
ANNUAL MEETING OF STOCKHOLDERS
NOVEMBER 19, 2008

GENERAL

This Proxy Statement and the enclosed proxy card are being mailed on or about October 9, 2008, 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 2008 Annual Meeting of Stockholders (the Annual Meeting) and any adjournment(s) or postponement(s) thereof. The Annual Meeting will be held at 10:00 a.m. local time at the Springfield Golf and Country Club, 8301 Old Keene Mill Road, Springfield, Virginia 22152, on November 19, 2008. 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.

On or about October 9, 2008, the Annual Report of the Company for fiscal year 2008 (including financial statements), the Notice of Annual Meeting, this Proxy Statement, and the enclosed proxy card are being 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 26, 2008 (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 9,003,221 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 voting authority and has not received voting instructions from the beneficial owner with respect to the particular item) are counted for purposes of determining the presence or absence of a quorum for the transaction of business. Assuming that a quorum is present for the Annual Meeting, then those ten 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 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. 2, abstentions are counted

for purposes of calculating shares present and 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. 2, broker non-votes are not counted as shares present and 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 Proposal No. 2 and in the proxy holders discretion with regard to all other matters. Any unmarked proxies, including those submitted by brokers (other than broker non-votes) or custodians, nominees or fiduciaries, will be voted in favor of the nominees for the Board of Directors and 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 26, 2008, 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. Robert L. Durfee(1) 6850 Versar Center Springfield, VA 22151	568,488	6.3%
Marathon Capital Management(2) 4 North Park Drive, Suite 106 Hunt Valley, MD 21030	809,989	9.0%
Versar Employee 401(k) Plan(3) 6850 Versar Center Springfield, VA 22151	460,127	5.1%

(1) For a description of the nature of the beneficial ownership of Dr. Durfee, see SECURITY HOLDINGS OF MANAGEMENT. The information with respect to shares of Common Stock held by Dr. Durfee are based upon filings with the Securities and Exchange Commission (the SEC) and information supplied by Dr. Durfee.

(2) The information with respect to shares of Common Stock held by Marathon Capital Management, LLC (Marathon), is based on filings with the SEC. According to such filings, Marathon has no voting power and sole dispositive power with respect to such Common Stock.

- (3) 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 in Security Holdings of Management below. The information with respect to shares of Common Stock held by the 401(k) Plan is based upon filings with the SEC, a report from the 401(k) Plan Custodian and a report by the Company's stock transfer agent.

**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 have been nominated by the Board of Directors to serve as directors of Versar until the fiscal year 2009 annual meeting of Stockholders and until their successors have been duly elected and qualified or earlier resignation or removal. The persons named in the accompanying proxy will vote for the election of the nominees named below unless authority is withheld. Each nominee, other than Anthony L. Otten, 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.

Name	Served as Director	Business Experience and Age
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 72.
Fernando V. Galaviz	2000 to the present	Chairman, President and Chief Executive Officer of The Centech Group, Inc. from 1988 to the present. Age 73.
James L. Gallagher	2000 to the present	President, Gallagher Consulting Group since September 1999; President of Westinghouse Government and Environmental Services from 1996 to 1999; Executive Vice President of Westinghouse Government and Environmental Services from 1994 to 1996; Vice President and General Manager of Westinghouse Government Operations Business Unit from 1992 to 1994. Age 71.
James V. Hansen	2003 to the present	President, Jim Hansen & Associates since January 2004; A member of the Base Realignment and Closure Commission (BRAC) from April 2005; United States Congressman for Utah's 1st Congressional District from 1980 to 2002. Age 76.
Amoretta M. Hoerber	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 66.
Paul J. Hoeper	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 62.

Name	Served as Director	Business Experience and Age
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 82.
Amir A. Metry	2002 to the present	Business consultant since 1995; part-time Versar employee from 1995 to April 2002; Founding Principal of ERM Program Management Corp. from 1989 to 1995; and Vice President, Roy F. Weston from 1981 to 1989. Age 65.
Anthony L. Otten	Nominee	Director of New Stream Capital, LLC and Operating Partner of New Stream Asset Funding, LLC since 2007; Managing Member, Stillwater, LLC from 2004 to 2007; Principal, Grisanti, Galef and Goldress, Inc. from 2001 to 2004. Age 52.
Theodore M. Procriv	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 60.

Committees of the Board of Directors

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

During fiscal year 2008, the members of the Executive Committee were Dr. Procriv (Chairman), Dr. Durfee, Mr. Galaviz, Ms. Hoeber and Mr. Hoeper. 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.

The Audit Committee, which the Board of Directors has determined is composed exclusively of non-employee directors who are independent, as defined by the American Stock Exchange (AMEX) listing standards and the rules and regulations of the SEC, consisted of Messrs. Gallagher (Chairman), Hoeper, Dr. Durfee and Dr. Metry during fiscal year 2008. The Committee's primary responsibilities, as defined by its written charter, which is posted on the Company's website at www.versar.com under Corporate Governance, 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. Hoeper qualifies as an Audit Committee Financial Expert as defined under the rules and regulations of the SEC and is independent as noted above.

The Compensation Committee was comprised of Dr. Metry (Chairman), Mr. Galaviz, Mr. Hansen and Ms. Hoeber during fiscal year 2008. The Board of Directors has determined that all members of the Compensation Committee are independent directors for purposes of Compensation Committee service in accordance with the listing standards of AMEX. The Committee, pursuant to a written charter, which is posted on the Company's website at www.versar.com under Corporate Governance, 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 and restricted share grants under those plans. The Committee also reviews and determines an appropriate compensation program for the Board of Directors.

The Nominating & Governance Committee was comprised of Dr. Markels (Chairman), Mr. Hoeper, Mr. Gallagher and Ms. Hoeber during fiscal year 2008. The Board of Directors has determined that all members of the Committee are independent directors in accordance with the listing standards of AMEX. The Committee, pursuant to a written charter, which is posted on the Company's website at www.versar.com under Corporate Governance, reviews and approves Board committee charters, conducts assessments of Board performance, develops criteria for Board membership and proposes Board members who meet such criteria for annual election. The Committee also identifies potential Board members to fill vacancies 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 11, 2009 for the 2009 annual meeting of Stockholders. The Committee also develops and implements corporate governance principles and policies.

Board and Committee Meetings; Annual Meeting Attendance

During fiscal year 2008, the Board of Directors met four times. The Executive Committee did not meet. Each of the Audit, Compensation and Nominating & Governance Committees met four times. All directors of the Company attended at least 75% of all meetings of the Board and committees on which they served except Mr. Galaviz who attended two of four Compensation Committee meetings. The Company does not have a policy requiring Board Members to attend the annual meeting of Stockholders. All of the Board members attended the 2007 annual meeting.

Compensation Committee Interlocks and Insider Participation

During fiscal year 2008, Dr. Metry, Mr. Galaviz, Mr. Hansen and Ms. Hoeber served as members of the Compensation Committee. No reportable relationships or transactions occurred for such committee members during fiscal year 2008.

Directors' Compensation

During fiscal year 2008, each non-employee director received an annual fee consisting of \$4,000 in cash, plus the grant of 1,500 shares of restricted stock which vest over a period of one year. Each director is also paid an attendance fee in cash of \$1,200 for each meeting of the Board or of its committees where the director is physically present and of \$600 for each meeting attended telephonically. In addition, the Chairmen of the Audit and Compensation Committees are paid an additional \$5,000 a year in cash as compensation for increased responsibility and work required in connection with those positions. The non-employee Chairman of the Board is paid an additional \$12,000 a year in cash and is granted an additional 3,000 shares of restricted stock for additional responsibilities and efforts on behalf of the Company.

**DIRECTOR COMPENSATION
FY2008**

Name(1)	Fees Earned or Paid in Cash \$(2)	Stock Awards \$(3)	\$	Total
Paul J. Hoeper	24,400	23,310	\$	47,710
Michael Markels, Jr.	13,600	11,655	\$	25,255
Robert L. Durfee	13,600	11,655	\$	25,255
James L. Gallagher	23,400	11,655	\$	35,055
Fernando V. Galaviz	10,000	11,655	\$	21,655
Amoretta M. Hoerber	18,400	11,655	\$	30,055
Amir A. Metry	23,400	11,655	\$	35,055
James V. Hansen	13,600	11,655	\$	25,255

- (1) Theodore M. Procriv is not included in this table as he is an employee of the Company and thus receives no compensation for his services as a director. The compensation received by him in fiscal year 2008 is shown on the Summary Compensation Table included herein.
- (2) Includes all fees earned or paid for services as a director in fiscal year 2008, including annual retainer, committee or Board chair fees and meeting fees.
- (3) Represents the fair value of shares of restricted stock granted in fiscal year 2008 which is the amount recognized for financial reporting purposes in accordance with Statement of Financial Accounting Standards No. 123(R) Share-base Payments (SFAS 123(R)). In accordance with SFAS 123(R), the grant date fair value of each share of restricted stock is based on the closing price of Versar's Common Stock on the date of the grant, November 14, 2007, which was \$7.77. Restricted stock awarded to directors in fiscal year 2008 vests on November 18, 2008, the day before the first annual meeting of Stockholders after the date of grant.

At the end of fiscal year 2008, directors owned the following number of vested options and unvested restricted shares:

Name(1)	Unvested Restricted Stock Awards	Vested and Unexercised Stock Options
Paul J. Hoeper	3,000	10,121
Robert L. Durfee	1,500	64,868(2)

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Fernando V. Galaviz	1,500	4,431
James L. Gallagher	1,500	7,334
James V. Hansen	1,500	1,965
Amoretta M. Hoerber	1,500	10,521
Michael Markels, Jr.	1,500	12,121
Amir A. Metry	1,500	0

(1) Theodore M. Prociv is not included as he is an employee of the Company and thus receives no equity compensation for his services as a director.

(2) Includes stock options granted while he was an employee of Versar.

Corporate Governance

The Company's business is managed by its employees under the oversight of the Board of Directors. Except for Dr. Prociv, no member of the Board is an employee of the Company. The Board limits membership of the Audit, Compensation and Nominating & Governance Committees to persons determined to be independent under AMEX and SEC regulations.

The Board of Directors has established Corporate Governance Guidelines that, along with the charters of the Board's committees and the Company's Code of Conduct provide a framework for the governance of the Company. The Corporate Governance Guidelines and committee charters are posted on the Company's website www.versar.com, under Corporate Governance.

The Board believes that independent directors must comprise a substantial majority of the Board. Throughout fiscal year 2008 all of the Board members, except Dr. Prociv, met the AMEX and SEC standards for independence. The Board has determined that all of the following eight non-employee directors, who are also nominees, are independent directors: Paul J. Hoeper, Robert L. Durfee, James L. Gallagher, Fernando V. Galaviz, Amoretta M. Hoeber, Amir A. Metry, Michael Markels, Jr. and James V. Hansen.

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 to the Stockholders for election as directors. There is, however, no formal nominating or screening process or procedure. 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 presented by a Stockholder for consideration in a timely manner. The Corporate Governance Guidelines require that director 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

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 web site www.versar.com, under Corporate Governance. The Company intends to disclose on its website any amendments or modifications to the code of ethics and 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. In fiscal year 2008 and through the date of this Proxy Statement, no waivers have been requested or granted.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 (the Exchange Act) requires Versar s executive officers, directors and persons who beneficially own more than 10% of Versar s Common Stock to file initial reports of ownership and reports of changes in ownership with the SEC. Based solely on Versar s review of such reports furnished to Versar, Versar believes that all reports required to be filed by persons subject to Section 16(a) of the Exchange Act, and the rules and regulations thereunder, have been timely filed, except that (1) Mr. Dobbs filed one late Form 4, (2) Mr. Sinnott filed two late Form 4s, (3) Ms. Foringer filed one late Form 4, (4) Mr. Kendall filed two late Form 4s, (5) Dr. Markels, Jr. filed one late Form 4, (6) Mr. Strauss filed one late Form 4, (7) Dr. Prociv filed two

late Form 4s, (8) Mr. Wagonhurst filed two late Form 4s, (9) Mr. Abram filed one late Form 4, (10) Mr. Johnson filed one late Form 3 and (11) the non-employee directors each filed one late Form 4 to report restricted stock grants, in each case, as a result of administrative errors and/or the failure of such person to timely provide the information necessary to Versar in order to prepare and file such forms on such person's behalf.

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 named executive officer named in the Summary Compensation Table that is currently employed with the Company, each nominee for director and the Company's directors and executive officers as a group, as of September 26, 2008.

	Individual or Group	Shares of Common Stock Beneficially Owned as of September 26, 2008(1)	
		Number	Percent
	Michael Markels, Jr.(2)	388,752	4.3%
	Robert L. Durfee(3)	568,488	6.3%
	Amir A. Metry(4)	12,034	*
	James L. Gallagher(5)	15,821	*