

POLICY MEMO NO. 5.5	POLICY TITLE: Insider Trading Policy	
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I. PURPOSE

The purpose of this policy is to take an active role in the prevention of insider trading violations by its officers, directors, employees, consultants, attorneys, advisors and other related individuals.

II. SCOPE

This policy is applicable to all employees of Versar, its subsidiaries and affiliates.

III. POLICY

General Statement

Nonpublic information relating to the Company or its business is the property of the Company. The Company prohibits the unauthorized disclosure of any such nonpublic information acquired in the workplace or otherwise as a result of an individual's employment or other relationship with the Company, as well as the misuse of any nonpublic information about the Company or its business in securities trading.

A. Applicability of Policy

This policy applies to all transactions in the Company's securities, including common stock, options to purchase common stock and any other securities the Company may issue from time to time, such as preferred stock, warrants as well as to derivative securities relating to the Company's stock, whether or not issued by the Company.

This policy applies to all officers of the Company, all members of the Company's Board of Directors, and all employees with the title of Assistant Controller or more senior of the Company, their secretaries and assistants, and consultants or contractors to the Company where such persons have or may have access to Material Nonpublic Information, as well as family members of such persons, collectively known as "Insiders." This policy also applies to any person who receives Material Nonpublic Information from any Insider.

Section 16 Individuals. The Board of Directors has determined those persons who are "executive officers" and who are thus, along with the members of the Board of Directors (collectively, the "Section 16 Individuals"), subject to the reporting and liability provisions of Section 16 of the Securities Exchange Act of 1934, (the "1934 Act") and the related rules and regulations. The Board of Directors will amend such determination to reflect the election of new officers or directors, any change in function of current officers, and the resignation or departure of current officers or directors.

Other Persons. The Company has determined that those persons listed on Attachment A to this Policy are subject to the black-out periods imposed by the Policy. In addition, the Company has also determined that those persons listed on Attachment B (note that a person may be listed on multiple attachments) are subject to the pre-clearance requirements of the Policy (and further described in Section V.A. below), in that the

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Company believes that, in the normal course of their duties, such persons have, or are likely to have, regular access to material nonpublic information. Attachment A and Attachment B will each be amended from time to time. Under special circumstances, certain persons not listed on these Attachments may come to have access to material nonpublic information for a period of time. During such period, such persons will also be subject to the pre-clearance procedures, or may be added to the list of persons subject to the black-out periods.

B. Definition of Material Non-public Information

While is not possible to define all categories of material information, information should be regarded as material if there is a reasonable likelihood that it would be considered important to an investor in making an investment decision regarding the purchase or sale of the Company's securities. Nonpublic information is information that has not been previously disclosed to the general public and is otherwise not available to the general public.

To provide additional guidance, the following categories of information that should always be considered material:

- Financial results
- Projections of future earnings or losses
- Asset impairment re-valuations
- Major contract awards, cancellations or write-offs
- Gain or loss of a substantial customer
- Significant pricing changes
- News of a pending or proposed merger or acquisition
- News of the disposition of material assets
- Impending bankruptcy or financial liquidity problems
- Stock splits
- New equity or debt offerings
- Changes in dividend policy
- Significant litigation exposure due to actual or threatened litigation
- Changes in senior management
- Capital investment plans

C. General Policy

The Company's policy prohibits the unauthorized disclosure of any nonpublic information acquired in the course of an individual's work on behalf of Versar.

1. **Do Not Trade While In Possession Of Nonpublic Information.** With certain very limited exceptions, no Insider shall engage in any transaction involving a purchase or sale of the Company's securities during any period commencing on the date that he or she possesses Material Nonpublic Information concerning the Company, and ending at the close of business on the second Trading Day, as defined below, following the date of public disclosure of that information, or at such time as such nonpublic information is no longer material.

As used herein, the term "Trading Day" shall mean a day on which national stock exchanges are open for trading.

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- 2. Tipping.** No Insider shall disclose Material Nonpublic Information to any other person (including family members) when such information may be used by such person to his or her benefit by trading in the securities of companies to which such information relates, nor shall such Insider or related person make recommendations or express opinions on the basis of Material Nonpublic Information as to trading in the Company's securities.

Thus, if an Insider is uncertain whether information is material and non-public, he/she should not disclose the information and should contact the Compliance Officer/General Counsel.

- 3. Trading Transaction.** Trading in the Company's securities includes purchases, sales, dealing with exercise and expiration of stock options, hedging transactions, margin loans and stock pledges.
- 4. Pre-clear trades involving Company stock.** If you are unsure whether information constitutes material nonpublic information and whether you should refrain from trading in the Company's stock, you should pre-clear any transactions involving Company stock with the Compliance Officer/General Counsel.
- 5. Don't discuss Company information with the press, analysts or other persons outside of the Company.** Announcements of Company information are regulated by Company policy and may only be made by persons specifically authorized by the Company to make such announcements. Laws and regulations govern the nature and timing of such announcements to outsiders or the public and unauthorized disclosure could result in substantial liability for you, the Company and its management. If you receive inquiries about any Company information, you should notify the Compliance Officer/General Counsel immediately.
- 6. Don't participate in Internet "chat rooms" in which the company is discussed.** You may not participate in on-line dialogues (or similar activities) involving the Company, business or its stock.
- 7. Don't use nonpublic information to trade in other companies' stock.** Don't trade in the stock of the Company's customers, vendors, suppliers, users of the Company services or other business partners (collectively, "Business Partners") when you have nonpublic information concerning these entities that you obtained in the course of your relationship with the Company and that would give you an advantage in trading. The basis of the Company's business is "trust" and "confidentiality." All prohibitions relating to trading of the Company's stock have equal applicability to trading in stock of the Company's Business Partners and companies that they may be dealing with.
- 8. Don't engage in speculative transactions involving the Company's stock.** Don't engage in any transactions that suggest you are speculating in the Company's stock (that is, that you are trying to profit in short-term movements, either increases or decreases, in the stock price). You **may not** engage in any short sale, "sale against the box" or any equivalent transaction involving the Company's stock (or the stock of any of the Company's Business Partners in any

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of the situations described above). A short sale involves selling shares that you do not own at a specified price with the expectation that the price will go down so you can buy the shares at a lower price before you have to deliver them. A sale against the box is a hedging device in which the seller owns the shares in question, but can cover the sale with other shares bought during the price decline while holding shares already owned “in the box” for long-term gain. Either of these transactions puts you in a position of conflict against your interests as a Company employee.

D. Potential Criminal and Civil Liability and/or Disciplinary Action

1. **Trading.** Insiders may be subject to penalties of up to three times the profit made or loss avoided and up to ten (10) years in jail for engaging in transactions in the Company’s securities when they possess Material Nonpublic Information regarding the Company. Such individuals also face civil monetary penalties of up to three times the profit made or loss avoided.
2. **Improper Transactions.** Insiders may also be liable for improper transactions by any person to whom they have disclosed Material Nonpublic Information regarding the Company or to whom they have made recommendations or expressed opinions on the basis of such information as to trading in the Company’s securities
3. **Possible Disciplinary Actions.** Employees of the Company who violate this policy shall also be subject to disciplinary action by the Company, which may include suspension, ineligibility for future participation in the Company’s equity incentive plans, and/or termination of employment.

E. Prohibited Trading Period

1. **Blackout Period.**

a. **General.**

For purposes of this policy, except for Executive Officers and Directors, the Company considers that the exercise of stock options for cash or stock under the Company’s stock option plans (but not the sale of any such shares which would be subject to the policy) is exempt from this policy, since the other party to the transaction is the Company itself and the price does not vary with the market, but is fixed by the terms of the option agreement or the plan.

To ensure compliance with this Policy and applicable federal and state securities laws, all Insiders who are subject to this policy must refrain from conducting transactions involving the purchase or sale of the Company’s securities during the period in any fiscal quarter commencing at the earlier of when the senior management begins to assemble the financial information to report earnings or the first calendar day of the first month of each fiscal quarter and ending with the close of business on the second Trading Day following the date of public disclosure of the financial results for the prior fiscal quarter or year (the “Blackout Period”). The purpose of the Blackout Period is to avoid any unlawful or improper transactions.

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The Company prohibits all Insiders from trading during black-out periods (whether regularly scheduled black-out periods, or special black-out periods). It is the Employee's responsibility to know when the Company's quarterly blackout periods begin (you will be notified when they end). If an Employee is informed that the Company has implemented a special blackout period, he or she may not disclose the fact that trading has been suspended to anyone, including other Company employees (who may themselves not be subject to the black-out), family members, friends or brokers. Employees should treat the imposition of a special blackout period as material nonpublic information.

If such public disclosure occurs on a Trading Day before the markets close, then such date of disclosure shall be considered the first Trading Day.

The Legal Department will send an email notice to all Insiders informing them when the Blackout period begins and ends.

Notwithstanding the fact that trading is allowed under this policy except during the Blackout Period, the safest period for trading in the Company's securities, assuming the absence of Material Nonpublic Information, is generally the first ten Trading Days after the second Trading Day following the applicable earnings release. The first month of each fiscal quarter and the period from the beginning of such quarter until the public disclosure of quarterly results are particularly sensitive periods for transactions increasingly likely to possess Material Nonpublic Information about the expected financial results for the quarter.

If, at the end of the fourth quarter, the Company files its Annual Report on Form 10-K within ten days prior to the end of the quarter, the CEO may extend the non-blackout period for ten days into the month.

Even when trading is permitted, any person possessing Material Nonpublic Information concerning the Company may not engage in any transactions in the Company's securities until such information has been known publicly for at least two Trading Days. Trading in the Company's securities during the times outside the Blackout Period should not be considered a "safe harbor," and all directors, officers and other persons should use good judgment at all times.

As indicated above, from time to time, the Company may also require that Insiders suspend trading because of developments known to the Company and not yet disclosed to the public. In such event, such persons may not to engage in any transaction involving the purchase or sale of the Company's securities during such period and should not disclose to others the fact of such suspension of trading.

Notwithstanding these general rules, Insiders may trade during the Blackout Period provided that such trades are made pursuant to a pre-established plan or by delegation; these alternatives are discussed below.

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2. Trading According to a Pre-established Plan or by Delegation.

Trading that is not “on the basis of” material non-public information may avoid insider trading liability. The Securities and Exchange Commission has adopted certain rules under which insider trading liability may be avoided if Insiders follow very specific procedures. Please consult the Legal Department if you have any questions regarding such trading arrangements.

3. Pre-Clearance of Trades.

During Trading Periods, executive officers, directors and other Section 16 Individuals must comply with the Company’s plan for trading in the Company’s securities. Prior to any such trading, such individuals must obtain approval of the General Counsel. The Company may also find it necessary to require compliance with the pre-clearance process from certain employees, consultants and contractors, other than and in addition to officers and directors.

4. Individual Responsibility.

All Insiders, must comply with this policy against insider trading, regardless of whether the Company has recommended a trading window to that Insider or any other Insiders of the Company. The guidelines set forth in this policy are guidelines only, and individuals must exercise their individual judgment with respect to any trade in the Company’s securities.

An Insider may have to forego a proposed transaction in the Company’s securities even if he or she planned to make the transaction before learning of the Material Nonpublic Information and even though the Insider believes he or she may suffer an economic loss or forego anticipated profit by waiting.

5. Compliance with public securities law reporting requirements.

Federal securities laws require that officers, directors, large stockholders and affiliates of the Company publicly report transactions in Company stock (on Forms 3, 4 and 5 under Section 16, Form 144 with respect to restricted and control securities, and, in certain cases, Schedules 13D and 13G). The Company takes these reporting requirements very seriously and required that all persons subject to public report of Company stock transactions adhere to the rules applicable to these forms. Where issues arise as to whether report may be required (particularly issues that turn on facts specific to the transaction and the individuals involved, or on unsettled issues of law), the Company encourages its Insiders to comply with the spirit and not the letter of the law – in other words, to err on the side of fully and promptly reporting the transaction even if not technically required to do so.

F. Applicability of Policy to Inside Information Regarding Other Companies

This Policy and the guidelines described herein also apply to Material Nonpublic Information relating to other companies, including the Company’s customers, vendors or suppliers (“Business Partners”), when that information is obtained in the course of employment with, or other services performed on behalf of, the Company. Civil and criminal penalties, as well as termination of employment, may result from trading on inside information regarding the Company’s business partners. All employees should

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treat Material Nonpublic Information about the Company's business partners with the same care as is required with respect to information relating directly to the Company.

H. Duties of the Compliance Officer

The Company has appointed the General Counsel as the Company's Compliance Officer (the "Compliance Officer"). The Compliance Officer supervises all matters relating to the Company's Insider Trading Compliance Program. The duties of the Compliance Officer shall include:

- A.** Pre-clearing all transactions involving the Company's securities by executive officers and directors who are subject to Section 16 reporting and liability provisions (i.e. those who are subject to requirements for filing Forms 3, 4 and 5) ("Section 16 Individuals") in order to determine compliance with the Policy, insider trading laws, Section 16 of the Securities Exchange Act of 1934 and Rule 144 promulgated under the Securities Act of 1933, as amended.
- B.** Assisting in the preparation and filing of Section 16 reports for all Section 16 Individuals. Note: the individuals remain responsible for such filings; the Company only provides guidance.
- C.** Serving as the designated recipient of reports filed with the Securities and Exchange Commission by Section 16 Individuals under Section 16 of the Securities Exchange Act of 1934.
- D.** Performing periodic reviews of available materials, which may include Forms 3, 4 and 5, Form 144, officers and directors' questionnaires, and reports received from the Company's stock administrator and transfer agent, to determine trading activity by officers, directors and others who have, or may have, access to Material Nonpublic Information.
- E.** Circulating the Policy (and/or a summary thereof) to all subject employees, including Section 16 individuals, on an annual basis, and providing the Policy and other appropriate materials to new officers, directors and others who have, or may have, access to Material Nonpublic Information.
- F.** Assisting the Board of Directors in implementation of the Policy.
- G.** Coordinating with Company's outside legal counsel regarding all securities compliance matters.
- H.** Retaining copies of all appropriate securities reports, and maintaining records of his activities as Compliance Officer.

/s/ Anthony L. Otten

ACKNOWLEDGMENT

I hereby acknowledge that I have received a copy of Versar, Inc.'s **Insider Trading Policy**. Further, I certify that I have reviewed the policy, understand the policies and procedures contained therein and agree to be bound by and adhere to these policies and procedures.

Dated: _____

[Name]

[Title]