

**VERSAR, INC.**  
**AUDIT COMMITTEE CHARTER**

**I. Purposes of the Committee**

The Audit Committee will assist the Board of Directors in fulfilling its oversight responsibilities. The Audit Committee will oversee:

- A.** the financial reporting process, including the integrity of the Company's financial statements and systems of internal controls regarding finance, accounting, legal compliance and ethics, including compliance with the Company's code of conduct,
- B.** compliance with legal and regulatory requirements regarding finance,
- C.** the qualifications and independence of the Company's independent auditors,
- D.** management of the Company's financial risk, and
- E.** the performance of the Company's internal audit function and independent auditors.

In performing its duties, the Committee will maintain effective working relationships with the Board of Directors, Management and the internal and external auditors.

**II. Organization**

The Audit Committee shall consist of at least three members of the Board of Directors who are independent from the management of the Company as required by the rules of the Securities and Exchange Commission ("SEC") and the American Stock Exchange ("AMEX"). In particular, no director serving on the Audit Committee shall receive directly or indirectly, as defined by the rules and regulations of SEC and the AMEX, any consulting, advisory or other compensatory fee from the Company or an affiliate of the Company.

**III. Duties and Responsibilities**

The Audit Committee is responsible for the following on the behalf of the Board of Directors:

- A.** Retain and terminate, determine compensation of and oversee the work of independent auditors selected to audit the financial statements of the Company or to perform related work. In fulfilling such duties the Audit Committee shall have the authority to resolve disagreements between management and the auditors. The independent auditors shall report directly to the Audit Committee.
- B.** Review the scope of the proposed annual audit for the current year and audit procedures to be applied and generally oversee the auditing process.
- C.** Have sole authority to review and give prior approval for any non-audit services to be performed by the independent auditors, consistent with rules and regulations of the SEC.
- D.** Review the methodology and effectiveness of the Company's internal control procedures, with emphasis on the Audit Requirements of Section 10A of the

Securities Exchange Act of 1934, as amended. Review with Management and the independent auditors their assessments of the adequacy of internal controls, and the resolution of identified material weaknesses and reportable conditions in internal controls.

- E.** Review the Company's compliance with accounting and financial reporting requirements of the Securities and Exchange Commission.
- F.** Review the financial statements and audit results with Management and determine that the independent auditors are satisfied with the acceptability and the quality of the Company's accounting principles, as applied, in the financial statements and that the information contained in the reports are consistent with the financial statements.
- G.** Review with Management and the independent public accountants the annual audit scope and approach, significant accounting policies, audit conclusions regarding significant accounting estimates/reserves and proposed fee arrangements for ongoing and special projects. The Audit Committee shall have sole authority to approve proposed fee arrangements.
- H.** Meet quarterly with the independent auditors to discuss the Company's quarterly and annual financial statements and related audit, including the independent auditor's findings and their interpretations of the findings.
- I.** Review the completed audit, including any comments or recommendations by the independent auditors, and monitor the implementation of any recommendations adopted by the Committee.
- J.** Recommend to the Board of Directors to include the audited financial statements in the Company's annual report on Form 10-K. The Chairman of the Audit Committee shall report the findings of the Audit Committee on a quarterly basis to the Board of Directors.
- K.** Meet at least once a year, with the independent auditors, separately, without any management representatives present for the purpose of oversight of accounting and financial practices and procedures.
- L.** Investigate any matter brought to its attention within the scope of its duties. The Committee shall have the authority, and shall be provided with resources requested, to retain independent counsel, accountants and others to assist it in its investigations or other matters as necessary.
- M.** Review and update the Committee's Charter and activities during the year on an annual basis, and as such shall be included in the Company's annual proxy statement. The Committee will prepare a report for inclusion in the Company's proxy statement for its annual meeting of stockholders describing the activities in which it has engaged during the prior year pursuant to its Charter. The report will address all issues then required by the rules of the SEC.
- N.** Consider such other matters in relation to the financial affairs of the Company and its accounts, and in relation to the internal and external audits of the

Company, as the Audit Committee may, in its discretion, determine to be advisable.

- O. The Committee will conduct an appropriate review of all proposed related party transactions as defined in rules of the SEC and the AMEX, to identify potential conflict of interest and disclosure situations. The Committee shall submit the related party transaction to the Board of Directors for approval by a majority of independent directors (excluding any director who is the subject of a related transaction) and implementation of appropriate action to protect the Company from potential conflicts of interest.

#### **IV. Complaint Procedures**

- A. The Audit Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls and auditing matters, including for the confidential, anonymous submission by employees of concerns regarding questionable accounting and auditing measures.
- B. The Audit Committee must periodically review such procedures to ensure they are effective and to ensure compliance by the Company with such procedures.

#### **V. Membership – Appointment and Removal**

- A. The members of the Audit Committee and the Chair of the Audit Committee shall be elected by the Board at the annual organizational meeting of the Board following the annual meeting of stockholders, and shall serve until their successors shall be duly elected and qualified or until their early resignation or removal. If the Board fails to designate a Chair, the members of the Committee shall designate a Chair by majority vote by the full Committee membership.
- B. A Committee member shall be automatically removed without further action of the Board if the member ceases to be a director of the Company or is found by the Board to no longer be an “independent director” as required by this Charter.
- C. Committee members may otherwise be removed or replaced by a vote of the Board upon recommendation of the nominating/corporate governance committee.

#### **VI. Meetings**

- A. Except as otherwise provided by this Charter or by applicable laws or regulations, as amended from time to time:
  - 1. A majority of the members of the Committee entitled to vote, either present in person or by means of remote communication, or represented by proxy, shall constitute a quorum for the transaction of business at all meetings of the Committee, and

2. All actions of the Committee shall be by affirmative vote of a majority of those members so determined to be present or represented by proxy.
- B.** The Committee shall have full authority to delegate any of its duties under this Charter to any subcommittee formed by the Board or the Committee, or to the Chair of the Committee, so long as such delegation is consistent with the rules and regulations of the SEC and the AMEX.
- C.** The Committee shall meet for regular standing meetings four times per year, and at other times as required.