

POLICY MEMO NO. 1.9	POLICY TITLE: Business Ethics Policy and Procedure
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I. PURPOSE

Since its founding, Versar’s central focus has been to always be an ethical business – and to have this engrained into the Company’s culture. The purpose of this is to establish the Company’s ethos with respect to ethical behavior.

II. SCOPE

This Business Ethics Policy applies to Versar, its subsidiaries and all directors, employees, officers and managers of Versar and its subsidiaries.

III. POLICY

It is the policy of Versar and its subsidiaries to conduct all business and inter-personal activities with honesty and integrity. Versar’s reputation is based on the commitment of its employees to provide services and products that meet high legal, ethical and professional standards.

The Company has adopted a Code of Business Ethics and Conduct (the “Code”) that establishes acceptable standards of behavior and business practices. A copy of the Code is attached to this Policy. The Code describes, in plain language, that the Company will conduct its business in an ethical manner, with high standards of business and personal conduct required of all Company employees. Implementing the principles in the Code is mandatory for every employee, business unit of the Company and all Versar representatives.

Every Versar director, employee, officer, manager and representative is also required to adhere to Versar’s Policies and Procedures and the individual policies and procedures of the business units for whom they work. Failure to comply may result in disciplinary action up to and including dismissal.

IV. OVERSIGHT AND IMPLEMENTATION

Oversight and implementation of this Policy, the Code and any and all related policies and procedures are delegated to the Company’s General Counsel and the Corporate Compliance Officer.

/s/ Anthony L. Otten

**Attachment A**



**V E R S A R**

**VERSAR, INC.**

**CODE OF BUSINESS ETHICS AND CONDUCT**

**April 2016 Edition**

## Message From the Chief Executive Officer

It is Versar's policy that it will always conduct its business activities with honesty and integrity. Our reputation as an ethical company is the result of our long standing commitment to provide quality services while maintaining the highest legal, ethical, and professional standards. These shared values form the basis of our ethical standards. As a global company that is committed to its role as a responsible corporate citizen, Versar e has always and will continue to conduct itself in a manner that reflects our core beliefs and values. Although we each appreciate the importance of acting ethically,, it may occasionally be difficult to determine the right course of action. Standards of ethical conduct may vary according to circumstances. Nevertheless, we must avoid any actions that may give even the appearance of impropriety and thus, potentially compromise the integrity of Versar or our clients. As a government contractor, we must strictly adhere to specific requirements for business ethics and conduct, including laws, regulations, policies and procedures for reporting, training and monitoring. However, such demands are fully consistent with the ethical behavior that we expect of all company representatives regardless of our client. .

We expect all Versar employees, directors and business partners, to adhere to the spirit, as well as the letter, of the Code of Business Ethics and Conduct and the policies and procedures that implement the ideas set forth in the Code.

We have prepared this Code to establish Versar's standards of behavior and business practices. Our continued dedication to the principles in this Code will promote our future success and will ensure that we maintain our reputation as a professional firm with strong ethical and quality standards. Please take time to read it carefully, and commit to follow it every day.

Sincerely,

Anthony L. Otten  
Chief Executive Officer

## **Vision**

Our most strategic asset are our people. We offer our clients honesty, accountability, and unique capabilities. We create an open, responsive and transparent organization that allows our employees to apply their skills in a variety of challenging and rewarding environments.

## **Mission**

Versar is a global project management company providing sustainable solutions to government and commercial clients in construction management, environmental services, munitions response, security and energy. Versar provides tailored and secure solutions in harsh and challenging environments and offers specialized abilities in rapid response, classified projects, and hazardous material management. Our unwavering commitment to quality, safety and best value ensures the highest returns for our clients, shareholders and employees.

## **Values**

We operate with a set of core values to include: integrity, honesty, respect and commitment. We expect the highest standard of behavior and transparent communication internally and externally from our employees, officers and members of our Board of Directors. We expect everyone to be responsible for what they do, be honest about situations when they occur, and provide ethical solutions to business challenges. We also expect every employee to fully follow Versar's policies and procedures.

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## Code of Business Ethics and Conduct

### STATEMENT OF PURPOSE

The purpose of the Versar, Inc. Code of Business Ethics and Conduct (the “Code”) is to state the principles of business ethics and conduct that Versar requires *all employees* to follow in dealings on behalf of Versar with the government, the general public, customers, suppliers, competitors, and fellow employees. All officers and managers are responsible for making this Code known and regularly stressing its importance to employees over whom they have supervision. While every employee should read the Code in its entirety, briefly summarized below are certain key themes of the Code. Additionally, throughout the Code there are identified **Q&A text boxes** that are intended to help give you a practical understanding of the key points.

### KEY DO’S AND DON’TS

- **Do** avoid any situation, activity or investment that affects or appears to affect your ability to exercise impartial judgment on the job or adversely affects the Company's interests, and disclose any actual, potential or perceived conflict of interest.
- **Don’t** offer, give or receive anything of value under circumstances that are unlawful or could be viewed as an attempt to improperly influence a recipient's decisions affecting the Company.
- **Don’t** give or offer anything of value, directly or indirectly, to any foreign official or entity for the purpose of influencing any act or decision in their official capacity in order to help Versar obtain or retain business or to direct business to any particular person or company or to secure any improper advantage.
- **Do** comply fully with Versar policies and all federal laws and regulations dealing with the recruitment and employment of current or former federal government employees, and ensure that all recruitment and hiring practices are consistent with such laws and regulations.
- **Don’t** make false or misleading entries of any kind on Company records or accounts at any level.
- **Do** ensure accuracy in all communications with federal, state and local governments.
- **Do** comply fully with Versar policies and all federal laws and regulations dealing with labor charging, and ensure total time accounting to appropriate charge numbers.
- **Do** follow OCI compliance measures by understanding the OCI categories and rules.
- **Don’t** destroy any information (hard copy or electronically stored) that is protected by a document hold notice.
- **Don’t** buy or sell securities based on non-public Company information.
- **Don’t** make or participate in any racist, sexist, or other types of discriminatory jokes or comments.
- **Don’t** view, download, possess, copy, send, post or access any illegal, sexually explicit, pornographic or obscene material of any kind.

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- **Do** follow safeguarding measures to ensure proper protection of all Versar Confidential and Proprietary Information as well as capital assets including intellectual property such as trade secrets.
- **Do** report *immediately* any violation or apparent violation of this Code, or of Versar policies or procedures, or violations of law or regulation.

### POLICIES AND PROCEDURES

The policies and procedures referenced in this Code can be found on Versar's Intranet at <https://intranet.versar.net/>.

### VIOLATIONS AND REPORTING MISCONDUCT

Violations of this Code, its implementing policies and procedures, or other violations of the law by any employee may result in disciplinary action up to and including termination. Versar may apply such disciplinary measures to any employee who directs or approves of prohibited activities, or who has knowledge of them and does not take steps to promptly correct or report them. Employees who fail to take reasonable steps to prevent or detect improper conduct are also subject to disciplinary action – *it is not acceptable to look the other way!* Additional criminal or civil penalties may apply for violations of laws or regulations (federal, state, and local) governing activities outlined in this Code.

**DUTY TO SPEAK UP!** - Versar cannot meet its commitment to act with honesty and integrity if we, as individuals, do not speak up when we should. That is why, in addition to knowing the legal and ethical responsibilities that apply to your job, you should speak up if:

- You are unsure of the proper course of action and need advice.
- You believe that someone acting on behalf of Versar is doing – or about to do – something that violates the law or Versar's Code, policies and procedures.
- You believe that you may have been involved in misconduct.

Versar fosters open and free communication within the Company to ensure that all reported violations are promptly investigated in accordance with applicable Versar policies and procedures. Employees must not conduct their own preliminary investigations. Versar will investigate all incidents reported to the Company to the fullest extent necessary, and will take appropriate action to address the situation. Employees are expected to cooperate fully with such investigations and to provide all information that they possess regarding such violations. Failure to cooperate fully in a forthright manner with any such investigation is grounds for disciplinary action up to and including termination.

In doing business with the U.S. Government, employees must also comply with the mandatory disclosure rule under the Federal Acquisition Regulations ("FAR"). Under the FAR, U.S. Government contractors and subcontractors are required to disclose to the federal government

## Code of Business Ethics and Conduct

credible evidence of certain violations of U.S. criminal law, the civil False Claims Act, and significant overpayments involving the award, performance, or closeout of a U.S. Government contract or subcontract. While it is impossible to list each and every possible violation of governing laws and regulations that Versar expects its officers, managers, employees, and agents to disclose internally, Versar requires the prompt reporting of any business standards, compliance, or ethics concern, complaint, or issue using any of the reporting mechanisms set forth in the Code and the Ethics Contact List. Anyone to whom such a disclosure is made must immediately forward the report to the Corporate Compliance Officer or General Counsel. Violations that fall within the FAR mandatory disclosure rule requirements will be reviewed and a disposition provided in accordance with applicable federal regulations.

Versar does not discharge, demote, suspend, threaten, harass, retaliate, or discriminate against any person based upon the lawful action of any such employee with respect to good faith reporting of any matter covered by the Code, its implementing policies and procedures, and applicable laws or regulations. Any such retaliation or reprisal by a Versar employee or agent is forbidden. Allegations of retaliation will be investigated and appropriate action will be taken. – WE WILL NOT TOLERATE RETALIATION

### [REPORTING MECHANISMS – WHERE TO GO FOR HELP?](#)

There are various reporting mechanisms to allow employees to make ethics and/or compliance inquiries or reports and remain anonymous, if so desired.

- Ethics Hotline: From within the U.S., the Ethics Hotline number is 1-877-803-9070. This is a toll-free, 24-hours-a-day, 7-days-a-week resource.

Callers to the Ethics Hotline have the option to remain anonymous when making reports if they so desire. All questions and incident reports are responded to promptly and confidentially.

- Ethics Contact List: Employees may directly contact any person on this List. It includes your direct supervisor (which is optional), the Corporate Compliance Officer, the Senior Director of Human Resources or any Human Resources Manager, or the Company's General Counsel.

**Q:** I think my supervisor is doing something that according to the Code is wrong. I'm afraid to report her because she might fire me or make my job more difficult? What should I do?

**A:** If you don't feel comfortable talking to your supervisor about it directly, you can report it to one of the persons in Ethics contact list or call the Ethics hotline - 1-877-803-9070.

### [RESPONSIBILITIES](#)

*General Responsibilities for All Associated with Versar*



## Code of Business Ethics and Conduct

Versar directors, officers, employees, agents, consultants, subcontractors, and suppliers are expected to:

- Conduct business in accordance with the highest ethical standards;
- Comply with the letter and spirit of the laws of the U.S. and other jurisdictions in which Versar does business;
- Use Versar and customer resources appropriately;
- Never participate in, condone, or ignore illegal or unethical acts; and
- Raise ethical concerns promptly and escalate them as necessary to all appropriate resources within the company.

### *Governing Authority Responsibilities*

The Versar Board of Directors is responsible for providing overall guidance and oversight with respect to the Company's Ethic Compliance Program (the "Program"), which includes the Code, its implementing and related policies and procedures, associated company training and other related elements. This includes the appointment of the Corporate Compliance Officer, approval of material changes to the Program and reviews of the Program's effectiveness on a quarterly and annual basis.

### *Corporate Compliance Officer Responsibilities*

The Corporate Compliance Officer ("CCO") is responsible for implementing the Program, maintaining open lines of communication, coordinating mandatory training programs to train employees about the Program, and to foster a continued awareness and understanding of the Code. The CCO reports directly to the Chief Executive Officer and has a direct connection to the Chairman of the Board of Directors. The CCO will also apprise the Board of Directors of major actions taken with respect to the implementation and administration of the Program.

### *Manager and Supervisor Responsibilities*

Each manager and supervisor has the responsibility to employees, consultants, agents, and other representatives of the Company under his or her direction or control to:

- Ensure that employees are aware of the requirements of the Code and the Program, and participate in education and training regarding the Code;
- Communicate on an ongoing basis the importance of the principles of, and compliance with, the Code;
- Encourage open communication regarding the importance of the Code and reinforce the importance of resolving concerns related to the Code and the Program; and
- Take reasonable measures, based on facts that a manager or supervisor knows or should know, to detect violations of the Code.

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### *Employee Responsibilities*

Versar is committed to conducting its business in accordance with all applicable federal, state and local laws and regulations, and in accordance with the Code. Versar employees are expected to comply and to assist the company in complying with each of these obligations. All employees have the responsibility to familiarize themselves with the Code, its implementing policies and procedures, and the Program. Any employee who suspects or has knowledge of violations of this Code, its implementing policies and procedures, or other violations of the law or regulation should immediately report any concerns using one of the reporting mechanisms set above.

Employees are required to participate in mandatory annual ethics training.

### *Responsibilities of Consultants, Subcontractors and Suppliers*

Versar requires consultants, subcontractors, and suppliers to have a Code of Business Ethics and Conduct to the extent required pursuant to the FAR.

## **WORK ENVIRONMENT**

## **EQUAL OPPORTUNITY AND DIVERSITY**

Versar is committed to fostering workplaces that are safe and professional and that promote teamwork, diversity and trust. This includes the strongest commitment to providing equal employment opportunities for all persons.

Versar recruits, hires, develops, promotes, disciplines and provides conditions of employment without regard to a person's race, color, religion, creed, sex, age, national origin, covered veteran status, disability, marital status, sexual orientation, or any other legally-protected status.

### **DISCRIMINATION AND HARASSMENT, INCLUDING SEXUAL HARASSMENT**

Versar promotes a productive work environment and will not tolerate inappropriate behavior to include verbal or physical conduct that creates an intimidating, offensive, or hostile environment. No form of harassment will be tolerated including harassment for race, color, sex, national origin, ancestry, handicap, medical condition, marital status, disability, sexual orientation, age, or religion.

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Employees who engage in acts that constitute discrimination and/or harassment will be disciplined in a manner appropriate to the offense, up to and including termination.

Managers are responsible for keeping the workplace free of any form of discrimination and/or harassment, including sexual harassment. No supervisor or manager may threaten or insinuate, either explicitly or implicitly, that an employee's refusal or willingness to submit to sexual advances will affect the employee's terms or conditions of employment.

**If you observe or experience any form of discrimination and/or harassment, you should report it to your supervisor or manager, senior management, or the Human Resources or senior management if the complaint involves the supervisor or manager or call the hotline 1-877-803-9070.**

**Q:** A co-worker is initiating unwelcomed advances. I'm uncomfortable confronting this person. Whom should I talk to?

**A:** You can discuss this situation with your supervisor, utilize a reporting mechanism referenced in this Code, or contact the Human Resources Department or the CCO.

## HEALTH, SAFETY AND SECURITY OF EMPLOYEES

Versar is committed to providing our employees with a safe and secure work environment. Each work location has safety rules that must be followed. However, having safety rules is not enough. Our commitment to safety means each of us needs to be alert to safety risks as we go about our jobs. All of our employees, and employees of other companies working on our premises, must know the health and safety requirements associated with their jobs.

A safe and secure work environment also means a workplace free from violence. Threats (whether implicit or explicit), intimidation and violence have no place in Versar and will not be tolerated. Weapons are not allowed in the workplace without authorization.

**Q:** Our work safety standards far exceed what is required in the country where I work and our competitors only follow local requirements. Shouldn't we do the same?

**A:** No. We must adhere to the standards of our company safety policies. Versar is committed to providing our workers with a safe and secure environment everywhere we operate, even if this means we exceed local requirements.

## EMPLOYEE CONFIDENTIALITY

## Code of Business Ethics and Conduct

Versar believes in respecting the confidentiality of its employee's personal information. This means that access to personal records should be limited to company personnel who have appropriate authorization and a clear business need for that information. Employees who have access to personal information must treat it appropriately and confidentially.

# DRUGS AND ALCOHOL IN THE WORKPLACE

Versar seeks to maintain a drug free workplace. Versar will abide by all applicable laws and regulations relative to the possession or use of alcohol and drugs and any policies of our clients.

### PROTECTING CORPORATE ASSETS

Versar is dedicated to creating value for its stockholders. Our stockholders have shown confidence in us by investing in Versar. We have a duty to protect our corporate assets from loss, damage, misuse, theft and sabotage. Every employee must be a careful steward of Versar's assets and ensure their efficient use. We must safeguard company property, whether it is a piece of equipment, an electronic file, a Versar trademark or confidential information about an upcoming deal. In addition, employees must use Versar's assets only for legitimate business purposes.

### PROTECTING SHAREHOLDER VALUE AND COMPLIANCE WITH SECURITIES LAWS

**Proper Accounting:** In order to ensure corporate integrity and to preserve and enhance stockholder value, the Company will aggressively pursue growth and earnings objectives, while keeping ethical and legal standards at the forefront of all activities. This includes emphasizing absolute reliability and accuracy of books and records, and honesty in disclosures. The books of account, financial statements, and records of the Company are intended to reflect accurately and fairly, in reasonable detail, the Company's operations and financial position and the underlying transactions and any disposition of assets. The books, statements, and records should be maintained in accordance with established financial and accounting policies, pronouncements and standards issued and/or adopted by the Company and with generally accepted accounting principles. In addition, all invoices submitted to any clients for payment must be reviewed carefully for accuracy. If there is doubt as to whether a particular cost is allowable, it should not appear on the invoice. An employee's approval of an invoice means that the employee has certified that the amounts claimed are proper. Submission of inflated claims could lead to liability for the Company and the employee who approves the claim.

**Recording and Reporting Information:** Information that is the basis for recording transactions or measuring the Company's performance and results must be recorded and reported accurately and honestly. No employee shall falsify, forge, or record inaccurate or misleading information

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that is used for recording transactions. Dishonest reporting, either inside or outside the Company, is strictly prohibited. This includes misreporting information or organizing it in a way that is intended to mislead or to misinform those who receive it.

**Discussing Company Affairs:** Information about the Company and its affiliates, particularly financial information not yet disclosed, should not be disclosed to persons outside the Company, unless the information has been made public or unless \_\_\_\_\_ is done in accordance with applicable laws and regulations and confidentiality arrangements, if applicable. Confidential Company business should not be discussed in public places or in places where visitors are likely to be present, such as on airplanes or trains, or in building or hotel lobbies, elevators, and cafeterias.

**Insider Trading:** The use of non-public information for private gain, or the disclosure of non-public information to persons other than Versar employees or others who have a legitimate business need for the information, is strictly prohibited. The trading of Versar securities or securities of other publicly-traded companies based on material, non-public information relating to any company is unethical and illegal. Information is considered material if it would be considered important by investors making decisions on whether to purchase, sell, or hold the securities of the company in question.

**Q:** I've become aware of financial information on one of the Company's customers (or suppliers) that indicates the customer is in better financial condition than most people realize. I want to purchase some of the customer's stock. May I do so?

**A:** No. You may not purchase this stock until the financial information is known to the public. Information of this sort may have been provided to Versar in confidence by the customer to help Versar determine how to meet the customer's needs. Using this information for personal purposes or disclosing it to others is a violation of Versar's policy and is illegal.

### PROTECTING CONFIDENTIAL AND/OR PROPRIETARY INFORMATION AND INTELLECTUAL PROPERTY

Employees are responsible for ensuring the proper protection of Versar confidential and/or proprietary information and capital assets, including intellectual property. This responsibility also extends to all confidential and/or proprietary information and intellectual property produced by and/or communicated to employees (including third party IP) as a result of employment at Versar. In accordance with Versar's Proprietary Information and Invention Assignment Agreement and other employee agreements, Versar retains all rights, title, and interest to all inventions, software, and other intellectual property that result from or are suggested by work performed by employees for Versar or use of Versar's resources.

In addition to the obligations with respect to Versar confidential and/or proprietary information, Versar must protect and hold in confidence confidential and/or proprietary and business-sensitive information given to it by customers, partners, or individuals with whom it does business. Employees must take all necessary measures to protect such third party information from

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unauthorized disclosure.

**Q:** We are in the middle of preparing a proposal for a large government procurement and I have just received an e-mail containing a copy of a competitor's proprietary information from an unknown source. What should I do?

**A:** Immediately contact your supervisor or the CCO. Do not copy it, share it with others, or use it in any way. Proper intelligence gathering is a legitimate marketing activity, but use of apparently proprietary information received from unknown sources is never an approved practice.

**Q:** What types of competitor information may Versar employees legitimately receive and use?

**A:** Information that is available to the general public (e.g., published price lists, catalogs) or which is provided to Versar by a representative of the competitor, who has the authority and approval to release the information.

### SECURITY OF U.S. GOVERNMENT CLASSIFIED AND OTHER SENSITIVE INFORMATION

Employees must comply with government laws and regulations that protect our nation's defense secrets and to prevent any unauthorized access to or dissemination of sensitive information.

Employees who have a valid security clearance and require access to specific classified information must handle such information, in whatever form it exists, strictly in accordance with the procedures set forth by the appropriate governmental agency for safeguarding classified information. Such procedures normally encompass activities such as storage, reproduction, review, shipping, and destruction of classified information.

Employees must not seek access to, accept, or retain any classified materials for which they have no need to know, or which they are not otherwise entitled to possess. Employees with questions relative to the security of U.S. Government classified information should contact the Company's Corporate Security Officer.

In addition, information may be unclassified but sensitive in the form of documents labeled "For Official Use Only" or "For Internal Use Only" (or words to that effect) to identify information or material which, although unclassified, may not be appropriate for public release, or "NOFORN" meaning that the information is not to be conveyed in any manner to any foreign national except through a license or other valid approval from the appropriate U.S. Government agency or classifying authority. Employees must take appropriate steps to protect such information from unauthorized disclosure consistent with the agency rules and policies under which such document is issued.

**Q:** I am meeting an engineer from another company for coffee. He is working on the same government project as I am and we need to discuss the interface specification. The specification is classified so I left it at the office. Is it ok to discuss the specification with him at the restaurant since we don't have the actual

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classified material with us?

**A:** No. It is never acceptable to discuss classified information in a public place. The security and confidentiality of the information could be compromised if someone overhears the conversation. In addition, the level of security clearance held by the other person must be verified to determine the person's clearance for discussing classified information.

### RECORDS RETENTION

[\(See Policy Memorandum No. 5.14\)](#)

Employees must ensure that business records are available to meet the business needs of the Company and for compliance with legal and regulatory updates. Failure to comply with the requirement to preserve documents and other information as required by the Records Retention policies and any distributed Hold Notice can result in serious adverse consequences to Versar and its employees.

**Q:** I found several boxes of files stored in a closet. They seem to relate to a contract that I believe to be closed. Can I shred them?

**A:** No. You must verify the date that the contract was closed and then refer to Versar's Records Retention policy to determine whether or not the files may be destroyed. If in doubt, contact your department head or contracts manager for guidance.

**Q:** I received a Hold Notice from legal counsel regarding a litigation matter on a government contract I'm working on. I think that some of my e-mails relating to the contract might be damaging. Can I delete them?

**A:** No. While a record is under suspension or "Hold Notice," you may not alter or dispose of it in any manner. In addition, there are requirements under Versar's Records Retention policies for contract-related documents to include written communications such as e-mails. Consult with your manager, contracts manager or CCO on such retention requirements.

### INFORMATION SYSTEMS

Versar limits the use by employees of all office automation and information systems, whether company-owned or customer-owned, to company business. In keeping with this limitation, all information stored or transmitted with the use of computer-based and voice-based information systems owned or otherwise used by Versar shall remain the sole property of Versar. Versar reserves the right to access and audit all such information systems at any time.

Employees must never use company and information systems to display, store, or transmit any information that others may construe as discrimination and/or harassment on the basis of race, national origin, sex, sexual orientation, age, disability, or religious or political beliefs.

**Q:** Can I use a company computer at lunch time to access my bank account?

**A:** Yes, if the access is only occasional and does not take excessive time away from your work.

## CONDUCTING BUSINESS

Versar conducts its business activities in compliance with all applicable U.S. (federal, state, and local) laws, regulations, and judicial decrees, as well as those of other countries where Versar conducts business. No employee may take any action on behalf of Versar that the employee knows, or reasonably should know, would violate any law or regulation.

In addition to literal compliance with legal requirements, each employee must adhere to the overriding moral and ethical standards of fair dealing in the conduct of business. Versar's interests are not served by unethical practices and activities, even in the absence of technical violations of law. When no legal requirement applies directly to a questionable situation, employees must conduct Versar business in a manner that maintains Versar's tradition of integrity and ethical conduct.

### CONFLICTS OF INTEREST

Employees and their immediate families must avoid any situation that may create **or appear to create** a conflict between personal interests and the interests of the Company. Employees and their immediate families must not engage in any outside interest, activity, or investment which, in the opinion of Versar, may reflect against Versar or conflict with its best interests.

The following are examples of conflicts of interest:

- Engaging in employment or any other activity that interferes with your ability to devote the required time and attention to your job responsibilities at Versar.
- Holding a significant financial interest in a current or prospective customer, supplier, or competitor of Versar, or serving as an employee, consultant, or director of such business.
- Supervising the job performance or compensation of a relative.
- Using confidential Company information or improperly using Company assets for personal benefit or the benefit of others.

If a conflict of interest or appearance of a conflict of interest develops, an employee must report and disclose the matter to his or her supervisor and the CCO.

It is important to remember that even if a conflict exists, the corrective action will depend on the individual circumstances. Conflicts can arise innocently, and most are investigated to the extent necessary to determine that the Company's interests (and the interests of our customers) are being best served. Each conflict must be reported so that an independent determination can be made of the situation.

**Q:** A Company consultant has offered to pay me to work for him on my own time. Is this against Company



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policy?

**A:** While not against Company policy, “moonlighting” for a consultant or supplier could lead to a conflict of interest. You must report the matter to your supervisor and the General Counsel/Corporate Compliance Officer.

### MARKETING AND PROCUREMENT INTEGRITY

Employees must always deal honestly and fairly with all government customers, as well as with other contractors, teaming partners, subcontractors, suppliers, and consultants supporting Versar’s government business. When preparing government quotes/proposals and negotiating contracts, employees must always be accurate, current, and complete in all of their representations on behalf of Versar. In conducting business with government agencies, the Company is required to abide by certain special contract and procurement regulations and rules designed to protect the public interest and integrity of the government procurement processes.

The submission to a government customer of a proposal, price quotation, claim, or other information that is knowingly false, incomplete, or misleading can result in civil or criminal liability for both the Company and individual employees involved in the submission. The penalties for such practices include suspension of a contract, debarment, imprisonment, and/or fines. The Company is obligated to and must disclose, when required to do so, current, accurate, and complete cost and pricing data.

**Q:** One of our government contracts requires a test during the early stage of production that duplicates part of a test required during a later stage of production. The earlier test is clearly a waste of time and money and will delay delivery. Can the extra test be skipped?

**A:** No. Since the contract requires that both tests be performed, no change in testing or quality controls can be made without first informing and obtaining the approval of the appropriate level of management, as well as the approval of our customer. To knowingly deliver a product that fails to meet the contract specifications or testing requirements, without specific prior approval from the customer, could be considered fraud and a violation of law.

**Q:** Versar must disclose current, accurate, and complete cost and pricing data to the U.S. Government in connection with many of its contracts. What does this mean?

**A:** As defined by the Truth in Negotiations law, “cost and pricing data” means all the facts at the time of agreement on price that prudent buyers and sellers could reasonably expect to affect price negotiations. These include vendor quotes, nonrecurring costs, changes in production methods and estimates, and any other final management decisions that could have a significant bearing on cost or price.

**Q:** I am evaluating specification data and drawings on a supplier’s new product that we are considering for one of our programs. The documentation has been labeled “Proprietary-For Evaluation Purposes Only.” I want to find out if another supplier can develop a similar product more cheaply. Can I send them the drawings to see if they have a similar product or can develop one? After all, we’re supposed to encourage competition between suppliers.

**A:** No. You cannot share the data with the other supplier. It was provided to us in confidence and the purpose has been clearly indicated.

## Code of Business Ethics and Conduct

### DEALINGS WITH SUPPLIERS OR CONTRACTORS

Employees may have dealings with suppliers and contractors. It is therefore important that when continuing to work with a chosen suppliers or contractor, or negotiating competitive terms with a new suppliers or contractor, employees take account of the following:

- When choosing a supplier or contractor, employees should comply with any best practice guidelines set out by the Contracts and Procurement Department.
- It is the Company's policy to award orders, contracts and commitments to suppliers or contractors on the basis of merit (including cost efficiency) without favoritism. Where possible, terms of all orders, contracts and commitments should be specified to all parties in writing.
- While bearing in mind the advantages to the Company of maintaining a relationship with a supplier, any arrangement, which might, in the long term, prevent the effective operation of fair competition, should be avoided.

### DEALING WITH COMPETITORS

The Company prohibits unfair methods of competition and unfair or deceptive acts or practices in the conduct of its business affairs. In situations where Versar is considering the possibility of teaming with a company or organization to respond to a particular opportunity, the company or organization will, in most cases, not be considered a competitor with respect to that particular opportunity for purposes of this section. However, the same company or organization with which Versar is teaming on a specific opportunity may be competing against Versar on other opportunities. In those situations, that company would be considered a competitor to which the requirements of this section apply. Since teaming arrangements with competitors may raise antitrust issues, care must be taken to avoid such issues prior to entering into a teaming arrangement with any of the Company's competitors. In addition, employees are prohibited by law from entering into any agreement or understanding with a competitor regarding prices. This includes any agreement or understanding that affects prices or any other conditions of sale.

**Q:** A customer has asked for a specific delivery schedule that Versar cannot meet. Can I agree to the schedule and, to stay competitive, simply price in the damages that the Company will pay for late delivery?

**A:** No. You should propose an alternative schedule that Versar can reasonably meet. There may be other benefits we can offer to offset this disadvantage, but honesty is required.

**Q:** Another company has asked to discuss what contract terms and pricing we have negotiated with a supplier, as they would like the same kind of deal that we have. Is this ok?

**A:** No. We have an ethical and contractual obligation to respect the confidentiality of the supplier's pricing. Also, such actions might be construed as an attempt to fix prices in the supply market.

## Code of Business Ethics and Conduct

### ORGANIZATIONAL CONFLICTS OF INTEREST

Versar policy prohibits any contract from being negotiated or executed if the interests of a particular customer are of such a nature as to compromise or threaten Versar's ability to maintain unbiased objectivity in serving its other customers, resulting in a potential Organizational Conflict of Interest ("OCI").

Examples of potential OCIs include:

- Competing for a management/services contract that might require the contracting company to evaluate its own products for use by the government;
- Competing to supply products/services for which Versar has designed the specifications;
- Access to other companies' proprietary information that has not been authorized for use in landing/performing the contract; and
- Access to other companies' proprietary information obtained by leveraging the contract in question, which might provide Versar with an unfair competitive advantage.

Where an actual or potential OCI may occur by entering into a contractual agreement or by accepting a task under an awarded contract, such contractual instruments may be entered into only after all of the following conditions have been satisfied:

- Full and complete disclosure of the actual or potential OCI to Versar senior management and the appropriate governmental official(s), with a proposed means of avoiding, mitigating or neutralizing all perceived conflict(s); and
- Consent to the execution of the contractual arrangement has been obtained from the appropriate governmental official(s), along with any necessary government approvals of an appropriate OCI avoidance and mitigation plan where required.

**Q:** Versar was awarded a contract to design a network infrastructure for a U.S. Army facility, and also to prepare the Statement Work. I worked on the original contract, and became aware of a recent award to Versar to supply the products/services for the same facility. I know that if I disclose the potential OCI, Versar might lose the award. Should I disclose the OCI?

**A:** Yes. A contractor is required to disclose all actual or potential OCIs.

### RECRUITMENT AND EMPLOYMENT OF CURRENT AND FORMER U.S. GOVERNMENT EMPLOYEES

Federal laws and regulations govern the employment of current or former U.S. Government employees (military or civilian), either directly or as consultants (known as the "Revolving Door"). These requirements also regulate the circumstances under which Versar may engage in pre-employment discussions. If a current government employee seeks employment with Versar, that employee must notify his or her supervisor and ethics official immediately to initiate a

## Code of Business Ethics and Conduct

review of the situation in accordance with federal procurement integrity laws and regulations. In addition, the Revolving Door issue is a compliance requirement for the Company's contractual representations and certifications.

All prospective employees and consultants who are current or former U.S. Government officers or employees must complete the **Versar Employment Questionnaire and Certification Form**. This Employment Questionnaire and Certification Form is designed to assist Versar in determining which restrictions, if any, apply to the prospective employee/consultant and in assessing the impact upon employment discussions, hiring restrictions, and future work assignments at Versar.

Before initiating any action to discuss the employment of current or former U.S. Government employees, Versar employees must consult with the Senior Director of Human Resources. In the event that a former U.S. Government employee becomes a consultant or employee of Versar, Versar will observe all applicable post-employment requirements.

**Q:** May I inform an individual retiring from the U.S. Government of possible opportunities within Versar?

**A:** While you may mention in a very general manner that possible opportunities may exist, do not get into any specifics regarding employment or current openings or requirements. Do not make any promises or offers regarding employment, or accept a resume as there are very restrictive rules regarding the employment of current or former U.S. Government employees. Refer the individual to the appropriate Human Resources representative. These same guidelines apply to consulting arrangements with former U.S. Government employees.

**Q:** I want to hire an individual for a managerial position. That person worked for the U.S. Government in a senior position but left that position three months ago. Does this past employment raise a potential issue for the Company?

**A:** Yes. Federal laws and regulations restrict post-government employment activities of former government officers and employees. Although some restrictions imposed on former government employees apply only for a one or two-year period after termination of government service, these regulations also impose lifetime restrictions related to certain activities that the former government employee may have participated in during government service. During the recruitment process a former government employee is required to complete the *Versar Employment Questionnaire and Certification Form* to assist Versar in determining which restrictions, if any, apply, and in assessing their impact upon employment discussions, hiring decisions, and future work assignments at Versar.

### GRATUITIES, BRIBES AND ILLEGAL PAYMENTS

The Anti-Kickback Act of 1986 prohibits government contractors and subcontractors from providing, attempting to provide offering, soliciting, accepting, or attempting to accept any kickbacks. The Act stipulates criminal and civil penalties for both the company and the responsible employee for a violation of the law.

Federal government departments and agencies are subject to procurement integrity laws and other regulations concerning acceptance by their employees of entertainment, meals, gifts, or

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anything of value from firms and persons with whom the government departments and agencies do business as defined below. In addition, certain agencies maintain rules and policies that are more restrictive than the government-wide regulations governing acceptance of gratuities by the employees of that particular agency.

Except as provided below, employees shall not offer or give any gift, gratuity, bribe or kickback to any Versar customer, supplier or government employee or official nor shall employees accept or solicit any gift, gratuity, bribe or kickback from any such person that would violate law, regulation, or the policies of the Company or the recipient's Company, or cause embarrassment to or negatively reflect on the Company's reputation. This applies to both Versar employees and any member of a Versar employee's household or immediate family (any relative of the employee or the employee's spouse).

**Be Mindful of Appearances:** Versar employees must avoid any situation (such as the offering or acceptance of meals, gifts, gratuities, or entertainment) that **may create or appear to create** a conflict between the employee's personal interests and the interests of Versar.

**Q:** I recently met with one of our customers. This customer mentioned he had an all-expenses-paid trip coming up, but was unable to go because of company business. He offered the trip to me. Can I accept?

**A:** No. This gift could be seen as an attempt at improperly influencing our business. If the customer continues to make these offers, seek advice from the Corporate Compliance Officer or another person listed in the Ethics Contact List.

**Q:** Can I go to lunch or play golf with a DoD representative as long as we each pay our own expenses?

**A:** Yes. However, you should be concerned about the appearance and the perception by others. The appearance of impropriety should always be avoided. Discuss any doubts with your supervisor or the Legal Department.

**Q:** A government customer and I are having a meeting at the Pentagon. We plan to have a discussion at the Pentagon cafeteria and I would like to pay for coffee and donuts. Can I?

**A:** Yes but keep in mind that the entire cost of the refreshments cannot exceed \$20, and you cannot again provide that refreshment to the government employee if the cost of that refreshment on subsequent occasions exceed \$50 during the same calendar year.

### FALSE CLAIMS

Employees must not submit or concur in the submission of any claims, bids, proposals, or any other documents of any kind that are false, fictitious, or fraudulent. With regard to government contracts, such acts are criminal violations which could result in prosecution of both the Company and the employee.

Employees charging costs to a contract must ensure that all costs are accurately recorded and charged to the proper account. The company will not permit the mischarging of labor costs, the improper allocation or transfer of costs, or the falsification of other cost records.

Employees must be aware of OCI certification clauses in government contracts and in all

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solicitations for which a bid is prepared. Employees must make the company aware of any potential OCIs and be mindful that reckless disregard for the truth or falsity of information presented to the government triggers the knowledge requirement for False Claims Act liability.

**Q:** My colleague and I are preparing for a quarterly contract performance review with the Air Force. My preliminary figures indicate that for the upcoming quarter we will have high cost overruns. In addition, we have not been properly monitoring costs which will certainly risk a poor award fee evaluation for not undertaking adequate cost control measures. My colleague suggests that we delay disclosing this bad news to the Air Force so that we have more time to fix the problem in time for the next quarterly review. My colleague argues that we would not be lying to the government, and that by the next review the numbers would look much better. We would also be doing the Company a favor by getting a higher award fee. Should I agree to my colleague's suggestion?

**A:** No. Honesty and integrity in contracting means full disclosure of all relevant information which the government should know in determining award fee evaluation scores. Intentionally omitting such relevant facts or making false statements to the government could result in civil and/or criminal penalties imposed on the Company and/or you personally.

### TIME REPORTING

(See Policy Memorandum Nos. 4.1 and 7.2)

Timely and accurate completion of timesheets as described in Versar's policies and procedures is essential. Versar must ensure that no cost is allocated to a customer contract, either directly or indirectly, where unallowable, contrary to the contract or related regulations, or otherwise improper. Time reports must report the number of hours worked and the proper allocation of the time worked. Each employee must complete an original time reports (using either the paper or electronic time reports) on a daily basis.

Employees must record **all hours worked** on a daily basis. Reporting hours not worked, but for which pay is received (e.g., leave, excused absences), must be true and accurate. Shifting of costs to a contract other than the contract worked on is strictly prohibited. It is essential that employees properly document and allocate any cost charged to a customer. These costs might include, but are not limited to, travel expenses, purchases, and use of equipment charges. Improper charging or allocation of time or any other cost may constitute a violation of civil or criminal statutes and regulations.

Direct-charge employees must keep time and labor-charging reports current and must properly report all time spent on each project/assignment.

**Q:** I'm working on a Versar fixed-price government service contract. My supervisor has informed me that we're charging too many hours to this contract and reducing the profit level he promised his manager. My supervisor told me to charge the remainder of my time to overhead or to another (preferably cost

## Code of Business Ethics and Conduct

reimbursable) contract. Is this proper?

**A:** No. Work must be charged accurately and reflect the appropriate contract or task order. This activity would be mischarging a government contract which may lead to both civil and criminal penalties imposed on the Company and/or you personally.

**Q:** My supervisor asked me to charge my time to an incorrect charge number. He said it was approved by the “powers that be.” Should I do this?

**A:** No. First, incorrect charging is never approved by anyone. Second, make sure that your supervisor knows what you are really working on so that there is no misunderstanding about the work you are doing. If that doesn't resolve the problem, you should seek advice from your next-level manager, or anyone on the Ethics Contact List. You may also report the matter through one of Versar's other reporting mechanisms such as the Ethics Hotline.

### GOVERNMENT AND INTERNAL INVESTIGATIONS; MANDATORY DISCLOSURES TO GOVERNMENT AGENCIES

As a U.S. Government contractor, Versar is subject to an array of laws and regulations governing its business activities. In some circumstances, a government agency may initiate an investigation or review of the Company's activities or the activities of an individual employee. During such investigations, the Company will comply with all applicable laws, regulations and contractual requirements, and will cooperate fully with appropriate investigating agency officials. In addition, the Company has certain procedures in the event a government official contacts an employee, requests information from an employee or the Company, and/or seeks to interview any employee in connection with an investigation that may involve possible violations of law.

In the event of such investigations, the Company will often conduct its own internal investigation in cooperation with any government review. The Company also maintains a policy on disclosure to appropriate government agencies with regard to any suspected violations of law and contract overpayments involving the Company or any of its employees, as required by the FAR.

**Q:** I received a written request for information entitled “Civil Investigative Demand.” I have the information they are requesting. Should I respond and provide the information?

**A:** No. Any government inquiry arising through a written subpoena or a written request for information must be provided to the Company's legal counsel before any action is taken or promised.

### POLITICAL ACTIVITIES

Versar encourages all employees to be informed voters and to be engaged in the political process. Although Versar employees are free to become engaged in responsible political action and community service, caution must be exercised to avoid situations which could compromise Versar, its clients, or its professional associations.

### DOING BUSINESS OVERSEAS

## Code of Business Ethics and Conduct

In our active pursuit of international business in an ever increasing global economy, Versar will be guided by this Code, the laws and regulations of the United States and the laws and regulations of the countries within which we do business. Although a survey of host country laws is beyond the scope of this Code, the following laws applicable to business activities overseas are noted:

- Foreign Corrupt Practices Act (“FCPA”)
- UK Bribery Act
- Anti-boycott Laws
- Embargo Regulations
- Export/Import Laws and Regulations

**Foreign Corrupt Practices Act (“FCPA”):** The FCPA has two principal components that:

- Prohibit the making of bribes, kickbacks, or other forms of corrupt, illegal, or improper payments to government officials for the purpose of obtaining or retaining business.
- Require that the financial books, records, and accounts of the Company are accurate, current, and complete in all respects, and that the Company has a system of internal accounting controls to ensure accurate books, records, and accounts.

**UK Bribery Act:** The UK Bribery Act prohibits UK citizens and residents and entities located or operating within the UK from making bribes to or from any individual, whether in the public or private sector.

**Anti-boycott Laws:** The Anti-boycott Law prohibits U.S. persons and companies from taking actions or entering into agreements that further economic boycotts or restrictive trade practices not supported by the U.S.

**Embargo Regulations:** The Office of Foreign Assets Control (“OFAC”), through the Foreign Assets Control Regulations, prohibits exports to certain countries, individuals, or entities that are the object of sanctions by the U.S. These regulations apply to *all* technologies and *all* transactions, not just exports. Something as simple as electronic mail exchanges or sending marketing materials to certain countries can violate the OFAC regulations. All transactions conducted by Versar and its employees must be carefully analyzed to ensure that an embargoed country, or a national from an embargoed country, is not involved.

**Export/Import Laws and Regulations:** Federal Export/Import Laws and Regulations were enacted to:

- Encourage and allow international commerce, while maintaining the well-being and national security interests of the U.S. The Export Administration Regulations and the International Traffic in Arms Regulations establish licensing, recordkeeping, screening,



## Code of Business Ethics and Conduct

and reporting frameworks designed to ensure that these Regulations are properly implemented and enforced.

- Prohibit the export and re-export of certain U.S. origin products, services, and technologies and control the export and re-export of certain products, services, or technologies.
- Require the use of an export license, license exception, or license exemption to export, controlled products, services, or technology specifically identified by the U.S. Government.
- Violations of these laws and regulations can result in severe fines to Versar and its employees, and can result in imprisonment.

**Q:** Versar is considering pursuing a business opportunity outside the U.S. I have been told that in some countries it is necessary to pay an official for the purpose of obtaining business. Is this permitted, especially since I understand the country in which we will make the sale has no laws precluding such activity?

**A:** No. Versar policy and the U.S. Foreign Corrupt Practices Act prohibit the giving of money or anything of value to a foreign official for the purpose of influencing a foreign official, even though local practice or custom permits it. Limited payments, sometimes called “facilitating payments,” may be made to expedite or secure performance of routine government action, but the rules are complicated. Check with the CCO before making a questionable payment.

**Q:** In order to expedite the delivery of products to a non-U.S. customer, I propose to hand-carry or have other employees traveling to our customer’s overseas facility hand-carry these products and drawings in luggage or briefcases. Would this be a problem?

**A:** Yes. This could violate U.S. export laws and Company policy, and could cause delays, seizure of the products and drawings, fines, and loss of export privileges. Contact the CCO before hand-carrying Versar products or technical data abroad.

## SARBANES-OXLEY COMPLIANCE

*The Sarbanes-Oxley Act of 2002* (the “Act”) imposes duties and significant penalties for non-compliance on public companies and their executives, directors, auditors, attorneys and securities analysts.

Because Versar is an issuer of securities that is required to file an annual report on Form 10-K with the Securities and Exchange Commission (“SEC”), there are numerous aspects of the Act that impact Versar. These include, for example, rules governing the independence of Versar’s independent financial auditor, requirements on the qualifications of members of the Board’s Audit and Finance Committee, enhanced financial disclosures in filings with the SEC, restrictions on conflicts of interest, and criminal accountability for fraud.

## Code of Business Ethics and Conduct

Pursuant to the Act, the SEC has issued rules requiring the CEO and CFO to certify that:

1. The annual report does not contain untrue statements or material omissions;
2. The financial statements fairly present, in all material respects, the financial condition and results of operations;
3. Such officers are responsible for internal controls designed to ensure that they receive material information regarding the issuer and consolidated subsidiaries;
4. The internal controls have been reviewed for their effectiveness within 90 days prior to the report; and
5. Any significant changes to the internal controls have been reported.

Consistent with the best practices implemented by public companies and pursuant to Versar policy, certain executives who report directly to Versar's CEO and CFO (as well as certain other indirect reports) are required to make internal certifications that they have provided the CEO or CFO with all necessary information for the CEO and CFO certifications. Such internal certifications, called "sub-certifications," are not filed with the SEC, but nevertheless provide the Company with assurance that it has obtained all facts necessary to file a proper report to the SEC.

**Any questions regarding this Code should be directed to the Legal Department or through other channels as set forth in the Code of Business Ethics and Conduct.**

## Code of Business Ethics and Conduct

### CLOSING THOUGHTS

The Code has been established to ensure that each employee is familiar with the policies and procedures of Versar toward business conduct and ethics. However, this Code does not cover every situation that may require an ethical decision. If faced with such a situation, ASK BEFORE ACTING.

- Is it legal? Contact the Legal Department if unsure.
- Does it follow company policy?
- How will it look on outside the company, i.e. to our customers, community or general public?
- Would the action embarrass you if discussed among your professional peers, your friends or your family?
- Would you feel proud of the decision you make?
- 

### REMEMBER THESE RULES

- Know the legal and company standards and policies that apply to your job.
- Always follow these standards.
- Ask if you are unsure what's the right thing to do
- Keep asking until you get the answer.

The success of Versar's Ethics Compliance Program depends on the support and cooperation of all employees. If you have questions related to the conduct or laws summarized in this Code, contact your supervisor or manager, or anyone else on the Ethics Contact List. By keeping these broad lines of communication open and by conducting ourselves responsibly and ethically, we will ensure the continuance of our reputation as an emerging global project management company to both the government and commercial industry.

This Code may be changed at any time with or without notice. Adherence to this Code and the Program constitutes a term of employment, but the Code or any implementing policy and procedure shall not otherwise alter the employment relationship of any employee or limit the right of either Versar or any employee to terminate that employment relationship with or without notice and with or without cause.

CODE OF BUSINESS ETHICS AND CONDUCT  
ACKNOWLEDGEMENT AND CERTIFICATION FORM

I acknowledge that I have received and carefully read Versar's *Code of Business Ethics and Conduct–Edition*. I understand that this Code, along with the Ethics Compliance Policy and other related policies and procedures outline the Versar Ethics Compliance Program and the requirement to conduct business honestly, ethically and in accordance with the Company's policies and all applicable laws.

I understand the importance of my obligation to always conduct my business affairs in a legal and ethical manner in accordance with Versar's policies, and (where applicable as a supervisor) to be available to my staff to provide them guidance on proper business conduct. I will promptly report any possible violation of the Code in accordance with such policies.

I understand that compliance with the Code is a mandatory condition of employment with Versar, and that my employment with Versar is at-will and may be terminated by me or the Company at any time. The Code and the Company's implementing policies and procedures may be amended or revoked, or new policies may be established unilaterally and at the Company's sole discretion.

Check one of the following categories:

- New Employee  
 Annual Acknowledgement and Certification

Signed: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_

**When complete and signed, forward this document to your Human Resources Manager.**