

VSE CORPORATION

2550 Huntington Avenue, Alexandria, Virginia 22303-1499

Notice of 2001
Annual Meeting of
Stockholders and
Proxy Statement

Fellow Stockholders:

You are cordially invited to attend the annual meeting of stockholders of VSE Corporation to be held on Wednesday, May 2, 2001, commencing at 10:00 a.m., Washington, D.C. time, at the Hilton Alexandria at Mark Center, 5000 Seminary Road, Alexandria, Virginia 22311. The matters expected to be considered at the annual meeting are described in the accompanying notice of meeting and proxy statement.

At the meeting we will also review the activities of the company during the past year and current activities. Stockholders will have an opportunity to ask questions. I hope you will be able to join us.

To ensure that your VSE common stock is voted at the meeting, please promptly sign and date the enclosed proxy card and return it to VSE in the enclosed envelope. Your vote is important.

Please note the location for this meeting. The Hilton Alexandria at Mark Center is located at 5000 Seminary Road, Alexandria, Virginia 22311, just off Interstate 395.

Very truly yours,

VSE CORPORATION

D. M. Ervine
Chairman of the Board
and Chief Executive Officer

April 2, 2001

VSE CORPORATION

2550 Huntington Avenue, Alexandria, Virginia 22303-1499

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 2, 2001

To the Stockholders of VSE Corporation:

Notice is hereby given that the annual meeting of stockholders of VSE Corporation, a Delaware corporation ("VSE"), will be held on Wednesday, May 2, 2001, commencing at 10:00 a.m., Washington, D.C. time, at the Hilton Alexandria at Mark Center, 5000 Seminary Road, Alexandria,

Virginia 22311, for the following purposes:

1. To elect eight directors to serve until the next annual meeting of stockholders and until their successors are duly elected and qualified;
2. To ratify the appointment of Arthur Andersen LLP as VSE's independent certified public accountants for the year ending December 31, 2001; and
3. To transact such other business as may properly come before the meeting or any adjournment thereof.

Only record holders of VSE common stock as of the close of business on March 19, 2001, will be entitled to notice of, and to vote at, the annual meeting or any adjournments thereof. The list of stockholders entitled to vote at the meeting or any adjournments thereof will be open to the examination of any stockholder during the 10 days prior to the meeting at VSE's offices located at 2550 Huntington Avenue, Alexandria, Virginia 22303-1499, during ordinary business hours.

The VSE Corporation 2000 Annual Report to Stockholders, which contains consolidated financial statements and other information of interest to stockholders, accompanies this proxy material.

Whether or not you expect to attend the meeting, please promptly complete, sign, date and return the enclosed proxy. To return your proxy you may use the self-addressed envelope, which requires no postage if mailed within the United States of America. If you attend the meeting, you may, if you wish, withdraw your proxy and vote your shares personally.

By Order of the Board of Directors,

/s/ C. S. Weber

C. S. Weber
Secretary

April 2, 2001

VSE CORPORATION

PROXY STATEMENT
Annual Meeting of Stockholders
to be held on May 2, 2001

INTRODUCTION

General

This proxy statement is being furnished to the stockholders of VSE Corporation, a Delaware corporation ("VSE"), in connection with the solicitation of proxies by the board of directors of VSE (the "Board") for use at VSE's annual meeting of stockholders to be held on Wednesday, May 2, 2001, commencing at 10:00 a.m., Washington, D.C. time, at the Hilton Alexandria at Mark Center, 5000 Seminary Road, Alexandria, Virginia 22311, and at any adjournments thereof (the "Meeting") for the purposes specified in the accompanying notice of meeting.

The mailing address of VSE's principal executive office is 2550 Huntington Avenue, Alexandria, Virginia 22303-1499. VSE's telephone number is (703) 960-4600. This proxy statement and the accompanying notice and form of proxy are first being provided to the holders of VSE common stock, par value \$.05 per share (the "stockholders"), on or about April 2, 2001.

The close of business on March 19, 2001, is the record date for the determination of stockholders entitled to notice of, and to vote at, the Meeting. Holders of a majority of the outstanding VSE common stock, par value \$.05 per share (the "Stock" or "VSE Stock"), as of March 19,

2001, must be present at the Meeting, either in person or represented by proxy, to constitute a quorum for the transaction of business. As of the close of business on March 19, 2001, there were 2,125,863 shares of Stock outstanding and approximately 305 stockholders of record. Each stockholder is entitled to one vote for each share of Stock held of record as of the close of business on March 19, 2001, on all matters which may be submitted to the stockholders at the Meeting.

Voting and Revocation of Proxies

All Stock represented by valid proxies will be voted at the Meeting in accordance with the directions on the proxies. If no direction is indicated on a proxy, the Stock represented thereby will be voted for (a) the election as VSE directors of the eight nominees listed below under "Election of Directors," and (b) the ratification of the appointment of Arthur Andersen LLP as VSE's independent certified public accountants for the year ending December 31, 2001, as discussed below.

Votes cast by proxy or in person at the Meeting will be tabulated by the inspectors of election appointed for the Meeting. The inspectors of election will treat abstentions as Stock that is present and entitled to vote for purposes of determining the presence of a quorum, but as unvoted for purposes of determining the approval of any matter submitted to stockholders for a vote. If a broker indicates on a proxy that such broker does not have discretionary authority as to certain Stock to vote on a particular matter, such shares will not be considered as present and entitled to vote with respect to such matter.

As of the date of this proxy statement, the Board does not intend to present, and has not been informed that any other person intends to present, any matter for action at the Meeting other than those specifically referred to herein. If, however, any other matters are properly presented to the Meeting for action, the proxy holders will vote the proxies, which confer authority on such holders to vote on such matters, in accordance with their best judgment. The persons named as attorneys-in-fact in the proxies are VSE officers.

A stockholder returning a proxy to VSE may revoke it at any time before it is exercised by granting a later proxy with respect to the same Stock or by communicating such revocation in writing to VSE's secretary. In addition, any stockholder who has executed a proxy but attends the Meeting may cancel a previously given proxy by voting in person whether or not the proxy has been revoked in writing.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding beneficial ownership of Stock as of March 19, 2001. The voting and investment powers of the Stock listed below are held solely by the reported owner unless otherwise indicated.

Name of Beneficial Owner	Shares beneficially owned	Percent of class
Certain Beneficial Owners		

VSE Corporation Employee ESOP/401(k) Plan (a)	511,661	24.1%
Non-employee Directors		

Clifford M. Kendall	1,900	*
Calvin S. Koonce (b) (c)	456,966	21.5%
David M. Osnos (b)	2,625	*
Jimmy D. Ross (b)	5,698	*
Bonnie K. Wachtel (b)	30,125	1.4%
Named Executive Officers and Other Directors		

William R. Albertolli (b) (d)	12,014	*
Byron S. Bartholomew (b) (e)	27,733	1.3%

Donald M. Ervine (b)	68,486	3.2%
Robert J. Kelly (b)	3,750	*
James M. Knowlton (b)	39,882	1.9%
James M. Todd (b)	5,000	*
Craig S. Weber (b) (e)	63,629	3.0%

Group

Directors, Nominees, and Executive Officers as a group (16 persons) (b) (f)	877,118	39.2%
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* Represents less than 1% of outstanding Stock.

(a) These shares are held in trust for the benefit of Plan participants. Two VSE officers serve as Plan trustees. The Plan participants have voting power over 406,802 shares allocated to their respective ESOP accounts, while the Plan trustees share voting and investment power over the remaining 104,859 shares. The mailing address for the Plan is 2550 Huntington Avenue, Alexandria, Virginia 22303-1499.

(b) Includes the following number of shares of stock which the non-employee directors, named executive officers, other directors, and all directors, nominees, and executive officers as a group (15 persons) have the right to purchase pursuant to the exercise of stock options which are exercisable within the next 60 days: each of Calvin S. Koonce, David M. Osnos, Jimmy D. Ross, and Bonnie K. Wachtel 2,625; William R. Albertolli 11,000, Byron S. Bartholomew 6,625, Donald M. Ervine 21,750, Robert J. Kelly 3,750, James M. Knowlton 15,125, James M. Todd 5,000, Craig S. Weber 6,750, and all directors, nominees, and executive officers as a group (16 persons) 111,125.

(c) Mr. Koonce's mailing address is 6550 Rock Spring Drive, Suite 600, Bethesda, Maryland 20817. Includes 2,500 shares held in a brokerage account for which Mr. Koonce has discretionary authority.

(d) As of February 21, 2001, VSE no longer employed Mr. Albertolli.

(e) Excludes 104,859 shares beneficially owned or controlled as a trustee of the ESOP/401(k) Plan.

(f) The group, including the trustees of the ESOP/401(k) Plan, consists of 16 persons. The 877,118 shares beneficially owned include 104,859 shares beneficially owned or controlled by the trustees of the ESOP/401(k) Plan.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended ("Exchange Act"), requires VSE officers and directors and persons who own more than 10% of VSE's Stock to file reports of ownership and changes in ownership with the Securities and Exchange Commission ("SEC"). Such officers, directors, and stockholders are required by SEC regulations to furnish VSE with copies of all such reports that they file. Based solely on a review of copies of reports filed with the SEC and written representations by certain officers and directors, VSE believes that all persons subject to the reporting requirements of Section 16(a) filed the reports on a timely basis, except that one report on Form 3, reporting no ownership of VSE Stock, was filed late on behalf of Mr. Kendall.

Item No. 1

ELECTION OF DIRECTORS

Nominees

At the Meeting, stockholders will elect, by a plurality of the votes cast, eight VSE directors, who will constitute the entire Board. Each nominee listed below is currently serving as a VSE director, except for Mr. Todd, and, except for Messrs. Kendall and Todd, was elected by

the stockholders at the last annual meeting of stockholders. Each nominee elected as a director will serve until the next annual meeting of stockholders and until his or her successor is elected and qualified. If any nominee should become unable to serve for any reason, the proxies will be voted for such substitute nominee as shall be designated by the Board.

The eight nominees for election as VSE directors and certain information regarding them are as follows:

Name and Principal Occupation	Age	Director since
David M. Osnos Senior member of Arent Fox Kintner Plotkin & Kahn, PLLC, attorneys-at-law (for more than the past five years); also a director of EastGroup Properties and Washington Real Estate Investment Trust.	69	1968

Donald M. Ervine VSE Chairman of the Board and Chief Executive Officer since 1992.	64	1987
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Bonnie K. Wachtel Vice President and General Counsel, Wachtel & Co., Inc., Brokers and Underwriters (for more than the past five years). Also a director of Integral Systems Inc and Information Analysis Inc.	45	1991
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Name and Principal Occupation	Age	Director since
Calvin S. Koonce Chairman, Koonce Securities, Inc., a securities broker/dealer firm (for more than the past five years).	63	1992

Jimmy D. Ross General, U.S. Army (Ret.), formerly Commanding General, U.S. Army Materiel Command. General Ross has served as President and Chief Operating Officer of Cypress International, Inc., a marketing consulting firm, since January 2000. From 1994 to 1999, he served as Senior Vice President, Biomedical Services, for the American Red Cross.	63	1994
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Robert J. Kelly Admiral, U.S. Navy (Ret.), formerly Commander in Chief, U. S. Pacific Fleet. Admiral Kelly has served as Chairman of the Board of Energetics Incorporated, a VSE subsidiary ("Energetics"), since August 1995, and was appointed President of Energetics in March 1999.	63	1996
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Clifford M. Kendall Private investor. Director of Affiliated Computer Services, Inc. ("ACS") and Washington Real Estate Investment Trust. Mr. Kendall was one of the founders of Computer Data Systems, Inc. ("CDSI") in 1968, and he served as its Chairman and Chief Executive Officer from 1970 to 1991 and as Chairman until December 1997. CDSI was acquired by ACS in 1997.	69	2001
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James M. Todd VSE President and Chief Operating Officer	54	--
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since November 2000. Prior to joining VSE, Mr. Todd served as Vice President of the Industrial Consulting and Systems Group of American Management Systems, Inc., where he worked as a program manager since 1993. He has worked as a program manager in industry since 1991 and, before that, as a program manager for the U.S. Navy during a distinguished career from 1969 to his retirement as a Captain in 1991.

Committees of the Board

Audit Committee. The audit committee met four times during 2000 and consists solely of non-employee directors, including Mr. Koonce, who chairs the committee, General Ross, and Ms. Wachtel. The audit committee is primarily concerned with the effectiveness of VSE accounting policies and practices, financial reporting, and internal controls. The committee recommends to the Board the firm to be appointed as VSE's independent certified public accountants, subject to ratification by the stockholders, and reviews the scope of the annual examination of VSE's books and records. The committee also reviews the audit findings and recommendations of the independent public accountants, considers the organization and work of VSE's internal audit function, and monitors the extent to which the findings and recommendations of these groups have been implemented.

Compensation Committee. The compensation committee met two times during 2000 and consists solely of non-employee directors, including General Ross, Chairman, Mr. Koonce, and Ms. Wachtel. The committee is primarily concerned with corporate compensation policies, including incentive compensation, and with the compensation of the chief executive officer and certain other executive officers and employees.

Nominating and Corporate Ethics Committee. The nominating and corporate ethics committee met once during 2000 and consists of Admiral Kelly, Chairman, and Mr. Osnos. The committee is primarily concerned with making recommendations to the Board with respect to nominees to be proposed for election as directors and with corporate policies regarding, among other things, business conduct, securities trading, indemnification of VSE officers and directors, and conflicts of interest involving VSE officers, directors, and employees. Stockholders of VSE may recommend persons to be nominated for election as directors of VSE at the annual meeting of stockholders. To be considered, such recommendation must be submitted in accordance with VSE's by-laws and must be received in writing by the secretary of VSE generally by February 15th, but in any event no later than 90 days before the date in the current year which corresponds to the date on which the meeting was held during the immediate prior year.

Planning Committee. The planning committee did not meet during 2000. The committee consists of Mr. Knowlton, Chairman (not standing for reelection), Admiral Kelly, Mr. Koonce, and General Ross. The committee is primarily concerned with making recommendations to the Board with respect to business development opportunities, including acquisitions.

Finance Committee. The finance committee met four times during 2000. The committee consists of Mr. Osnos, Chairman, Mr. Ervine, Mr. Koonce, and Ms. Wachtel. The committee is primarily concerned with making recommendations to the Board with respect to VSE's capitalization and long-term funding requirements.

VSE's chairman and chief executive officer (Mr. Ervine) is an ex officio member of all standing committees of the Board. Mr. Ervine does not participate in meetings or discussions of the compensation committee concerned with establishing his salary or bonus.

Board Meetings

During 2000 the Board held four regular meetings, two special meetings, and acted three times by unanimous written consent. No director attended fewer than 75% of the aggregate of (a) the total

number of Board regular and special meetings held (during the period during which he or she has been a director) and (b) the total number of meetings held by all committees of the Board on which he or she served.

Compensation of Directors

Each non-employee director is compensated at an annual rate of \$17,200, prorated in the event of a partial year of service. Directors who are employees of VSE receive no additional compensation for service as a director. In addition, no compensation is paid to a director for personal services rendered to VSE pursuant to a consulting services agreement between the director and VSE, or any of VSE's subsidiaries or divisions, unless authorized as a special assignment by the Board. No such authorization was requested for or on behalf of any director in 2000. The foregoing procedures do not restrict reimbursement for expenses incurred by a director for attending meetings of the Board or its authorized committees.

Pursuant to the VSE Corporation 1996 Stock Option Plan (the "1996 Plan"), each non-employee VSE director, including each of the non-employee directors named in the foregoing table, is granted an annual nondiscretionary, five-year option to purchase 750 shares of VSE Stock commencing January 1, 1997. Each nondiscretionary option is vested 25% immediately on date of grant and 25% on each successive anniversary date after the grant (100% vested after three years). Each nondiscretionary option price per share is not less than the fair market value of VSE Stock as of the date the option is awarded. See "Security Ownership of Certain Beneficial Owners and Management" above for further information on the stock options held by each VSE director.

Pursuant to the VSE Corporation 1998 Stock Option Plan (the "1998 Plan"), each non-employee VSE director may be granted an additional annual nondiscretionary, five-year stock option to purchase VSE Stock, commencing on January 1, 1999. Each nondiscretionary option is vested 25% immediately on date of grant and 25% on each successive anniversary date after the grant (100% vested after three years). Each nondiscretionary option price per share is not less than the fair market value of VSE Stock as of the date the option is awarded. The aggregate number of shares covered by annual nondiscretionary options granted to each outside director pursuant to the 1996 Plan and the 1998 Plan may not exceed 750 shares per year.

See "Security Ownership of Certain Beneficial Owners and Management" above for further information on the stock options held by each VSE director.

Pursuant to the VSE Corporation 1998 Non-employee Directors Stock Plan (the "Directors Stock Plan"), each non-employee director has the ability to elect that payment of all or a portion of their annual compensation for service as a VSE director (currently \$17,200 per year) be paid in VSE Stock at fair market value determined in accordance with Section 7(a) of the Directors Stock Plan. For 2000, Mr. Koonce and General Ross elected to have sixty percent (\$10,320) of their annual compensation paid in VSE stock.

Certain Relationships and Related Transactions

Pursuant to an agreement dated as of October 21, 1998, Donald M. Ervine serves as the Chief Executive Officer of VSE at a base salary of \$254,000 per annum. Mr. Ervine is employed for a term ending on January 1, 2002, subject to automatic extensions for successive one-year periods unless notice to terminate is given by Mr. Ervine at least 90 days prior to the expiration of the term or any such one-year extension of the term. Mr. Ervine's base salary is subject to review in January of each year, provided that the base salary shall not be less than \$254,000 per annum. Mr. Ervine is also eligible to receive an annual performance bonus each year as determined by the Board or its compensation committee. Mr. Ervine's employment may be terminated by the Board for willful and gross misconduct and in the case of death or disability which prevents Mr. Ervine from substantially fulfilling his duties for a period in excess of six months. If Mr. Ervine's employment is terminated because of death or illness or disability, he or his beneficiary, as the case may be, will be paid his annual base salary then in effect for one full year from the date of death or disability.

Mr. Ervine's employment may also be terminated without cause on 60 days prior notice and on payment of a lump sum severance compensation payment equal to two times his base salary then in effect. The agreement includes a covenant by Mr. Ervine not to be involved, directly or indirectly, in a business enterprise that competes with VSE during the term of his employment and for two years thereafter. Under the terms of the agreement, Mr. Ervine will be nominated to serve as a director and will be elected Chairman of the Board during the term of his employment. In the event of a change of control of VSE, as defined, if, without his consent, Mr. Ervine is assigned duties materially inconsistent with his position and status with VSE, Mr. Ervine may terminate the agreement and will be entitled to a lump sum severance compensation payment equal to three times his annual base salary then in effect. The October 21, 1998, agreement described above replaced and superseded on substantially the same terms and conditions a prior employment agreement with Mr. Ervine dated as of January 1, 1996.

Pursuant to an agreement dated as of January 15, 1999, Admiral Robert J. Kelly, U.S. Navy (Ret.), serves as President and Chief Operating Officer of Energetics Incorporated ("Energetics"), a wholly owned subsidiary of VSE. Admiral Kelly is employed for a term ending on January 1, 2002, subject to automatic extensions for successive one-year periods unless notice to terminate is given by either Admiral Kelly or Energetics at least 90 days prior to the expiration of the term or any such one-year extension of the term. Other terms and conditions of Admiral Kelly's agreement are substantially similar to those of Mr. Ervine's 1998 agreement except that (a) Admiral Kelly is employed at a minimum base salary of \$166,000 per annum, and (b) Admiral Kelly will be nominated to serve as a director of VSE and a director of Energetics during the term of the agreement.

Pursuant to an agreement dated as of November 1, 2000, James M. Todd serves as the President and Chief Operating Officer of VSE. Mr. Todd is employed for a term ending on December 31, 2003, subject to automatic extensions for successive one-year periods unless notice to terminate is given by Mr. Todd at least 90 days prior to the expiration of the term or any such one-year extension of the term. The terms and conditions of Mr. Todd's agreement are in all other material respects identical to those of Mr. Ervine's agreement except that (a) Mr. Todd is employed at a minimum base salary of \$170,040 per annum, (b) in the event of termination without cause, his lump sum severance compensation payment shall equal his annual base salary then in effect, (c) Mr. Todd will continue to be reappointed to serve as VSE's President and Chief Operating Officer during the term of the agreement, and (d) in the event of a change of control of VSE, as defined, Mr. Todd may terminate the agreement and will be entitled to a lump sum severance compensation payment equal to two times his annual base salary then in effect.

Pursuant to separate agreements entered into in December 1997 and expiring on January 1, 2002, subject to automatic extensions for successive one-year periods unless notice to terminate is given at least 90 days prior to the expiration of the term or any such one-year extension of the term, four executive officers of VSE (Mrs. Tuohig and Messrs. Bartholomew, Knowlton, and Weber) have agreements with VSE to continue to serve in the executive officer's current or comparable capacity. The terms and conditions the executive officer agreements are similar to those of Mr. Ervine's agreement except that (a) each of the executive officers is employed at a minimum base salary equal to the executive officer's annual base salary in effect on the date the agreement was signed, subject to annual and special reviews, (b) each of the executive officers will be reappointed to serve in the executive officer's current or comparable capacity, (c) in the event of termination without cause, each executive officer's lump sum severance compensation payment shall equal his or her annual base salary then in effect, and (d) in the event of a change of control of VSE, as defined, each executive officer may terminate the agreement and will be entitled to a lump sum severance compensation payment equal to two times his or her annual base salary then in effect.

There is no family relationship between any director or executive officer of VSE and any other director or executive officer of VSE.

The law firm of Arent Fox Kintner Plotkin & Kahn, PLLC, of which

Mr. Osnos is a senior member, has represented and is expected to continue to represent VSE on various legal matters.

VSE and the trustees of its employee benefit plans effect certain of their transactions in VSE stock and employee benefit plan investments, respectively, through Wachtel & Co., Inc., of which Ms. Wachtel is a director, officer and shareholder, and through Koonce Securities, Inc., which is wholly owned by Mr. Koonce. No such transactions occurred in 2000.

Cypress International, Inc., a consulting services firm of which General Ross is President and Chief Operating Officer, has provided and is expected to continue to provide consulting services to VSE, including services on Defense-related marketing strategy and long-range business development plans.

The Board recommends a vote FOR the proposal to elect each of the eight persons nominated to serve as a director of VSE for the ensuing year, and your proxy will be so voted unless you specify otherwise.

Item No. 2

APPOINTMENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Based on the recommendation of its audit committee, the Board has appointed the firm of Arthur Andersen LLP to be VSE's independent certified public accountants for the year ending December 31, 2001, and recommends to stockholders that they vote for ratification of that appointment. Although not required to do so, the Board has determined that it would be desirable to request approval of this appointment by stockholders. The ratification of the appointment of VSE's independent certified public accountants will require the affirmative vote by the holders of a majority of the outstanding Stock present in person or represented by proxy at the Meeting. If such approval is not received, the Board will reconsider the appointment.

In 2000 Arthur Andersen LLP services included an examination of VSE's consolidated financial statements and the financial statements of certain subsidiaries and benefit plans, reviews of the consolidated financial statements included in VSE's Forms 10-Q for fiscal year 2000, and tax consulting.

Arthur Andersen LLP billed VSE for professional services rendered for the year ended December 31, 2000, as follows:

Audit fees	\$ 139,500 (1)
Financial information systems design and implementation	\$ -0-
All other fees	\$ 35,500 (2)

- (1) Includes fees for reviews of consolidated financial statements included in VSE's Form 10-Qs for fiscal year 2000.
(2) Includes tax consulting, employee benefit plan audits, and other non-audit services.

A representative of Arthur Andersen LLP is expected to attend the Meeting, will have an opportunity to make a statement, if he or she desires to do so, and will be available to respond to appropriate questions.

The Board recommends a vote FOR the proposal to ratify the appointment of Arthur Andersen LLP to serve as VSE's independent certified public accountants for the year 2001, and your proxy will be so voted unless you specify otherwise.

AUDIT COMMITTEE REPORT

The Audit Committee (the "Committee") of the Board of Directors is comprised of three non-employee directors, each of whom is considered "independent" pursuant to the Nasdaq Stock Market listing standards. The Committee's responsibilities are set forth in its Charter, the

latest revision of which is attached as Appendix A to this Proxy Statement.

The Committee has reviewed and discussed with management VSE's audited consolidated financial statements as of and for the year ended December 31, 2000, and has discussed with VSE's independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended, issued by the Auditing Standards Board of the American Institute of Certified Public Accountants.

The Committee has received and reviewed the written disclosures and the letter from the independent auditors required by Independence Standard No. 1, Independence Discussions with Audit Committees, as amended, issued by the Independence Standards Board, and has discussed with the auditors the auditors' independence and considered whether the provision of non-audit services by the auditors is compatible with maintaining their independence.

Based on the foregoing reviews and discussions, the Committee recommended to the Board of Directors that the consolidated financial statements referred to above be included in VSE's Annual Report on Form 10-K for the year ended December 31, 2000.

Audit Committee: Calvin S. Koonce (Chair), Jimmy D. Ross, Bonnie K. Wachtel

COMPENSATION COMMITTEE REPORT

The Board has established a compensation committee to (a) review corporate compensation policies, including incentive compensation, (b) set the compensation of the chief executive officer (the "CEO"), and (c) review the compensation of certain other executive officers and employees. The committee is composed entirely of non-employee directors (see "Committees of the Board" above).

Compensation Philosophy

VSE's overall compensation philosophy is based on aligning employee compensation with industry standards and with financial performance objectives established by the Board. Under the committee's supervision, VSE has established compensation policies designed (a) to attract and retain qualified executive and corporate officers and (b) to link total executive compensation to corporate goals and specific individual goals appropriate for each executive and corporate officer. The key elements of VSE executive compensation are base salary, a performance bonus, and a long-term incentive plan.

Base Salary

The base salaries for executive officers and other corporate officers are established primarily on comparability to the range of compensation paid by companies of similar size and industry, as determined by commercially available wage and salary surveys. Size is determined primarily by reference to annual revenues and number of employees. VSE's industry group is engineering and technical services (formerly SIC Code 8711). National and geographic differences in compensation are considered based on the executive's primary area of operations and responsibility. VSE targets a salary range generally between the 25th and the 50th percentile indicated by such surveys.

During 1993 the committee approved a compensation plan whereby salary ranges and ceilings were set for each of six specified executive and corporate officer pay grades. The intent of this policy was to enhance corporate competitiveness by (a) holding base salaries within a fixed salary range and (b) emphasizing the incentive compensation provided by the performance bonus and long-term incentive bonus program.

Performance Bonus

Consistent with the emphasis placed on competitiveness by holding salary increases in check, the committee approved a performance bonus

plan in 1993 based on achieving corporate and business unit goals. This plan provides for the payment of a performance bonus, generally not to exceed 30% of base salary, on meeting certain specified performance criteria. A performance bonus in excess of 30% of base salary may be authorized when required to comply with incentives established pursuant to a written acquisition or employment agreement and as authorized by the Board.

The performance criteria or factors used to administer the incentive bonus program are established with the executive officer or manager at the beginning of each year. The performance factors are weighted approximately as follows: 20% on achieving corporate revenue and profit targets and 80% on achieving specified performance objectives within the business unit, such as revenue and profit targets, proposals submitted and won, new business development, and budget, cost, and total quality management.

Except for the 20% weighting factor assigned for corporate revenue and profit goals, the factors and weightings used to measure the performance of an individual executive or corporate officer depend on the conditions and corporate objectives with respect to the business unit or administrative function to which the executive or corporate officer is assigned.

Long-term Compensation

During 1998 the Board recommended and the stockholders approved the adoption of the VSE Corporation 1998 Stock Option Plan (the "1998 Plan"). Under the 1998 Plan, an aggregate of 343,750 shares of VSE stock may be purchased pursuant to the grant of options. Approximately 15,625 of the shares covered by the 1998 Plan are available for nondiscretionary grants to non-employee directors of VSE, and approximately 328,125 of the shares are available for discretionary grants to executive officers and key employees.

During 1996 the Board recommended and the stockholders approved the adoption of the VSE Corporation 1996 Stock Option Plan (the "1996 Plan"). Under the 1996 Plan, an aggregate of 273,697 shares of VSE stock may be purchased pursuant to the grant of options. Approximately 20% of the shares covered by the 1996 Plan are available for nondiscretionary grants to non-employee directors of VSE, and approximately 80% of the shares are available for discretionary grants to executive officers and key employees.

The purpose of the 1998 Plan and 1996 Plan (collectively, the "Plans") is to provide non-employee directors, executive officers, and key personnel with long-term performance incentives and an identity of interests with the stockholders. VSE operates in a highly specialized field in which success is substantially dependent on the expertise of qualified and highly motivated key personnel. Management believes that the Plans have been of material assistance in recruiting, motivating, and retaining key personnel. Prior to adoption of the 1996 Plan, VSE had no long-term compensation plan.

Discretionary stock options granted under the Plans are approved by VSE's compensation committee after considering recommendations submitted by management based on the perceived long-term contribution of key personnel. The compensation committee independently determines the number of stock options to be awarded to the Chairman and CEO and to the President and COO. Awards of discretionary stock option grants approved by the compensation committee are subject to ratification by the Board.

All Other Compensation

All VSE officers are entitled to participate in company fringe benefit programs, including the VSE Employee ESOP/401(k) Plan, which is an IRS qualified plan available to all eligible employees. Effective April 1, 1999, employer contributions to the ESOP portion of the plan were discontinued and replaced by employer contributions to the 401(k) portion of the plan based on employee 401(k) deferrals. The employer 401(k) contribution is equal to 50% of the first 5% of employee pay deferred into the employee's 401(k) account. Amounts contributed to the VSE ESOP/401(k) plan on behalf of the named executive officers are

included in the "Summary Compensation Table."

VSE has a non-qualified Deferred Supplemental Compensation Plan (the "DSC Plan") for all VSE officers to replace the former deferred compensation plan (the "DCU Plan"). The DSC Plan provides, at the Board's discretion, for an annual bonus pool not to exceed 12% of VSE's consolidated net income for the year. The annual bonus pool is allocated to the participant accounts of corporate officers in proportion to the ratio of the officer's performance bonus for the year (see "Performance Bonus" above) to total officer performance bonuses for the year. Pursuant to the DSC Plan, a bonus pool of approximately \$80,000 was authorized for 2000 for allocation to about 20 participant officer accounts. Benefits under the DSC Plan and predecessor DCU Plan are payable to the participant on retirement or resignation, subject to a vesting schedule, non-competition agreement, and other plan provisions, or in the event of a change of control of VSE. Amounts contributed to the DSC Plan on behalf of the named executive officers are included in the Summary Compensation Table.

Chief Executive Officer Compensation

During each of the three years ended December 31, 2000, Mr. Ervine, VSE's chairman and chief executive officer ("CEO"), was compensated in accordance with employment agreements negotiated and approved by VSE's compensation committee in 1999 and 1996. Pursuant to the employment agreements, Mr. Ervine served as Chief Executive Officer of VSE and was paid a base salary of \$254,000 during 2000 and 1999 and \$246,100 during 1998. The January 1, 1999, employment agreement with Mr. Ervine extends through January 1, 2002, and is subject to automatic extensions for successive one-year periods unless notice to terminate is given at least 90 days prior to the expiration of the term or any such one-year extension of the term. The January 1, 1999, employment agreement provides for a minimum base salary of \$254,000, with other terms and conditions substantially similar to the predecessor January 1, 1996, employment agreement (see "Certain Relationships and Related Transactions" above for a description of the employment agreements).

The CEO's performance bonus for each of the years presented was determined by the committee on the basis of five factors of approximately equal weight: revenue growth, return on equity, return on sales, leadership, and long-term stockholder goals. The first three factors are measured based on interim consolidated financial statements or management reports which are subject to adjustment based on annual audited financial statements. The last two factors are subjective measures evaluated by the committee in executive session. For 2000, the Compensation Committee recommended a bonus of \$25,000 for the CEO. The Compensation Committee, at the request of the CEO, made no change in the CEO's base salary for 2001 of \$254,000. For 1999 the CEO received a performance bonus of \$55,000, and a bonus of \$175,000 was paid for 1998 based on VSE's return to profitability and the five factor analysis described above.

Pursuant to the 1998 Plan, the committee recommended that the CEO be awarded a discretionary stock option covering 20,000 shares of VSE Stock, effective January 1, 2001.

Compensation Committee: Jimmy D. Ross (Chair), Calvin S. Koonce,
Bonnie K. Wachtel

Compensation Committee Interlocks and Insider Participation

General Ross is President and Chief Operating Officer of Cypress International, Inc., a consulting services firm which has provided and is expected to continue to provide consulting services to VSE. See "Certain Relationships and Related Transactions."

Mr. Koonce is a major stockholder of VSE. See "Security Ownership of Certain Beneficial Owners and Management."

The trustees of VSE's employee benefit plans effect certain of their transactions through Koonce Securities, Inc., which is wholly owned by Mr. Koonce, and through Wachtel & Co., Inc., of which Ms.

Wachtel is a director, officer, and shareholder. No such transactions occurred in 2000.

Mr. Osnos is a senior member of the law firm of Arent Fox Kintner Plotkin & Kahn, PLLC, which has represented and is expected to continue to represent VSE on various legal matters. See "Certain Relationships and Related Transactions."

VSE's Chairman and Chief Executive Officer (Mr. Ervine) is an ex officio member of all Board committees, including the compensation committee. Mr. Ervine does not participate in meetings or discussions of the compensation committee concerned with establishing his salary or bonus.

Summary Compensation Table

<TABLE>

The following table reports the compensation paid for the past three years for each of the five most highly compensated VSE executive officers, including the Chief Executive Officer.

<CAPTION>

Name and Principal Position	Fiscal Year	Annual Compensation	Long-term Awards	All Compensation	Other Compensation	(\$)(1)
		Salary	Bonus	Options		
		(\$)	(\$)	(#)		
<S>	<C>	<C>	<C>	<C>	<C>	
Donald M. Ervine	2000	254,000	25,000	20,000	12,456	
Chairman of the Board and Chief Executive Officer	1999	254,000	55,000	15,000	16,713	
	1998	246,100	175,000	7,000	108,912	
James M. Todd (2)	2000	21,255	10,000	20,000	53,731	
President and Chief Operating Officer						
James M. Knowlton (3)	2000	170,000	24,000	10,000	93,681	
Executive Vice President and President, BAV Division	1999	154,000	50,000	10,000	15,795	
	1998	139,900	45,000	6,000	41,707	
Byron S. Bartholomew	2000	156,000	15,000	--	8,701	
Executive Vice President and Marketing Director	1999	150,800	15,000	4,000	6,141	
	1998	150,800	34,600	2,000	55,417	
William R. Albertolli (4)	2000	127,000	15,000	--	7,953	
Senior Vice President and President, VSS Division	1999	120,600	38,000	4,000	10,895	
	1998	120,600	45,000	2,000	10,305	
Craig S. Weber	2000	140,400	20,000	8,000	16,801	
Executive Vice President, Chief Financial Officer, and Secretary	1999	135,200	10,000	1,500	5,087	
	1998	135,200	32,400	2,000	45,966	

(1) The column headed "All Other Compensation" includes (a) contributions made by VSE to two "defined contribution" employee benefit plans: the VSE Employee ESOP/401(k) Plan, which is generally available to all VSE employees, and the DSC Plan (see plan description in the "Compensation Committee Report"); (b) cash paid for unused accumulated personal leave, including in 2000 Mr. Knowlton \$81,750 and Mr. Weber \$6,750; (c) a \$50,000 hiring bonus paid to Mr. Todd in 2000, and (d) the fair market value of VSE Stock grants paid in 1998 as follows: Mr. Ervine 4,000 shares, Mr. Knowlton 3,125 shares, Mr. Bartholomew 3,125 shares, and Mr. Weber 2,500 shares.

(2) The amount reported for Mr. Todd represents salary and bonus for the period November 1, 2000, when he commenced employment with VSE, through December 31, 2000. Mr. Todd was appointed VSE President and Chief Operating Officer effective November 6, 2000. Prior to joining VSE, Mr. Todd served as Vice President of the Industrial Consulting and Systems Group of American Management Systems, Inc., where he worked as a program manager since 1993. He has worked as a program manager in industry since 1991 and, before that, as a program manager for the U.S.

Navy during a distinguished career from 1969 to his retirement as a Captain in 1991. Mr. Todd's base annual salary is \$170,040. Please refer to "Certain Relationships and Related Transactions" above for a description of his employment agreement with VSE.

(3) Mr. Knowlton is also President of two VSE subsidiaries, Ship Remediation and Recycling, Inc., and VSE Services International, Inc., Chairman of the Managing Board of VSE's Ship Disposal and Remediation Joint Venture, and General Manager of VSE's Telecommunications Technologies Division. Mr. Knowlton served as VSE's President and Chief Operating Officer from February 5, 1999, to November 5, 2000. Prior to February 5, 1999, he served as VSE's Executive Vice President and Deputy Chief Operating Officer (since 1997) and as General Manager of VSE's BAV Division (since 1995).

(4) As of February 21, 2001, VSE no longer employed Mr. Albertoli.
</TABLE>

Option Grants in Last Fiscal Year
<TABLE>

The following table reports the options granted in fiscal year 2000 for each of the five most highly compensated VSE executive officers, including the chief executive officer.

<CAPTION>

Name	% of Total Options Granted to Employees	Fiscal Year	Exercise Price (\$/share)	Potential realizable value at assumed annual rates of stock appreciation for option term			
				Options Granted	Exercise Price	Expiration Date	Hypothetical value realized at 5% stock appreciation
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Donald M. Ervine	20,000	26.3%	5.77	12/31/05	31,883	70,453	
James M. Todd (11/1/00)	10,000	13.2%	6.94	10/31/05	19,174	42,369	
James M. Todd	10,000	13.2%	5.77	12/31/05	15,941	35,226	
James M. Knowlton	10,000	13.2%	5.77	12/31/05	15,941	35,226	
Byron S. Bartholomew	--	--	--	--	--	--	
William R. Albertoli (2)	--	--	--	--	--	--	
Craig S. Weber	8,000	10.5%	5.77	12/31/05	12,753	28,181	

(1) Non-qualified stock options which became 25% exercisable on award date (1/1/01) and 25% exercisable on each of the first three anniversary dates thereafter (1/1/02, 1/1/03, and 1/1/04), except in the event of a change in control of VSE, in which case such options become immediately exercisable. Included in the above table is a discretionary five-year option covering 10,000 shares awarded to Mr. Todd in 2000 as a hiring bonus. The terms of this option are identical to the above options except that the award and expiration dates are November 1, 2000, and October 31, 2005, respectively, and the option exercise price is \$6.94, which was the fair market value of the Stock on November 1, 2000.

(2) As of February 21, 2001, VSE no longer employed Mr. Albertoli.
</TABLE>

Aggregate Options Exercised in Last Fiscal Year and Fiscal Year-end Option Values

<TABLE>

The following table reports the options exercised, exercisable, and unexercisable as of the end of VSE's fiscal year 2000 for each of the five most highly compensated VSE executive officers, including the chief executive officer.

<CAPTION>

Number of unexercised options at 12/31/00(#)	Value of unexercised in-the-money(1) options at 12/31/00(\$)	

Name	Shares acquired on exercise(#)	Value realized(\$)	Exercisable	Unexercisable	Exercisable	Unexercisable
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Donald M. Ervine	--	--	56,162	9,250	-0-	-0-
James M. Todd	--	--	2,500	7,500	-0-	-0-
James M. Knowlton	--	--	23,135	6,500	-0-	-0-
Byron S. Bartholomew	--	--	23,705	2,500	-0-	-0-
William R. Albertoli (2)	--	--	11,000	2,500	-0-	-0-
Craig S. Weber	--	--	15,260	1,250	-0-	-0-

(1) Based on a closing VSE stock price of \$5.50 per share on December 31, 2000 (Nasdaq NMS).

(2) As of February 21, 2001, VSE no longer employed Mr. Albertoli.

</TABLE>

Performance Graph

Set forth below is a line graph comparing the cumulative total return of VSE Stock with (a) a performance index for the broad market in which VSE Stock is traded and (b) a published industry index. VSE Stock is traded on the Nasdaq Stock Market, and VSE's 4-digit industry SIC Code is 8711, Engineering Services. Accordingly, the performance graph compares the cumulative total return for VSE Stock with (a) an index for the Nasdaq Stock Market (U. S. companies) ("Nasdaq Index") and (b) a published industry index for SIC Code 8711 ("Industry Index").

[insert graph]

* Total return assumes reinvestment of dividends and assumes \$100 invested on December 31, 1995, in VSE Stock, the Nasdaq Index, and the Industry Index.

Performance Graph Table

	1995	1996	1997	1998	1999	2000
VSE Stock	100	120	93	112	77	56
Nasdaq Index	100	124	152	214	378	238
Industry Index	100	118	143	134	148	261

STOCKHOLDER PROPOSALS

Proposals of stockholders intended to be presented at VSE's 2002 annual meeting of stockholders must have been received by VSE's Secretary at VSE's principal executive offices, 2550 Huntington Avenue, Alexandria, Virginia 22303-1499, by no later than the close of business on Monday, December 10, 2001, to be considered for inclusion in VSE's proxy material relating to such meeting.

OTHER MATTERS

VSE will bear the costs of the solicitation of proxies for use at the Meeting. In addition to the use of the mails, proxies may be solicited by personal interview, telephone and telegram by directors, officers and employees of VSE. Arrangements will also be made with brokerage houses and other custodians, nominees, and fiduciaries, who are record holders of Stock, for forwarding solicitation material to the beneficial owners of the Stock. VSE will, on the request of such record holders, pay the reasonable expenses for completing the mailing of such materials to the beneficial owners.

Please sign and promptly return your proxy in the enclosed envelope. Your vote is important.

By Order of the Board of Directors,
C. S. Weber, Secretary.
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APPENDIX A

AUDIT COMMITTEE CHARTER

Organization

This charter governs the operations of the Audit Committee established by the VSE Corporation Board of Directors. The Committee will review and reassess the charter at least annually and will obtain the approval of the Board whenever changes are made or proposed. The Committee will be appointed by the Board and will comprise three or more directors, three of whom are independent of VSE management. Members of the Committee will be considered independent if they have no relationship with VSE or with VSE management that may interfere with the exercise of their independent judgment and discretion. All Committee members will be financially literate or will become financially literate within a reasonable period of time after appointment to the Committee. At least one member will have accounting or related financial management expertise.

Statement of Policy

The Audit Committee will provide assistance to the Board in fulfilling the Board's oversight responsibility to the shareholders, potential shareholders, the investment community, and others relating to VSE's financial statements, the financial reporting process, the systems of internal accounting and financial controls, the internal audit function, and the annual independent audit of VSE's financial statements. In so doing, it shall be the responsibility of the Committee to maintain free and open communication between the Committee, independent auditors, the internal auditor, and management of VSE. In discharging its oversight role, the Committee is empowered to investigate any matter within its charter, with full access to all books, records, facilities, and personnel of VSE, and with the power to retain outside counsel or other experts for this purpose.

Responsibilities and Processes

The primary responsibility of the Audit Committee is to oversee VSE's financial reporting process on behalf of the Board and report the results of their activities to the Board. Management is responsible for preparing the financial statements, and the independent auditors are responsible for auditing those financial statements. The Committee in carrying out its responsibilities believes its policies and procedures should remain flexible, to react to changing conditions and circumstances. The Committee should take the appropriate actions to assist management in setting the overall corporate tone for quality financial reporting, sound business risk practices, and ethical behavior.

The following will be the principal processes of the Audit Committee in carrying out its oversight responsibilities. The processes are set forth as a guide with the understanding that the Committee may supplement them as appropriate.

The Committee will have a clear understanding with management and the independent auditors that the independent auditors are ultimately accountable to the Board and to the Audit Committee, as representatives of VSE's shareholders. Subject to ratification by the Board,

the Committee shall have the ultimate authority and responsibility to evaluate and, where appropriate, replace the independent auditors. The Committee will discuss with the auditors their independence from management and VSE and the matters included in the written disclosures required by the Independence Standards Board. Annually, the Committee will review and recommend to the Board the selection of VSE's independent auditors, subject to shareholders' approval.

The Committee will discuss with the internal auditor and the independent auditors the overall scope and plans for their respective audits including the adequacy of staffing and compensation. Also, the Committee will discuss with management, the internal auditor, and the independent auditors the adequacy and effectiveness of the accounting and financial controls, including VSE's system to monitor and manage business risk, and legal and ethical compliance programs. Further, the Committee will meet separately with the internal auditor and the independent auditors, with and without management present, to discuss the results of their examinations.

The Committee will review the interim financial statements with management and the independent auditors prior to the filing of VSE's Quarterly Report on Form 10-Q. Also, the Committee will discuss the results of the quarterly review and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards. The chair of the Committee may represent the entire Committee for the purpose of this review.

The Committee will review with management and the independent auditors the financial statements to be included in VSE's Annual Report on Form 10-K, including their judgment about the quality, not just acceptability, of accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements. Also, the Committee will discuss the results of the annual audit and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards.

The Committee will prepare a report for inclusion in VSE's annual Proxy Statement that describes the Committee's composition and responsibilities and how its responsibilities were discharged during the prior year. The Audit Committee Charter will be published as an appendix to VSE's annual Proxy Statement not less than once every three years or whenever a substantive change to the charter is adopted.