SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2001   Commission File Number: 0-3676

VSE CORPORATION
(Exact Name of Registrant as Specified in its Charter)

DELAWARE	54-0649263
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
2550 Huntington Avenue Alexandria, Virginia	22303-1499
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code   (703) 960-4600

Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act:

Common Stock, par value $.05 per share
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes [x]   No [ ]

Aggregate market value of voting stock held by nonaffiliates of the registrant as of March 6, 2002, was approximately $8 Million.

Number of shares of Common Stock outstanding as of March 6, 2002: 2,150,540.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the Annual Meeting of Stockholders expected to be held on May 2, 2002, are incorporated by reference into Part III of this report.

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Forward Looking Statements

This filing contains statements which, to the extent they are not recitations of historical fact, constitute "forward looking statements" under federal securities laws. All such statements are intended to be subject to the safe harbor protection provided by applicable securities laws. For discussions identifying some important factors that could cause actual VSE Corporation ("VSE" or the "company") results to differ materially from those anticipated in the forward looking statements contained in this filing, see VSE's "Narrative Description of Business", "Management's Discussion and Analysis" and "Notes to Consolidated Financial Statements". Readers are cautioned not to place undue reliance on these forward looking statements, which reflect management's analysis only as of the date hereof. The company undertakes no obligation to publicly revise these forward looking statements to reflect events or circumstances that arise after the date hereof. Readers should carefully review the risk factors described in other documents the company files from time to time with the Securities and Exchange Commission, including the Quarterly Reports on Form 10-Q to be filed by the company subsequent to this Annual Report on Form 10-K and any Current Reports on Form 8-K filed by the company.

Part I

ITEM 1. Business

(a) General Development of Business

VSE was established and incorporated in Delaware in January 1959. The parent company conducts a limited amount of business operations while primarily serving as a centralized management and consolidating entity for the business operations conducted by the company's wholly owned subsidiaries and divisions. Wholly owned subsidiaries include Energetics Incorporated ("Energetics"), Human Resource Systems, Inc. ("HRSI"), Ship Remediation and Recycling, Inc. ("SRR") and VSE Services International, Inc. ("VSI"). Unincorporated divisions include BAV Division ("BAV"), Fleet Maintenance Division ("Fleet Maintenance"), GSA Services Division ("GSA Services"), Ordnance Division ("Ordnance"), Value Systems Services Division ("VSS"), Telecommunications Technologies Division ("TTD") beginning in September 2000, Land Systems Division ("Land Systems") beginning in February 2001, and Management Sciences Division ("MSD") beginning in December 2001. The term "VSE" or "company" means VSE and its subsidiaries and divisions unless the context indicates operations of the parent company only.

The company's business operations consist primarily of diversified engineering, technical, and management services, performed on a contract basis. Substantially all of the company's contracts are with agencies of the United States Government (the "government") and other government prime contractors. The company's customers also include non-government organizations and commercial entities.

VSE seeks to provide its customers with competitive, cost effective solutions to specific problems. These problems generally require a detailed technical knowledge of materials, processes, functional characteristics, information systems, technology and products, and an in-depth understanding of the basic requirements for effective systems and equipment. Customers are

generally billed for a specified level-of-effort incurred in performing a project or providing a service or, less frequently, for installed products, systems and maintenance charges.

(b) Financial Information

VSE operations are conducted within a single reporting segment and financial information is presented on a company-wide basis. Financial information for the three years ended December 31, 2001 appears in the "Consolidated Statements of Operations" contained in this Form 10-K.

(c) Narrative Description of Business

Services and Products

VSE engineering, technical, management and information technology services include a broad array of capabilities and resources used in program planning; design and engineering, including prototype development; ship reactivation and transfer support; logistics management; ship maintenance, repair, overhaul planning and follow-on technical support; the design and installation of intelligent conference rooms; office automation systems and support; training; technology research, development and demonstration programs involving energy conservation and efficiency, advanced technology transfers, and feasibility, assessment and development programs.

Typical engineering and technical services projects include sustaining engineering support for military vehicles and combat trailers; logistics management support; machinery condition analysis; specification preparation for ship alterations and repairs; ship force crew training; energy conservation and advanced technology demonstration projects; technical data package preparation; multimedia, computer LAN, and telecommunications systems; cross-platform technical data, product data and technical manual support.

Contracts

Depending on solicitation requirements and other factors, VSE offers its professional and technical services and products through various competitive contract arrangements and business units which are responsive to customer requirements and which may also provide an opportunity for diversification. Such arrangements include prime contracts, subcontracts, cooperative arrangements, joint ventures, dedicated ventures, GSA schedules, dedicated cost centers (divisions) and subsidiaries.

Substantially all of the company's revenues are derived from contract services performed for the government. The U.S. Navy is VSE's largest single customer. Other significant customers include the U.S. Army and the Department of Energy. The company's customers also include various other government agencies, non-government organizations, and commercial entities.

<TABLE>

VSE Revenues by Customer
(Dollars in Thousands)

<CAPTION>

	2001		2000		1999	
Customer	Revenues	%	Revenues	%	Revenues	%
- --------	--------	-	--------	-	--------	-
<S>	<C>	<C>	<C>	<C>	<C>	<C>
U.S. Navy	$ 80,101	71.8	$ 87,828	71.8	$109,993	69.9
Department of Energy	11,887	10.7	10,009	8.2	11,403	7.2
U.S. Army	8,722	7.8	9,497	7.8	19,468	12.4
All other government	3,303	2.9	13,448	11.0	16,155	10.3

Commercial	7,559	6.8	1,487	1.2	335	0.2
Total	$111,572	100.0	$122,269	100.0	$157,354	100.0

</TABLE>

The government's procurement practices in recent years have tended toward the bundling of various work efforts under large comprehensive ("omnibus") management contracts. As a result, the growth opportunities available to the company will probably continue to occur in large unpredictable increments. The company has pursued these larger efforts by assembling teams of subcontractors to offer the range of technical competencies required by these omnibus contracts. The company has also elected to pursue more of its contract work through its operating divisions and subsidiaries to focus on particular lines of work or specific customer bases.

As a result of the bundling trend described above, the company has divisions for which revenues are derived predominantly from one major contract effort. During 2001, the company's three largest contracts accounted for approximately 65% of total revenues. The company's largest contract, performed by BAV, is with the U.S. Navy and accounted for approximately 38%, 41%, and 50% of consolidated revenues in 2001, 2000, and 1999, respectively. This contract is a ten year contract awarded in 1995, and it has the potential to generate total revenues of over one billion dollars from 1995 through 2005. Other major contracts include U.S. Navy contracts performed by VSE (parent company) and Ordnance.

The company's contracts with the government are typically performed under cost plus fee, time and materials, or fixed-price contracts. Under cost plus fee contracts, the customer reimburses the company for its allowable costs and pays a fee as determined by the contract terms. Under time and materials contracts, the customer pays the company contract specific hourly rates for labor services and reimburses the company for the cost of materials. Under fixed-price contracts, the customer pays a contract specific price for services or products. Some of the contracts permit the contracting agency to issue delivery orders or task orders in an expeditious manner to satisfy relatively short-term requirements for engineering and technical services. The services ordered pursuant to such arrangements are normally performed and completed within one year.

Backlog

Total backlog represents a measure of the company's potential future revenues and is defined as the total estimated value of contracts actually awarded less the amount of revenues that have already been recognized on such contracts. VSE's total backlog was approximately $799 million, $804 million, and $946 million, as of December 31, 2001, 2000, and 1999, respectively. Funded backlog for government contracts is the portion of total backlog that

has been appropriated and funded by the procuring agency. VSE's funded backlog as of December 31, 2001, 2000, and 1999 was approximately $65 million, $81 million, $108 million, respectively. Because of uncertainties associated with changing program requirements and the ultimate availability of funds, the company has no reasonable basis on which to determine when or if the portion of total backlog that is not funded will become funded. Substantially all the company's funded backlog is expected to be completed within one year.

Marketing

VSE marketing activities are conducted by its professional staff of engineers, analysts, program managers, contract administrators and other personnel, with these activities centrally coordinated through the company's Business Development staff. Information concerning new programs and requirements becomes available in the course of contract performance, through formal and informal briefings, from participation in professional organizations, and from literature published by the government, trade associations, professional organizations and commercial entities.

Personnel

VSE services are provided by a staff of professional, and technical personnel having high levels of education, experience, training and skills. As of February 2002, VSE employed approximately 550 employees, including approximately 70 part-time personnel.

Principal categories of VSE personnel include (a) engineers, and technicians in mechanical, electrical, electronic, chemical, industrial, energy and environmental services, (b) information technology professionals in computer systems, applications and products, configuration, change and data management disciplines, (c) technical editors and writers, (d) multimedia and computer design engineers, and (e) graphic designers and technicians. The expertise required by VSE customers also frequently includes knowledge of government administrative procedures. Many VSE employees have had experience as government employees or have served in the U.S. armed forces. The company considers its relationships with employees to be excellent.

Competition and Risks

Competition. The professional and technical services industry in which VSE is engaged is very competitive. There are a substantial number of other organizations, including large, diversified firms with greater financial resources and larger technical staffs, which are capable of providing essentially the same services as those offered by VSE. Such companies may be publicly owned or privately held and may be divisions of much larger organizations including large manufacturing corporations.

Government agencies have placed an increased emphasis on awarding contracts of the types performed by VSE on a competitive basis as opposed to a non-competitive basis. All significant contracts currently being performed by VSE were either initially awarded on a competitive basis or have been renewed at least once on a competitive basis. Government agencies also order work through contracts awarded by the General Services Administration ("GSA") which

provides a schedule of services at fixed prices which may be ordered outside of the solicitation process. The company has been awarded five separate GSA schedule contracts for various classes of services, but there is no assurance regarding the level of work under these contract arrangements. Government budgets, and in particular the budgets of certain government agencies, can also impact competition in VSE's business. A reallocation of government spending priorities or a general decline in government budgets can result in lower levels of potential business for VSE and its competitors, thereby intensifying competition for the remaining business.

It is not possible to predict the extent and range of competition that VSE will encounter as a result of changing economic or competitive conditions, customer requirements, or technological developments. VSE believes the principal competitive factors for the professional and technical services business in which it is engaged are technical and financial qualifications, quality and innovation of services and products, past performance and low price.

Risks. In recent years, the government has initiated a series of changes designed to improve and streamline its acquisition policies and procedures. Such changes include an emphasis on very large contracts, which may make it more difficult for VSE to qualify as a potential bidder; past performance, which may be used to exclude entrance into new government markets; and multiple-award schedules, which may result in unequal contract awards between successful contractors.

VSE's business with the government is subject to the risk that one or more of its potential contracts or contract extensions may be awarded by the contracting agency to a "small and disadvantaged" or minority-owned business pursuant to "set-aside" programs administered by the Small Business Administration or may be bundled into omnibus contracts for very large businesses. In addition, government contract business is subject to funding delays, extensions, and moratoriums caused by political and administrative disagreements. To date, the effect of such negotiations and disagreements on the company has not been material; however, no assurances can be given about such risks with respect to future years.

Government contracts are subject to termination at the government's convenience, which means that the government may terminate the contract at any time, without cause. If a government contract is terminated for convenience, the contractor is generally reimbursed for its allowable costs to the date of termination and is paid a proportionate amount of the stipulated profit or fee for the work actually performed. VSE has not suffered any material losses or disruptions of its business due to government terminations for convenience.

VSE's business is subject to the risks arising from global economic conditions associated with potential foreign customers served through the company's contracts with the U.S. Government. For example, economic slowdowns in certain countries served under the BAV contract could potentially affect BAV sales.

ITEM 2. Properties

VSE's principal executive and administrative offices are located in a five story building in Alexandria, Virginia, leased by VSE through April 30,

2003. This building contains approximately 110,000 square feet of engineering, shop, and administrative space. VSE also provides services and products from approximately 11 other U.S. offices located at or near customer sites to facilitate communications and enhance project performance. These offices are generally occupied under short-term leases and currently include an aggregate of approximately 109,000 square feet of office and warehouse space. VSE employees often provide services at customer facilities, limiting VSE's requirement for additional space. BAV provides services from several locations outside of the United States, generally at foreign shipyards.

VSE owns and operates an engineering test center in Ladysmith, Virginia, consisting of approximately 44 acres of land and an improved storage and vehicle maintenance facility. This facility has been used by VSE to test military and commercial equipment for which VSE provides system technical support or other engineering services and to supplement Alexandria, Virginia, office and shop facilities.

ITEM 3. Legal Proceedings

In June 2001 a personal injury lawsuit was filed against VSE, Astoria Metals Corporation ("AMC"), Ship Dismantlement and Recycling Joint Venture, Earth Tech, Inc., and Tyco International Ltd. in the Superior Court of the State of California for the County of Alameda (Case No. 835601-7). While the plaintiffs' complaint does not specify the amount of alleged damages suffered, the plaintiffs have provided the defendants with a notice of damages aggregating approximately $20 million. VSE provided notice of the suit to its insurance carrier, Travelers Insurance, which is defending the company in this matter. While there is no assurance, VSE believes that the resolution of the lawsuit will not have a material adverse effect on VSE's consolidated financial position or results of operations.

ITEM 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of stockholders, through the solicitation of proxies or otherwise, during the three month period ended December 31, 2001.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth information concerning the executive officers of the Registrant as of March 7, 2002. Each person named has served as an executive officer of VSE, or has served in a similar executive capacity in VSE, for more than the past five years.

The executive officers are chosen annually to serve until the first meeting of the Board of Directors following the next annual meeting of stockholders and until their successors are elected and have qualified, or until death, resignation or removal, whichever is sooner.

Name	Age	Position with Registrant
Donald M. Ervine	65	Chairman and Chief Executive Officer, President and Chief Operating Officer
Michael E. Hamerly	56	Senior Vice President and General Manager, Fleet Maintenance Division
James M. Knowlton	59	Executive Vice President and Director, International Group
Thomas R. Loftus	46	Senior Vice President and Comptroller
Jayne M. Tuohig	55	Senior Vice President and General Manager, VSS Division
John J. Werbowski	52	Senior Vice President, Business Development
Craig S. Weber	57	Executive Vice President, Chief Financial Officer and Secretary

PART II

ITEM 5. Market for Registrant's Common Stock and Related Stockholder Matters

Market Information

The company's common stock ($.05 par value) is traded in the Nasdaq National Market System, trading symbol: VSEC, Newspaper listing: VSE.

The following table sets forth the range of high and low sales price information on VSE common stock for each quarter and annually during the last two years based on information reported by the Nasdaq National Market System.

<TABLE>
<CAPTION>

Quarter Ended	High	Low	Dividends
2001:			
March 31	$7.875	$5.31	$.04
June 30	7.65	5.75	.04
September 30	7.75	5.50	.04
December 31	7.75	5.75	.04
For the Year	$7.875	$5.31	$.16

2000:			
March 31	$9.00	$6.25	$.04
June 30	8.125	5.50	.04
September 30	7.188	5.75	.04
December 31	8.00	5.125	.04
For the Year	$9.00	$5.125	$.16

</TABLE>

(b) Holders

There are about 1,400 stockholders of VSE common stock as of February 1, 2002, consisting of approximately 300 stockholders of record plus the number of beneficial owner proxy sets provided in connection with VSE's 2002 Annual Meeting of Stockholders to (a) brokers, banks, and nominees and (b) participants in the VSE Corporation Employee ESOP/401(k) Plan.

(c) Dividends

Cash dividends were declared at the rate of $.16 per share during 2001 and 2000. Pursuant to its bank loan agreement (see Note 4 of "Notes to Consolidated Financial Statements"), the payment of cash dividends by VSE is subject to annual rate restrictions. VSE has paid cash dividends each year since 1973.

<TABLE>

ITEM 6. Selected Financial Data

(In thousands, except per share data)

<CAPTION>

	2001	2000	1999	1998	1997
<S>	<C>	<C>	<C>	<C>	<C>
Revenues, principally from contracts	$111,572	$122,269	$157,354	$177,074	$152,522
Income from continuing operations	$ 855	$ 1,385	$ 2,364	$ 3,015	$ 2,566
Loss from discontinued operations	-	-	(256)	(1,420)	(4,013)
Loss on disposal of discontinued operations	-	(417)	(574)	-	-
Net income (loss)	$ 855	$ 968	$ 1,534	$ 1,595	$ (1,447)
Basic earnings per common share:					
Income from continuing operations	$ .40	$ .65	$ 1.12	$ 1.42	$ 1.21
Loss from discontinued operations	-	(.19)	(.39)	(.67)	(1.89)
Net income (loss)	$ .40	$ .46	$ .73	$ .75	$ (.68)
Diluted earnings per common share:					
Income from continuing operations	$ .40	$ .65	$ 1.12	$ 1.42	$ 1.21
Loss from discontinued operations	-	(.19)	(.39)	(.67)	(1.89)
Net income (loss)	.40	$ .46	$ .73	$ .75	$ (.68)
Working Capital	$ 8,807	$ 8,364	$ 7,078	$ 5,801	$ 6,258
Total assets	$ 33,209	$ 31,523	$ 31,250	$ 47,248	$ 43,413
Long-term debt	$ 351	$ -	$ -	$ 1,503	$ 3,444
Stockholders' investment	$ 16,475	$ 15,793	$ 15,145	$ 13,852	$ 12,481
Cash dividends per common share	$ .16	$ .16	$ .144	$ .144	$ .144

</TABLE>

Per share amounts have been adjusted to reflect stock splits effected in 1997.

This consolidated summary of selected financial data should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this Form 10-K.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Company Organization and Overview

Company Organization

The term "VSE" or "company" refers to VSE and its subsidiaries and divisions unless the context indicates operations of the parent company only. VSE's business operations consist primarily of services performed by the company's wholly owned subsidiaries and divisions. Wholly owned subsidiaries include Energetics Incorporated ("Energetics"), Human Resource Systems, Inc. ("HRSI"), Ship Remediation and Recycling, Inc. ("SRR") and VSE Services International, Inc. ("VSI"). Unincorporated divisions include BAV Division ("BAV"), Fleet Maintenance Division ("Fleet Maintenance"), GSA Services Division ("GSA Services"), Ordnance Division ("Ordnance"), Value Systems Services Division ("VSS"), Telecommunications Technologies Division ("TTD") beginning in September 2000, Land Systems Division ("Land Systems") beginning in February 2001, and Management Sciences Division ("MSD") beginning in December 2001.

Several of the company's operating divisions were formed in recent years to bid on and perform contract work that had been previously performed by VSE (parent company). The formation of these divisions has enabled the company to use an operating structure that is better suited to perform certain types of contract work. The company anticipates that it will continue using its operating divisions to bid and perform new contract work to better serve the needs of customers. Management believes that the use of operating divisions to perform future work and the associated improvements in servicing customers will better position the consolidated entity for future revenue growth.

Overview of Services

The company is engaged principally in providing engineering, design, logistics, management and technical services to the U.S. Government (the "government"), other government prime contractors, and commercial entities. The largest customer for the services rendered by the company is the U.S. Department of Defense ("Defense"), including agencies of the U.S. Army, Navy, and Air Force. BAV is a major player in providing logistics, training, and technical assistance in support of the Navy's ship transfer program. Fleet Maintenance, Ordnance, and VSS also support the Navy by providing a variety of services including ship installation efforts, combat systems inspections, ship repair and overhaul availability planning, harpoon weapons management, ordnance alteration, air combat logistics, and outsourcing decision assistance. SRR provides environmentally sound solutions for the dismantling and disposal of inactive ships. Land Systems provides the Army with engineering and technical support for ground weapons, logistics and training services, material procurement support, and prototype development support for combat vehicles. MSD provides the Army and other government agencies and commercial organizations with quality training services for product, process, and management optimization.

VSE also provides services to other government agencies and industry. The company has provided support services to the U.S. Postal Service for over twenty years and is continuing to support this customer through its HRSI

subsidiary. Energetics is focused on providing the Department of Energy and other government and industry customers with expert consulting services in environmental management and energy supply, resource management, and conservation. TTD markets the company's growing capability to provide government and industry customers with the latest products, services, and support in network, multimedia, and audio-visual technology. This includes design, installation, management and support for a wide variety of voice, data, multimedia and related projects. These projects include facility security solutions and intelligent conference rooms which provide an ideal balance between technology and human interaction.

Substantially all of the company's services are performed for its customers on a contract basis. The three primary types of contracts used are cost-type contracts, time and materials contracts, and fixed-price contracts. Revenues result from work performed on these contracts by the company's employees and from pass-through of costs for material and work performed by subcontractors. Revenues on cost-type contracts are recorded as contract allowable costs are incurred and fees earned. Profits on cost-type contracts are equal to the fees that are earned. Revenues for time and materials contracts are recorded on the basis of contract allowable labor hours worked times the contract defined billing rates, plus the cost of materials used in performance on the contract. Profits on time and material contracts result from the difference between the cost of services performed and the contract defined billing rates for these services. Revenues on fixed-price contracts are recorded as services are performed, using the percentage-of-completion method of accounting, primarily based on contract costs incurred to date compared with total estimated costs at completion. Profits on fixed-price contracts result from the difference between the costs of services performed and the revenue earned using the percentage-of-completion.

<TABLE>
Revenues by contract type for the three years ended December 31, 2001, were as follows (in thousands):
<CAPTION>

Contract Type	2001 Revenues	%	2000 Revenues	%	1999 Revenues	%
Cost-type	$ 82,606	74.0	$ 92,556	75.7	$116,314	73.9
Time and materials	14,528	13.0	25,511	20.9	31,913	20.3
Fixed-price	14,438	13.0	4,202	3.4	9,127	5.8
	$111,572	100.0	$122,269	100.0	$157,354	100.0

</TABLE>
The company will occasionally perform work at risk, which is work that is performed prior to formalizing contract terms for such work. Potential revenue related to work performed at risk is not recognized until it can be reliably estimated and its realization is probable. The company provides for anticipated losses on contracts by a charge to income during the period in which losses are first identified.

Results of Operations

Revenues

The following table shows the revenues from operations of VSE, its subsidiaries and divisions, and such revenues as a percent of total revenues:

<TABLE>
Revenues from Operations
(dollars in thousands)
<CAPTION>

Company or Business Unit	2001 Revenues	%	2000 Revenues	%	1999 Revenues	%
VSE (parent company).	$ 22,681	20.3	$ 39,165	32.0	$ 44,337	28.1
BAV	41,860	37.5	49,801	40.7	78,791	50.1
Ordnance	12,945	11.6	11,170	9.2	6,116	3.9
Energetics	12,272	11.0	10,546	8.6	11,683	7.4
TTD	8,082	7.2	813	0.7	-	0.0
SRR	4,165	3.8	1,104	0.9	-	0.0
Land Systems	3,113	2.8	-	0.0	-	0.0
Fleet Maintenance	3,075	2.8	1,224	1.0	273	0.2
VSS	1,683	1.5	4,233	3.5	10,271	6.5
HRSI	1,344	1.2	3,947	3.2	5,770	3.7
GSA Services	352	0.3	265	0.2	107	0.1

Management Sciences	-	0.0	-	0.0	-	0.0
VSI	-	0.0	1	0.0	6	0.0
	--------	-----	--------	-----	--------	-----
	$111,572	100.0	$122,269	100.0	$157,354	100.0
	========	=====	========	=====	========	=====

</TABLE>

Revenues declined by approximately 9% and 22%, respectively, for the years ended December 31, 2001, and December 31, 2000. The decrease in revenues during 2001 was primarily due to a decrease in the level of services ordered under the BAV contract (see "BAV Contract" below), the expiration of a contract performed by VSE for the U.S. Postal Service (see "Contract Expirations" below), and a reduction in revenue associated with the company's sale of its HRSI Health Care Division contracts in July of 2000. The reduction in revenue from these contracts in 2001 was partially offset by increases in revenues in some of the company's other divisions and subsidiaries, including increased revenues in TTD, SRR, and Energetics. The decrease in revenues during 2000 was primarily due to a decrease in the level of services ordered under the BAV contract and the expiration of a contract performed by VSS for the U.S. Navy (see "Contract Expirations" below).

BAV Contract. VSE's BAV Division has a contract with the U.S. Navy to provide engineering, technical and logistical support services associated with the sale, lease, or transfer of Navy ships to foreign governments. This contract is a ten year contract awarded in 1995, and it has the potential to generate total revenues of over one billion dollars from 1995 through 2005. BAV has recognized revenues on this contract of approximately $391 million through December 31, 2001, resulting in a backlog of potential future revenues of approximately $669 million, of which approximately $40 million is funded. The contract accounted for approximately 38% and 41% of consolidated revenues from operations during 2001 and 2000, respectively. Contract terms specify award fee payments to BAV that are determined by performance and level of

contract activity. The level of revenues and associated profits resulting from fee income generated by this contract varies depending on a number of factors including the timing of ship transfers and associated support services ordered by foreign governments and economic conditions of potential customers worldwide. The decline in services ordered through this contract between 1999 and 2001 has contributed significantly to the decline in the company's revenues during 2001 and 2000 as compared to prior years. The company has experienced significant quarterly and annual revenue fluctuations and anticipates that future quarterly and annual revenues will be subject to significant variations primarily due to changes in the level of activity on this contract. See "Global Economic Conditions and Political Factors" below for further discussion of potential impacts on future revenues associated with this contract.

Contract Expirations. VSE's VSS Division had a U.S. Navy contract to provide data management and documentation, logistics support services and configuration management services to the Naval Air Systems Command. VSS was not awarded the successor contract and work on this contract effort terminated as of April 28, 2000. VSE (parent company) had a contract to provide engineering support services to the U.S. Postal Service. VSE (parent company) was not awarded the successor contract, and work on this contract effort terminated as of January 31, 2001. These two contracts accounted for less than 1% and approximately 10% and 13% of total company revenues in 2001, 2000, and 1999, respectively. The loss of revenues associated with the expiration of these two contracts contributed to the decline in company revenues and pretax income in 2001 as compared to 2000 and in 2000 as compared to 1999. VSE's Ordnance Division had a contract with the U. S. Navy to provide program management and logistics services that expired in December 2001. VSE re-bid and was awarded the successor contract in its Fleet Maintenance Division. Future work for this program will be conducted by Fleet Maintenance. This contract is a five year contract awarded in October, 2001, and it has the potential to generate total revenues of approximately $72.5 million from 2001 through 2006.

Business Termination and New Business Start-up. During the three months ended December 31, 2001, VSE management made the strategic decision to discontinue SRR's ship remediation and recycling efforts at the Hunters Point Shipyard in San Francisco, California. This decision was made due to the limited business opportunities associated with ship dismantlement work, due in part to an absence of any significant amount of government funding for these efforts, and essentially terminates SRR's role as a VSE business operating entity. Profitability from SRR work has been marginal for VSE. Concurrent with the decision to cease SRR operations, VSE formed MSD to offer government and commercial organizations quality training and product, process, and management optimization services. VSE management expects MSD revenues to approximately equal revenues formerly generated by SRR, with MSD profit margins higher than the marginal profitability provided by SRR. The net effect of these two strategic decisions is expected to be neutral to future company revenue while increasing profitability.

Government Procurement Policies and Practices

VSE's business is subject to the risks arising from domestic economic conditions and political factors that may impact the budgets and program funding of customers served through VSE's contracts. VSE's revenues have historically been subject to annual fluctuations resulting from changes in the

level of Defense spending. Future budgetary and funding decisions by government lawmakers or Defense restructuring efforts could affect the types and level of services provided by VSE to its government customers and could potentially have a material adverse impact on the company's results of operations or financial condition.

The company's revenues depend on the ability of the company to win new contracts and on the amount of work ordered by the government under the company's existing contracts. The company's ability to win new contracts is affected by government acquisition policies and procedures, including government procurement practices that in recent years have tended toward bundling work efforts under large comprehensive ("omnibus") management contracts. This emphasis on large contracts presents challenges to winning new contract work, including making it more difficult for the company to qualify as a bidder, increases in the level of competition due to the award of fewer contracts, and forcing the company into competition with larger organizations that have greater financial resources and larger technical staffs. Other government procurement practices that can affect the company's revenues are the use of past performance criteria that may preclude entrance into new government markets and government social programs that limit contract work to small, woman, or minority owned businesses. Additional risk factors that could potentially affect the company's results of operations are the government's right to terminate contracts for convenience, the government's right to not exercise all of the option periods on a contract, and funding delays caused by government political or administrative actions.

Global Economic Conditions and Political Factors

VSE's business is subject to the risks arising from global economic conditions and political factors associated with current and potential foreign customers served through VSE's contracts with the U.S. Government and in particular, the BAV contract. An economic slowdown in countries served under the BAV contract could potentially affect sales. The current international conflict initiated by the terrorist attacks in New York and Washington, D. C. on September 11, 2001 could potentially increase the political risks associated with BAV contract revenues. Failure by the government of a potential foreign customer to approve and fund acquisition of U.S. Navy ships serviced under the BAV contract could affect sales. In any one year, a significant amount of the company's revenues may result from sales on the BAV contract to a single foreign government. Severe adverse results arising from these global economic and political risks could potentially have a material adverse impact on the company's results of operations.

Income from Continuing Operations Before Income Taxes

The following table shows consolidated revenues and income from continuing operations before income taxes, other items of income and expense, and such amounts as a percent of revenues.

<TABLE>

Income from Continuing Operations Before Income Taxes
(dollars in thousands)

<CAPTION>

<S> <C>

Description	2001	%	2000	%	1999	%
Revenues	$111,572	100.0	$122,269	100.0	$157,354	100.0
Costs and expenses . . .	109,990	98.6	119,937	98.1	152,684	97.0
Gross profit	1,582	1.4	2,332	1.9	4,670	3.0
Selling, general and administrative expenses	237	0.2	239	0.2	684	0.4
Interest(income)expense	49	0.0	(98)	(0.1)	87	0.1
Income from continuing operations before income taxes	$ 1,296	1.2	$ 2,191	1.8	$ 3,899	2.5

</TABLE>

Costs and expenses of operations, as a percentage of revenues, increased slightly in 2001 as compared to 2000, and in 2000 as compared to 1999. The increases on a percentage basis were primarily attributable to the decrease in revenues while a portion of the costs and expenses of operating the company remain fixed. Other factors that affect the percentage of costs and expenses to revenues include the amount of work performed on the BAV contract as a percentage of total revenues, the timing of contract award fees, effective project and cost management and competitive factors.

Selling, general and administrative expenses consist primarily of costs and expenses that are not chargeable or reimbursable on the company's operating unit contracts. As a percentage of revenues, these expenses remained substantially unchanged in 2001 and decreased slightly in 2000 as compared to the respective prior years due to various types of nonreimbursable costs.

The company's business financing requirements changed slightly in 2001 as compared to prior years due to the nature of TTD's business. TTD performs a higher percentage of work for commercial entities and on fixed-price contracts where the type of work and customer base requires billing and collection cycles that are not as favorable to the company as the cost reimbursable terms associated with the company's government contract work. The resulting increase in bank borrowings in 2001 caused the company to incur interest expense in 2001 as compared to realizing interest income during 2000. Reduced receivables financing requirements due to the reduction in revenues and improved cash collection cycles on government contracts resulted in interest income in 2000 as compared to interest expense in 1999.

Discontinued Operations

On May 21, 1999, the company sold its CMstat subsidiary for an $800 thousand promissory note. The sale was a divestiture for legal and tax purposes, but was primarily dependent on the buyer's ability to repay the

promissory note. Accordingly, the sale was not originally provided discontinued operations treatment under Staff Accounting Bulletin No. 30 "Accounting for Divestiture of a Subsidiary or Other Business Operation" ("SAB No. 30") since it did not transfer the risks of ownership. In December 2000, the company determined that the remaining balance under the promissory note acquired from the sale of its CMstat subsidiary was not collectible and approximately $688 thousand was written off. Accordingly, the company's consolidated financial statements were restated to reflect the disposition as discontinued operations.

Financial Condition

VSE's financial condition did not change materially during 2001. The company's largest asset is its accounts receivable and its largest liabilities are its accounts payable and accrued expenses. Accounts receivable increased slightly due to the increase in TTD's business while liabilities remained substantially unchanged at December 31, 2001 as compared to December 31, 2000. The increase in total stockholder's investment in 2001 resulted from earnings and dividend activity and from the sale of a portion of the company's Treasury Stock to a director. The remaining Treasury Stock was retired.

Liquidity and Capital Resources

Cash Flows

Cash and cash equivalents declined by $438 thousand during 2001 as a result of approximately $2 million used in investing activities, approximately $1.4 million provided by continuing operations, and approximately $179 thousand provided by financing activities. Investing activities consisted of $2 million used to purchase property and equipment, including investments in VSE's information technology infrastructure and facilities improvements. Financing activities consisted of $351 thousand provided by bank loan borrowing, $169 thousand provided by the issuance of common stock and $342 used to pay cash dividends. Cash flows provided by continuing operations decreased in 2001 as compared to 2000 due primarily to the decrease in income and an increase in TTD's accounts receivable, which was partially offset by an increase in accounts payable.

A net increase in cash and cash equivalents of $585 thousand during 2000 resulted from approximately $1.8 million provided by continuing operations, approximately $1.1 million used in investing activities, $311 thousand used in financing activities, and $248 thousand provided by discontinued operations. Significant investing activities included $700 thousand associated with the acquisition of certain contract and marketing rights and $424 thousand used to purchase property and equipment. Financing activities consisted primarily of $331 thousand used to pay cash dividends. Cash flows provided by continuing operations decreased in 2000 as compared to 1999 due primarily to the changes in the levels of accounts receivable and accounts payable on the BAV contract in 2000 as compared to 1999, as well as a decrease in the company's net income.

The company's level of net cash and cash equivalents did not change significantly during 1999. Approximately $12.2 million in net cash was provided by continuing operations. Discontinued operations used approximately

$8 million, financing activities used approximately $3.1 million, and investing activities used approximately $1.1 million. Significant financing activities included decreases in long-term bank loans and the current portion of long-term bank debt of approximately $1.5 million and $1.3 million, respectively. Significant investing activities included approximately $1.1 million associated with the purchase of property and equipment, primarily computer equipment.

Cash dividends were declared at the rate of $.16 per share during 2001 and 2000 and $.144 per share during 1999. Pursuant to its bank loan agreement (see Note 4 of "Notes to Consolidated Financial Statements"), the payment of cash dividends by VSE is subject to annual rate restrictions. VSE has paid cash dividends each year since 1973.

Sources of Liquidity

The company's internal sources of liquidity result primarily from operating activities, specifically from changes in the level of revenues and associated accounts receivable from period to period and from profitability. Significant increases or decreases in revenue and accounts receivable can cause significant increases or decreases in internal liquidity. Accounts receivable arise primarily from billings made by the company to the government or other government prime contractors for services rendered and generally do not present collection problems. Accounts receivable levels can also be affected by contract retainages, differences between the provisional billing rates authorized by the government compared to the costs actually incurred by the company, government delays in processing administrative paperwork for contract funding, and the timing of large materials purchases and subcontractor efforts used in performance on the company's contracts. An increase in accounts receivable associated with increased levels of work in TTD contributed to a decrease in internally generated cash flows during this period. Internal liquidity is also affected by the acquisition of capital assets for office and computer support, facilities improvements, and by the payment of cash dividends. Purchases of capital assets for office and computer support and facilities improvements increased in 2001 due to investments made to upgrade VSE's information technology infrastructure and to facilities improvements made by VSE and Energetics.

VSE's external sources of liquidity consist of a revolving bank loan agreement that provides loan financing based on the company's accounts receivable. (See Note 4 of "Notes to Consolidated Financial Statements".) The bank financing complements the internal sources of liquidity by providing increasing levels of borrowing capacity as accounts receivable levels increase. The bank loan agreement provided loan financing up to a maximum commitment of $15 million as of December 31, 2001. This loan agreement replaced a previous loan agreement that had a maximum commitment of $30 million. The company determined that the new loan agreement was adequate to cover current and future liquidity requirements.

Performance of work under the BAV contract has the potential to cause substantial requirements for working capital; however, management believes that the cash flows from future operations and the bank loan commitment are adequate to meet current operating cash requirements.

Inflation and Pricing

Most of the contracts performed by VSE provide for estimates of future labor costs to be escalated for any option periods provided by the contracts, while the non-labor costs included in such contracts are normally considered reimbursable at cost. VSE property and equipment consists principally of computer systems equipment and furniture and fixtures. The overall impact of inflation on replacement costs of such property and equipment is expected to be insignificant.

Forward-Looking Disclosures

New Business

In December 2001, VSE formed MSD to provide government and commercial organizations with quality training and product, process, and management optimization services. While VSE management expects MSD to provide only a minimal amount of revenue growth, profit margins on the type of work performed by MSD are expected to be higher than profit margins in other VSE operations, and therefore, should play a part in improving the future profitability of VSE operations.

Business Combinations

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS No. 141"). SFAS No. 141 requires all business combinations initiated after June 30, 2001, to be accounted for using the purchase method. The company does not anticipate that adoption of SFAS No. 141 will have a material impact, either positive or negative, on future results of operations or financial condition.

Goodwill and Other Intangible Assets

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"). SFAS No. 142 modifies the accounting rules governing goodwill and intangible assets. Under SFAS No. 142, goodwill will no longer be subject to amortization over its estimated useful life and intangible assets with indefinite lives will no longer be amortized over an arbitrary number of years. The effective date for VSE's implementation of SFAS No. 142 is January 1, 2002. The company does not anticipate that adoption of SFAS No. 142 will have a material impact, either positive or negative, on future results of operations or financial condition.

Asset Retirement Obligations

In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" ("SFAS No. 143"). SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs.

SFAS No. 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. The company is in the process of evaluating the financial statement impact of adoption of SFAS No. 143.

Impairment or Disposal of Long-Lived Assets

In September 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144"). SFAS No. 144 addresses financial accounting and reporting for the impairment and disposal of long-lived assets. This standard is required to be adopted by the company beginning on January 1, 2002. The company does not anticipate that adoption of SFAS No. 144 will have a material impact, either positive or negative, on future results of operations or financial condition.

Disclosures About Market Risk

Interest Rates

VSE's bank loan financing provides available borrowing to the company at variable interest rates. The company has not borrowed significant amounts on the loan in recent years. Accordingly, the company does not believe that any movement in interest rates would have a material impact on future earnings or cash flows. If VSE were to significantly increase borrowings on the current loan arrangement, future interest rate changes could potentially have such a material impact.

Foreign Currency

While a significant amount of the company's business results from the services provided by BAV related to the transfer of ships to foreign governments, the BAV contract payments are made to BAV by the U.S. Government in U.S. dollars. Additionally, most funding requirements to support work performed or services purchased in foreign countries are made in U.S. dollars, and the infrequent disbursements that are made in foreign currencies are reimbursable to BAV in post conversion dollars. Foreign currency transactions of other VSE divisions or subsidiaries are virtually non-existent. Accordingly, the company does not believe that it is exposed to any material foreign currency risk.

ITEM 8. Financial Statements and Supplementary Data

Index To Financial Statements

Report of Independent Public Accountants

To the Stockholders of VSE Corporation:

We have audited the accompanying consolidated balance sheets of VSE Corporation (a Delaware corporation) and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of operations, stockholders' investment and cash flows for the three years ended December 31, 2001. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of VSE Corporation as of December 31, 2001 and 2000, and the results of its operations and its cash flows for the three years ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

Vienna, Virginia
February 22, 2002

<TABLE>
VSE Corporation and Subsidiaries
Consolidated Balance Sheets As of December 31,
- ---
(in thousands, except share amounts)
<CAPTION>

	2001	2000
<S>	<C>	<C>
Assets		
Current assets:		
Cash and cash equivalents	$ 209	$ 647
Accounts receivable, principally		
U.S. Government, net	20,849	19,215
Deferred tax assets	695	853
Other current assets	1,984	1,533
	-------	-------
Total current assets	23,737	22,248

Property and equipment, net	4,211	3,336
Deferred tax assets	793	847
Intangible assets, net	1,822	2,134
Other assets	2,646	2,958
	-------	-------
Total assets	$33,209	$31,523
	=======	=======
Liabilities and Stockholders' Investment		
Current liabilities:		
Accounts payable	$10,609	$ 8,678
Accrued expenses	4,235	5,121
Dividends payable	86	85
	-------	-------
Total current liabilities	14,930	13,884
Long-term debt	351	-
Deferred compensation	1,453	1,846
	-------	-------
Total liabilities	16,734	15,730
	-------	-------
Commitments and contingencies		
Stockholders' investment:		
Common stock, par value $.05 per share, authorized 5,000,000 shares; issued 2,150,540 in 2001 and 2,197,863 in 2000	107	110
Paid-in surplus	3,294	3,914
Retained earnings	13,074	12,561
Treasury stock, at cost (72,000 shares in 2000).	-	(792)
	-------	-------
Total stockholders' investment	16,475	15,793
	-------	-------
Total liabilities and stockholders' investment . . .	$33,209	$31,523
	=======	=======

</TABLE>

The accompanying notes are an integral part of these statements.

<TABLE>

VSE Corporation and Subsidiaries

Consolidated Statements of Operations For the years ended December 31,

- ---

(in thousands, except share amounts)

<CAPTION>

	2001	2000	1999
	----	----	----
<S>	<C>	<C>	<C>
Revenues, principally from contracts	$ 111,572	$ 122,269	$ 157,354
Costs and expenses of contracts	109,990	119,937	152,684
	---------	---------	---------
Gross profit	1,582	2,332	4,670
Selling, general and administrative expenses	237	239	684
Interest (income) expense	49	(98)	87
	---------	---------	---------
Income from continuing operations before income taxes	1,296	2,191	3,899
Provision for income taxes	441	806	1,535
	---------	---------	---------
Income from continuing operations.	855	1,385	2,364
Discontinued operations, net of tax:			
Loss from operations (net of tax benefit of $145 in 1999)	-	-	(256)
Loss on disposal (net of tax benefit of $271 in 2000 and $524 in 1999) . . .	-	(417)	(574)
	---------	---------	---------

Net income	$ 855	$ 968	$ 1,534
	=========	=========	=========
Basic earnings per share:			
Income from continuing operations	$ 0.40	$ 0.65	$ 1.12
Loss from discontinued operations	-	(0.19)	(0.39)
	---------	---------	---------
Net income	$ 0.40	$ 0.46	$ 0.73
	=========	=========	=========
Basic weighted average shares outstanding	2,136,992	2,122,564	2,115,569
	=========	=========	=========
Diluted earnings per share:			
Income from continuing operations	$ 0.40	$ 0.65	$ 1.12
Loss from discontinued operations	-	(0.19)	(0.39)
	---------	---------	---------
Net income	$ 0.40	$ 0.46	$ 0.73
	=========	=========	=========
Diluted weighted average shares outstanding	2,136,992	2,122,564	2,115,569
	=========	=========	=========

</TABLE>

The accompanying notes are an integral part of these statements.

<TABLE>

VSE Corporation and Subsidiaries

Consolidated Statements of Stockholders' Investment

- ---

(in thousands)

<CAPTION>

	Common Stock Shares	Common Stock Amount	Paid-In Surplus	Retained Earnings	Treasury Stock
	------	------	-------	--------	-----
<S>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 1998	2,187	$109	$3,832	$10,703	$(792)
Net income for the year	-	-	-	1,534	-
Issuance of stock	7	1	62	-	-
Dividends declared ($.144)	-	-	-	(304)	-
	-----	----	------	-------	-----
Balance at December 31, 1999	2,194	110	3,894	11,933	(792)
Net income for the year	-	-	-	968	-
Issuance of stock	4	-	20	-	-
Dividends declared ($.16)	-	-	-	(340)	-
	-----	----	------	-------	-----
Balance at December 31, 2000	2,198	110	3,914	12,561	(792)
Net income for the year	-	-	-	855	-
Issuance of Treasury stock	-	-	(81)	-	220
Retirement of Treasury Stock	(52)	(3)	(569)	-	572
Issuance of stock	4	-	30	-	-
Dividends declared ($.16)	-	-	-	(342)	-
	-----	----	------	-------	-----
Balance at December 31, 2001	2,150	$107	$3,294	$13,074	$ -
	=====	====	======	=======	=====

</TABLE>

The accompanying notes are an integral part of these statements.

<TABLE>

VSE Corporation and Subsidiaries
Consolidated Statements of Cash Flows For the years ended December 31,

(in thousands)

<CAPTION>

<S>	2001 <C>	2000 <C>	1999 <C>
Cash flows from operating activities:			
Net income	$ 855	$ 968	$ 1,534
Loss from discontinued operations	-	-	256
Loss on disposal of discontinued operations	-	417	574
Income from continuing operations	855	1,385	2,364
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,372	1,563	1,829
Loss (gain) on sale of property and equipment	91	17	(124)
Change in deferred compensation	(393)	(51)	(16)
Change in deferred taxes	212	(45)	(549)
Change in operating assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(1,634)	146	14,835
Other current assets and noncurrent assets	(139)	(650)	1,569
Increase (decrease) in:			
Accounts payable	1,931	523	(7,733)
Accrued expenses	(886)	(1,116)	42
Net cash provided by operating activities of continuing operations	1,409	1,772	12,217
Cash flows from investing activities:			
Purchase of property and equipment, (net of proceeds from dispositions)	(2,026)	(424)	(1,081)
Purchase of intangible assets	-	(700)	-
Net cash used in investing activities of continuing operations	(2,026)	(1,124)	(1,081)
Cash flows from financing activities:			
Net proceeds from (payments on) long-term bank loans	351	-	(1,503)
Payment of current portion of long-term bank debt	-	-	(1,333)
Cash dividends paid	(341)	(331)	(304)
Issuance of common stock	169	20	63
Net cash provided by (used in) financing activities of continuing operations	179	(311)	(3,077)
Net cash provided by (used in) discontinued operations	-	248	(8,046)
Net (decrease) increase in cash and cash equivalents	(438)	585	13
Cash and cash equivalents at beginning of year	647	62	49
Cash and cash equivalents at end of year	$ 209	$ 647	$ 62

</TABLE>
<TABLE>

Supplemental cash flow disclosures (in thousands):

<CAPTION>

<S>	2001 <C>	2000 <C>	1999 <C>
Cash paid during the year for:			
Interest	$ 56	$ 127	$ 321
Income taxes	$ 336	$ 1,026	$ 1,261
Noncash investing and financing activities:			
Note receivable from discontinued operations	$ -	$ -	$ 800
Write off of note receivable from discontinued operations	$ -	$ 688	$ -
Payable related to purchase of intangible assets	$ -	$ 260	$ -

</TABLE>

The accompanying notes are an integral part of these statements.

VSE Corporation and Subsidiaries
Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements consist of the operations of the parent company, operations of the company's wholly owned subsidiaries, and operations of the company's divisions. Wholly owned subsidiaries include Energetics Incorporated ("Energetics"), Human Resource Systems, Inc. ("HRSI"), Ship Remediation and Recycling, Inc. ("SRR"), and VSE Services International, Inc. ("VSI"). Unincorporated divisions include BAV Division ("BAV"), Fleet Maintenance Division ("Fleet Maintenance"), GSA Services Division ("GSA Services"), Land Systems Division ("Land Systems"), Management Sciences Division ("MSD"), Ordnance Division ("Ordnance"), Telecommunications Technologies Division ("TTD"), and Value Systems Services Division ("VSS"). The company is engaged principally in providing engineering, testing, management and information technology services to the U.S. Government (the "government") and other government prime contractors.

The term "VSE" or "company" means VSE and its subsidiaries and divisions unless the context indicates operations of the parent company only. Intercompany sales are principally at cost. All significant intercompany transactions have been eliminated in consolidation. Certain prior year balances have been reclassified for comparative purposes.

Segment Information

The company operates within one reportable segment. Prior to May 21, 1999, VSE had two reportable segments: the engineering, logistics, management, and technical services segment ("ELMTS"), which provides diversified engineering, technical and management services principally to agencies of the United States Government and to other government prime contractors, and the software products and services segment ("SPS"), which provided application software and services related to the installation of the software to primarily commercial customers.

The SPS segment was sold on May 21, 1999, and is reflected as a discontinued operation (see note 10).

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS No. 141"). SFAS No. 141 requires all business combinations initiated after June 30, 2001, to be accounted for using the purchase method. The company does not anticipate that adoption of SFAS No. 141 will have a material impact, either positive or negative, on future results of operations or financial condition.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"). SFAS No. 142 modifies the accounting rules governing goodwill and intangible assets. Under SFAS No. 142, goodwill will no longer be subject to amortization over its estimated useful life and intangible assets with indefinite lives will no longer be amortized over an arbitrary number of years. The effective date for VSE's implementation of SFAS No. 142 is January 1, 2002. See note 2 for the discussion of the company's goodwill and intangible assets.

In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" ("SFAS No. 143"). SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. The company is in the process of evaluating the financial statement impact of adoption of SFAS No. 143.

In September 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144"). SFAS No. 144 addresses financial accounting and reporting for the impairment and disposal of long-lived assets. This standard is required to be adopted by the company beginning on January 1, 2002. The company does not anticipate that adoption of SFAS No. 144 will have a material impact, either positive or negative, on future results of operations or financial condition.

Earnings Per Share

Basic earnings per share has been computed by dividing net income available to common stockholders by the weighted average number of shares of common stock outstanding during each period. Shares issued during the period and shares reacquired during the period are weighted for the portion of the period that they were outstanding. Diluted earnings per share have been computed in a manner consistent with that of basic earnings per share while giving effect to all potentially dilutive common shares that were outstanding during each period. There was no dilutive impact on reported earnings per share for 2001, 2000, and 1999.

Cash and Cash Equivalents

Cash and cash equivalents reported by the company consist of cash balances in the company's bank accounts and short term temporary invested balances connected to the bank accounts with sweep arrangements, netted by checks issued on the company's bank accounts that have not yet been presented to the bank for collection. The company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

The company has classified all debt and equity securities as available-for-sale. Available-for-sale securities are carried at fair value with unrealized gains and losses, net of tax, reported as a component of stockholders' investment. Realized gains and losses are included in other income. Available-for-sale debt securities as of December 31, 2001 and December 31, 2000 consisted of overnight money market accounts of $0 and $853 thousand, respectively, securedby government agency securities. The estimated fair value of these securities approximated cost, and the amount of gross unrealized gains and losses was not significant.

Concentration of Credit Risk/Fair Value of Financial Instruments

Financial instruments that potentially subject the company to concentration of credit risk consist primarily of cash, cash equivalents and trade accounts receivable. The company believes that concentrations of credit risk with respect to trade accounts receivable are limited as they are primarily government receivables. The company believes that the fair market value of all financial instruments approximates book value.

Contract Revenues

Substantially all of the company's revenues result from contract services performed for the government or for contractors engaged in work for the government under a variety of contracts. Revenues on cost-type contracts are recorded on the basis of recoverable costs incurred and fees earned. Approximately $82.6 million, $92.6 million and $116.3 million of the company's revenues were under cost reimbursable contracts for the years ended December 31, 2001, 2000 and 1999, respectively.

Revenues on fixed-price contracts are recorded as services are performed, using the percentage-of-completion method of accounting, primarily based on contract costs incurred to date compared with total estimated costs at completion. Revenues on time and material contracts are recorded on the basis of billable rates times hours delivered plus material and other reimbursable costs incurred.

Potential revenue related to work performed at risk is not recognized as income until it can be reliably estimated and its realization is probable. The company provides for anticipated losses on contracts by a charge to income during the period in which losses are first identified.

A substantial portion of the contract and administrative costs is subject to audit by the Defense Contract Audit Agency. The company's indirect cost rates have been audited and approved for 1999 and prior years. In the

opinion of management, the audits of the indirect cost rates for 2001 and 2000 will not result in material adjustments, if any, to the company's results of operations or financial position.

Other Current Assets

<TABLE>

Other current assets consisted of the following (in thousands):

<CAPTION>

<S>	2001 <C>	2000 <C>
Federal and State Tax Receivable	$ 583	$ 500
Travel advances	448	435
Prepaid rent expense	266	155
Other prepaid expenses	687	443
	$ 1,984	$ 1,533

</TABLE>

Other Assets

<TABLE>

Other assets consisted of the following (in thousands):

<CAPTION>

<S>	2001 <C>	2000 <C>
Deferred Compensation Trust	$ 1,453	$ 1,848
Cash Surrender Value of Life Insurance	1,120	1,034
Other assets	73	76
	$ 2,646	$ 2,958

</TABLE>

Property and Equipment

<TABLE>

Property and equipment (valued at cost) consisted of the following (in thousands):

<CAPTION>

<S>	2001 <C>	2000 <C>

Computer systems equipment	$ 4,798	$ 6,083
Furniture, fixtures, equipment and other	3,132	3,791
Leasehold improvements	2,419	1,585
Buildings	302	302
Land and land improvements	385	385
	11,036	12,146
Less accumulated depreciation	(6,825)	(8,810)
	$ 4,211	$ 3,336

</TABLE>

Depreciation and amortization expense for property and equipment was approximately $1.1 million for 2001, $1.4 million for 2000 and $1.6 million for 1999. Depreciation of computer systems equipment is provided principally by the double-declining method over periods of two to four years. Depreciation of furniture and fixtures is provided principally by the straight-line method over approximately nine years. Depreciation of all other property and equipment is provided principally by the double-declining method over periods of three to twenty years. Depreciation of buildings and land improvements is provided principally by the straight-line method over approximately thirty years.

Deferred Compensation Plans

Deferred compensation plan expense for the years ended December 31, 2001, 2000, and 1999 was $21 thousand, $117 thousand and $29 thousand, respectively.

Included in other assets are assets of the deferred compensation plans which include equity securities recorded at fair value. The fair value of these securities was approximately $1.5 million and $1.8 million as of December 31, 2001 and 2000, respectively. Because plan participants are at risk for market value changes in these assets, the liability to plan participants fluctuates with the asset values.

Impairment Review

The company performs a periodic review of certain long-lived assets to determine if impairment has occurred. If impaired, the company writes down the asset to its fair market value.

(2) Goodwill and Intangible Assets

As part of the August 29, 1995, acquisition of Energetics, the company recorded approximately $1.7 million of goodwill in connection with this acquisition, including approximately $200 thousand of additional goodwill due to contingency requirements established in the purchase agreement. Goodwill was amortized by the straight-line method over fifteen years, and approximately $1.1 million of unamortized goodwill remains on the books as of December 31, 2001. In accordance with SFAS No. 142, beginning in January 2002, goodwill will no longer be amortized, but will be reviewed annually to determine if an impairment has occurred.

On December 28, 2000, VSE invested $960 thousand in the acquisition of certain contract and marketing rights. In accordance with SFAS No. 142, the intangible asset is being amortized by the straight-line method over five years, and approximately $768 thousand of unamortized intangible asset remains on the books as of December 31, 2001.

Amortization expense for goodwill and intangible assets was approximately $311 thousand, $115 thousand and $180 thousand for 2001, 2000, and 1999, respectively.

(3) Accounts Receivable

<TABLE>

The components of accounts receivable as of December 31, 2001 and 2000,

were as follows (in thousands):
<CAPTION>

	2001	2000
<S>	<C>	<C>
Billed	$ 8,349	$ 7,192
Unbilled:		
Retainages	116	71
Other (principally December work billed in January)	12,684	12,012
Less-Allowance for doubtful accounts	(300)	(60)
Total accounts receivable	$20,849	$19,215

</TABLE>

The "Unbilled: Other" included in accounts receivable are reported net of an allowance for contract disallowances of $244 thousand as of December 31, 2001 and $201 thousand as of December 31, 2000. "Unbilled: Other" also includes certain costs for work performed at risk which are not reimbursable under current contracts, but which the company believes will be reimbursable on execution of contract documentation or amendments increasing funding. Amounts not presently reimbursable included in "Unbilled: Other" were $702 thousand and $307 thousand as of December 31, 2001, and 2000, respectively.

Contracts with the government, primarily with the U.S. Department of Defense, accounted for approximately 93% of revenues for 2001 and 99% of revenues for 2000 and 1999. These contracts were primarily for engineering services. A contract awarded in 1995 with the U.S. Navy accounted for approximately 38%, 41% and 50% of such revenues in 2001, 2000, and 1999, respectively.

The company generally expects to collect all accounts receivable other than retainages within one year.

(4) Debt

VSE has a revolving loan agreement with a bank on which the company can borrow up to $15 million, subject to a borrowing formula based on billed receivables. Under terms of the agreement, the company pays a fixed amount annual commitment fee and interest on any borrowings at a prime-based rate or an optional LIBOR-based rate. The expiration date of the revolving loan is May 31, 2003. The loan agreement contains collateral requirements by which company assets secure amounts outstanding, restrictive covenants that include minimum tangible net worth and profitability requirements, a limit on annual dividends, and other affirmative and negative covenants. This loan agreement replaced the previous loan agreement that had a maximum commitment of $30 million dollars. The company determined that the new loan agreement was adequate to cover current and future liquidity requirements. The amount borrowed under this loan agreement was approximately $351 thousand and $0 as of December 2001 and 2000, respectively. Interest expense incurred was approximately $60 thousand, $74 thousand and $170 thousand for 2001, 2000, and 1999, respectively.

Due to the write off of the CMstat note receivable (see "Discontinued Operations" section of "Management Discussion and Analysis") and to certain operating losses, including losses associated with start-up costs of TTD and

MSD, the company did not achieve the original minimum amount established in the profitability covenant at year end 2000 and for each of the four quarters during 2001, and is projecting to not achieve the original minimum required amount for the first and second quarters of 2002. The company and the bank have made amendments to the loan agreement during 2001 and 2002 to restate this covenant for 2000, 2001 and 2002. The company was in compliance during 2000 and 2001, and is expecting to be in compliance during 2002, with all covenants of the loan agreement as amended.

(5) Accrued Expenses
<TABLE>

The components of accrued expenses as of December 31, 2001 and 2000, were as follows (in thousands):

<CAPTION>

<S>	2001 <C>	2000 <C>
Accrued salaries	$1,174	$1,490
Accrued vacation	1,291	1,518
Estimated future losses on fixed-price and time and material contracts	463	293
Other accrued expenses	1,307	1,820
Total accrued expenses	$4,235	$5,121

</TABLE>

(6) ESOP/401(k) Plan and Profit Sharing Plan

VSE established an ESOP/401(k) plan in 1984. Under the provisions of the ESOP, VSE and certain of its operating entities made contributions into a trust which purchased VSE stock on behalf of employees who met certain age and service requirements and were employed at the end of the plan year. Contributions at the rate of up to 2% of eligible employee compensation were permitted at the discretion of the VSE board of directors and were allocated, subject to a vesting schedule, on a pro rata basis on eligible employee compensation. The 401(k) segment of the plan allows employees meeting certain age and service requirements to contribute a portion of their salary to certain investment trusts. As of April 1, 1999, the ESOP contributions were discontinued and replaced by employer 401(k) contributions made on behalf of the eligible employee participants based on the employees' 401(k) payroll deferrals. For 2001 and prior years, the employer contribution was equal to 50% of the employee deferral on the first 5% of the employee pay deferred. For 2002 and future years, the employer contribution will be equal to 50% of the employee deferral on the first 6% of the employee pay deferred. The company expense associated with this plan for 2001, 2000, and 1999 was $249 thousand, $245 thousand, and $333 thousand, respectively.

The ESOP/401(k) plan held 429,526 shares and 521,014 shares of VSE stock as of December 31, 2001 and 2000, respectively. Such shares receive dividend payments and are included in the weighted average shares for earnings per share calculations.

Energetics maintains a profit sharing plan for employees. All employees who have completed two years of service are members of the profit sharing plan. At its discretion, Energetics may make contributions to the plan. The plan expense for 2001, 2000, and 1999 was $450 thousand, $400 thousand, and $312 thousand, respectively.

(7) Stock Option Plans

1996 and 1998 Stock Option Plans

<TABLE>

The company accounts for the VSE Corporation 1996 Stock Option Plan (the "1996 Plan") and the 1998 Stock Option Plan (the "1998 Plan") pursuant to APB Opinion No. 25, "Accounting for Stock Issued to Employees," under which no compensation cost has been recognized because the exercise price of the stock options equals the market price of the underlying stock on the date of grant. Had compensation costs for the 1996 Plan and 1998 Plan been determined based on SFAS No. 123, "Accounting for Stock-Based Compensation," the company's net income and earnings per share would have been as follows (in thousands, except per share amounts):

<CAPTION>

<S>		2001 <C>	2000 <C>	1999 <C>
Net income:	As reported	$ 855	$ 968	$1,534
	Pro forma	$ 761	$ 874	$1,463

Earnings per share:	As reported	$ 0.40	$ 0.46	$ 0.73
	Pro forma	$ 0.36	$ 0.41	$ 0.69

</TABLE>

Under the 1996 Plan, the company may grant options for and sell up to an aggregate of 273,698 shares of the common stock of the company. Through December 31, 2001 the company has granted options for 211,455 shares of common stock priced at 100% of the fair value of the stock at the time of the grant of the option. The maximum term of the options granted is five years. The vesting period is three years and allows for 25% vesting immediately upon date of the grant and an additional 25% on each successive anniversary date thereafter. Vesting may be accelerated for shares granted to certain individuals as determined by the Board of Directors. The 1996 Plan will terminate on the earliest of February 5, 2006, or the date on which all options under the 1996 plan have been exercised or terminated. As of December 31, 2001, 44,625 shares are exercisable under this plan.

Under the 1998 Plan, the company may grant options for and sell up to an aggregate of 343,750 shares of common stock. Of the shares available for grant, 15,625 shares may be granted to non-employee directors of VSE, and 328,125 shares may be granted to executive officers and key employees. Through December 31, 2001 the company has granted options for 172,750 shares of common stock priced at 100% of the fair value of the stock at the time of the grant of the option. The vesting period is three years and allows for 25% vesting immediately upon date of the grant and an additional 25% on each successive anniversary date thereafter. The 1998 Plan will terminate on the earliest of May 6, 2008, or the date on which all options under the 1998 Plan have been exercised or terminated.

<TABLE>
Information with respect to stock options is as follows:
<CAPTION>

<S> <C> <C> <C> <C> <C> <C>

	2001	Weighted Average Exercise Price	2000	Weighted Average Exercise Price	1999	Weighted Average Exercise Price
Number of shares under stock options:						
Outstanding at beginning of year	343,455	$10.28	279,085	$11.01	234,273	$10.95
Granted	69,750	5.77	79,000	7.89	69,750	10.93
Exercised	-	-	-	-	(313)	9.42
Forfeited	(19,000)	9.01	(14,630)	11.29	(24,625)	10.32
Terminations	(176,830)	11.30	-	-	-	-
Outstanding at end of year	217,375	$ 8.12	343,455	$10.28	279,085	$11.01
Exercisable at end of year	112,687	$ 8.83	247,486	$10.80	213,585	$11.02
Weighted average remaining contractual life	6 years		6 years		6 years	
Weighted average fair value of options granted	$2.24		$3.32		$2.36	

</TABLE>
<TABLE>
The fair value of the options is estimated on the date of grant using the Black-Scholes option pricing model. The following assumptions were used in the pricing calculation for 2001, 2000 and 1999:
<CAPTION>

	2001	2000	1999
<S>	<C>	<C>	<C>

Risk free interest rate	5.04%	6.42%	4.57%
Dividend yield	2.77%	2.00%	2.00%
Expected life	3 years	3 years	3 years
Expected volatility	58.27%	61.95%	29.00%

</TABLE>

(8) Income Taxes
<TABLE>

The company files consolidated federal income tax returns with all of its subsidiaries. The components of the provision for income taxes for the years ended December 31, 2001, 2000, and 1999 are as follows (in thousands):
<CAPTION>

<S>	2001 <C>	2000 <C>	1999 <C>
Current			
Federal	$ 218	$ 682	$1,691
State	11	169	393
	229	851	2,084
Deferred			
Federal	182	(36)	(432)
State	30	(9)	(117)
	212	(45)	(549)
Provision for income taxes	$ 441	$ 806	$1,535

</TABLE>
<TABLE>

The differences between the amount of tax computed at the federal statutory rate of 34% and the provision for income taxes for 2001, 2000, and 1999 are as follows (in thousands):
<CAPTION>

<S>	2001 <C>	2000 <C>	1999 <C>
Tax at statutory federal income tax rate at 34%	$ 441	$ 744	$1,326
Increases (decreases) in tax resulting from:			
State taxes, net of federal tax benefit	74	112	180
Permanent differences, net	(2)	-	9
Other, net	(72)	(50)	20
Provision for income taxes	$ 441	$ 806	$1,535

</TABLE>

The provision for income taxes has been reduced for the period ending December 31, 2001 due to a change in the company's effective state tax rate. The reduction in the effective state tax rate is the result of lower apportionment factors in states with higher tax rates. The provision for income taxes includes a one time state tax adjustment of approximately $72,000.

<TABLE>

The company's deferred tax assets (liabilities) as of December 31, 2001 and 2000, which represent the tax effects of temporary differences between tax and financial accounting bases of assets and liabilities and are measured using presently enacted tax rates, are as follows (in thousands):
<CAPTION>

<S>	2001 <C>	2000 <C>
Current deferred tax assets	$1,007	$1,035
Current deferred tax liabilities	(312)	(182)
Net current deferred tax assets	695	853
Noncurrent deferred tax assets	1,038	1,101
Noncurrent deferred tax liabilities	(245)	(254)

	2001	2000
Net noncurrent deferred tax assets	793	847
Net deferred tax assets	$1,488	$1,700

</TABLE>

<TABLE>

The tax effect of temporary differences representing deferred tax assets and liabilities as of December 31, 2001 and 2000, are as follows (in thousands):

<CAPTION>

<S>	2001 <C>	2000 <C>
Deferred compensation	$1,082	$1,317
Accelerated depreciation	134	84
Bad debt expense	115	25
Accrued expenses	88	205
Intangible assets	82	37
Allowance for contract and other disallowances .	78	68
Retainages not taxed until billed.	(46)	(61)
Deferred revenues	(225)	(90)
Other	180	115
Net deferred tax assets	$1,488	$1,700

</TABLE>

(9) Commitments and Contingencies

Leases and other commitments

The principal facilities of the company and its subsidiaries are generally rented under noncancelable operating leases for periods of one to ten years. The company and its subsidiaries also lease equipment generally under noncancelable operating leases for periods of one to five years. In addition, the company entered into a Microsoft license agreement requiring contract payments over three years, beginning in June, 2001. Total rent, lease and other commitments for 2001, 2000, and 1999 was approximately $1.8 million, $1.9 million, and $1.9 million, respectively, which was net of sublease income of $689 thousand, $694 thousand and $686 thousand, respectively. The future minimum annual commitments having remaining noncancelable commitment terms in excess of one year, net of noncancelable sublease income, will approximate $2.4 million in 2002, $2.0 million in 2003, $1.5 million in 2004 and 2005, $900 thousand in 2006, and $1.7 million thereafter.

Litigation

In June 2001 a personal injury lawsuit was filed against VSE, Astoria Metals Corporation ("AMC"), Ship Dismantlement and Recycling Joint Venture, Earth Tech, Inc., and Tyco International Ltd. in the Superior Court of the State of California for the County of Alameda (Case No. 835601-7). While the plaintiffs' complaint does not specify the amount of alleged damages suffered, the plaintiffs have provided the defendants with a notice of damages aggregating approximately $20 million. VSE provided notice of the suit to its insurance carrier, Travelers Insurance, which is defending the company in this matter. While there is no assurance, VSE believes that the resolution of the lawsuit will not have a material adverse effect on VSE's consolidated financial position or results of operations.

The company and its subsidiaries have, in the normal course of business, certain claims against them and against other parties. The company is not

aware of any present claims which would have a material adverse effect on the company's financial condition or results of operations.

(10) Discontinued Operations

On May 21, 1999, the company sold all of its interests in the SPS segment. This entailed selling its CMstat subsidiary for an $800 thousand promissory note. While the sale was a divestiture for legal and tax purposes, for accounting purposes, the sale was not originally provided discontinued operations treatment under Staff Accounting Bulletin No. 30 "Accounting for Divestiture of a Subsidiary or Other Business Operation"("SAB No. 30") since the sale did not transfer the risks of ownership because the sales price was primarily dependent on the buyer's ability to repay the promissory note.

In December 2000, the company determined that the remaining balance under the promissory note acquired from the sale of its CMstat subsidiary was not collectible and approximately $688 thousand was written off. Accordingly, the consolidated financial statements have been restated to reflect the disposition of its CMstat subsidiary as discontinued operations. The revenues, costs and expenses, assets and liabilities and cash flows from the CMstat subsidiary have been excluded from the respective captions in the Consolidated Statement of Operations, Balance Sheets, Cash Flows and related footnotes.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There have been no changes in the company's independent public accountants or disagreements with such accountants on accounting principles or practices or financial statement disclosures.

PART III

ITEM 10. Directors and Executive Officers of the Registrant

Information with respect to Directors of the company is incorporated by reference from the registrant's definitive proxy statement for its annual meeting of stockholders to be filed not later than 120 days after December 31, 2001, with the Securities and Exchange Commission pursuant to Regulation 14A (the "Proxy Statement"). Certain information relating to Executive Officers of the company appears on page 10 of this Form 10-K Annual Report.

ITEM 11. Executive Compensation

Information with respect to this item is incorporated by reference from the Proxy Statement.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management

Information with respect to this item is incorporated by reference from the Proxy Statement.

ITEM 13. Certain Relationships and Related Transactions

Information with respect to this item is incorporated by reference from the Proxy Statement.

PART IV

ITEM 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) Exhibits

See "Exhibit Index" hereinafter contained and incorporated by reference.

(b) Supplemental Financial Statement Schedule

Schedules not included herein have been omitted because of the absence of conditions under which they are required or because the required information, where material, is shown in the consolidated financial statements, financial notes, or supplementary financial information.

(c) Reports on Form 8-K

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

VSE CORPORATION

Date: March 6, 2002 By: /s/ C. S. Weber

C. S. Weber, Executive Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on March 5, 2002, by the following persons on behalf of the Registrant and in the capacities indicated.

(a) Principal Executive Officers:

/s/ D. M. Ervine

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

(b) Principal Financial Officer: (c) Principal Accounting Officer:

/s/ C. S. Weber	/s/ T. R. Loftus
-----------------------------	-----------------------------
C. S. Weber, Executive Vice President and Chief Financial Officer	T. R. Loftus, Senior Vice President and Comptroller

(d) Directors:

/s/ D. M. Ervine	/s/ D. M. Osnos
-----------------------------	-----------------------------
D. M. Ervine	D. M. Osnos
/s/ R. J. Kelly	/s/ J. D. Ross
-----------------------------	-----------------------------
R. J. Kelly	J. D. Ross
/s/ C.M. Kendall	/s/ B. K. Wachtel
-----------------------------	-----------------------------
C. M. Kendall	B. K. Wachtel
/s/ C. S. Koonce	

C. S. Koonce	

EXHIBIT INDEX

Reference No. per Item 601 of Regulation S-K	Description of Exhibit	Exhibit No. in this Form 10-K
2	Plan of acquisition, reorganization, arrangement, liquidation or succession	
	Exchange Agreement dated as of March 25, 1992, amended as of September 1, 1992, by and between VSE Corporation and JBT Holding Corp., et al. (Exhibit A to Exhibit 1, Proxy Statement, filed on Form 8-K on November 2, 1992)	*
3	Articles of incorporation and by-laws	
	Restated Certificate of Incorporation of VSE Corporation dated as of February 6, 1996	*
	By-Laws of VSE Corporation as amended through May 16, 2000 (Exhibit 3.2 to Form 10-Q dated October 27, 2000)	*
4	Instruments defining the rights of security holders, including indentures	
	Specimen Stock Certificate as of May 19, 1983 (Exhibit 4 to Registration Statement No. 2-83255 dated April 22, 1983 on Form S-2)	*
9	Voting trust agreement	Not Applicable
10	Material contracts	
	Employment Agreement entered into as of December 10, 1997, by and between VSE Corporation and Jayne M. Tuohig (Exhibit VII to form 10-K dated March 7, 2001)	
	Employment Agreement entered into as of December 10, 1997, by and between VSE Corporation and Craig S. Weber (Exhibit VIII to form 10-K dated March 7, 2001)	
	Employment Agreement entered into as of October 21, 1998, by and between VSE Corporation and Donald M. Ervine (Exhibit VI to Form 10-K dated March 18, 1999)	*
	Employment Agreement entered into as of January 15, 1999, by and between VSE Corporation and Energetics, Incorporated and Robert J. Kelly (Exhibit VII to Form 10-K dated March 18, 1999)	*
	Employment Agreement entered into as of June 3, 1999, by and between VSE Corporation and James M. Knowlton (Exhibit V to Form 10-K dated March 15, 2000)	*
	Employment Agreement dated as of November 1, 2000, by and between VSE Corporation and James M. Todd (Exhibit V to form 10-K dated March 7, 2001)	
	VSE Corporation Deferred Supplemental Compensation Plan effective January 1, 1994 (Exhibit III to Form 10-K dated March 23, 1995)	*

EXHIBIT INDEX

Reference No. per Item 601 of Regulation S-K	Description of Exhibit	Exhibit No. in this Form 10-K
	Separation Agreement and General Release dated February 15, 2002, by and between VSE Corporation and James M. Todd	Exhibit IV
	Consulting Agreement dated February 15, 2002, by and between VSE Corporation and James M. Todd	Exhibit V

	Stock Purchase Agreement dated August 29, 1995 by and between VSE Corporation and the shareholders of Energetics Incorporated (Exhibit 2 to Form 8-K dated September 13, 1995 and Amendment 1 on Form 8-K/A dated November 9, 1995)	*
	VSE Corporation 1996 Stock Option Plan (Appendix A to Registrant's definitive proxy statement dated April 3, 1996)	
	VSE Corporation 1998 Stock Option Plan (Appendix A to Registrant's definitive proxy statement for the Annual Meeting of Stockholders held on May 6, 1998)	
	VSE Corporation 1998 Non-employee Directors Stock Plan (Appendix B to Registrant's definitive proxy statement for the Annual Meeting of Stockholders held on May 6, 1998)	
12	Statements re computation of ratios	Not Applicable
13	Annual report to security holders, Form 10-Q or selected quarterly data	Exhibit II
16	Letter re change in certifying accountant	Not Applicable
18	Letter re change in accounting principles	Not Applicable
21	Subsidiaries of the registrant	Exhibit I
22	Published report regarding matters submitted to vote of security holders	Not Applicable
23	Consents of independent public accountants and counsel	Exhibit III
24	Power of attorney	Not Applicable
99	Additional exhibits	Not Applicable

*Document has been filed as indicated and is incorporated by reference herein.

EXHIBIT I

SUBSIDIARIES OF THE REGISTRANT

The following is a listing of the subsidiaries of the Registrant:

	Jurisdiction of Organization
Energetics Incorporated	Maryland
Human Resource Systems, Inc.	Delaware
Ship Remediation and Recycling, Inc.	Delaware
VSE Services International, Inc.	Delaware

EXHIBIT II

<TABLE>

Selected Quarterly Data (Unaudited)

(in thousands, except earnings per share)

<CAPTION>

2001 Quarters	1st	2nd	3rd	4th
<S>	<C>	<C>	<C>	<C>
Revenues	$30,442	$24,633	$28,986	$27,511
Gross profit (loss)	$ 494	$ 623	$ 374	$ 91
Income from continuing operations	$ 256	$ 334	$ 211	$ 54
Loss from discontinued operations	$ -	$ -	$ -	$ -
Net income (loss)	$ 256	$ 334	$ 211	$ 54
Basic earnings per share:				
Income from continuing operations	$ .12	$ .16	$ .10	$ .02
Loss from discontinued operations	-	-	-	-
Net income per share	$ .12	$ .16	$ .10	$ .02
Weighted average shares outstanding	2,126	2,131	2,146	2,147
Diluted earnings per share:				
Income from continuing operations	$ .12	$ .16	$ .10	$ .02
Loss from discontinued operations	-	-	-	-
Net income per share	$ .12	$ .16	$ .10	$ .02
Weighted average shares outstanding	2,126	2,131	2,146	2,147

2000 Quarters	1st	2nd	3rd	4th
Revenues	$31,076	$31,435	$30,499	$29,259
Gross profit (loss)	$ 1,241	$ 670	$ 451	$ (30)
Income from continuing operations	$ 618	$ 402	$ 308	$ 57
Loss from discontinued operations	$ -	$ -	$ -	$ 417
Net income (loss)	$ 618	$ 402	$ 308	$ (360)
Basic earnings per share:				
Income from continuing operations	$ .29	$ .19	$ .15	$ .02
Loss from discontinued operations	-	-	-	(.19)
Net income per share	$ .29	$ .19	$ .15	$ (.17)
Weighted average shares outstanding	2,122	2,122	2,122	2,123
Diluted earnings per share:				
Income from continuing operations	$ .29	$ .19	$ .15	$ .02
Loss from discontinued operations	-	-	-	(.19)
Net income per share	$ .29	$ .19	$ .15	$ (.17)

Weighted average shares outstanding . .	2,122	2,122	2,122	2,123
	=======	=======	=======	=======

</TABLE>

EXHIBIT III

VSE CORPORATION
CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in this Form 10-K of our report dated February 22, 2002 included in Registration Statement File Numbers 333-15307, 333-15309, 333-15311 and 333-92427.

ARTHUR ANDERSEN LLP

Vienna, Virginia
March 6, 2002

EXHIBIT IV

SEPARATION AGREEMENT AND GENERAL RELEASE

This Separation Agreement and General Release ("Agreement"), effective as of the expiration of the Revocation Period described in Section 14 below (the "Effective Date"), is entered into by and between VSE Corporation ("VSE") and James M. Todd ("Mr. Todd").

WHEREAS, Mr. Todd been employed by VSE as its President and Chief Operating Officer pursuant to an Employment Agreement made and entered into as of November 1, 2000 (the "Employment Agreement"), and has served as a Director of VSE since May 2, 2001; and

WHEREAS, the parties have decided that it is in their mutual best interests to terminate their relationship; and

WHEREAS, the parties desire to amicably resolve all matters between them on a full and final basis;

NOW, THEREFORE, in consideration of the promises contained herein, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. Resignation: Mr. Todd hereby resigns his position as a Director of VSE effective February 15, 2002, and hereby resigns his employment with VSE effective April 15, 2002 (the "Resignation Date"). Between the date he executes this Agreement (the "Execution Date") and the Resignation Date (the "Severance Period"), Mr. Todd will continue to perform the duties assigned to him by VSE in an acceptable manner according to VSE's standards. It is understood and agreed that during this period, VSE will expect Mr. Todd to work on only a part-time as needed basis, thereby allowing him reasonable time to search for other employment. Nevertheless, VSE may at any time during this period for any reason relieve Mr. Todd of his duties, except that VSE would in such event still be required to provide to Mr. Todd salary continuation through the Resignation Date and the severance benefits set forth in Section 2 below. On or before the Resignation Date, Mr. Todd will return all property of VSE, and all copies, excerpts or summaries thereof, in his possession, custody or control. VSE agrees that Mr. Todd may purchase as of the Resignation Date the leased computer laptop configuration presently assigned to him in accordance with VSE's written policies and procedures governing such matters, subject to the lessor's concurrence.

2. Severance Benefits: During the Severance Period, VSE will continue to pay Mr. Todd at his regular salary rate, less standard deductions, in accordance with VSE's normal payroll practices. On the next regular payday following the Resignation Date, VSE shall pay Mr. Todd his accrued but unpaid paid leave through the Resignation Date. In addition, the following severance benefits will be provided to Mr. Todd as indicated below:

a. VSE will engage Mr. Todd as a consultant for a period of one year, commencing effective April 16, 2002, pursuant to a Consulting Agreement which is attached hereto and incorporated by reference herein as Appendix 1 (the "Consulting Agreement"). The Consulting Agreement will provide for the payment of an annual retainer fee to Mr. Todd in the amount of One Hundred Seventy Thousand Forty Dollars ($170,040), payable in twelve equal monthly installments promptly on presentation of an acceptable invoice for consulting services rendered. In the event the Consulting Agreement is terminated by either party prior to the completion of the initial one-year term, Mr. Todd shall be entitled to receive a lump sum payment from VSE equal to the remaining unpaid balance of the annual retainer fee.

b. All of the unvested options to purchase Thirty Thousand (30,000) shares of VSE common stock granted by VSE to Mr. Todd pursuant to the three Stock Option Agreements for Discretionary Option dated as of November 1, 2000, January 1, 2001, and January 1, 2002 (the "Stock Option Agreements"), shall become immediately vested as of the Effective Date and exercisable pursuant to the terms of the Stock Option Agreements.

c. Mr. Todd's Deferred Supplemental Compensation Plan (the "DSC Plan") account balance attributable to his voluntary contributions is 100% vested as of the Effective Date, and subject to any adjustments under and pursuant to the terms of the DSC Plan, shall be paid by VSE to Mr. Todd, net of applicable withholding taxes, within thirty (30) days of the Effective Date (The DSC Plan provides that for distributions determined as of January 1, 2001, or later, final distribution amounts shall be equal to the participant's account balance as of the end of the calendar month in which the participant terminated employment or the end of the calendar month immediately preceding the date the participant terminated employment, whichever is less.) Mr. Todd's DSC Plan account balance attributable to VSE contributions is 0% vested as of the Effective Date.

3. Benefits: VSE will continue to participate in VSE's benefit plans, policies, and programs in accordance with their terms and conditions through the Resignation Date. Thereafter, Mr. Todd will be permitted to continue applicable group health and dental coverages at his own expense for up to 18 months in accordance with the federal COBRA law, provided that VSE will pay Mr. Todd's COBRA premiums for up to twelve (12) months after the Resignation Date or the date he obtains other coverage, whichever is sooner. Mr. Todd's participation in, entitlement to, and accrual of all other benefits from VSE shall cease as of the Resignation Date, except that Mr. Todd shall have such rights in such benefits as are required by applicable law or regularly and customarily provided by VSE to resigning employees, including without limitation rights to the vested contributions he has in VSE's 401(k) plan.

4. Townhouse: VSE will as promptly as possible after the Effective Date provide thirty (30) day notice to terminate the lease for the townhouse it leases for Mr. Todd's use while he is in Alexandria. Mr. Todd will vacate the townhouse as soon as possible, prior to the end of the notice period, and leave the townhouse in the condition required by the lease.

5. Establishment of S Corporation: VSE will reimburse Mr. Todd up to One Thousand Dollars ($1,000.00) for the reasonable and necessary attorneys' fees and costs he incurs in establishing an s-corporation, through which he will provide consulting services.

6. References: If VSE receives a request for a reference concerning Mr. Todd, it will, consistent with its standard policy, provide information on the dates of Mr. Todd's employment with VSE, his title, his duties, and his salary, and it will not provide any defamatory information concerning Mr. Todd.

7. Mutual General Releases:

a. In consideration for the benefits described in Sections 2 through 6 above, and for other good and valuable consideration, which are of greater value than to which Mr. Todd would normally be entitled upon resignation, Mr. Todd, on behalf of himself, his heirs, executors, administrators, agents, representatives and assigns, hereby forever releases VSE and its affiliated entities, and its and their officers, directors, shareholders, employees, agents, representatives and attorneys, and each of their predecessors, successors and assigns, from any and all claims, demands, suits, actions, causes of action, charges, liabilities or damages of any nature whatsoever, whether known or unknown, based on any act, omission, conduct, policy, practice, occurrence fact or incident up to and including the Execution Date ("Claims"), including without limitation Claims relating in any way to his employment with VSE and the termination thereof. This Release includes without limitation Claims under the Age Discrimination in Employment Act, as amended, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Virginia Human Rights Act, the Fairfax County Human Rights Act, the Uniformed Services Employment and Reemployment Rights Act of 1994, the Vietnam Era Veterans Readjustment Act and other laws relating to veterans' rights and all other federal, state or local laws; Claims for breach of the Employment Agreement and any other contract; Claims for wrongful discharge; Claims for emotional distress, defamation, fraud, misrepresentation or any other personal injury or tort; Claims for unpaid compensation of any kind; Claims relating to benefits; Claims for attorneys' fees and costs, and all other Claims under any other federal, state or local law or cause of action. Mr. Todd further agrees not to assert or file any such Claims in the future. It is understood and agreed that this Mutual Release does not apply to Claims for breach of this Agreement.

b. In consideration for the benefits contained herein, and for other good and valuable consideration, which are of greater value than to which VSE would normally be entitled, VSE and its affiliated entities, and its and their officers, directors, shareholders, employees, agents, representatives and attorneys, and each of their predecessors, successors and assigns, hereby forever release Mr. Todd, his heirs, executors, administrators, agents, representatives and assigns, from any and all Claims, including without limitation claims for breach of contract, claims for breach of fiduciary duties, claims for any torts, claims for attorneys' fees and costs, and claims under any federal, state, or local law or cause of action concerning employment which are based on any act, omission, conduct, policy, practice, or occurrence as of the Execution Date. VSE further agrees not to assert or file any such Claims in the future. It is understood and agreed that this Mutual Release does not apply to Claims for breach of this Agreement.

8. Reinstatement: Mr. Todd waives all claims for reinstatement or employment with VSE and its affiliated entities, and its and their successors and assigns, and he agrees never to seek such reinstatement or employment in the future, unless VSE agrees otherwise in writing.

9. Confidentiality: Mr. Todd agrees to keep this Agreement, the existence of this Agreement, and the terms of this Agreement strictly confidential. He shall not disclose the same to any third party except his attorneys, accountants and immediate family members (and only on the condition that they maintain such confidentiality) and except as may be required by law or as may be necessary to enforce or effectuate the terms of this Agreement. If VSE discloses this Agreement or any of its terms publicly due to legal requirements, Mr. Todd may make such disclosures to the same extent VSE does.

10. Nondisparagement: Mr. Todd agrees not to provide any disparaging information relating to VSE or its past, present or future employees, officers or directors to any person or entity who is not a party to this Agreement, except as may be required by law or legal process, or in a proceeding to enforce the terms of this Agreement.

11. Entire Agreement: This Agreement represents the entire agreement of the parties, and supersedes all other agreements, discussions or understandings of the parties, concerning the subject matter hereof. All other express or implied agreements of the parties not expressly contained or incorporated by reference herein are terminated and of no further force or effect. Although the Employment Agreement is hereby terminated, Sections 6(b), (c), (d),(e),(f), (g) and (h) of said Agreement shall survive said termination and remain in full force and effect pursuant to their terms, and are incorporated by reference herein. This Agreement may not be modified in any manner except in a written document signed by both parties.

12. Severability: Should any provision of this Agreement be held to be invalid or unenforceable by a court of competent jurisdiction, it shall be deemed severed from the Agreement, and the remaining provisions of the Agreement shall continue in full force and effect. Moreover, the Court shall modify the invalid provision to make it enforceable consistent with the parties' intent to the maximum extent provided by law.

13. Disputes: All disputes over the interpretation or enforcement of this Agreement, except for disputes under the surviving provisions of the Employment Agreement, shall be resolved by final and binding arbitration pursuant to the Commercial Rules of the American Arbitration Association then in effect. The arbitration shall be held in Washington, D.C. In the event of any litigation or arbitration to enforce this Agreement, the prevailing party shall be awarded his or its reasonable attorneys' fees and costs.

14. Consideration: Mr. Todd is advised to consult with an attorney prior to executing this Agreement. He may have a period of up to 21 days to consider this Agreement, but he may sign it sooner if he knowingly and voluntarily decides to do so. In addition, should he choose to sign the Agreement, he shall have a period of seven days to revoke such signature (the "Revocation Period"). Such revocation must be by written notice received by VSE at 2550 Huntington Avenue, Alexandria, VA 22303, Attention: Craig S. Weber, within seven days of Mr. Todd's signature of this Agreement. Thus, this Agreement shall not become effective or enforceable until Mr. Todd signs it and refrains from revoking it until the expiration of the Revocation Period. If Mr. Todd signs this Agreement, he represents that he has had sufficient time to consider it with an attorney of his choice, and he is entering into it with full understanding of its meaning and effect.

15. Governing Law: This Agreement shall be construed exclusively in accordance with the laws of the Commonwealth of Virginia, without regard to the principles of conflicts of laws therein.

16. Counterparts: This Agreement may be executed in one or more counterparts, each of which shall be considered an original and together which constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement, intending to be legally bound.

JAMES M. TODD	VSE CORPORATION
/s/ James M. Todd	By: /s/ Craig S. Weber
Signature	Craig S. Weber Executive Vice President
Date: February 15, 2002	Date: February 15, 2002

EXHIBIT V

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT ("Agreement") is made and entered into this 15th day of February 2002 by and between VSE Corporation, located at 2550 Huntington Avenue, Alexandria, Virginia 22303 ("VSE"), and James M. Todd located at 927 Forest Lakes Circle, Chesapeake, Virginia 23322 (the "CONSULTANT").

1. The CONSULTANT agrees to be available to provide technical and management consulting services on certain work on an as requested basis by an authorized VSE representative for a period of one year (twelve months) from April 16, 2002 through April 15, 2003, or for such longer period not to exceed a total of 18 months as shall be mutually agreed in writing by the parties. In such capacity, the CONSULTANT will assist VSE primarily to develop marine engineering marketing and business opportunities.

2. For the purposes of this AGREEMENT, Donald M. Ervine and Michael E. Hamerly are designated as the authorized VSE representatives. They will provide direction under the AGREEMENT verbally or in writing. The level of effort provided in the above areas by the CONSULTANT shall be determined between the CONSULTANT and VSE prior to service.

3. Craig S. Weber is designated as the VSE representative for financial and administrative matters.

4. In the event that VSE desires to extend the services of the CONSULTANT to other areas in which VSE has expertise and which are not in competition with services rendered to other customers by the CONSULTANT, the CONSULTANT will represent VSE in such areas if so requested.

5. The CONSULTANT will not knowingly provide services for any organization which is in competition with VSE in those areas covered by this AGREEMENT.

6. The CONSULTANT will not for a period of two years from termination of this AGREEMENT refer any VSE employees to any other company for employment without VSE's advanced written approval or make use of or divulge to any VSE competitor any VSE customer lists, trade secrets or any other confidential material obtained while serving as a CONSULTANT to VSE.

7. In connection with this AGREEMENT, VSE will only be responsible for reasonable and necessary expenses incurred by the CONSULTANT in execution of previously agreed upon efforts. Such expenses shall be limited to the following:

a. Travel (in accordance with Federal Travel Regulations; the CONSULTANT shall make his own arrangements).

b. Parking fees.

c. Long distance telephone calls.

8. For all services provided by the CONSULTANT under this Agreement, VSE agrees to pay a monthly fee of $14,170.00 per month for the term of twelve months, or such lesser pro rata amount in the event the term is extended by mutual agreement of the parties up to 18 months, not to exceed $170,040.00 for the entire term of this AGREEMENT. Occasionally, VSE may require services other than those described in paragraph one of this AGREEMENT. Any additional services (see Section 4 of this AGREEMENT) would be separately contracted for on a separate fee basis mutually agreed upon by the parties when needed.

9. The CONSULTANT shall provide a Taxpayer Identification Number or a completed Internal Revenue Service Form W-9 within five days after execution of this AGREEMENT.

10. The CONSULTANT'S invoice shall contain the following information:

a. Reference to: AGREEMENT dated 15 February 2002

b. Invoice period, e.g., 16 April through 15 May 2002

c. Current and cumulative hours or days worked

d. Current and cumulative costs

e. Certification:

"I certify that all hours or days and costs shown herein are in satisfaction of work/tasks assigned by VSE Corporation."

/s/ James M. Todd

JAMES M. TODD

With each invoice submitted, the CONSULTANT shall provide a separate statement of the nature and scope of services provided, the time and costs associated with each activity, and any recommendations or conclusions made. Copies of receipts for expenses incurred by CONSULTANT are to be included with each invoice. The CONSULTANT will submit the invoices to the following address: 2550 Huntington Avenue, Alexandria, Virginia 22303-1499, Attention: Donald M. Ervine, Chief Executive Officer.

11. The CONSULTANT agrees to abide by all applicable Federal, state, and local laws and regulations, including those of all applicable agencies and instrumentalities of the United States. The CONSULTANT certifies that he understands and will comply with all pertinent VSE policies and FAR requirements pertaining to conflict of interest and ethical conduct, and procurement integrity.

12. The CONSULTANT shall provide the services exclusively as an independent contractor to VSE. The CONSULTANT agrees that the CONSULTANT has the right to control the means and manner by which the services are performed. The CONSULTANT shall not be considered an employee of VSE for any purposes, including without limitation employment, wage and hour, wage payment, tax, workers' compensation and unemployment compensation laws, and the CONSULTANT agrees never to assert that the performance of the services creates an employment relationship with Company. The CONSULTANT shall not be paid any wages, salary or other compensation by VSE except for the fees described in Section 8 above, and the CONSULTANT shall not participate in or be covered by any employee benefit plans or programs offered by VSE, nor shall the CONSULTANT accrue or be entitled to any other employee benefits from VSE. The CONSULTANT shall be exclusively responsible for the payment of all income taxes and social security and medicare contributions required by law. Neither party shall be or hold itself out as the employee, agent, officer, director, or representative of the other. The CONSULTANT shall have no authority to bind VSE or represent that the CONSULTANT has the power to do so except to the extent expressly set forth herein or as authorized in writing, from time to time, by the designated authorized representative of VSE.

13. This AGREEMENT may be terminated by either party with or without cause with fifteen (15) days written notice to the other party that termination is desired. In the event of such termination, VSE shall pay the CONSULTANT the then remaining unpaid balance of the fee described in Section 8 in a lump sum payment within ten (10) days of the date of termination.

In the absence of a termination notice, this AGREEMENT shall expire on 15 April 2003, unless extended in writing as provided by paragraph 1 above.

CONSULTANT	VSE CORPORATION
By: /s/ James M. Todd	By: /s/ Donald M. Ervine
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James M. Todd	Donald M. Ervine Chairman and CEO
Date: February 15, 2002	February 15, 2002
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