

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

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

Annual Report Pursuant to Section 15(d) of the Securities
Exchange Act of 1934
For the fiscal year ended December 27, 1996

OR

Transition Report Pursuant to Section 15(d) of the Securities
Exchange Act of 1934
For the transition period _____

VSE CORPORATION
EMPLOYEE
ESOP/401(k)
PLAN
(Full Title of the Plan)

VSE Corporation
2550 Huntington Avenue
Alexandria, Virginia 22303
(Name and Address of Issuer)

Required information

The VSE Corporation ESOP/401(k) Plan (the Plan) is subject to ERISA and the financial statements and schedules have been prepared in accordance with the financial reporting requirements of ERISA.

Financial Statement

Statements of Net Assets Available for Benefits as of
December 27, 1996 and 1995

Statements of Changes in Net Assets Available for Benefits
for the years ended December 27, 1996 and 1995

Notes to Financial Statements as of December 27, 1996 and 1995

EXHIBITS

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees have duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VSE CORPORATION EMPLOYEE ESOP 401(k)

PLAN

By: /s/ M. A. Robin

M. A. Robin
Senior Vice President, Director of Human
Resources, Trustee

VSE Corporation Employee
ESOP 401(k) Plan

Financial Statements
As of December 27, 1996 and 1995
Together With Auditors' Report

Report of Independent Public Accountants

To the Trustees of the
VSE Corporation Employee ESOP/401(k) Plan:

We have audited the accompanying statements of net assets available for benefits of the VSE Corporation Employee ESOP/401(k) Plan (the "Plan") as of December 27, 1996 and 1995, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements, and the schedules referred to below, are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 27, 1996 and 1995, and the changes in net assets available for benefits for the years then ended in conformity with generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of Assets Held for Investment Purposes (Exhibit A) and Reportable Transactions (Exhibit B) are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Arthur Andersen LLP

Washington, D.C.
April 11, 1997

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SCHEDULES OMITTED AS NOT APPLICABLE
FOR THE YEAR ENDED DECEMBER 27, 1996

DESCRIPTION

Schedule of Loans or Fixed Income Obligations

Schedule of Leases in Default or Classified as Uncollectible

Schedule of Nonexempt Transactions

<TABLE>

VSE CORPORATION EMPLOYEE ESOP/401(k) PLAN
STATEMENTS OF NET ASSETS
AVAILABLE FOR BENEFITS
AS OF DECEMBER 27

<CAPTION>

	1996	1995	
	-----	-----	
<S>			
ASSETS	<C>	<C>	
Investments at Fair Value (Exhibit A and Note 2)			
VSE Corporation common stock (Note 4)			
PAYSOP/ESOP	\$ 9,184,643	\$ 6,972,836	
401(k) Stock Fund	1,794,271	1,447,741	
Mutual funds			
George Putnam Fund of Boston	3,136,380	3,394,695	
Putnam Fund for Growth and Income	1,269,934	479,802	
Putnam Global Growth Fund	739,309	400,369	
Putnam Voyager Fund	3,387,602	2,410,135	
Putnam Diversified Income Trust	1,040,728	915,783	
Putnam Asset Allocation Fund - Conservative Portfolio	231,533	249,333	
	-----	-----	
	20,784,400	16,270,694	
Other investments			
Putnam Stable Value Fund	3,843,922	1,765,464	
Government Separate Accounts at contract value	-	2,746,149	
Guaranteed Interest Contracts at contract value	-	1,186,271	0
Notes receivable (Note 1)	637,540	432,158	
Cash surrender value of life insurance policies	127,172	136,419	
	-----	-----	
Total investments	25,393,034	22,537,155	0
			10034682
Cash, principally in interest-bearing accounts	69,188	398,577	-10034682
Contribution receivable from employer	13,698	162,658	
Other receivable	50,992	21,882	
	-----	-----	
Total assets	25,526,912	23,120,272	

LIABILITIES

Due to VSE	389,951	0
Other Liabilities	5,015	5,015

Total liabilities	394,966	5,015
NET ASSETS AVAILABLE FOR BENEFITS	\$25,131,946	\$23,115,257

The accompanying notes are an integral part of these financial statements.

</TABLE>

<TABLE>

VSE CORPORATION EMPLOYEE ESOP/401(k) PLAN
STATEMENTS OF CHANGES IN NET ASSETS
AVAILABLE FOR BENEFITS
FOR THE YEARS ENDED DECEMBER 27

<CAPTION>

	1996	1995
	<C>	<C>
INCREASES		
Contributions (Note 1)		
Employee Stock Ownership Plan		\$ 374,737
401(k)	1,690,543	1,811,961
Income from investments		
Interest	51,899	299,795
Dividends	1,096,165	704,362
Net realized/unrealized gains on investments (Note 2)	3,452,070	4,771,615
	6,665,414	8,060,027
DECREASES		
Insurance premiums	2,731	11,152
Decrease in cash surrender value of life insurance policies	9,247	15,931
Distributions (Note 1)	4,636,747	2,891,957
	4,648,725	2,919,040
NET INCREASE	2,016,689	5,140,987
BEGINNING NET ASSETS AVAILABLE FOR BENEFITS	23,115,257	17,974,270
ENDING NET ASSETS AVAILABLE FOR BENEFITS	\$25,131,946	\$23,115,257

The accompanying notes are an integral part of these financial statements.

</TABLE>

VSE CORPORATION EMPLOYEE ESOP/401(k) PLAN
NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 27, 1996 AND 1995

1. DESCRIPTION OF THE PLAN

Internal Revenue Service (IRS) Qualification

The VSE Corporation Employee ESOP/401(k) Plan (the "Plan") was adopted by the Board of Directors of VSE Corporation (the "Company") in 1984. The Plan, as amended through December 21, 1995, was determined to be a qualified pension plan under Internal Revenue Code Section 401 via a determination letter dated April 29, 1996. As a result, the underlying trust was exempt from Federal taxes.

Plan Administrator

Putnam Investments (Putnam) serves as third party plan administrator. Putnam provides fund investments through the Putnam Fiduciary Trust Company and provides daily recordkeeping services for the Plan.

Eligibility

Effective January 1, 1995, employees are eligible to participate in the Plan after attaining age 18 and completing 1,000 hours of service in a plan year.

Contributions

The Company may elect to make a contribution to the Plan principally for the purchase of Company stock on behalf of each participant based upon a percentage of each participant's compensation in the plan year or other uniform formula. This contribution is allocated to each participant's account on the last day of the plan year (December 27) unless the employee returns a signed waiver of participation to the Trustees. For the plan years ended December 27, 1996 and 1995, the Company elected to make a contribution equal to 2.0 percent of each participant's annual compensation, subject to Plan provisions. The Company stock is held by the Plan for the participants, and each participant is entitled to certain stockholder rights.

Employee Stock Ownership Plan ("ESOP") contributions are subject to a graded vesting schedule: 20 percent vested after three years of service, then increasing in 20 percent increments to 100 percent vested after seven years. Any forfeitures of nonvested benefits are recognized after the terminated participant has incurred a one-year break in service (as defined in the Plan), with the forfeiture applied to reduce the Company's contribution in subsequent years. Total forfeitures applied as

a reduction of the Company's contribution were \$133,123 and \$92,047 for 1996 and 1995, respectively.

Participants may also elect to defer a portion of earnings into the Plan each pay period pursuant to Section 401(k) of the Internal Revenue Code. The minimum salary deferral is \$10 per pay period. The maximum salary deferral depends upon participation levels and Federal guidelines.

Distributions

Participants (or their beneficiaries) are eligible to receive Plan benefits upon retirement, disability, termination of employment, or death. Benefits are generally paid following termination of employment. Participants generally receive benefits in a lump sum. Distributions are typically made in cash from liquidation of the participant's account or from the Plan's repurchase of the individual account balance.

The Plan permits participants to borrow against their respective 401(k) accounts, subject to Plan provisions and procedures prescribed by the Trustees. After-tax repayments of principal and interest are credited to the participant's account. Loans are reflected in the Statement of Net Assets Available for Benefits as notes receivable. Participants may apply in certain limited situations to withdraw funds from their 401(k) accounts due to a qualifying financial hardship in accordance with IRS regulations.

Ownership Rights (Vesting)

Participants are 100 percent vested in their 401(k) salary deferral contributions and their Payroll-based Stock Ownership Plan ("PAYSOP") contributions. No contributions were made to the PAYSOP after 1986. All contributions to the ESOP, beginning in 1987, are subject to a graded vesting schedule as described in the subsection "Contributions" within this note.

Termination

In the event of Plan termination, each participant is fully vested in amounts held within the Plan for the participant's benefit.

Plan Continuation

The Company expects to continue the Plan indefinitely, but reserves the right to change, modify, or discontinue it in whole or in part at any time, subject to the provisions of ERISA. However, no such action will divest a participant of the vested rights and benefits provided by contributions allocated to the participant's account.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments

Company stock is purchased in the over-the-counter market or from stockholders. Participants direct the investment of their respective 401(k) accounts among the investment options available under the Plan. Marketable securities, excluding Company Stock, and mutual funds are valued at quoted market prices as of December 27, 1996 and 1995, or as of the closest preceding day on which a transaction occurred. To minimize potential price fluctuations, as the Company's stock is thinly traded, the Plan uses the average closing price over the previous 30 days to value Company stock.

Dividends and realized capital gains are reinvested. Guaranteed interest contracts (GICs) matured in January, 1996, and were liquidated with the proceeds transferring to the Putnam Stable Value Fund from which participants may transfer funds to other Plan investment options. GICs were valued at principal plus interest paid or accrued as of December 27, 1995. Each GIC yielded a fixed rate of return until maturity of the contract for contributions received during a stated contribution period. The Trustees are of the opinion that contract value plus interest accrued approximated the fair value of the GICs.

Like GICs, government separate accounts (GSAs) yielded a fixed rate of return until contract maturity in January, 1996, when the funds were liquidated at fair market value and transferred to the Putnam Stable Value Fund. The insurance carrier invested the contributions in U. S. Treasury and other Federal agency securities. GSAs were valued at principal plus interest paid or accrued as of December 27, 1995. The Trustees are of the opinion that contract value plus interest accrued approximated the fair value of the GSAs.

Life insurance offered under the Plan builds cash value as determined by the insurance carrier. In accordance with Federal regulations, no more than 25 percent of a participant's contributions for the plan year may be invested in life insurance. On August 12, 1994, an Order of Rehabilitation was placed on the assets of Confederation Life Insurance Company. As a result of this court order, Confederation Life policies are subject to certain restrictions, such as access to surrender values, until a rehabilitation plan is approved and put into effect. Confederation Life is still under the Order of Rehabilitation as of December 27, 1996. On October 23, 1996, the Plan of Rehabilitation for Confederation Life Insurance Company was confirmed. The Plan provides for the assumption of the Confederation policies by Pacific Mutual Life Insurance Company. The closing date of this assumption will be during the second quarter of 1997. Participants will have the option to "Opt-in" to the assumption agreement and have their policies restructured and assumed by Pacific Mutual, or participants may request to terminate coverage ("Opt-out"). For the plan year ended December 27, 1996, the

Plan owned 19 Confederation Life policies with a total cash value of \$120,416.

There are no sales commissions on the purchase or sale of Putnam mutual funds.

Participants may redirect the investment of their salary deferral contributions through Putnam on a daily basis. A participant may also elect to transfer funds from one Putnam mutual fund (other than the life insurance and the fixed rate contracts) into another Putnam option on a daily basis.

The following investments exceed 5% of net assets as of December 27, 1996:

VSE Corporation Common Stock	\$10,978,914
George Putnam Fund of Boston	3,136,380
Putnam Voyager Fund	3,387,602
Putnam Fund for Growth and Income	1,269,934
Putnam Stable Value Fund	3,843,922
Other	2,776,282

Total Investments \$25,393,034

The Plan's investment in Company stock at December 27 is presented in the following table:

	1996		1995	
	Allocated	Unallocated	Allocated	Unallocated
Number of Shares	639,348	34,205	691,146	0
Cost	\$7,790,198	\$416,782	\$4,906,683	\$0
Market	\$10,421,372	\$557,542	\$8,420,577	\$0

Due to Participants

In accordance with generally accepted accounting principles, amounts allocated to withdrawing participants are not reported as liabilities on the Statement of Net Assets Available for Benefits. The following is a reconciliation of net assets available for benefits per the financial statements to IRS Form 5500 (Annual Return/Report of Employee Benefit Plan:)

	December 27	
	1996	1995
Net assets available for benefits per the financial statements	\$25,131,946	\$23,115,257
Amounts allocated to withdrawing participants	(329,086)	0
Net assets available for benefits per Form 5500	\$24,802,860	\$23,115,257

The following is a reconciliation of benefits paid to participants per the financial statements to the Form 5500:

	Year ended December 27, 1996
Benefits paid to participants per the financial statements	\$ 4,636,747
Add: Amounts allocated to withdrawing participants at December 27, 1996	329,086
Less: Amounts allocated to withdrawing participants at December 27, 1995	0
Benefits paid to participants per Form 5500	\$ 4,965,833

Realized and Unrealized Gains and Losses

To comply with Department of Labor regulations, the Plan has calculated realized and unrealized gains and losses based on the value of investments at the beginning of the plan year or at time of purchase during the plan year. Realized gains on Company stock were \$50,418 and \$37,097, and on mutual fund shares were \$416,944 and \$424,228, for the plan years ended December 27, 1996 and 1995, respectively. Unrealized gains of \$2,771,933 and \$3,513,894 were recorded for Company stock, and unrealized gains of \$212,775 and \$796,396 were recorded for mutual fund shares respectively, for the plan years ended December 27, 1996 and 1995.

3. REPORTABLE TRANSACTIONS

The Plan reports each transaction or series of transactions involving the purchase or sale of assets exceeding five percent of Plan assets as of the beginning of the plan year. Reportable transactions for the plan year ended December 27, 1996, are included in Exhibit B.

Party-in-interest Transactions

The Plan made certain purchases of Company stock through Wachtel & Co., Inc., and Koonce Securities, Inc., which have representatives serving on the Company's Board of Directors. The Trustees are of the opinion that transactions are made on terms equivalent to those otherwise available from other brokers or financial institutions.

Certain investments are managed by Putnam Investments through the Putnam Fiduciary Trust Company. Putnam Investments is a third party administrator as defined by the Plan, therefore, these transactions qualify as party-in-interest.

4. EMPLOYER SECURITIES

Section 407(b) of ERISA permits the Plan to hold an investment in Company stock in excess of ten percent of the fair market value of the Plan's assets.

Acquisition Loans

The Trustees may enter into loans to finance the acquisition of Company stock for the ESOP. For the plan years ended December 27, 1996 and 1995, the loan balance was \$350,000 and \$0, respectively. In 1996, the Plan entered into a \$350,000 advance agreement with the Company. The proceeds of the advance were used to purchase the Company's common stock from terminating participants. The advance agreement provides for repayment by September 30, 1997.

5. ADMINISTRATIVE EXPENSES

The administrative expenses of the Plan are paid by the Company.

6. DETAIL OF SIGNIFICANT ACCOUNT BALANCES BY INVESTMENT ALTERNATIVE

The Plan provides for participant-directed account balances. The summary of significant account balances by investment alternative as of December 27, 1996, and for the year then ended is detailed in the chart on the following page.

<TABLE>
<CAPTION>

	Participant Directed								
	Mutual Funds								
	Putnam Investments								
	Guaranteed Investment Contract	Government Separate Accounts	Putnam Stable Value	George Putnam	Growth and Income	Global Growth	Diversified Voyager	Income Trust	
Investments at market, contract, or cash value	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
	0	0	3,843,922	3,136,380	1,269,934	739,309	3,387,602	1,040,728	
Investment income									
Interest (A)	1,288	13,364	-	-	-	-	-	-	
Dividends	-	-	228,659	291,602	103,527	52,949	214,253	69,775	
Unrealized gains	-	-	-	70,388	85,632	24,200	20,352	3,992	
Realized gains	-	-	-	169,835	22,530	18,521	192,863	11,245	
Participant contributions (A)	-	-	284,329	225,733	257,035	226,031	531,400	84,998	
Distributions to participants	0	20,559	1,111,453	825,754	153,897	151,399	668,227	204,119	

(A) Interest income above differs from the statement of changes in net assets available for benefits by \$1,793 which represents interest earned from the Plan's operating cash accounts. Participant contributions above differs from the 401(k) contributions on the statement of changes in net assets available for benefits by \$58,426 which represents year-end contributions not received by Putnam until after December 27, 1996

	Participant Directed	Non-Participant Directed	Total			
	Putnam					
	Life Insurance Policies	Notes Receivable	VSE Corp. Common Stock	VSE Corp. Common Stock	Asset Allocation	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Investments at market, contract, or cash value	127,172	637,540	1,794,271	9,184,643	231,533	25,393,034
Investment income						
Interest (A)	-	35,454	-	-	-	50,106
Dividends	-	-	20,508	99,380	15,512	1,096,165
Unrealized gains	-	-	453,136	2,318,797	8,210	2,984,707
Realized gains	-	-	50,418	-	1,951	467,363
Participant contributions (A)	2,731	-	19,860	-	-	1,632,117
Distributions to participants	-	66,144	219,007	1,177,255	38,933	4,636,747

(A) Interest income above differs from the statement of changes in net assets available for benefits by \$1,793 which represents interest earned from the Plan's operating cash accounts. Participant contributions above differs from the 401(k) contributions on the statement of changes in net assets available for benefits by \$58,426 which represents year-end contributions not received by Putnam until after December 27, 1996

</TABLE>

<TABLE>

VSE CORPORATION EMPLOYEE ESOP/401(k) PLAN EXHIBIT A
SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES
AS OF DECEMBER 27, 1996

<CAPTION>

Description	Contract or Cost	Market Value
<S>	<C>	<C>
VSE Corporation common stock		
*PAYSOP/ESOP	\$ 6,865,845	\$ 9,184,643
*401(k) Stock Fund	1,341,135	1,794,271
Mutual funds		
*George Putnam Fund of Boston	2,708,069	3,136,380
*Putnam Fund for Growth and Income	1,143,697	1,269,934
*Putnam Global Growth Fund	694,177	739,309
*Putnam Voyager Fund	3,010,945	3,387,602
*Putnam Diversified Income Trust	987,534	1,040,728
*Putnam Asset Allocation Fund - Conservative Portfolio	219,503	231,533
	<u>\$16,970,905</u>	<u>20,784,400</u>
*Putnam Stable Value Fund	3,843,922	3,843,922
Total Fixed Income Investments	3,843,922	3,843,922
Notes receivable - loans to participants (interest rates vary from 6.0% to 10.5% with maturities of 1 to 4 year	637,540	637,540
Life insurance policies (at cash surrender value) Confederation Life Insurance Company		120,416

 \$25,393,034
 =====

* Party-in-interest.

The accompanying notes are an integral part of this schedule.

</TABLE>

<TABLE>

VSE CORPORATION EMPLOYEE ESOP/401(k) PLAN
 SCHEDULE OF REPORTABLE TRANSACTIONS
 FOR THE YEAR ENDED DECEMBER 27, 1996

EXHIBIT B

<CAPTION>

Description	Sales			
	Purchases	Proceeds	Cost	Gain/(loss)
<S>	<C>	<C>	<C>	<C>
Mutual funds				
* George Putnam Fund of Boston	\$1,086,611	\$1,581,675	\$1,412,737	\$168,938
* Putnam Voyager Fund	\$2,067,727	\$1,318,121	\$1,125,273	\$192,848
* Putnam Fund for Growth and Income	\$927,434	\$254,062	\$231,535	\$22,527
Collective investment trust				
* Putnam Stable Value Fund	\$5,424,193	\$3,378,627	\$3,378,627	\$0

* Party-in-interest.

The accompanying notes are an integral part of this schedule.

</TABLE>