

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, 1997

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, 1997 and 1996

Statements of Changes in Net Assets Available for Benefits
for the years ended December 27, 1997 and 1996

Notes to Financial Statements as of December 27, 1997 and 1996

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, 1997 and 1996
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, 1997 and 1996, 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, 1997 and 1996, 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 purposes 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. This information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Arthur Andersen LLP

Washington, D.C.
June 11, 1998

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December 27, 1997 (Exhibit A) 10

Schedule of Reportable Transactions for the Year Ended
December 27, 1997 (Exhibit B) 11

SCHEDULES OMITTED AS NOT APPLICABLE
FOR THE YEAR ENDED DECEMBER 27, 1997

DESCRIPTION
- - - - -

Schedule of Loans or Fixed-Income Obligations
Schedule of Leases in Default or Classified as Uncollectible
Schedule of Nonexempt Transactions

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

	1997	1996
	-----	-----
<S>	<C>	<C>
ASSETS		
Investments at fair value		
VSE Corporation common stock		
PAYSOP/ESOP	\$ 6,460,403	\$ 9,184,643
401(k) Stock Fund	1,309,928	1,794,271
Mutual funds		
George Putnam Fund of Boston	2,856,620	3,136,380
Putnam Fund for Growth and Income	1,787,372	1,269,934
Putnam Global Growth Fund	780,774	739,309
Putnam Voyager Fund	3,965,341	3,387,602
Putnam Diversified Income Trust	1,365,652	1,040,728
Putnam Asset Allocation Fund		
- Conservative Portfolio	-	231,533
	-----	-----
	18,526,090	20,784,400
Investments at contract value		
Putnam Stable Value Fund	3,452,304	3,843,922
Notes receivable	478,989	637,540
Cash surrender value of life insurance policies	97,491	127,172
	-----	-----
Total investments	22,554,874	25,393,034
Cash, principally in interest-bearing accounts	88,325	69,188
Other receivables	2,242	50,992
	-----	-----
Total assets	22,645,441	25,513,214

LIABILITIES

Due to VSE	686,106	376,253
Other liabilities	5,015	5,015
	-----	-----
Total liabilities	691,121	381,268
	-----	-----
NET ASSETS AVAILABLE FOR BENEFITS	\$ 21,954,320	\$ 25,131,946
	=====	=====

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>

	1997	1996
	-----	-----
<S>	<C>	<C>
INCREASES		
Contributions (Note 1)		
Employee Stock Ownership Plan	\$ 370,146	\$ 374,737
401(k)	1,880,177	1,690,543
Income from investments		
Interest	39,179	51,899
Dividends	1,167,072	1,096,165
Net realized/unrealized (losses) gains on investments (Note 2)	(2,313,071)	3,452,070
	-----	-----
	1,143,503	6,665,414
	-----	-----
DECREASES		
Insurance premiums	2,366	2,731
Decrease in cash surrender value of life insurance policies	29,681	9,247
Distributions to participants	4,289,082	4,636,747
	-----	-----
	4,321,129	4,648,725
	-----	-----
NET (DECREASE) INCREASE	(3,177,626)	2,016,689
BEGINNING NET ASSETS AVAILABLE FOR BENEFITS		
	25,131,946	23,115,257
	-----	-----
ENDING NET ASSETS AVAILABLE FOR BENEFITS	\$ 21,954,320	\$ 25,131,946
	=====	=====

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, 1997 AND 1996

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 Internal Revenue Service has determined and informed the Company by a letter dated April 29, 1996 that the Plan, as amended through December 21, 1995, is designed in accordance with Internal Revenue Code Section ("IRC") 401. The Plan trustees believe that the Plan is currently being operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income taxes has been included in the Plan's financial statements.

Plan Administration

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. Certain officers and/or employees serve as trustees (the "Trustees") of the Plan.

Eligibility

Effective January 1, 1997, employees attaining age 18 are eligible to participate in the Plan on the first day of the month after commencing employment.

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. The Company stock is purchased and held by the Plan for the participants, and each participant is entitled to certain stockholder rights. For the plan years ended December 27, 1997 and 1996, the Company elected to make a contribution equal to two percent of each participant's annual compensation, subject to Plan provisions.

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 \$154,786 and \$133,123 for 1997 and 1996, 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 have been made to the PAYSOP since 1986. All contributions to the ESOP, which began 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

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, excluding the Putnam Stable Value Fund, are valued at quoted market prices as of December 27, 1997 and 1996, or as of the closest preceding day on which a transaction occurred. Company stock is purchased in the over-the-counter market or from stockholders. 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. The Putnam Stable Value Fund consists primarily of a diversified portfolio of fixed-income investments which provide a fixed rate of return for a specified time period. The assets of the Putnam Stable Value Fund are stated at contract value.

Dividends and realized capital gains on all mutual fund and VSE stock investments are reinvested.

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 were subject to certain restrictions, such as access to surrender values, until a rehabilitation plan was approved and put into effect. On October 23, 1996, the Plan of Rehabilitation for Confederation Life Insurance Company was confirmed and the Confederation policies were assumed by Pacific Mutual Life Insurance Company ("Pacific Mutual") effective, June 1, 1997. Participants were given the option to "Opt-in" to the assumption agreement and have their policies restructured and assumed by Pacific Mutual, or to terminate coverage. For the plan year ended December 27, 1997, the Plan owned 15 Pacific Mutual policies with a total cash value of \$90,735.

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 into another Putnam

fund option on a daily basis.

The following investments exceed 5% of net assets as of December 27, 1997:

VSE Corporation Common Stock	\$7,770,331
Putnam Voyager Fund	3,965,341
Putnam Stable Value Fund	3,452,304
George Putnam Fund of Boston	2,856,620
Putnam Fund for Growth and Income	1,787,372
Putnam Diversified Income Trust	1,365,652
Other	1,357,254

Total Investments	<u>\$22,554,874</u>

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

	1997		1996	
	Allocated	Unallocated	Allocated	Unallocated
Number of Shares	740,720	75,491	799,185	42,756
Cost	\$4,105,241	\$418,388	\$4,432,554	\$237,139
Market	\$7,155,541	\$614,790	\$10,421,372	\$557,542

Due to Participants

In accordance with generally accepted accounting principles, amounts allocated to withdrawing participants' accounts 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	
	1997	1996
Net assets available for benefits per the financial statements	\$21,954,320	\$25,131,946
Amounts allocated to withdrawing participants	(215,223)	(329,086)
	-----	-----
Net assets available for benefits per Form 5500	<u>\$21,739,097</u>	<u>\$24,802,860</u>

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

	Year ended December 27,	
	1997	1996
Benefits paid to participants per the financial statements	\$ 4,289,082	\$ 4,636,747
Add: Amounts allocated to withdrawing participants at December 27, 1997 and 1996, respectively	215,223	329,086
Less: Amounts allocated to withdrawing participants at December 27, 1996 and 1995, respectively	(329,086)	0
	-----	-----
Benefits paid to participants per Form 5500	<u>\$ 4,175,219</u>	<u>\$ 4,965,833</u>

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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 the time of purchase during the plan year. Realized gains on Company stock were \$0 and \$50,418, and on mutual fund shares were \$497,782 and \$416,944, for the plan years ended December 27, 1997 and 1996, respectively. Unrealized (losses)/gains of \$(2,864,501) and \$2,771,933 were recorded for Company stock, and unrealized gains of \$53,648 and \$212,775 were recorded for mutual fund shares, respectively, for the plan years ended December 27, 1997 and 1996.

Reclassifications

Certain amounts in the prior year's financial statements have been reclassified to conform with the current year presentation.

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, 1997, are included in Exhibit B.

Party-in-interest Transactions

The Plan may execute certain transactions in 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. There were no such transactions for the plan year ended December 27, 1997.

Certain investments are managed by Putnam through the Putnam Fiduciary Trust Company. Putnam is a third party administrator as defined by the Plan; therefore, these transactions qualify as party-in-interest transactions. There are no sales commissions on the purchase or sale of Putnam mutual funds.

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 non-interest bearing advances (loans) to finance the acquisition of Company stock for the ESOP. For the plan years ended December 27, 1997 and 1996, the loan balance was \$680,000 and \$350,000, respectively. In 1997 and 1996 the Plan entered into \$330,000 and \$350,000 loan agreements with the Company, respectively. The proceeds of these advances were used to purchase the Company's common stock from terminating participants.

The loan agreement provides for repayment by September 30, 1998 or as market conditions permit. The loan agreements are unsecured and do not require the payment of interest.

Diversification

Participants who are 55 and have ten years of participation are eligible to diversify up to twenty-five percent of their ESOP account balance which is held in Company stock. This diversification option was inadvertently not offered to certain participants as of December 28, 1996. These participants have been notified and the Trustees and the Company are in the process of resolving this matter by providing the comparable benefits that would have been available had diversification been offered on a timely basis. Any additional contributions which may result to such participants will be made by the Company with no impact on the Plan or other participants.

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, 1997, and for the year then ended is detailed in the chart on the following page.

<TABLE>

VSE CORPORATION EMPLOYEE ESOP/401(k) PLAN
SUMMARY OF SIGNIFICANT ACCOUNT BALANCES BY INVESTMENT ALTERNATIVE
AS OF AND FOR THE YEAR ENDED DECEMBER 27, 1997

<CAPTION>

	Participant Directed						
	Mutual Funds						
	Putnam Investments						
	Putnam Stable Value	George Putnam	Growth and Income	Global Growth	Diversified Voyager	Income Trust	
	----- <C>	----- <C>	----- <C>	----- <C>	----- <C>	----- <C>	
Investments at fair value	3,452,304	2,856,620	1,787,372	780,774	3,965,341	1,365,652	
Investment income							
Interest (A)	-	-	-	-	-	-	
Dividends	208,314	278,641	233,257	-	247,985	79,923	
Unrealized gains/(losses)	-	15,898	(23,608)	(136,510)	197,895	12,405	
Realized gains	31	191,808	64,763	24,865	197,739	6,626	
Participant contributions	227,291	181,355	382,821	296,452	666,322	94,694	
Distributions to participants (B)	819,073	624,822	296,270	113,936	563,947	167,628	

(A) Interest income above differs from the statement of changes in net assets available for benefits by \$53, which represents interest earned from the Plan's operating cash accounts.

(B) Distributions to participants above differs from the statement of changes in net assets available for benefits by \$5,075, which represents Putnam transaction fees.

</TABLE>

<TABLE>

VSE CORPORATION EMPLOYEE ESOP/401(k) PLAN
SUMMARY OF SIGNIFICANT ACCOUNT BALANCES BY INVESTMENT ALTERNATIVE
AS OF AND FOR THE YEAR ENDED DECEMBER 27, 1997

<CAPTION>

Participant Directed	Non-Participant Directed	Total
-------------------------	-----------------------------	-------

	Life Insurance Policies	Notes Receivable	Putnam		Asset Allocation	
			VSE Corp. Common Stock	VSE Corp. Common Stock		
<S>	<C>	<C>	<C>	<C>	<C>	
Investments at fair value	97,491	478,989	1,309,928	6,460,403	-	22,554,874
Investment income						
Interest (A)	-	39,126	-	-	-	39,126
Dividends	-	-	19,814	99,139	-	1,167,073
Unrealized gains/(losses)	-	-	(484,343)	(2,380,159)	(12,431)	(2,810,853)
Realized gains	-	-	-	11,950		497,782
Participant contributions	2,366	-	28,876	-	-	1,880,177
Distributions to participants (B)	-	170,248	194,075	1,331,289	2,719	4,284,007

(A) Interest income above differs from the statement of changes in net assets available for benefits by \$53, which represents interest earned from the Plan's operating cash accounts.

(B) Distributions to participants above differs from the statement of changes in net assets available for benefits by \$5,075, which represents Putnam transaction fees.

</TABLE>

<TABLE>

VSE CORPORATION EMPLOYEE ESOP/401(k) PLAN EXHIBIT A
SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES
AS OF DECEMBER 27, 1997

<CAPTION>

Description	Contract or	
	Cost	Fair Value
<S>	<C>	<C>
VSE Corporation common stock		
* PAYSOP/ESOP	\$ 3,852,363	\$ 6,460,403
* 401(k) Stock Fund	671,266	1,309,928
Mutual funds		
* George Putnam Fund of Boston	2,412,410	2,856,620
* Putnam Fund for Growth and Income	1,684,742	1,787,372
* Putnam Global Growth Fund	872,153	780,774
* Putnam Voyager Fund	3,390,789	3,965,341
* Putnam Diversified Income Trust	1,300,054	1,365,652
	\$ 14,183,777	\$ 18,526,090
Fixed Income Investments		
* Putnam Stable Value Fund	3,452,304	3,452,304
Total Fixed Income Investments	3,452,304	3,452,304
Notes receivable - loans to participants (interest rates vary from 6.0% to 9.0% with maturities of 1 to 4 years)	478,989	478,989
Life insurance policies (at cash surrender value)		
Pacific Mutual Life Insurance Company		90,735
Lincoln National Life Insurance Company		6,756
		\$ 22,554,874

* Party-in-interest.

The accompanying notes are an integral part of this schedule.

</TABLE>

<TABLE>

VSE CORPORATION EMPLOYEE ESOP/401(k) PLAN EXHIBIT B
SCHEDULE OF REPORTABLE TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 27, 1997

<CAPTION>

Description	Sales		Cost	Gain/(Loss)
	Purchases	Proceeds		
----- <S>	----- <C>	----- <C>	----- <C>	----- <C>
Mutual funds				

* George Putnam Fund of Boston	\$625,891	\$1,113,358	\$921,550	\$191,808
* Putnam Voyager Fund	\$1,418,083	\$1,235,977	\$1,038,238	\$197,739
* Putnam Fund for Growth and Income	\$1,287,318	\$811,035	\$746,272	\$64,763
Collective investment trust				

* Putnam Stable Value Fund	\$1,777,918	\$2,169,567	\$2,169,567	\$0
* Party-in-interest.				

The accompanying notes are an integral part of this schedule.

</TABLE>