

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the Quarter Ended September 30, 2000 Commission File Number: 0-3676

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

DELAWARE 54-0649263
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) 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 []

Number of shares of Common Stock outstanding as of October 27, 2000: 2,122,289.

<TABLE>

VSE Corporation and Subsidiaries
Consolidated Financial Statements (Unaudited)

Consolidated Balance Sheets

(in thousands, except share amounts)

<CAPTION>

	September 30, December 31,	
	2000	1999
	----	----
<S>	<C>	<C>
Assets		
Current assets:		
Cash and cash equivalents	\$ 583	\$ 62
Accounts receivable, principally		
U.S. Government, net	17,974	19,361
Deferred tax assets	979	927
Other current assets	1,126	974
	-----	-----
Total current assets	20,662	21,324
Property and equipment, net	3,470	4,377
Deferred tax assets	803	728
Intangible assets, net	1,203	1,267

Note receivable from business transferred	590	665
Other assets	2,902	2,889
	-----	-----
Total assets	\$ 29,630	\$ 31,250
	=====	=====
Liabilities and Stockholders' Investment		
Current liabilities:		
Accounts payable	\$ 5,664	\$ 8,193
Accrued expenses	5,767	5,977
Dividends payable	85	76
	-----	-----
Total current liabilities	11,516	14,246
Long-term debt	-	-
Deferred compensation	1,896	1,859
	-----	-----
Total liabilities	13,412	16,105
	=====	=====
Commitments and contingencies		
Stockholders' investment:		
Common stock, par value \$.05 per share, authorized 5,000,000 shares; issued 2,194,289 shares in 2000 and 1999	110	110
Paid-in surplus	3,894	3,894
Retained earnings	13,006	11,933
Treasury stock, at cost (72,000 shares in 2000 and 1999)	(792)	(792)
	-----	-----
Total stockholders' investment	16,218	15,145
	-----	-----
Total liabilities and stockholders' investment .	\$ 29,630	\$ 31,250
	=====	=====

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VSE Corporation and Subsidiaries
Consolidated Financial Statements (Unaudited)

Consolidated Statements of Income For the three and nine months ended September 30,

(in thousands, except share amounts)

<CAPTION>

	2000		1999	
	Three	Nine	Three	Nine
	Months	Months	Months	Months
	-----	-----	-----	-----
	<C>	<C>	<C>	<C>
Revenues, principally from contracts	\$ 30,484	\$ 93,010	\$ 36,587	\$ 122,819
Costs and expenses of contracts .	30,037	90,648	35,385	119,364
	-----	-----	-----	-----
Gross profit	447	2,362	1,202	3,455
Selling, general and administrative expenses	27	209	36	528
Loss on CMstat operations	-	-	-	401
Loss on disposition of CMstat . .	-	-	-	1,098
Interest (income) expense	(85)	(32)	42	62
	-----	-----	-----	-----
Income before income taxes . . .	505	2,185	1,124	1,366
Provision for income taxes . . .	197	857	449	462
	-----	-----	-----	-----
Net income	\$ 308	\$ 1,328	\$ 675	\$ 904
	=====	=====	=====	=====

Basic earnings per share:

Net income	\$.15	\$ 0.63	\$.32	\$ 0.43
	=====	=====	=====	=====
Basic weighted average shares outstanding	2,122,289	2,122,289	2,115,061	2,114,967
	=====	=====	=====	=====

Diluted earnings per share:

Net income	\$.15	\$ 0.63	\$.32	\$ 0.43
	=====	=====	=====	=====
Diluted weighted average shares outstanding	2,122,289	2,122,289	2,115,061	2,114,967
	=====	=====	=====	=====

</TABLE>

<TABLE>

VSE Corporation and Subsidiaries
Consolidated Financial Statements (Unaudited)

Consolidated Statements of Stockholders' Investment

(in thousands)

<CAPTION>

	Common Stock Shares	Paid-In Amount	Retained Surplus	Retained Earnings	Treasury Stock
	<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 period	--	--	1,328	--	--
Dividends declared (\$.12)	--	--	(255)	--	--
Balance at September 30, 2000 ...	2,194	\$ 110	\$ 3,894	\$ 13,006	\$ (792)

</TABLE>

<TABLE>

VSE Corporation and Subsidiaries
Consolidated Financial Statements (Unaudited)

Consolidated Statements of Cash Flows For the nine months ended September 30,

(in thousands)

<CAPTION>

	2000	1999
	<C>	<C>
Cash flows from operating activities:		
Net income	\$ 1,328	\$ 904
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		

Depreciation and amortization	1,205	1,277
Loss on sale of property and equipment	7	-
Deferred compensation plan expense	53	34
Net payments of deferred compensation	(54)	(183)
Change in Deferred taxes	(127)	(980)
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	1,387	11,154
Other current assets and noncurrent assets	(186)	1,223
Increase (decrease) in:		
Accounts payable	(2,491)	(5,453)
Accrued expenses	(210)	575
Net liabilities of business transferred under contractual arrangements	-	(6,744)
	-----	-----
Net cash provided by operating activities	912	1,807
	-----	-----
Cash flows from investing activities:		
Purchase of property and equipment, (net of dispositions)	(220)	(977)
Proceeds from note receivable from business transferred	75	-
	-----	-----
Net cash used in investing activities	(145)	(977)
	-----	-----
Cash flows from financing activities:		
Net payments of bank loan	-	(365)
Issuance of common stock	-	3
Cash dividends paid	(246)	(229)
	-----	-----
Net cash used in financing activities	(246)	(591)
	-----	-----
Net increase in cash and cash equivalents	521	239
Cash and cash equivalents at beginning of period	62	49
	-----	-----
Cash and cash equivalents at end of period	\$ 583	\$ 288
	=====	=====

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VSE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine month periods ended September 30, 2000 are not necessarily indicative of the results that may be expected for the year ending December 31, 2000. For further information refer to the consolidated financial statements and footnotes thereto included in the VSE Corporation Annual Report on Form 10-K for the year ended December 31, 1999.

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 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"). SFAS No. 133 established methods of accounting for derivative financial instruments and hedging activities related to those instruments as well as other hedging activities. Because the company currently holds no derivative instruments and does not engage in hedging activities, the company expects that the adoption of SFAS No. 133 will not have a material impact on its financial position, results of operations or cash flows.

In December 1999, the Securities and Exchange Commission released Staff Accounting Bulletin No. 101, "Revenue Recognition In Financial Statements" ("SAB No. 101"). SAB No. 101 establishes guidelines in applying generally accepted accounting principles to the recognition of revenue in financial statements based on the following four criteria; persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the seller's price to the buyer is fixed or determinable, and collectibility is reasonably assured. The company does not believe that the adoption of SAB No. 101 will have a material effect on its financial position or result of operations.

VSE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Divestiture

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. The sale is a divestiture for legal and tax purposes. For accounting purposes, the sale is not afforded 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 is primarily dependent on the buyer's ability to repay the promissory note.

In accordance with SAB No. 30, the company continues to assess the recoverability of the promissory note balance based upon CMstat's operating results. The current promissory note balance as of September 30, 2000 is approximately \$688 thousand.

As prescribed by SAB No. 30, the revenues, costs and expenses and cash flows for the SPS segment for the three and nine month periods ended September 30, 1999, have been excluded from the respective captions in the Consolidated Statements of Operations, Balance Sheets, Cash Flows and related footnotes.

As such, the results of operations for the SPS segment are reflected as a single line item "Loss on CMstat operations" in the Consolidated Statements of Operations for each year presented. Additionally, a \$1,098 thousand loss from the disposal of CMstat was recognized for the year ended December 31, 1999.

Debt

VSE has a revolving bank loan agreement that contains certain financial covenants. Under the agreement, VSE can borrow up to \$30 million, subject to a borrowing formula based on billed receivables. Interest is charged at a prime-based rate or an optional LIBOR-based rate. Commitment fees are charged on the unused portion of the revolving loan commitment. The termination date of the revolving loan is May 31, 2002. The loan agreement contains collateral requirements by which company assets secure amounts outstanding, restrictive covenants that include minimum tangible net worth and cash flow coverage ratio requirements, a limit on annual dividends, and limits on investments and loans to certain affiliates.

Due to losses incurred by VSE's CMstat subsidiary, the company was not in compliance with certain original loan covenants during 1999. The company's banks amended the loan agreement to restate certain terms and conditions of the loan, including the covenants with which the company was not compliant. The company was in compliance during 2000 and 1999 with all covenants of the loan agreement

<S>	<C>	<C>	<C>	<C>	<C>
Revenues	\$ 30,484	\$ -	\$ 30,484	\$ -	\$ 30,484
Interest expense	(85)	-	(85)	-	(85)
Depreciation and amortization	403	-	403	-	403
Loss on disposition of CMstat	-	-	-	-	-
Operating income	505	-	505	-	505
Expenditures for capital assets	83	-	83	-	83
Assets	29,630	-	29,630	-	29,630

Three Months Ended September 30, 1999

	ELMTS	SPS	Subtotal	Disposition	Consolidated
--	-------	-----	----------	-------------	--------------

<S>	<C>	<C>	<C>	<C>	<C>
Revenues	\$ 36,587	\$ -	\$ 36,587	\$ -	\$ 36,587
Interest expense	42	-	42	-	42
Depreciation and amortization	433	-	433	-	433
Loss on disposition of CMstat	-	-	-	-	-
Operating income (loss)	1,124	-	1,124	-	1,124
Expenditures for capital assets	339	-	339	-	339
Assets	35,787	-	35,787	-	35,787

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VSE CORPORATION AND SUBSIDIARIES
Management Discussion and Analysis

During 2000, VSE and its subsidiaries and divisions operate in one reportable segment, the engineering, logistics, management and technical services segment ("ELMTS"). The company had two reportable segments, ELMTS and the software products and services segment ("SPS") for the year 1999. The term "VSE" or "company" means VSE and its subsidiaries and divisions unless the context indicates operations of the parent company only.

Software products and services in 1999 included sales of developed software products and the services related to the installation and use of the software. This is the primary business of VSE's former subsidiary CMstat Corporation ("CMstat"), sold in May 1999. (See "Divestiture" above).

<TABLE>

The following table sets forth certain items including consolidated revenues, pretax income and net income, and the changes in these items by segment for the three and nine month periods ended September 30, 2000 and 1999 (in thousands):

<CAPTION>

	2000 Compared to 1999					
	Three Months Ended September 30, 2000	Three Months Ended September 30, 1999	Nine Months Ended September 30, 2000	Nine Months Ended September 30, 1999	Three Months	Nine Months
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Engineering, Logistics, Management and Technical Services Segment:						
Revenues	\$30,484	\$36,587	\$93,010	\$122,819	\$(6,103)	\$(29,809)
Pretax income	\$ 505	\$ 1,124	\$ 2,185	\$ 2,844	\$(619)	\$(659)
Provision for income taxes	197	449	857	1,132	(252)	(275)

Net income	\$ 308	\$ 675	\$ 1,328	\$ 1,712	\$ (367)	\$ (384)
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Software Products and
Services Segment:

Revenues	\$ -	\$ -	\$ -	\$ 902	\$ -	\$ (902)
Pretax loss	\$ -	\$ -	\$ -	\$ (1,478)	\$ -	\$ 1,478
Benefit for income taxes	-	-	-	(670)	-	670
Net loss	\$ -	\$ -	\$ -	\$ (808)	\$ -	\$ 808

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VSE CORPORATION AND SUBSIDIARIES
Management Discussion and Analysis

RESULTS OF OPERATIONS

The discussion and analysis which follow are intended to assist in understanding and evaluating the results of operations, financial condition, and certain other matters of the company. The company is engaged principally in providing engineering, logistics, management and technical services to the U.S. Government (the "government") and other government prime contractors. All significant intercompany transactions have been eliminated in consolidation. Certain prior year balances have been reclassified for comparative purposes.

Engineering, Logistics, Management and Technical Services Segment

Revenues for this segment declined by approximately 17% and 24%, respectively, for the three month and nine month periods ended September 30, 2000, as compared to the same periods of 1999. The decreases in revenues were primarily due to a decrease in the level of services ordered under a contract performed by the BAV Division (see "BAV Contract" below). Other factors contributing to the decrease are the expiration of a contract performed by the VSS Division (see "VSS Contract" below), reduced sales by the company's Energetics subsidiary, and a reduction in revenue associated with the company's sale of its HRSI Health Care Division contracts (see "HRSI Contracts" under "Divestitures" below).

Pretax income for this segment decreased by approximately 55% and 23%, respectively, for the three and nine month periods ended September 30, 2000, as compared to the same periods of 1999. This decrease was primarily due to the decreased revenues of BAV, VSS, and Energetics. Pretax income for the three month period were further decreased due to start-up costs associated with VSE's new Telecommunications Technologies Division (see "New Business" below). This decrease in pretax income was partially offset by an improved profit margin on remaining VSE (parent) contracts due to cost reductions implemented in 1999.

The largest customer for the engineering, logistics, management and technical services rendered by the company is the U.S. Department of Defense ("Defense"), including agencies of the U.S. Army, Navy, and Air Force. VSE's engineering services revenues have historically been subject to annual fluctuations resulting from changes in the level of Defense spending. Accordingly, there can be no assurance that any future reductions in Defense spending will not 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

VSE CORPORATION AND SUBSIDIARIES
Management Discussion and Analysis

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 revenues 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.

Several of the company's operating divisions were formed in recent years to bid on and perform contract work that had been traditionally performed by VSE (parent company). This organization 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. As the use of operating divisions for new contracts increases, the company expects that the revenue of VSE (the parent company) will be reduced in the future as parent company contracts are replaced by operating division contracts. 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.

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. The contract accounted for approximately 40% and 51% of consolidated revenues from operations during the nine month periods ended September 30, 2000 and 1999, respectively. The level of revenues 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 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.

VSS Contract. 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 began work on this contract in 1994 and the last option year was scheduled to end in 1999. The government extended the contract through April 28, 2000. VSS was not awarded the successor contract and work on this contract effort terminated as of April 28, 2000. The contract accounted for a majority of the work in the VSS Division during the period from 1995 through 1999, but represented less than 10% of the company's revenues during this time. VSS continues to perform work on other contracts.

New Business. VSE has begun several new business initiatives during 2000 and 1999. The company expects each of these new business initiatives to contribute to future revenue growth.

VSE CORPORATION AND SUBSIDIARIES
Management Discussion and Analysis

In January 1999, VSE formed the GSA Services Division to bid on and perform work issued through the government's Federal Supply Schedule Program. The GSA Services Division has been awarded three purchase agreements since inception and is actively pursuing additional work.

In June 1999, VSE formed VSE's Ship Remediation and Recycling, Inc. ("SRR") to pursue business opportunities associated with dismantling ships that are no longer usable. SRR is a partner in a joint venture that was awarded a contract associated with a new government program to dismantle and recycle inactive U.S. Navy ships. The contract requires the joint venture to dismantle U.S. Navy ships and recover costs by selling salvageable materials and parts. Work on this contract began in February 2000.

In August 1999, VSE formed VSE Services International, Inc. ("VSI") to expand VSE's international presence and perform services for foreign governments and commercial customers similar to the services it has traditionally provided in the United States.

In August 2000, VSE formed Telecommunications Technologies Division ("TTD") to continue a strategy to support customers with effective knowledge management and information technology solutions. TTD markets the company's growing capability to provide customers with the latest products, services, and support in network, multimedia, and audio-visual technology. TTD specializes in maintaining and staffing products and services to create state of the art, network and multi-media technology systems. This includes "turnkey" design, installation, management and support for a wide variety of voice, data, multimedia and related projects.

Divestitures

See "Divestiture" section of "Notes to Consolidated Financial Statements."

HRSI Contracts. On July 2, 2000, HRSI sold its Health Care Division and two associated contracts. The purchase price for the Health Care Division and the revenues and losses generated by these contracts were not material to VSE.

Liquidity and Capital Resources

Cash and cash equivalents increased by approximately \$500 thousand during the nine month period ended September 30, 2000. Cash provided by operating activities contributed approximately \$900 thousand. Cash used in financing activities was approximately \$200 thousand and cash used in investing activities was approximately \$200 thousand. Financing activities consisted of cash dividends paid. Investing activities consisted primarily of purchases of property and equipment, net of dispositions.

Cash and cash equivalents increased by approximately \$200 thousand during the nine month period ended September 30, 1999. Cash provided by operating activities contributed approximately \$1.8 million. Cash used in investing activities was approximately \$1 million and cash used in financing activities

VSE CORPORATION AND SUBSIDIARIES Management Discussion and Analysis

was approximately \$600 thousand. Investing activities consisted of purchases of property and equipment, net of dispositions. Significant financing activities included decreased borrowing on the company's bank loan of approximately \$400 thousand and cash dividends paid of approximately \$200 thousand.

The difference between cash provided by operating activities of approximately \$900 thousand in 2000 as compared to cash provided by operating activities of approximately \$1.8 million in 1999 is primarily due to changes in the levels of accounts receivable and accounts payable associated with fluctuations in BAV contract activity and to changes in certain asset and liability accounts resulting from the sale of CMstat in 1999.

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. The decrease in revenues and associated accounts receivable in the current year has resulted in an increase in internally generated cash flows. 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. The company has made use of recent electronic billing and payment initiatives implemented by the government to decrease the time to collect billed accounts receivable, thereby improving internal liquidity. Accounts receivable levels can also be affected by contract retainages, start-up and termination costs associated with new or completed contracts, and differences between the provisional billing rates authorized by the government compared to the costs

actually incurred by the company. Internal liquidity is also affected by the acquisition of capital assets for office and computer support and by the payment of cash dividends. Purchases of capital assets for office and computer support have not varied significantly in recent years.

Quarterly cash dividends at the rate of \$.04 per share were declared during the nine month period ended September 30, 2000. Pursuant to its bank loan agreement, the payment of cash dividends by VSE is subject to a maximum annual rate. VSE has paid cash dividends each year since 1973.

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 "Debt" section 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 \$30 million dollars as of the quarter ended September 30, 2000.

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

VSE CORPORATION AND SUBSIDIARIES

Management Discussion and Analysis

Inflation and Pricing Policy

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 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.

Global Economic Conditions

VSE's business is subject to the risks arising from global economic conditions associated with potential foreign customers served through VSE's contracts with the U.S. Government. For example, an economic slowdown in countries served under the BAV contract could potentially affect BAV sales. Severe adverse global economic conditions could potentially have a material adverse impact on the company's results of operations.

Year 2000

The company is not currently aware of any Year 2000 issues that have affected its business. Costs incurred to date for Year 2000 readiness efforts have been minimal and are included as part of the company's ongoing administrative costs and have not been separately identified. There are no unbudgeted expenditures expected to occur in the future.

Market Risk

The company does not use derivative instruments to alter the interest characteristics of its debt instruments. The aggregate fair value of the company's financial instruments approximates the carrying value at September 30, 2000.

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 results to differ materially from those anticipated in the forward looking statements contained in this statement, see discussions contained in VSE's "Letter to Stockholders", "Narrative Description of Business", and "Notes to Consolidated Financial Statements" contained in VSE's Annual Report and Form 10-K for the fiscal year ended December 31, 1999 (Form 10-K) filed with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on

VSE CORPORATION AND SUBSIDIARIES
Management Discussion and Analysis

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 subsequent Quarterly Reports on Form 10-Q and any Current Reports on Form 8-K filed by the company.

VSE CORPORATION AND SUBSIDIARIES

PART II. Other Information

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

Exhibit 27 Financial Data Schedule

Exhibit 3.2 By-Laws of VSE Corporation as amended through May 16, 2000

(b) Reports on Form 8-K.

None.

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has omitted all other items contained in "Part II. Other Information" because such other items are not applicable or are not required if the answer is negative or because the information required to be reported therein has been previously reported.

VSE CORPORATION AND SUBSIDIARIES

SIGNATURES

Pursuant to the requirements 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

/s/ C. S. Weber

Date: October 27, 2000

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

/s/ T. R. Loftus

Date: October 27, 2000

T. R. Loftus, Senior Vice President and
Comptroller
(Principal Accounting Officer)

The financial information included in this report reflects all known adjustments normally determined or settled at year-end which are, in the opinion of management, necessary to a fair statement of the results for the interim periods. The accompanying notes to consolidated financial statements are an integral part of this report.

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<EPS-DILUTED>	.63

BY-LAWS OF VSE CORPORATION
(As Amended Through May 16, 2000)

ARTICLE I

OFFICES

Section 1. The registered office of the corporation shall be in the City of Wilmington, County of New Castle, State of Delaware.

Section 2. The corporation may also have offices at such other places both within and without the State of Delaware as the board of directors may from time to time determine or the business of the corporation may require.

ARTICLE II

MEETING OF STOCKHOLDERS

Section 1. All meetings of the stockholders for the election of directors shall be held in the Washington, D.C., metropolitan area, at such place as may be fixed from time to time by the board of directors, or at such other place as shall be designated from time to time by the board of directors and stated in the notice of the meeting. Meetings of stockholders for any other purpose may be held at such time and place, within or without the State of Delaware, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. Annual meetings of stockholders, commencing with the year 1986, shall be held in the month of May each year at a date and at a time to be fixed by the board of directors and stated in the notice of meeting, at which time they shall elect by a plurality vote a board of directors, and transact such other business as may properly be brought before the meeting.

Section 3. Written notice of the annual meeting stating the place, date and hour of the meeting shall be given to each stockholder entitled to vote thereat at least ten days before the date of the meeting.

Section 4. The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at said meeting, arranged in alphabetical order, showing the address of and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city, town or village where the meeting is to be held and which place shall be specified in the notice of the meeting, or, if not specified, at the place where said meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 5. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the certificate of incorporation, may be called by the chairman and chief executive officer and shall be called by the chairman and chief executive officer or secretary at the request in writing of a majority of the board of directors, or at the request in writing of stockholders owning twenty-five percent (25%) in amount of the entire capital stock of the corporation issued and outstanding and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting.

Section 6. Written notice of a special meeting of stockholders, stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called, shall be given to each stockholder entitled to vote thereat, at least five days before the date fixed for the meeting.

Section 7. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 8. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of

business except as otherwise provided by statute or by the certificate of incorporation. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented any business may be transacted which might have been transacted at the meeting as originally notified. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 9. When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which by express provision of the statutes or of the certificate of incorporation, a different vote is required in which case such express provision shall govern and control the decision of such question.

Section 10. Unless otherwise provided in the certificate of incorporation, each stockholder shall at every meeting of the stockholders be entitled to one vote in person or by proxy for each share of the capital stock having voting power held by such stockholder, but no proxy shall be voted on after three years from its date, unless the proxy provides for a longer period.

Section 11. Unless otherwise provided in the certificate of incorporation, any action required to be taken at any annual or special meeting of stockholders of the corporation, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

ARTICLE III

DIRECTORS

Section 1. The number of directors which shall constitute the whole board shall be a minimum of six directors and a maximum of ten directors. Within the limits above specified, the number of directors shall be determined by resolution of the board of directors or by the stockholders at the annual meeting. The directors shall be elected at the annual meeting of the stockholders, except as provided in Section 2 of this Article, and each director elected shall hold office until his successor is elected and qualified; however, no person who is not serving as a director of the corporation as of January 1, 1993, who has attained 65 years of age or more, shall be nominated, elected or qualified to serve as a director of the corporation. Directors need not be stockholders.

Section 2. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and the directors so chosen shall hold office until the next annual election and until their successors are duly elected and shall qualify, unless sooner displaced. If there are no directors in office, then an election of directors may be held in the manner provided by statute. If, at the time of filling any vacancy or any newly created directorship, the directors then in office shall constitute less than a majority of the whole board (as constituted immediately prior to such increase), the Court of Chancery may, upon application of any stockholder or stockholders holding at least ten percent of the total number of the shares at the time outstanding having a right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office.

Section 3. The business of the corporation shall be managed by or shall be under the direction of its board of directors which may exercise all such powers of the corporation and do all such lawful acts and things as are not by

statute or by the certificate of incorporation or by these by-laws directed or required to be exercised or done by the stockholders.

Section 4. Stockholders of the corporation may recommend persons to be nominated for election as directors of the corporation at the annual meeting of stockholders. To be considered for nomination, such recommendation must be received in writing by the secretary of the corporation no later than ninety (90) days before the date which corresponds to the date on which the annual meeting of stockholders was held during the immediate prior year. Such recommendation shall be accompanied by the name of the stockholder proposing the candidate, evidence that stockholder is a beneficial owner of the outstanding stock of the corporation as of the record date established for the determination of stockholders entitled to notice of and to vote at the annual meeting of stockholders, the name of candidate being proposed for nomination, and the candidate's biographical data and qualifications.

MEETINGS OF THE BOARD OF DIRECTORS

Section 4. The board of directors of the corporation may hold meetings, both regular and special, either within or without the State of Delaware.

Section 5. The first meeting of each newly elected board of directors shall be held at such time and place as shall be fixed by the vote of the stockholders at the annual meeting and no notice of such meeting shall be necessary to the newly elected directors in order legally to constitute the meeting, provided a quorum shall be present. In the event of the failure of the stockholders to fix the time or place of such first meeting of the newly elected board of directors, or in the event such meeting is not held at the time and place so fixed by the stockholders, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the board of directors, or as shall be specified in a written waiver signed by all of the directors.

Section 6. Regular meetings of the board of directors may be held on two days' written notice at such time and at such place as shall from time to time be determined by the board.

Section 7. Special meetings of the board may be called by the chairman and chief executive officer on two days' notice to each director; special meetings shall be called by the chairman and chief executive officer or secretary in like manner and on like notice on the written request of two directors unless the board consists of only one director; in which case special meetings shall be called by the chairman or secretary in like manner and on like notice on the written request of the sole director.

Section 8. At all meetings of the board a majority of the directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board of directors, except as may be otherwise specifically provided by statute or by the certificate of incorporation. If a quorum shall not be present at any meeting of the board of directors the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 9. Unless otherwise restricted by the certificate of incorporation or these by-laws, any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof may be taken without a meeting, if a written consent thereto is signed by all members of the board or of such committee as the case may be, and such written consent is filed with the minutes of proceedings of the board or committee.

Section 10. Unless otherwise restricted by the certificate of incorporation or these by-laws, members of the board of directors, or any committee designated by the board of directors, may participate in a meeting of the board of directors, or any committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

COMMITTEES OF DIRECTORS

Section 11. The board of directors may, by resolution passed by a majority of the whole board, designate one or more committees, each committee to consist of one or more of the directors of the corporation; however, no committee shall be empowered by the board to initiate or take any action without prior ratification of such proposed action by the majority of the board of directors then in office.

No such committee or committees of the board of directors shall have the power or authority

(a) to amend the certificate of incorporation (except that a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the board of directors as provided in Section 151(a), fix any of the preferences or rights of such shares relating to dividends, redemption, distribution of assets of the corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the corporation),

(b) to adopt an agreement of merger or consolidation,

(c) to recommend to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property and assets,

(d) to recommend to the stockholders a dissolution of the corporation or a revocation of a dissolution, or

(e) to amend the by-laws of the corporation;

and, unless the resolution or certificate of incorporation expressly so provide, no such committee shall have the power or authority

(f) to declare a dividend or to authorize the issuance of stock or to adopt a certificate of ownership and merger.

Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the board of directors.

The standing committees of the board of directors shall have authority to make recommendations to the board, as follows:

the Audit Committee shall have authority to make recommendations to the board with respect to the appointment of an independent public accounting firm to review the corporation's books and records, to review the corporation's internal and external audit programs, and to receive the audited opinion and "management report" of the independent accounting firm appointed by the corporation, and such other duties and responsibilities as shall be enumerated in its charter and approved by the whole Board from time to time;

the Compensation Committee shall have the authority to review and recommend to the board the compensation of the Chief Executive Officer and to review the compensation of other officers of the corporation;

the Finance Committee shall have the authority to make recommendations to the board with respect to the corporation's capitalization and long-term funding alternatives;

the Nominating and Corporate Ethics Committee shall have the authority, from time to time,

(a) to recommend to the Board

i. nominees for election to the Board and, in the event of vacancies on the Board, nominees for appointment to the Board,

ii. corporate policies regarding, among other things, business conduct and securities trading, including compliance with law and related policies,

iii. corporate policies regarding indemnification of VSE directors and officers, and

iv. corporate policies regarding conflicts of interests involving VSE directors, officers, and employees;

(b) to provide, as the Committee deems advisable or appropriate, review and oversight in respect of the implementation of and compliance with any of the above-mentioned policies adopted by the Board, including the provision of administrative and interpretative advice and directives to VSE's Insider Trading Compliance Officer and to other VSE directors and officers and, in respect of the previously-described corporate policies, sales of VSE securities by VSE's Employee Stock Ownership Plan that may directly or indirectly benefit VSE; and

(c) in connection with the foregoing matters set forth in clauses (a) and (b), to consult with and obtain the advice of VSE's legal, accounting, financial and other advisors;

the Planning Committee shall have the authority to review and to make recommendations to the board with respect to business development and capitalization.

Further, each of the aforesaid standing committees shall have and may exercise a general oversight responsibility respecting the management of the business and affairs of the corporation as related to the specified powers of the committee, as aforesaid, and as related to such other matters as may be referred thereto by

resolution of the board.

Section 12. Each committee shall keep regular minutes of its meetings and report the same to the board of directors when required.

COMPENSATION OF DIRECTORS

Section 13. Unless otherwise restricted by the certificate of incorporation or these by-laws, the board of directors shall have the authority to fix the compensation of directors. The directors may be paid their expenses, if any, of attendance at each meeting of the board of directors and may be paid a fixed sum for attendance at each meeting of the board of directors or a stated salary as director. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

REMOVAL OF DIRECTORS

Section 14. Unless otherwise restricted by the certificate of incorporation or by law, any director or the entire board of directors may be removed, with or without cause, by the holders of a majority of shares entitled to vote at an election of directors.

DIRECTORS EMERITUS

Section 15. Unless otherwise restricted by the corporation's certificate of incorporation or by law, the corporation may have and appoint such directors emeritus as shall seem advisable to the board of directors. To qualify for appointment as a director emeritus, the nominee shall be a retired director of the corporation. The term "director emeritus" is an honorary title entitling the holder thereof to all of the rights and privileges thereunto pertaining. No compensation shall be paid by the corporation to a director emeritus for service as such; however, the board of directors shall have the authority to award honoraria or to reimburse expenses, if any, under specified conditions set forth in a resolution of the board. The holder of the title "director emeritus" shall not act as and shall not be considered a director, officer or otherwise as an employee or agent of the corporation.

ARTICLE IV

NOTICES

Section 1. Whenever, under the provisions of the statutes or of the certificate of incorporation or of these by-laws, notice is required to be given to any director or stockholder, it shall be given in writing, by mail, addressed to such director or stockholder, at his address as it appears on the records of the corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Notice to directors may also be given by telegram or telecopy.

Section 2. Whenever any notice is required to be given under the provisions of the statutes or of the certificate of incorporation or of these by-laws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE V

OFFICERS

Section 1. The offices of the corporation shall be a chairman and chief executive officer, a president and chief operating officer, one or more vice-presidents, a chief financial officer, a secretary, a treasurer, and a comptroller, and such other offices as shall seem advisable to the board. Two or more offices may be held by the same person, unless the certificate of incorporation or these by-laws otherwise provide.

Section 2. The board of directors at its first meeting after each annual meeting of stockholders shall choose a chairman and chief executive officer from among the directors, and shall choose a president and chief operating officer,

one or more vice-presidents, a chief financial officer, a secretary, a treasurer, and a comptroller, none of whom need be a member of the board. The board may also choose such additional vice-presidents and assistant secretaries, treasurers, and comptrollers as shall seem advisable to the board.

Section 3. The board of directors may appoint such other officers and agents as it shall deem necessary who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the board.

Section 4. The salary of the Chairman and Chief Executive Officer shall be reviewed by the Compensation Committee. The Chairman of the Compensation Committee will present the recommendations of the Compensation Committee on the salary of the Chairman and Chief Executive Officer to the board of directors for ratification and approval. The salaries of all officers of the corporation (other than the Chairman and Chief Executive Officer) shall be reviewed by the Compensation Committee and fixed by the Chairman and Chief Executive Officer.

Section 5. The officers of the corporation shall hold office until their successors are chosen and qualify. Any officer elected or appointed by the board of directors may be removed at any time by the affirmative vote of a majority of the board of directors. Any vacancy occurring in any office of the corporation shall be filled by the board of directors.

THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Section 6. The chairman and chief executive officer of the corporation shall be ex officio a member of all standing committees, shall have general and active management of the business of the corporation, shall see that all orders and resolutions of the board of directors are carried into effect, and, unless otherwise provided by the board of directors, shall preside at all meetings of the stockholders and the board of directors.

Section 7. He shall execute bonds, mortgages and other contracts requiring a seal, under the seal of the corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the board of directors to some other officer or agent of the corporation.

Section 8. He shall, as chairman and chief executive officer, be vested with authority to perform, singly or together with other officers of the corporation, all of the duties given or imposed by these by-laws or the board of directors of the other officers or employees of the corporation.

THE PRESIDENT AND CHIEF OPERATING OFFICER

Section 9. The president shall be the chief operating and administrative officer of the corporation and shall have such other powers as may be prescribed by the board of directors or chairman and chief executive officer, under whose supervision he shall be.

Section 10. In the absence or disability of the chairman and chief executive officer, or in the event of his inability or refusal to act, the president and chief operating officer shall perform the duties of the chairman and chief executive officer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the chairman and chief executive officer.

In the absence or disability of the president and chief operating officer, the chairman and chief executive officer shall select and recommend to the board of directors for ratification a candidate to fill the office of president and chief operating officer. Candidates may be selected from the board of directors, officers or employees of the corporation or from sources outside of the corporation. The chairman and chief executive officer will perform the duties of the president and chief operating officer until a candidate is chosen and ratified by the board of directors and has qualified to perform the duties of the office of president and chief operating officer.

THE VICE-PRESIDENTS

Section 11. The vice-president, or if there shall be more than one, the vice presidents in the order determined by the board of directors (such as executive vice president, senior vice president, vice president, and assistant vice president, or in the absence of any determination, then in the order of their election), shall perform such duties and have such powers as prescribed

by the Chairman and Chief Executive Officer under whose supervision they will be.

CHIEF FINANCIAL OFFICER

Section 12. The chief financial officer of the corporation shall have the financial management of the business and shall perform such other duties as may be prescribed by the board of directors or chief executive officer, under whose supervision he shall be.

THE SECRETARY AND ASSISTANT SECRETARIES

Section 13. The secretary shall attend all meetings of the board of directors and all meetings of the stockholders and record all the proceedings of the meetings of the corporation and of the board of directors in a book to be kept for that purpose and shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the board of directors, and shall perform such other duties as may be prescribed by the board of directors or chairman and chief executive officer, under whose supervision he shall be. He shall keep in safe custody the seal of the corporation and he, or an assistant secretary, shall have authority to affix the same to any instrument requiring it and, when so affixed, it may be attested by his signature or by the signature of such assistant secretary. The board of directors may give general authority to any other officer to affix the seal of the corporation and to attest the affixing by his signature.

Section 14. The assistant secretary, or if there be more than one, the assistant secretaries in the order determined by the board of directors (or if there be no such determination, then in the order of their election), shall, in the absence of the secretary or in the event of his inability or refusal to act, perform the duties and exercise the powers of the secretary and shall perform such other duties and have such other powers as the board of directors may from time to time prescribe.

THE TREASURER AND ASSISTANT TREASURERS

Section 15. The treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the board of directors.

Section 16. He shall disburse the funds of the corporation as may be ordered by the board of directors, taking proper vouchers for such disbursements, and shall render to the chairman and chief executive officer and the board of directors, at its regular meetings, or when the board of directors so requires, an account of all his transactions as treasurer and of the financial condition of the corporation.

Section 17. The assistant treasurer, or if there shall be more than one, the assistant treasurers in the order determined by the board of directors (or if there be no such determination, then in the order of their election) shall, in the absence of the treasurer or in the event of his inability or refusal to act, perform the duties and exercise the powers of the treasurer and shall perform such other duties and have such other powers as the board of directors may from time to time prescribe.

THE COMPTROLLER AND ASSISTANT COMPTROLLERS

Section 18. The comptroller of the corporation shall be the chief accounting officer of the corporation and shall perform such other duties as may be prescribed by the board of directors or chief executive officer, under whose supervision he shall be.

Section 19. The assistant comptroller, or if there be more than one, the assistant comptrollers in the order determined by the board of directors (or if there be no such determination, then in the order of their election), shall, in the absence of the comptroller or in the event of his inability or refusal to act, perform the duties and exercise the powers of the comptroller and shall perform such other duties and have such other powers as the board of directors may from time to time prescribe.

ARTICLE VI

CERTIFICATES OF STOCK

Section 1. Every holder of stock in the corporation shall be entitled to have a certificate, signed by, or in the name of the corporation by, the chairman and chief executive officer, the president, or a vice-president, and by the treasurer or an assistant treasurer or the secretary or an assistant secretary of the corporation, bearing the corporate seal or a facsimile thereof certifying the number of shares owned by him in the corporation.

Section 2. Where a certificate is signed (1) by a transfer agent or an assistant transfer agent or (2) by a transfer clerk acting on behalf of the corporation and a registrar, the signature of any such chairman and chief executive officer, president, vice-president, treasurer, assistant treasurer, secretary, or assistant secretary may be facsimile. In case any officer or officers who have signed, or whose facsimile signature or signatures have been used on, any such certificate or certificates shall cease to be such officer or officers of the corporation, whether because of death, resignation or otherwise, before such certificate or certificates have been delivered by the corporation, such certificate or certificates may nevertheless be adopted by the corporation and be issued and delivered as though the person or persons who signed such certificate or certificates or whose facsimile signature or signatures have been used thereon had not ceased to be such officer or officers of the corporation.

LOST CERTIFICATES

Section 3. The Secretary or Treasurer who has charge of the transfer and issuance of stock of the corporation shall issue a new certificate or certificates in place of any certificate or certificates theretofore issued by the corporation allegedly lost, upon the submission by the owner of such lost or destroyed certificate, or his legal representative, to the corporation of a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost or destroyed.

TRANSFERS OF STOCK

Section 4. Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate, and record the transaction upon its books.

FIXING RECORD DATE

Section 5. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or and adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action; except that the record date for the determination of stockholders entitled to notice of and to vote at the annual meeting of stockholders shall be forty-five days prior to the date of said annual meeting of stockholders, or if the forty-fifth day shall not be a business day, then on the first business day next following the forty-fifth day prior to the date of said annual meeting of stockholders. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting.

REGISTERED STOCKHOLDERS

Section 6. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or

other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE VII

GENERAL PROVISIONS

DIVIDENDS

Section 1. Dividends upon the capital stock of the corporation, subject to the provisions of the certificate of incorporation, if any, may be declared by the board of directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the certificate of incorporation.

Section 2. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the directors shall think conducive to the interest of the corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

ANNUAL STATEMENT

Section 3. The board of directors shall present at each annual meeting, and at any special meeting of the stockholders when called for by vote of the stockholders, a full and clear statement of the business and condition of the corporation.

Section 4. Deleted.

FISCAL YEAR

Section 5. The fiscal year of the corporation shall be fixed by resolution of the board of directors.

SEAL

Section 6. The corporate seal shall have inscribed thereon the name of the corporation, the year of its organization and the words "Corporate Seal, Delaware". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

INDEMNIFICATION

Section 7. The corporation shall indemnify its officers, directors, employees and agents to the extent permitted by the General Corporation Law of Delaware.

ARTICLE VIII

AMENDMENTS

Section 1. These by-laws may be altered, amended or repealed or new by-laws may be adopted by the stockholders or by the board of directors, when such power is conferred upon the board of directors by the certificate of incorporation at any regular meeting of the stockholders or of the board of directors or at any special meeting of the stockholders or of the board of directors if notice of such alteration, amendment, repeal or adoption be contained in the notice of such special meeting. If the power to adopt, amend or repeal by-laws is conferred upon the board of directors by the certificate of incorporation it shall not divest or limit the power of the stockholders to adopt, amend or repeal by-laws.