VSE CORP
Form DEF 14A
April 15, 2014
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

Filed by the registrant x

Filed by a party other than the registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement	¨ Confidential, For Use of the Commission Only
x Definitive Proxy Statement	(as permitted by Rule 14a-6(e) (2))
¨ Definitive Additional Materials	
¨ Soliciting Material Pursuant to Section 240.14a-12	

VSE Corporation

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement if Other Than the Registrant)

Payment of filing fee (check the appropriate box):

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(3) Filing Party:

(4) Date Filed:

6348 Walker Lane, Alexandria, Virginia 22310-3226
Notice of 2014 Annual Meeting of
Stockholders and Proxy Statement
Fellow Stockholders:

You are cordially invited to attend the annual meeting of stockholders of VSE Corporation ("VSE" or the "Company") to be held on Tuesday, May 6, 2014, commencing at 10:00 a.m., Eastern Daylight Time, at the VSE Building, 6348 Walker Lane, Alexandria, Virginia 22310-3226 (the "Annual Meeting").

We are furnishing proxy materials to our stockholders by mail and over the Internet. You may read, print and download our 2013 Annual Report to Stockholders, 2014 Proxy Statement and Proxy Card at www.cfpproxy.com/3307. You may vote your VSE common stock by Internet, by telephone, by regular mail, or in person or represented by proxy at the Annual Meeting. Instructions regarding the various methods of voting are contained on the notice and on the Proxy Card.

The proxy materials describe the formal business to be transacted at the Annual Meeting. VSE directors and officers will be present to answer any questions that you and other stockholders may have. Included in the materials is our Annual Report on Form 10-K for the fiscal year ended December 31, 2013 that contains detailed information concerning the Company's activities and operating performance.

The business to be conducted at the Annual Meeting consists of (1) the election of nine directors, (2) the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2014, (3) the approval of amendments to VSE's 2006 Restricted Stock Plan (a) extending its term from May 3, 2016 to May 6, 2021 and (b) increasing by 250,000 shares the VSE common stock authorized for issuance under the plan, (4) the approval of an amendment to VSE's 2004 Non-Employee Directors Stock Plan extending its term from December 31, 2013 to December 31, 2018, (5) a non-binding advisory vote on executive compensation, and (6) a non-binding advisory vote on the frequency of the advisory vote on executive compensation.

VSE's Board of Directors unanimously recommends a vote (1) "FOR" the election of each of the nine director nominees; (2) "FOR" the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2014; (3) "FOR" the approval of the amendments to VSE's 2006 Restricted Stock Plan; (4) "FOR" the approval of the amendment to VSE's 2004 Non-Employee Directors Stock Plan; (5) "FOR" the approval, by non-binding advisory vote, of our executive compensation; and (6) "FOR" a non-binding advisory vote, to hold an advisory vote on executive compensation on an annual basis.

On behalf of VSE's Board of Directors, please vote your VSE common stock now, even if you plan to attend the Annual Meeting. This will not prevent you from voting in person, but it will ensure that your vote is counted. Your vote is important.

Please note the location for the Annual Meeting. The VSE Building is located in Metro Park office park at 6348 Walker Lane, Alexandria, Virginia 22310-3226. Take Franconia-Springfield parkway to Beulah Street. Turn onto Walker Lane and proceed to the end. VSE is across from Inova Healthplex.

I hope you will be able to join us

Sincerely,
VSE CORPORATION

Clifford M. Kendall
Chairman of the Board
April 7, 2014

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VSE CORPORATION
6348 Walker Lane, Alexandria, Virginia 22310-3226

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON MAY 6, 2014

To the Stockholders of VSE Corporation:

Notice is hereby given that the annual meeting of stockholders of VSE Corporation, a Delaware corporation ("VSE" or the "Company"), will be held on Tuesday, May 6, 2014, commencing at 10:00 a.m., Eastern Daylight Time, at VSE's corporate headquarters, 6348 Walker Lane, Alexandria, Virginia 22310-3226, for the following purposes (the "Annual Meeting"):

1. To elect nine directors to serve until the next annual meeting of stockholders or until their successors are duly elected and qualified;
2. To ratify the appointment of Ernst & Young LLP as VSE's independent registered public accounting firm for the year ending December 31, 2014;
3. To approve amendments to the VSE Corporation 2006 Restricted Stock Plan (a) extending its term from May 3, 2016 to May 6, 2021, and (b) increasing by 250,000 shares the VSE common stock authorized for issuance under the plan;
4. To approve an amendment to the VSE Corporation 2004 Non-Employee Directors Stock Plan extending its term from December 31, 2013 to December 31, 2018;
5. To provide a non-binding advisory vote on executive compensation;
6. To provide a non-binding advisory vote on the frequency of the advisory vote on executive compensation; and
7. To transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

Only record holders of VSE common stock as of the close of business on March 24, 2014 will be entitled to notice of, and to vote at, the Annual Meeting, and at any adjournments thereof. The list of stockholders entitled to vote at the Annual Meeting and at any adjournments thereof, will be open to the examination of any stockholder during the 10 days prior to the Annual Meeting at VSE's offices located at 6348 Walker Lane, Alexandria, Virginia 22310-3226, during ordinary business hours.

The VSE Corporation 2013 Form 10-K and Annual Report to Stockholders, which contains the Company's consolidated financial statements and other information of interest to stockholders, accompanies this proxy material.

IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AND VOTED AT THE ANNUAL MEETING. STOCKHOLDERS HAVE A CHOICE OF VOTING BY PROXY CARD, TELEPHONE OR THE INTERNET, AS DESCRIBED ON YOUR PROXY CARD. CHECK YOUR PROXY CARD OR THE INFORMATION FORWARDED BY YOUR BROKER, BANK OR OTHER HOLDER OF RECORD TO SEE THE OPTIONS AVAILABLE TO YOU. ANY STOCKHOLDER PRESENT AT THE ANNUAL MEETING MAY WITHDRAW HIS OR HER PROXY AND VOTE PERSONALLY ON ANY MATTER PROPERLY BROUGHT BEFORE THE ANNUAL MEETING.

By Order of the Board of Directors
Thomas M. Kiernan, Secretary

April 7, 2014

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VSE CORPORATION

PROXY STATEMENT
Annual Meeting of Stockholders
to be held on May 6, 2014

ABOUT THE 2014 ANNUAL MEETING AND VOTING AT THE MEETING
This Proxy Statement is being furnished to the stockholders of VSE Corporation, a Delaware corporation ("VSE" or the "Company"), in connection with the solicitation of proxies by VSE's Board of Directors (the "Board") for use at the annual meeting of VSE's stockholders to be held on Tuesday, May 6, 2014, commencing at 10:00 a.m., Eastern Daylight Time, at the VSE Building, 6348 Walker Lane, Alexandria, Virginia 22310-3226, and at any adjournments thereof for the purposes specified in the accompanying notice of meeting (the "Annual Meeting").

The mailing address of VSE's principal executive office is 6348 Walker Lane, Alexandria, Virginia 22310-3226. VSE's telephone number is (703) 960-4600. Your Annual Meeting materials, including the Notice of Annual Meeting, Proxy Statement, and proxy card from our Board are enclosed. The Notice of Annual Meeting, this Proxy Statement and the accompanying proxy card are first being sent or given to stockholders entitled to notice of, and to vote at, the Annual Meeting on or about April 7, 2014. If you received your Annual Meeting materials via e-mail, the e-mail contained voting instructions and links to the Annual Report and the Proxy Statement on the Internet, which are both available at www.cfpproxy.com/3307.

The close of business on March 24, 2014 is the record date for the determination of stockholders entitled to notice of, and to vote at, the Annual Meeting. Holders of a majority of VSE's outstanding common stock, par value $.05 per share ("Stock" or "VSE Stock"), as of March 24, 2014, must be present at the Annual Meeting, either in person or represented by properly executed proxy, to constitute a quorum for the transaction of business at the Annual Meeting. Abstentions and broker non-votes will be counted solely for the purpose of determining whether a quorum is present. A proxy submitted by a broker that is not voted is sometimes referred herein to as a broker non-vote.

As of the close of business on March 24, 2014, there were 5,355,698 shares of Stock outstanding and approximately 257 stockholders of record. Each stockholder is entitled to one vote for each share of Stock held of record as of the close of business on March 24, 2014, on all matters that may be submitted to the stockholders at the Annual Meeting. All Stock represented by valid proxies will be voted at the Annual Meeting in accordance with the directions on the proxies. If you are a stockholder whose Stock is not registered in your own name, you will need appropriate documentation from the stockholder of record to vote in person at the Annual Meeting. If you want to vote your Stock that is held in street name in person at the Annual Meeting, you will need a written proxy card in your name from the broker, bank or other nominee who holds your Stock.

Matters for stockholder to consider:

As discussed in more detail in this document, the purpose of the Annual Meeting is (1) to vote for the election of nine directors to the Board; (2) to ratify the appointment of Ernst & Young LLP as VSE's independent registered public accounting firm for the year ending December 31, 2014; (3) to approve amendments to VSE's 2006 Restricted Stock Plan (a) extending its term from May 3, 2016 to May 6, 2021 and (b) increasing by 250,000 shares the VSE Stock authorized for issuance under the plan; (4) to approve an amendment to VSE's 2004 Non-Employee Directors Stock Plan extending its term from December 31, 2013 to December 31, 2018; (5) to provide a non-binding advisory vote on executive compensation; (6) to provide a non-binding advisory vote on the frequency of the advisory vote on executive compensation; and (7) to transact any other business that may properly come before the Annual Meeting.

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

Recommendations of the Board

The Board recommends a vote:

1. "FOR" the election of each of the nine director nominees named in this Proxy Statement;

2. "FOR" the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2014;

3. "FOR" the approval of the amendments to the VSE Corporation 2006 Restricted Stock Plan (a) extending its term from May 3, 2016 to May 6, 2021 and (b) increasing by 250,000 shares of VSE Stock authorized for issuance under the plan;

4. "FOR" the approval of an amendment to the VSE Corporation 2004 Non-Employee Directors Stock Plan extending its term from December 31, 2013 to December 31, 2018;

5. "FOR" the approval by a non-binding advisory vote of our executive compensation; and

6. "FOR" a recommendation, by a non-binding advisory vote, to hold an advisory vote on executive compensation on an annual basis.

Vote Required

Directors are elected by a plurality of votes cast, without regard to either broker non-votes or proxies as to which authority to vote for the nominees being proposed is withheld.

The ratification of the appointment of Ernst & Young LLP as independent registered public accounting firm will be determined by a majority of the votes cast, without regard to broker non-votes or abstentions.

The approval of the amendments to the VSE Corporation 2006 Restricted Stock Plan requires the affirmative vote of a majority of the Stock present, in person or by proxy, at the Annual Meeting and entitled to vote. Abstentions have the same effect as a vote against the proposal. Broker non-votes will have no effect on the outcome of the proposal.

The approval of the amendment to the VSE Corporation 2004 Non-Employee Directors Stock Plan requires the affirmative vote of a majority of the Stock present, in person or by proxy, at the Annual Meeting and entitled to vote. Abstentions have the same effect as a vote against the proposal. Broker non-votes will have no effect on the outcome of the proposal.

The approval of the advisory resolution on the Company's executive compensation requires the affirmative vote of a majority of the Stock present, in person or by proxy, at the Annual Meeting and entitled to vote. Abstentions have the same effect as a vote against the advisory resolution. Broker non-votes will have no effect on the outcome of the advisory vote. The results of this vote are not binding on the Board.

The advisory vote on the frequency of advisory votes on the Company's executive compensation will be determined based on a plurality of the votes cast. This means that the option that receives the most votes will be recommended by the stockholders to the Board. Abstentions and broker non-votes are not counted for the advisory vote on frequency of advisory votes on the Company's executive compensation and, therefore, will have no effect on the outcome of the proposal. The results of this vote are not binding on the Board.

How to Vote

We make our proxy materials available to stockholders by mail and on the Internet. You may read, print and download our 2013 Annual Report to Stockholders, 2014 Proxy Statement and proxy card at www.cfpproxy.com/3307. On an ongoing basis, stockholders may request to receive proxy materials in printed form by mail or electronically by e-mail. You may vote your Stock by Internet, by telephone, by regular mail or in person at the Annual Meeting. Each of these voting options is described in the notice and the proxy card.

You should complete and return your proxy card, or vote using the Internet or telephone voting options, to ensure that your vote is counted at the Annual Meeting, regardless of whether you plan to attend. If you return an executed Proxy Card without marking your instructions, your executed Proxy Card will be voted in accordance with the recommendations of the Board. In connection therewith, the Board has designated the Chairman of the Board Clifford M. Kendall and VSE's Corporate Secretary Thomas M. Kiernan as proxies. If you indicate a choice with respect to any matter to be acted upon on your proxy card or voting instruction card, your Stock will be voted in accordance with your instructions.

If you are a beneficial owner and hold Stock in street name through a broker or other nominee and do not return the voting instruction card, the broker or other nominee will vote your Stock on each matter at the Annual Meeting for which he or she has the requisite discretionary authority. Under applicable rules, brokers have the discretion to vote on routine matters, such as the ratification of the selection of independent registered public accounting firms, and do not have the discretion to vote on non-routine matters. Because the uncontested election of directors, the amendments to the 2006 Restricted Stock Plan, the amendment to the 2004 Non-Employee Directors Stock Plan and any advisory vote regarding the Company's executive compensation are considered non-routine matters, brokers will not have the discretion to vote on such matters at the Annual Meeting.

Revocation of Proxies

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

Proposal No. 1

Election of Directors

Nominees

At the Annual Meeting, stockholders will elect, by a plurality of the votes cast, in person or by proxy, nine VSE directors who will constitute the entire Board. Each nominee listed below is currently serving as a VSE director and was elected by the stockholders at their previous year's meeting, with the exception of John E. "Jack" Potter, who was appointed as a director by the Board on December 6, 2013 with an effective date of January 1, 2014. Each nominee elected as a director will serve until the next annual meeting of stockholders and until his or her successor is elected and qualified. If any nominee should become unable to serve for any reason, the proxies will be voted for such substitute nominee as shall be designated by the Board. With the exception of Mr. Potter, who was not a Board member in 2013, all of the Board members were overwhelmingly approved for election by the stockholders at their annual meeting held on May 7, 2013. The nine nominees for election as VSE directors and certain information regarding them are as follows:

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Name and Principal Occupation	Age	Director since
Ralph E. Eberhart General, U.S. Air Force (Ret.), formerly Commander-in-Chief, North American Aerospace Defense Command (NORAD) and U.S. Northern Command. General Eberhart retired from the Air Force in 2005 after 36 years of service. He was then appointed and continues to serve as President of the Armed Forces Benefit Association (AFBA) and as Chairman of its related enterprises. He is also a director of the following publicly traded companies: Rockwell Collins, Inc., since 2007, Triumph Group, Inc., since 2010 and Jacobs Engineering Group Inc., since 2012.	67	2007
Maurice A. Gauthier VSE Chief Executive Officer, President and Chief Operating Officer since April 2008. VP General Manager, Computer Science Corporation (1999-2008). Mr. Gauthier retired in 1997 as a Navy Captain after a 28-year military career. Mr. Gauthier worked for VSE from October 1997 through February 1999 as Vice President and Director of Strategic Planning and Business Development, before joining the Nichols Research Corporation as President of its Navy Group. With the acquisition of Nichols Research Corporation by Computer Sciences Corporation (CSC) in 1999, Mr. Gauthier served as a CSC Vice President and General Manager until rejoining VSE in 2008.	66	2009
Clifford M. Kendall VSE Chairman of the Board Mr. Kendall was previously Chairman of the Board of Regents of the University System of Maryland until June 30, 2011. Mr. Kendall was one of the founders of Computer Data Systems, Inc., in 1968, and he served as its Chairman and Chief Executive Officer from 1970 to 1991 and as Chairman until December 1997. Mr. Kendall has been a private investor (for more than the past five years).	82	2001
Calvin S. Koonce President and director of Montgomery Investment Management (a securities investment firm), and is Chairman and a director of Koonce Securities, Inc., a securities broker/dealer firm (for more than the past five years).	76	1992
James F. Lafond Retired certified public accountant and executive. From 1998 to 2002 Mr. Lafond was the Washington Area Managing Partner, Pricewaterhouse-Coopers LLP. From 1964 to 1998 he served in various leadership positions at Coopers & Lybrand. He is also a director of WGL Holdings, Inc., Washington Gas Light Co., and various nonprofit entities.	71	2003
David M. Osnos Of counsel (previously senior partner) at Arent Fox LLP, attorneys-at-law (for more than the past five years). He is also a director of EastGroup Properties, Inc. Mr. Osnos was also a director of Washington Real Estate Investment Trust until May 2007.	82	1968
John E. "Jack" Potter President and Chief Executive Officer of the Metropolitan Washington Airports Authority (MWAA) since July 2011. He served as the United States Postmaster General and Chief Executive Officer of the United States Postal Service (USPS) from 2001 to 2010.	58	2014

Lt. Gen Jack Stultz, USA Ret. Consultant to the Defense Industry and former Chief Army Reserve/ Commanding General, US Army Reserve Command from 2002 to 2012, retiring September 15, 2012. He was an operations manager for The Procter & Gamble Company from 1979 to 2007. General Stultz entered active duty in 1974 after receiving his officer's commission from the Army Reserve Officer Training Corps (ROTC) at Davidson College.	61	2012
Bonnie K. Wachtel Principal and Director, Wachtel & Co., Inc., brokers and underwriters (for more than the past five years). She is also a director of The ExOne Company and Information Analysis Incorporated. She served as a director of Integral Systems Inc. from January 2010 until it was acquired in August 2011.	58	1991

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Board, Committees and Corporate Governance

The Board had eight members during 2013. On December 6, 2013 the Board appointed Jack Potter to the Board, effective January 1, 2014, and as a result, the Board currently has nine members. Except for Mr. Gauthier who serves as our Chief Executive Officer and President, all of our nominees for directors are "independent" as defined by the applicable rules of The NASDAQ Stock Market, Inc. ("NASDAQ"). Because our Chairman of the Board has no affiliation with the Company other than serving as Chairman of the Board, we do not have a senior non-executive director. Our eight independent directors regularly have the opportunity to meet without any management members present. During 2013, there were five regular Board meetings, and each director attended at least 75% of the total number of Board meetings (in person or by telephone) and at least 75% of the meetings of Board committees on which he or she served (during the period that he or she served). We do not have a specific policy regarding attendance at the annual stockholders meeting. All directors, however, are encouraged to attend if available, and we try to ensure that at least one independent director attends the annual stockholder meeting and is available to answer stockholder questions. All eight directors, including our then seven independent directors, attended our annual stockholders meeting in 2013.

The Board has an Audit Committee, a Nominating and Corporate Governance Committee, and a Compensation Committee. The current charters for each of the Board committees are available on our Internet website, www.vsecorp.com. The Board committee members, as of the date of this Proxy Statement, are identified in the following table.

Board Committees and Membership

Director	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
Ralph E. Eberhart		Chair	X
Maurice A. Gauthier			
Clifford M. Kendall	X	X	X
Calvin S. Koonce		X	Chair
James F. Lafond	Chair		X
David M. Osnos			
Jack E. Potter			X
Jack C. Stultz	X		X
Bonnie K. Wachtel	X		X

Changes in Committee Membership from 2013-2014 Term

Effective January 1, 2014, Jack Potter became a Board member and a member of the Board's Nominating and Corporate Governance Committee.

Audit Committee

The primary purpose of the Audit Committee is to oversee our accounting and financial reporting processes and the audits of our financial statements. The Audit Committee is directly responsible for, among other things, the appointment, compensation, retention and oversight of our independent registered public accounting firm. The Audit Committee also reviews our guidelines and policies with respect to risk assessment and risk management, specifically our risk exposures in the areas of independent audit, financial reporting, internal controls and disclosure controls, and internal audit, and evaluating the action management has taken to identify, monitor and control such exposures.

All of the Audit Committee members during the past fiscal year were independent in accordance with applicable rules of the Securities and Exchange Commission (the "SEC") and NASDAQ. Each committee member is able to read and understand fundamental financial statements, including our consolidated balance sheet and consolidated statements of income, stockholders' equity and cash flow. The Board has determined that Mr. Lafond is an "audit committee financial expert" as defined in SEC Regulation S-K Item 407(d) (5). The Audit Committee met eight times during 2013.

Compensation Committee

The primary purpose of the Compensation Committee is to oversee VSE's compensation structure, to review and provide guidance to the Board regarding the compensation of VSE's officers and directors, including the compensation of VSE's chief executive officer and other executive officers, to review and provide guidance regarding employment agreements, to administer certain compensation plans, including restricted stock and deferred compensation plans, and to perform such other duties and responsibilities as are consistent with the committee's charter. The Compensation Committee reviews our guidelines and policies with respect to risk assessment and risk management, specifically our risk exposures related to compensation of directors, executives and management and the administration of our performance incentive and employee benefit plans, and evaluates the actions management has taken to identify, monitor and control such exposures. Each of the committee members is independent in accordance with applicable NASDAQ rules. The Compensation Committee met four times during 2013.

Matters recommended by the Compensation Committee, and any delegation of its authority, are subject to Board approval. If such approval is not received, the Compensation Committee will reconsider the recommendation or proposed delegation. The Compensation Committee has the authority to retain outside counsel or other experts or consultants as needed. Additional information on the role and responsibilities of the Compensation Committee is provided in the Compensation Discussion and Analysis section below.

Nominating and Corporate Governance Committee

The primary purpose of the Nominating and Corporate Governance Committee is to make recommendations to the Board with respect to nominees to be proposed for election as directors and with corporate policies regarding, among other things, business conduct, securities trading, indemnification of VSE officers and directors, and conflicts of interest involving VSE officers, directors and employees. The committee also reviews our guidelines and policies with respect to risk assessment and risk management, specifically our risk exposures in the areas of corporate governance, compliance and ethics, as well as succession planning for the directors and senior management, and the actions management has taken to identify, monitor and control such exposures.

Each of the committee members is independent in accordance with applicable NASDAQ rules. The Nominating and Corporate Governance Committee met two times during 2013.

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Committee Structure and Risk

The Board has overall responsibility for oversight of our risk management plans, policies and practices. Each Board committee has been assigned oversight of certain risks associated with its respective activities as discussed in this document, and each committee's charter has been revised to reflect these risk oversight responsibilities. The Board has approved a risk management policy that delineates the risk oversight responsibilities of management, the Board and its committees.

Director Nominations and Qualifications

Stockholders may recommend persons to be nominated for election as directors of VSE at the annual meeting of stockholders. To be considered, such recommendation must be submitted in accordance with VSE's by-laws and must be received in writing by VSE's Corporate Secretary no later than 90 days before the date in the current year that corresponds to the date on which the annual meeting was held during the immediate prior year. (Nominations for the year 2015-2016 should be received by the Corporate Secretary no later than February 6, 2015.) Such recommendation shall be accompanied by the proposing stockholder's name, evidence that such stockholder is a beneficial owner of VSE Stock, and the candidate's name, biographical data and qualifications.

The policy of the Nominating and Corporate Governance Committee is to consider properly submitted stockholder nominations for candidates for Board membership as described below. In evaluating such nominations, the Nominating and Corporate Governance Committee seeks to achieve a balance of knowledge, experience and capability on the Board and to address the directorship criteria discussed below. On December 6, 2013, the Board appointed Jack E. Potter effective as of January 1, 2014, as a director and a member of the Nominating and Corporate Governance Committee.

Under these criteria for Board nominations, Board members should have the highest professional and personal ethics and values, consistent with longstanding VSE values and standards. As a group, the Board should have diverse and broad experience at the policy-making level in business, government, education, technology or public interest. Board members should be committed to enhancing stockholder value and have sufficient time to satisfy their duties and provide insight and practical wisdom based on experience. A Board member's service as a member of other boards of directors of publicly traded companies should be limited so that the director is able, given his or her individual circumstances, to perform responsibly all duties as a Board member. Each director must represent the interests of all stockholders. While we do not have a formal policy regarding diversity of Board nominees or a formal definition of "diversity," the Nominating and Corporate Governance Committee has recently discussed diversity considerations of potential Board nominees within the context of Board succession planning. Factors discussed as relevant to the selection of Board nominees may include nature and length of business experience, including experience in business areas related to our potential growth areas, race, gender, age and factors that promote alignment of the Board with the interests of stockholders. The Nominating and Corporate Governance Committee recently discussed potential retirement timeframes, transition planning with regard to succession, and optimal Board size.

The Nominating and Corporate Governance Committee utilizes a variety of methods for identifying and evaluating nominees for director. Such committee periodically assesses the appropriate size of the Board, and whether any Board vacancies are expected due to retirement or otherwise. If vacancies are anticipated or otherwise arise, the Nominating and Corporate Governance Committee will consider various potential candidates for director. Candidates may come to the attention of the Nominating and Corporate Governance Committee through Board members, professional search firms, stockholders or other persons. These candidates are evaluated at regular or special meetings of the Nominating and Corporate Governance Committee and may be considered at any point during the year. As described above, the Nominating and Corporate Governance Committee will consider properly submitted stockholder nominations for candidates for Board membership. Following verification of the stockholder status of persons proposing candidates, recommendations will be aggregated and considered by the Nominating and Corporate Governance Committee at a regularly scheduled meeting. If any materials are provided by a stockholder in connection with the nomination of a director candidate, such materials will be forwarded to the Nominating and Corporate Governance Committee. Such committee also will review materials provided by professional search firms or other parties in connection with a nominee who is not proposed by a stockholder. The committee has not in the past retained any third party to assist in identifying nominees for Board membership.

The traits identified with respect to the current director nominees as qualifications to serve on the Board include:

Ralph E. Eberhart	• Experience as Chairman and President of the Armed Forces Benefit Association provides insight into challenges associated with managing complex organizations and holding management accountable for company performance. • Expertise in the defense industry due to 36 years of experience in the U.S. Air Force and senior positions in the U.S. military, including assignment as Commander-in-Chief North American Aerospace Defense Command and U.S. Northern Command.
Maurice A. Gauthier	• Chief Executive Officer and President of VSE; experience as Vice President and General Manager of Computer Sciences Corporation provides insight into challenges associated with managing complex organizations and with holding management accountable for performance. • Familiarity with core customer due to 28 years as an officer in the United States Navy.
Clifford M. Kendall	• Expertise in public company accounting, disclosure and financial system management due to roles as Chairman and Chief Executive Officer of Computer Data Systems from 1970 to 1991 and Chairman until 1997. • Experience as a private investor provides insight into the enhancement of stockholder value.
Calvin S. Koonce	• Experience as President of Koonce Securities, Inc., a registered securities broker-dealer provides insight into the enhancement of stockholder value. • Familiarity with the core strategy and operations of VSE due to over 21 years as a Board member.
James F. Lafond	• Experienced in business management, public company accounting, financial disclosure and financial systems oversight gained from his experience as Area Managing Partner for Greater Washington at PricewaterhouseCoopers LLP (PwC). • Expertise in risk management processes given his experience as Area Managing Partner for PwC and serving as an engagement partner for entities involved in many businesses, including manufacturing companies and financial institutions.
David M. Osnos	• Familiarity with the strategy and operations of VSE due to 46 years as a Board member. • More than 50 years of legal practice in securities, real estate and tax and provides corporate legal knowledge and expertise in the negotiation, documentation and closing of corporate transactions.
John E. 'Jack' Potter	• Demonstrated leadership capabilities in guiding large complex organizations through challenging business environments. • Possesses vast knowledge of supply chain dynamics in areas of interest to VSE.
Jack C.Stultz	• Experience as the Commanding General for the U.S. Army Reserve command provides insight into the needs and requirement of our customers, as well as the trends that will shape and influence our customers into the future. • More than 38 years of experience in the U.S. Army provides keen insight on the past, present and future of the U.S. Defense Industry. • More than 29 years of private industry experience provides a balanced background of significant government and industry leadership positions.
Bonnie K. Wachtel	• Experience as Supervisory Control Principal and Director of Wachtel & Co., Inc. provides management experience in financial systems, people and processes.

Service on the Listing Qualifications Panel of NASDAQ and holding of Chartered Financial Analyst certification provides expertise in the functioning of capital markets and insight into the enhancement of stockholder value.

Leadership Structure of the Board

The positions of Chairman of the Board and VSE's chief executive officer ("CEO") are separated at VSE. The Board believes that this structure best serves the Company's needs at this time. The Board believes that its existing structure effectively maintains independent oversight of management. The Board periodically reviews and considers whether the positions of Chairman and CEO should be combined as part of its regular review of the effectiveness of our governance structure.

Communications with the Board

Individuals may communicate with the Board by submitting an email to the Board at board@vsecorp.com. All directors have access to this email address. Communications that are intended specifically for non-employee directors should be sent to the email address above to the attention of the Corporate Secretary. Communications to the Board by mail can be addressed to The Board of Directors or a particular Board member c/o VSE Corporation, 6348 Walker Lane, Alexandria, Virginia 22310-3226.

Code of Business Conduct and Ethics

The Board has adopted a Code of Business Conduct and Ethics that applies to all of its directors, officers, including its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, and employees. The Code is posted on VSE's internet website at www.vsecorp.com. VSE intends to satisfy the disclosure requirements under Item 5.05 of Form 8-K under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), regarding any waiver or amendment of the Code with respect to VSE's principal executive officer, principal financial officer, and principal accounting officer or controller, or persons performing similar functions, by posting such required information on VSE's Internet website.

Corporate Governance Guidelines

The Board has adopted Corporate Governance Guidelines, which together with the Company's certificate of incorporation, by-laws, committee charters and other key governance practices and policies, provide the framework for the Corporation's corporate governance. VSE's by-laws and charters for the Nominating and Corporate Governance Committee and the Compensation Committee were amended and adopted by the Board on July 31, 2013. The Audit Committee charter was amended and adopted by the Board on October 31, 2013.

The guidelines, by-laws and committee charters are posted on VSE's website at www.vsecorp.com. The Board recognizes that ensuring that the Corporation observes good corporate governance practices is an ongoing endeavor. As a result, the guidelines are subject to annual review by the Board to determine whether they continue to promote the best interests of the Company and its stockholders and comply with all applicable laws, regulations and NASDAQ requirements.

Compensation of Non-Employee Directors for 2013

In 2013, the Company paid each non-employee director a cash retainer of $40,000 as a director's fee for the year. In addition, each non-employee director was paid $1,000 for each Board meeting attended, and each Board committee member was paid $1,000 for each committee meeting attended. Each non-employee director also received in respect of 2013 an annual award under our 2006 Restricted Stock Plan of such number of shares of VSE Stock equal to $60,000 divided by the per share closing price of VSE Stock on the first trading day of 2014, rounded to the nearest 100 shares. On January 8, 2014, each non-employee director was granted 1,300 shares of restricted Stock pursuant to the above-referenced annual award under our 2006 Restricted Stock Plan. On January 2, 2014, the closing price of our Stock was $46.75 per share.

The Chairmen of the Audit Committee, Compensation Committee and the Nominating and Corporate Governance Committee were each paid an additional annual fee of $12,000, $10,000 and $5,000, respectively.

The Chairman of the Board was also paid $60,000 for serving as Chairman of the Board during 2013.

Pursuant to our 2004 Non-Employee Directors Stock Plan approved by stockholders in 2004, each non-employee director could elect that all or a portion of his or her annual cash compensation for services as a VSE director be paid in Stock at fair market value determined in accordance with the plan. No such elections were made in 2013. While the 2004 Non-Employee Stock Plan expired on December 31, 2013, stockholders will be asked at the Annual Meeting to approve extending its term to December 31, 2018, as discussed below under "Proposal No. 4 – Approval of an Amendment Extending VSE's 2004 Non-Employee Directors Plan."

Stock issued to non-employee directors pursuant to our 2006 Restricted Stock Plan is fully vested when issued, but the certificates for such Stock bear a restrictive legend prohibiting the sale, transfer, pledge and assignment of such Stock for two years commencing on the issue date. When all restrictions on a certificate bearing a restrictive legend have lapsed, VSE issues a non-restrictive certificate to the directors (subject to any applicable securities law restrictions). Directors appointed during the year will be eligible for a pro rata annual award.

No compensation is paid to any non-employee director for personal services rendered to VSE pursuant to a consulting or similar agreement between the director and VSE, or any of VSE's subsidiaries, unless authorized as a special assignment by the Board. No such authorization was requested for or on behalf of any director in 2013. The foregoing procedures do not restrict reimbursement for expenses incurred by a director for attending meetings of the Board or Board committees.

The following table provides information related to the compensation of each of the Company's non-employee directors for fiscal year 2013.

Director Compensation for Fiscal Year 2013 Table

Name (a)	Fees earned or paid in cash ($) (1) (2) (b)	Stock awards ($) (3) (c)	Option awards ($) (d)	Non-equity incentive plan compensation ($) (e)	Change in pension value and non-qualified deferred compensation earnings ($) (f)	All other compensation ($) (g)	Total ($) (h)
Ralph E. Eberhart	61,000	59,064	--	--	--	--	120,064
Clifford M. Kendall	119,000	59,064	--	--	--	--	178,064
Calvin. S. Koonce	56,000	59,064	--	--	--	--	115,064
James F. Lafond	67,000	59,064	--	--	--	--	126,064
David M. Osnos	44,000	59,064	--	--	--	--	103,064
Jack C. Stultz	54,000	59,064	--	--	--	--	113,064
Bonnie K. Wachtel	55,000	59,064	--	--	--	--	114,064

Notes to Director Compensation Table

1. The amount reported in column (b) combines amounts paid as director fees and meeting fees, as described above.

2. Mr. Kendall's fees include a Chairman fee of $60,000.

3. Pursuant to the 2006 Restricted Stock Plan, each non-employee director was granted an award of 1,300 shares of Restricted Stock on January 8, 2014. The dollar amount recognized for financial statement reporting purposes in accordance with FAS 123R is based on the closing price of our Stock on January 2, 2014 ($46.75 per share).

Narrative to Director Compensation Table

Please see the section above entitled "Compensation of Non-Employee Directors for 2013."

Compensation Committee Interlocks and Insider Participation

During 2013, the Compensation Committee members were Mr. Kendall, Mr. Koonce, and General Eberhart. No committee member was at any time during 2013 or at any other time an officer or employee of VSE. No executive officer of VSE serves or has served as a member of the compensation committee of another entity that has an executive officer who serves on VSE's Compensation Committee. No executive officer of VSE served on the board of directors or compensation committee of any entity that has one or more executive officers serving as members of the Board or Compensation Committee.

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

Certain Relationships and Related Transactions

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

Please refer to "Compensation Discussion and Analysis—Narrative to Summary Compensation Table" for information on VSE's employment agreement with Mr. Gauthier and to the section above entitled "Compensation Committee Interlocks and Insider Participation" for additional information about directors and nominees for director.

Pursuant to the Company's policies, including Code of Business Conduct and Ethics for VSE's directors, officers and employees, each of the above-referenced related transactions was subject to the prior consideration and approval of the Board, including a majority vote of the disinterested directors.
Mr. Osnos is of counsel at the law firm of Arent Fox LLP, which has represented and is expected to continue to represent VSE on various legal matters.

The Board unanimously recommends that stockholders vote "for" the election of each of the nine persons nominated to serve as a director of VSE for the ensuing year.

Proposal No. 2

APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Based on the recommendation of its Audit Committee, the Board has appointed the firm of Ernst & Young LLP to be VSE's independent registered public accounting firm for the year ending December 31, 2014, and recommends to stockholders that they vote for ratification of that appointment. Although not required to do so, the Board has determined that it would be desirable to request stockholders' approval of this appointment. The ratification of the appointment of VSE's independent auditors will require the affirmative vote by the holders of a majority of the outstanding Stock present in person or represented by proxy at the Annual Meeting. If such approval is not received, the Board will reconsider the appointment.

In 2013 and 2012, Ernst & Young LLP services included an audit of VSE's consolidated financial statements and reviews of the consolidated financial statements included in VSE's Forms 10-Q filed with the SEC for each of the quarters ended March 31, June 30, and September 30. Ernst & Young LLP services also included an audit of the effectiveness of our internal controls over financial reporting as of December 31, 2013 and December 31, 2012.

Audit Fees

Ernst & Young LLP's fees for professional services rendered for the years ended December 31, 2013 and December 31, 2012, were as follows:

	2013	2012
Audit fees (1)	$1,133,325	$1,103,324
Tax fees (2)	$156,804	$165,768
Other (3)	$1,945	$1,995

Notes to Audit Fees Table

1. Includes fees and expenses related to the annual audits and to interim reviews, notwithstanding when the fees and expenses were billed.

2. Includes fees and expenses for tax compliance and advisory services, including fees associated with foreign tax issues, employment tax issues and other tax related services.

3. Represents fees related to management's use of the E&Y Online accounting research tool.

The Audit Committee approves in advance all audit and non-audit services provided by the independent auditors prior to their engagement with respect to such services. The Audit Committee has delegated to its chairman the authority to pre-approve additional audit-related and non-audit services not prohibited by law to be performed by VSE's independent auditors and associated fees up to a maximum for any one non-audit service equal to the lesser of $30,000 or 25% of the audit fees for VSE's most recent completed fiscal year, provided that the committee's chairman shall report any decisions to pre-approve such audit-related or non-audit services and fees to the full Audit Committee at its next regular meeting. The Audit Committee approved in advance all of the audit and non-audit services provided by the independent auditors in 2013 and 2012.

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

The Board unanimously recommends that stockholders vote "for" the proposal to ratify the appointment of Ernst & Young LLP to serve as VSE's independent registered public accounting firm for the year ending December 31, 2014.

AUDIT COMMITTEE REPORT

The Audit Committee consists of four non-employee directors (Mr. Lafond, Mr. Kendall, Mr. Stultz and Ms. Wachtel), each of whom is considered an "independent" director for the purposes of the applicable rules the SEC and NASDAQ. The Audit Committee's responsibilities are set forth in its charter, a copy of which is available on VSE's Internet website, www.vsecorp.com. The Board and the Audit Committee believe that the Audit Committee members are and were at the time of the actions described in this report "independent" directors as independence is defined by NASDAQ Rule 4200(a) (15).

The Audit Committee has implemented the requirements of the Sarbanes-Oxley Act of 2002 and the Marketplace Rules of The NASDAQ Stock Market, Inc. with respect to the responsibilities of audit committees of public companies. Among other matters, the Audit Committee reviews procedures on internal control over financial reporting with management and with the Company's independent registered public accounting firm, and it discussed with the independent registered public accounting firm the adequacy of the Company's internal controls and the overall scope and specific plans for their audit.

The Audit Committee has reviewed and discussed with management VSE's audited consolidated financial statements as of and for the year ended December 31, 2013, and has discussed with VSE's independent registered accounting firm the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU Section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

The Audit Committee has received and reviewed the written disclosures and the letter from the independent registered accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditor's communications with the audit committee concerning independence, and has discussed with the auditors the auditors' independence and considered whether the provision of non-audit services by the auditors is compatible with maintaining their independence.

Based on the foregoing reviews and discussions, the Audit Committee recommended to the Board that the above referenced consolidated financial statements be included in VSE's Annual Report on Form 10-K for the year ended December 31, 2013, for filing with the SEC.

Audit Committee:	James F. Lafond, Chairman
	Clifford M. Kendall
	Jack C. Stultz
	Bonnie K. Wachtel

COMPENSATION DISCUSSION AND ANALYSIS

OVERVIEW

Introduction

Founded in 1959, VSE Corporation ("VSE" or the "Company") provides government services with integrity, agility and value. The Company has historically generated strong stockholder returns over the long-term and is committed to continued long-term value creation for stockholders. The government services market is highly competitive and the Company's diversification has placed it in a more competitive market tier. The Company's continued ability to create long-term stockholder value is dependent on our ability to attract and retain highly qualified executives in the government services market, including the named executive officers in this Proxy Statement. As discussed in the following Compensation Discussion and Analysis, VSE's compensation program has been designed to align its management closely with the Company's commitment to long-term success.

Compensation Committee Philosophy

The principal objectives of our Board's Compensation Committee (the "Committee") are to (a) develop an executive compensation program that will attract and retain executive officers capable of leading and growing the Company in a complex, competitive and changing industry; (b) promote from within when warranted, (c) maintain a compensation structure that is competitive and performance based, and (d) link total compensation to corporate goals and performance.

Compensation Program Components

The four key elements of our executive compensation program are:

1. Base salary to compensate executives for services performed during the fiscal year.
2. Annual performance-based monetary incentive to promote achievement of the Company's profitability and return on stockholders' equity targets as calculated by dividing the Company's net income for the year by its total stockholders' equity at the beginning of the year ("ROE").
3. Long-term incentives, including deferred supplemental compensation and awards of restricted stock to reward executives for their contributions to the Company's profitability and ROE.
4. A 401(k) employee contribution matching program to maintain market competitiveness.

Basis for Compensation Decisions

For our executives as a group, we generally target total compensation, including long-term incentives, on numerous factors, including level of responsibility, individual performance, Company performance, market competitive data, and prior experience.

Leadership Structure

During 2013, the Company was managed by Maurice A. Gauthier, in his capacities as chief executive officer ("CEO"), president and chief operating officer. Officers reporting directly to Mr. Gauthier during 2013 included Thomas R. Loftus, as the Company's chief financial officer, Thomas M. Kiernan as the Company's general counsel and corporate secretary, John T. Harris as president and chief operating officer of our subsidiary Akimeka, LLC, and Harry J. Flammang as president of the International Group. The following compensation discussion and analysis outlines the processes, elements and decisions regarding 2013 compensation for VSE's following "named executive officers" - Messrs. Gauthier, Loftus, Kiernan, Harris, and Flammang (the "NEOs").

OVERSIGHT AND AUTHORITY OVER EXECUTIVE COMPENSATION

Compensation Committee Composition and Duties

The Committee is composed of three independent directors as defined by the NASDAQ listing standards and described in the "Board, Committees and Corporate Governance" section above in this Proxy Statement.

The Committee is responsible for reviewing and recommending for Board approval the compensation of our CEO (principal executive officer), chief financial officer (principal financial officer), and other executive officers, including all of the NEOs. The Committee is governed by a written charter adopted by the Board. The full text of the charter is available on VSE's corporate website at www.vsecorp.com in the "Investor Information" section under Corporate Governance.

The following is a summary of the Committee's key responsibilities relating to executive compensation:

1. To review compensation programs for the Company's executive officers, including the NEOs, and to provide recommendations to the Board regarding such compensation programs;
2. To review and approve corporate goals and objectives relevant to the compensation of the NEOs and make recommendations to the Board for approval of total compensation for NEOs; and
3. To provide recommendations to the Board regarding director compensation.

Annual Compensation Review

In December of each year, the Committee meets to review the performance and compensation of our CEO and other NEOs.

In consultation with the CEO, the Committee reviews and approves the compensation of all other NEOs based on recommendations submitted by the CEO. In submitting these recommendations, the CEO evaluates the performance and recommends salary adjustments, bonuses, benefit plan participation, and all other elements of compensation affecting the NEOs. The Committee also reviews the prior year's stockholder advisory vote on executive compensation. At the 2013 annual stockholders meeting, the stockholders fully endorsed the Committee's compensation policies with a 99.3% approval vote with no suggested changes. The Committee has discretion in approving, disapproving or modifying any recommended salary adjustments or proposed awards to NEOs, subject to final Board approval.

Compensation Committee Philosophy and Pay-Setting Process

Total executive compensation is structured to attract and retain a superior management team consistent with our corporate strategic goal of recruiting and retaining top level executives. This is an essential element of our "promote from within" when warranted strategy. Our approach emphasizes investing in high performing internal candidates for career development and advancement. The strategic intent is to produce a stronger management team over time rather than incurring market driven attrition resolved through external recruitment.

The Committee believes it is important to maintain a compensation structure that is competitive, which allows us to attract and retain the executives we require to perform well, while maintaining labor rates that permit us to compete effectively in the markets we serve. We measure our competitiveness by comparing our prices for services against competitor prices and by monitoring our ability to recruit and retain highly qualified executives available in our chosen markets.

Because our chosen markets have compelled us to routinely compete against much larger companies for both new work and the executive talent required to prevail and succeed in those markets, it is important to consider the total compensation offered by those companies as one factor in setting total compensation at VSE. However, the executives at larger peer competitor companies are compensated for leading larger organizations of similar complexity with larger staffs. The compensation of executives at larger peer companies is, however, only one of numerous factors considered in establishing the compensation of our equivalent executives. In considering such comparisons, we take into account other factors such as revenue, headcount and net income at equivalent divisions.

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The Committee also believes it is important to maintain a compensation structure that is performance-based, such that approximately two-thirds of total compensation target for each of our NEOs is performance driven based on achieving defined short-term and long-term performance-based goals and exceeding pre-established targets for profitability and ROE.
The Committee considers multiple factors, including those described above under Basis for Compensation Decisions, when determining compensation levels for NEOs. These considerations compel the Committee to consider other relevant factors such as industry conditions, bookings, backlog, client satisfaction and operational performance. The next step is to factor our competitive short term and long term performance incentives into the total compensation equation. VSE's short-term and long-term incentive compensation constitutes about two-thirds of total targeted compensation, with base salaries constituting approximately one-third of potential total compensation.
For the three-year period ended December 31, 2013, the percentages of total actual compensation of each component of our NEO compensation were approximately as follows (see the Summary Compensation Table below for actual amounts):

Actual NEO Compensation Components as Percentage of Total Compensation 2011-2013 Table

Compensation Components	Percentage of Total Compensation 2011-2013 (1)
Base salaries	54%
Performance-based monetary incentives (bonus)	15%
Long-term incentives-- Deferred Supplemental Compensation and Restricted Stock	29%
Other compensation-- 401(k) Match	2%

Note to Percentage of Total Compensation Table
1. While our target for total compensation is approximately two-thirds incentive based, the table reflects the percentage of actual compensation during the three-year period.

Role of Compensation Consultant

The Committee has the authority to engage independent compensation consultants to assist in evaluating the compensation of NEOs, as well as to provide periodic reviews of the effectiveness and competitiveness of VSE's executive compensation structure. During 2012, the Committee selected and retained Semler Brossy, which subsequently advised the Committee on a variety of compensation-related issues, including:

- The appropriateness of potential modifications to the Company's long-term incentive plan, taking into account market trends and competitive practices;
- Pay levels and compensation mix for NEOs; and
- Emerging compensation trends.

In 2012, Semler Brossy received approximately $62,225 in fees from the Company for the services described above. Other than providing the services described above as a consultant to the Compensation Committee, Semler Brossy provided no other services to the Committee or otherwise to the Company in 2012.The Committee did not believe it was necessary to hire a compensation consultant for 2013.

Peer Companies and Survey Data

The government services market is complex and competitive. The Committee believes that a competitive compensation package is an important tool in our efforts to attract and retain qualified executives with government services contracting experience. In determining total compensation for our NEOs, we consider competitive market data for a peer group of publicly traded companies. The Committee does not apply a formulaic approach to setting individual elements of the NEOs' compensation or their total compensation amounts and does not set compensation levels at any specific level or percentile against the peer group data described below. However, the Committee periodically reviews market compensation levels to determine whether the total compensation opportunity for the NEOs is appropriate in light of factors such as the compensation arrangements for similarly situated executives in the market and may make adjustments as the Committee determines appropriate.

The peer group has historically been selected on the basis of comparable service offerings, market capitalization, revenues and profit margins. The nature of our highly decentralized and diverse lines of business presents challenges in identifying similar organizations for comparison purposes and a change to our peer group was made in 2012. The Committee has elected to use a larger peer group that was determined by the Institutional Shareholder Services, Inc. (ISS). In 2012, ISS used a methodology that identified 14 publicly traded companies in the services industry that are more comparable to our current market capitalization, revenues and profit margins than our previous peer group. The larger group of similarly sized peers provides a wider set of financial data, and to attract and retain qualified executives, total compensation levels for our NEOs should be established at a competitive level relative to this group of companies. For 2013, the Committee used the same ISS identified peer group as shown below.

Institutional Shareholder Services, Inc. (ISS) Peer Group

CBIZ, Inc.	Kforce Inc.
CDI Corp.	Metalico, Inc.
Heidrick & Struggles International, Inc.	Navigant Consulting, Inc.
Hill International, Inc.	On Assignment, Inc.
Hudson Highland Group, Inc.	Resources Connection, Inc.
Huron Consulting Group Inc.	The Standard Register Company
ICF International, Inc.	TrueBlue, Inc.

In preparing analyses of pay levels and compensation mix, we also refer to other commercially available survey sources such as the World@Work 2012/2013 Salary Budget Survey.

Consideration of Risk

Our compensation programs are discretionary, balanced and focused on the long term. Under this structure, the highest amount of compensation can be achieved only through consistent superior performance over sustained periods of time. In addition, some compensation is deferred or only realizable upon retirement. This provides strong incentives to manage the Company for the long-term, while avoiding excessive risk-taking in the short-term. Likewise, the elements of compensation are balanced among current cash payments, deferred cash and equity awards.

Additionally, to further align the interests of our executive officers with those of our stockholders in pursuit of long-term value creation, the Committee recommended and the Board approved Stock retention guidelines for directors, executive officers and other participants in VSE's 2006 Restricted Stock Plan to be phased in over time as described in the "Stock Retention Guidelines" section in this Proxy Statement.

The Committee reviews the relationship between our risk management policies and practices and the incentive compensation we provide to our NEOs to confirm that our incentive compensation encourages taking prudent and avoiding unnecessary and excessive risks. The Committee also reviews the relationship between risk management policies and practices, corporate strategy and senior executive compensation.

EXECUTIVE COMPENSATION COMPONENTS

The four key elements of our executive compensation program are base salary, performance-based monetary incentives (bonus), long-term incentives (Deferred Supplemental Compensation and Restricted Stock), and 401(k) matching program.

Base Salary

The Committee believes that one of the most effective ways to compete in the government services industry's executive labor market is to offer our executive officers a competitive base salary. The Committee analyzes each executive officer's compensation using the following process:

1. Review the key executive positions within the Company in terms of scope and responsibility, job complexity, knowledge, experience required, and other relevant factors.
2. Rank the executive positions on the basis of these factors to establish a logical relationship among them.
3. For other executive positions, establish salary ranges by utilizing applicable industry surveys.

The Committee considers benchmarks for each executive against similarly situated positions within our selected peer group companies. To clarify, the Committee does not set compensation levels as specific target levels of our peer group, but rather compares (or benchmarks) compensation with our peer group companies. In addition to such external market considerations, the Committee also considers internal pay equity among our executives, including the NEOs, for base salary planning. The foregoing discussion of how the Committee determines base salaries is not intended to be exhaustive, but does summarize the material factors considered by the Committee. The Committee did not find it useful to, and did not attempt to, quantify, rank or otherwise assign relative weights to these factors. The Committee conducted an overall analysis of the factors described above and considered the totality of the information presented to it, including discussions with our senior management.

In December 2013, the Committee approved 2014 base salary increases for Messrs. Gauthier, Loftus, Kiernan, Harris and Flammang. This decision was based in part on demonstrated strong leadership in a challenging market, as well as a combination of peer group adjustments and merit-based increases, with total compensation serving as the basis for peer comparisons. Mr. Gauthier, in his capacity as CEO, president and chief operating officer, received an increase in base salary from $600,000 to $670,000. Mr. Loftus received an increase in base salary from $294,580 to $302,534. Mr. Kiernan received an increase from $235,557 to $241,917. Mr. Harris received an increase in base salary from $288,750 to $296,546. Mr. Flammang received an increase from $224,913 to $230,986.

Base Salaries of Named Executive Officers 2012 – 2014 Table

Named Executive Officer	2012	2013	2014
Maurice A. Gauthier	515,000	600,000	670,000
Thomas R. Loftus	267,800	294,580	302,534
Thomas M. Kiernan	235,557	235,557	241,917
John T. Harris	275,000	288,750	296,546
Harry J. Flammang	219,000	224,913	230,986

Subsequent Committee Actions

In December 2013, the Committee approved the CEO's recommendation to increase non-NEO officers' 2014 base salary compensation by 2.7%.

Performance-Based Monetary Incentive Compensation

Bonus Incentives

The Committee recommended and the Board adopted a performance bonus plan based on achieving annual financial results in excess of financial thresholds established by the Committee and approved by the Board at the beginning of each year (the "Bonus Plan"). Our bonus pool for corporate executives (except for Group or Subsidiary Presidents), officers and corporate staff is determined by achieving a certain return on beginning stockholders equity ("ROE"). Each year the Committee recommends, and the Board approves, a ROE maximum target.
In December 2013, the Committee recommended and the Board approved, the awarding of performance bonuses for the NEOs under the Bonus Plan in respect of VSE's fiscal year ending December 31, 2013 ("2013"). These bonus amounts ranged from 10% of the NEO's base salary for achieving a ROE of 11% to a maximum 100% of base salary for achieving a ROE of 18% or more. The maximum eligible bonus potential is set forth below.

Name	Maximum Bonus Potential
Maurice A. Gauthier	$ 600,000
Thomas R. Loftus	$ 294,580
Thomas M. Kiernan	$ 235,557
John T. Harris	$ 288,750
Harry J. Flammang	$ 224,913

For 2013, the Committee and the Board approved VSE's ROE of 14%, as compared to the maximum ROE corporate target of 18%, in determining performance based incentive compensation. The aggregate annual performance bonuses under the Bonus Plan were approximately $2.9 million. Specific amounts paid to NEOs under the Bonus Plan are reported in the Summary Compensation Table below under the heading "Non-equity Incentive Plan Compensation." The goals consist principally of operating income targets for operating group executives, and ROE for corporate staff, corporate officers and corporate executives, including the CEO, Chief Financial Officer and other NEOs. To participate in the bonus program, an executive must be an employee during the fiscal year that the bonus payment is earned and subsequently when the bonus payment is made. During 2013 the pool thresholds were established as follows:

- The bonus pool for operating group executives, including Group Presidents, is determined by a percentage of pretax income formula based on a ROE at an 11% minimum threshold. Individual operating group executives' bonuses are capped at 100% of salary.
- The bonus pool for corporate staff, corporate officers, and corporate executives is determined as a percentage of salary based on a ROE at an 11% minimum threshold. Individual administrative bonuses are capped at 15% of salary for corporate staff, 65% of salary for a majority of the non NEO corporate officers and 100% of salary for NEOs, including the CEO and Chief Financial Officer, and certain corporate officers.

As ROE equals or increases above the 11% minimum threshold, the bonus pool is created and will continue to increase as ROE (net of all compensation costs) increases up to the maximum target of 18%. At year end, the Committee exercises its discretion in how much of the pool to allocate to both operations personnel and corporate staff based in part upon executive management's recommendation and the Company's overall performance. Because the actual ROE for 2013 was approximately 14% compared to the maximum bonus pool target based on an 18% ROE, the NEOs, other corporate officers and corporate staff received bonus amounts that were less than their maximum bonus targets. In December 2013, the Board approved a maximum ROE target of 16% for the 2014 bonus pool. For 2014, a ROE of less than 9% will result in no performance bonus for operations personnel or the corporate staff, officers or executives, including NEOs.

The CEO maintains discretion on annual performance bonus allocation, which is principally based on ROE for all NEO's (except for the CEO), group executives and staff. Once the bonus pool is determined using the ROE methodology, the CEO will determine the amount distributed to each operating group executive based on the individual group operating income, taking into consideration performance execution and market factors. VSE does not maintain specific operating income targets that impact the bonus pool amount distributed to each operating group.

Long-Term Incentive Compensation

VSE provides long-term incentive compensation to its NEOs to compensate them for their contributions to the Company's profitability and ROE. The two components of the Company's long-term incentive program are the Deferred Supplemental Compensation Plan and the 2006 Restricted Stock Plan.

Deferred Supplemental Compensation

VSE has a nonqualified, non-contributory Deferred Supplemental Compensation Plan ("DSC Plan") for certain VSE corporate officers, including NEOs and other key management representatives. The objective of the DSC Plan is to compensate executives for their contribution to VSE's profitability. The DSC Plan provides, at the Board's discretion, for a bonus pool to be created through an annual contribution to the plan not to exceed 12% of VSE's consolidated net income for the year. Each participant's potential allocation from the annual contribution bears the same percentage of the annual contribution as that participant's salary bears to total annual participant salaries.

Benefits are payable to participants on retirement or resignation, subject to a vesting schedule, two-year non-competition agreement and other plan provisions, or on a change of control of VSE as described in the "Employment Contracts and Severance Agreements" section below. The Board believes the vesting schedule and completion of the non-competition agreement prior to receiving a distribution create an additional benefit of encouraging executive retention.

In December 2013, the Committee recommended and the Board approved an annual contribution of 8% of VSE's consolidated net income for 2013 to constitute the DSC Plan pool for 2013. Eight percent of VSE's 2013 net income is approximately $1.8 million, which was the amount authorized in December 2013 and allocated to 35 participant accounts, including $473,000 allocated to NEOs.

Subsequent Committee Actions:
In December 2013, the Committee recommended and the Board approved an annual contribution of 8% of VSE's consolidated net income for VSE's fiscal year ending December 31, 2014 (2014) to constitute the DSC Plan pool for 2014.

Restricted Stock

The Committee believes that compensating executives with restricted VSE Stock pursuant to VSE's 2006 Restricted Stock Plan fosters a long-term focus on the Company's operational and financial performance and provides our executives with a means to establish an equity stake in the Company that will, in turn, align their interests with those of our stockholders. In addition, the vesting provisions and other restrictions on sale of the equity awards encourage executive retention. The Restricted Stock Plan for executives includes a three-year vesting schedule and two-year Stock sales restriction period.

Similar to the DSC Plan, under the Restricted Stock Plan, a dollar-denominated award equal to a percentage of a participant's base salary can be earned based on the Company's level of achievement of ROE targets. For 2013 (the awards could range from 10% of base salary for an 11% ROE to 90% of the base salary for NEOs other than the CEO and 125% of base salary for the CEO for a ROE of 18% or higher.

For 2013, VSE's actual ROE was approximately 14% compared to the maximum target of 18%. The CEO was awarded restricted Stock equal to 59% of his base salary compared to the maximum target of 125% of his base salary for the year subject to vesting and other restrictions, as reported in the "Compensation of Chief Executive Officer" section below. NEOs other than the CEO were awarded restricted Stock under the Restricted Stock Plan equal to 45% of their base salary for 2013 compared to the maximum target of 90%, subject to vesting and other restrictions. Specific amounts paid to the NEOs for 2013 under the Restricted Stock Plan are reported in the Summary Compensation Table below under the heading "Stock Awards." The following table displays restricted Stock awards based on ROE performance for 2013.

2013 Restricted Stock – Compensation Table:

Return on Equity	% of Base Salary NEOs other than CEO	% Base Salary-CEO
18% & higher	90%	125%
17%	79%	108%
16%	68%	92%
15%	57%	75%
14%	45%	59%
13%	34%	42%
12%	22%	26%
11%	10%	10%
Below 11%	0%	0%

In December 2013, the Committee recommended and the Board approved targets that range from 11% of base salary for a 9% ROE to 90% for the base salary for NEOs other than the CEO and a range of 17% to 135% of base salary for the CEO for a ROE of 16% or higher for the fiscal year ending December 31, 2014 (2014).

The following table displays restricted Stock awards based on ROE performance for the NEOs other than the CEO and for the CEO for 2014.

2014 Restricted Stock – Compensation Table:

Return on Equity	% of Base Salary NEOs other than CEO	% Base Salary-CEO
16% & higher	90%	135%
15%	79%	118%
14%	68%	101%
13%	56%	84%
12%	45%	68%
11%	34%	51%
10%	23%	34%
9%	11%	17%
Below 9%	0%	0%

In 2011, the Board and stockholders approved an amendment to the Restricted Stock Plan, extending its term from May 2011 to May 2016. The extension of the Restricted Stock Plan was approved to replace the equity-based compensation provided under VSE's 2004 Option Plan. VSE has not granted any stock options since December 31, 2005. All stock options had been exercised or expired on or before December 31, 2009. As discussed below under "Proposal No. 3 – Approval of Amendments to VSE's 2006 Restricted Stock Plan," the stockholders will be asked at the Annual Meeting to approve amendments to the 2006 Restricted Stock Plan (a) extending its term from May 3, 2016 to May 6, 2021 and (b) authorizing an additional 250,000 shares of VSE Stock for issuance under the plan. Awards made under the Restricted Stock Plan are subject to Committee authorization based on audited financial results, including total compensation costs, competitiveness of total executive compensation and other factors determined by the Committee and Board. The Committee may, in its sole discretion, reduce or totally eliminate an award to the extent it determines that such reduction or elimination is appropriate under facts and circumstances the Committee deems relevant.

Other Compensation

VSE executive officers, including NEOs, are eligible to participate in the VSE Employee 401(k) Plan, which is an Internal Revenue Service qualified plan available to all eligible employees.

During 2013, VSE paid a 401(k) matching contribution equal to 100% of the employee deferral on the first 3% of the employee pay deferred and 50% of the employee deferral on the next 2% of the employee pay deferred, with all such contributions fully vested when made.

Specific amounts contributed to the VSE 401(k) Plan on behalf of the NEOs are included in the Summary Compensation Table under the heading "All Other Compensation."

VSE does not provide any of its executives, including the NEOs, with perquisites or other personal benefits having a total annual value in excess of $10,000. The Committee periodically reviews the levels of perquisites and other personal benefits provided to the NEOs.

COMPENSATION OF CEO

Mr. Gauthier, our CEO, assumed the responsibilities of CEO, President, and Chief Operating Officer in April 2008, and became a Board member in April 2009. His activities include leadership in developing the Company's strategies, overseeing all of the Company's major business and staff units, and guiding and developing VSE's senior management.

Pay Awarded for 2013

In December 2012, based on Mr. Gauthier's management of the Company and the compensation decision making processes and policies described above, the Committee and the Board approved an increase in Mr. Gauthier's base salary from $515,000 in 2012 to $600,000 for 2013, and an annual incentive bonus for 2013 of up to $600,000 for Mr. Gauthier, which would be approximately 100% of his overall compensation target. Based on VSE's actual ROE for 2013, the amount paid as an incentive bonus was $294,000. In December 2013, the Committee recommended and the Board approved a grant to Mr. Gauthier of restricted Stock in an amount of up to 125% of his base salary. Based on VSE's approximate ROE of 14% for 2013, the awarded amount of restricted Stock under the Restricted Stock Plan was 59% of Mr. Gauthier's salary. Specific amounts awarded to Mr. Gauthier are set forth in the Summary Compensation Table below.

Pay Approved for 2014

In December 2013, the Committee recommended and the Board approved the following compensation for 2014 for Mr. Gauthier: (a) $670,000 in base salary, (b) participation in the DSC Plan (subject to an aggregate annual contribution not to exceed 12% of its consolidated net income for the 2014 and for all participants in the plan), (c) a participation in the DSC Plan of up to 100% of
Mr. Gauthier's base salary for 2014 (or a maximum bonus of $670,000), and (d) an award under the Restricted Stock Plan of restricted VSE Stock in an amount of up to 135% of his base salary for 2014 (or a maximum of $904,500).

OTHER COMPENSATION POLICIES

Employment Contracts and Severance Agreements

CEO

On December 6, 2013, VSE and Mr. Gauthier entered into an amended and restated employment agreement pursuant to which Mr. Gauthier will continue to serve as the VSE's chief executive officer, president and chief operating officer.

The amended and restated employment agreement provides for an initial three and one-quarter year term commencing as of January 1, 2014. At the end of the initial term, the agreement will automatically be extended for a one year period, unless either the Company or Mr. Gauthier has provided the other party with at least 120 days prior written notice of its or his intention to allow the agreement to expire. The agreement may be earlier terminated by Mr. Gauthier or the Company, with or without cause, upon prior notice.

Mr. Gauthier's annual base salary will be $670,000, subject to annual review by the Committee and the Board.

If Mr. Gauthier's employment terminates by reason of his death or disability, he would be entitled to payment of (a) his base salary then in effect for 365 days following the date of his death or disability and (b) a lump sum equal to his annual bonus amount for the year in which termination occurs, based on an estimate of the Company's performance for the period before termination, as determined by the Committee and the terms and conditions of the Company's annual bonus or incentive plan, prorated to reflect the number of days out of 365 during which Mr. Gauthier was employed during the year of termination, subject to subsequent reconciliation with the Company's actual performance for the entire year in which termination occurs (the "Annualized Performance Bonus").

If Mr. Gauthier's employment is terminated without cause or if he resigns for good reason (other than during a change in control period), he would be entitled to receive a lump sum equal to (a) two times his base salary and (b) the Annualized Performance Bonus. If Mr. Gauthier's employment is terminated without cause or if he resigns for good reason during a change in control period, he would be entitled to receive a lump sum equal to (a) the lesser of three times his base salary or such lesser amount as would not trigger the application of Section 280G of the Internal Revenue Code and (b) the Annualized Performance Bonus. In either event, he would also be entitled to medical and hospitalization benefits for 18 months after termination, all compensation and other benefits accrued as of the termination date, the vesting of all outstanding restricted Stock, restricted Stock units or similar rights to acquire capital Stock and the vesting of all unvested rights under the Company's DSC Plan. Nonrenewal of the initial term by

the Company would not be considered to be a termination without cause.
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Other NEOs

The Company has also entered into employment and transition agreements with each of the other NEOs. These agreements are designed to promote stability and continuity of senior management. Information regarding applicable payments under these agreements for the NEOs is also summarized in the Executive Compensation section below under the caption "Potential Payments on Termination or Change of Control."

Payments Made On Termination

On termination of employment with VSE or any of our subsidiaries, a NEO is entitled to receive amounts earned during his term of employment, including salary through date of termination, unused vacation pay and reimbursement for company business and travel expenses.

The NEO also retains a vested interest in and is entitled to receive payment in accordance with respective plan documents and other applicable procedures, restrictions (such as termination-for-cause), and expiration dates in respect of his 401(k) account, DSC Plan account and restricted Stock.

The NEO is also entitled to continue participation in our group health plans for a period of 18 months (COBRA continuation coverage) following termination on payment of 102% of the monthly premium charged to us for such coverage. We have no executive-only health benefit plans.

Payments Made On Death or Disability

Pursuant to employment agreements with each NEO, in the event of the NEO's death or disability for any period of six consecutive months in addition to the benefits listed under the headings "Payments Made On Termination" and "Payments Made On Retirement" above, the NEO's designated beneficiary or the NEO, as the case may be will be paid the NEO's base salary then in effect for one full year following the date of death or disability.

Payments Made On Change of Control

In addition to VSE's employment agreement with the CEO, VSE has entered into an employment agreements with Messrs Loftus, Kiernan and Harris. Mr. Loftus' and Mr. Harris' agreements provide that if a change of control of VSE occurs, the NEO may terminate the employment agreement on 30 days' notice. If a NEO's employment is terminated following a change of control, in addition to the benefits listed above under "Payments Made on Termination," the NEO will receive:

- a lump sum payment equal to the NEO's base salary
- full vesting and payment of the NEO's DSC Plan account
- full vesting and payment of the NEO's Restricted Stock Plan benefits

The employment agreements and change of control provisions for each of the NEOs with employment agreements, other than the CEO, are substantially similar. Generally, pursuant to the agreements, a change of control is deemed to have occurred on the occurrence of any of the following events:

- 30% or more of the outstanding VSE Stock is acquired beneficially by one or more persons acting together in concert or otherwise;
- A cash tender or exchange offer is completed for an aggregate of 40% or more of the outstanding VSE Stock;
- Our stockholders approve an agreement to merge, consolidate, liquidate, or sell all or substantially all of our assets, unless after the merger or consolidation, VSE is the surviving corporation and more than 50% of the outstanding VSE Stock is beneficially owned by existing VSE stockholders immediately before the merger, consolidation or asset sale; or
- Two or more directors are elected to the Board without having previously been nominated and approved by the Board members immediately prior to such election.

Executive Compensation Recovery

On March 6, 2013, the Board approved a new provision, sometimes referred to as a clawback provision, where in the event of a material misstatement of the Company's financial statements, as determined by the Company and confirmed by the Company's independent auditors, the Board, in its sole discretion, may direct the Company to recover all or a portion of incentive based compensation (including bonus payments, restricted Stock awards, and deferred supplemental compensation awarded to a current or former participant in the Plan). Notwithstanding the foregoing, this statement shall only apply to (a) a current or former participant who, as determined by the Board, was an "officer" (as defined in Section 16 of the Exchange Act) of the Company at the time of the award or anytime thereafter, and (b) a material misstatement of the Company's financial statements that occurred within three years preceding the date on which the Company is required to prepare a restatement.

STOCK RETENTION GUIDELINES

To align the interests of our executive officers with those of our stockholders, the Committee recommended and the Board approved Stock retention guidelines for directors and Restricted Stock Plan participants. Beyond the normal vesting schedule and two-year Stock sales restriction period, it is the Board's sense that the guidelines for restricted Stock retention be phased in over time. It is also the Board's intent that these guidelines be subject to annual Board review and, under certain circumstances, be subject to Board waiver. The recommended guidelines for the retention of restricted Stock are as follows:

Directors: each current director will be encouraged to retain VSE Stock of market value equivalent to five years of the director's cash portion of his or her annual retainer, excluding meeting fees. Any director appointed after the date of these guidelines will be expected to retain at least as much VSE Stock as the director's earned cumulative cash retainer until such time the market value of his or her VSE Stock is equal to at least five years of the director's cash portion of the retainer.

Management Team:

By the end of 2015:

CEO: the CEO is encouraged to retain VSE Stock of market value equal to five years of the CEO's current base salary.

Other NEOs: Each of the other NEOs is encouraged to retain VSE Stock with a market value equal to three years of the NEO's current base salary.

Corporate Officers other than NEOs: Each of these officers is encouraged to retain VSE Stock with a market value equal to two years of his or her current base salary.

Other Restricted Stock Plan participants: Each of these officers is encouraged to retain VSE Stock with a market value equal to one year of his or her current base salary.

While both directors and officers are encouraged to maintain and increase their VSE Stock positions, these guidelines are not intended for directors or officers to be obligated to purchase Stock on the open market to rebalance their holdings that may fall below the suggested guidelines referenced above as a result of unusual swings in the market value of VSE Stock during any particular period.

New directors and officers will be encouraged to retain their allocated Stock to achieve over time the suggested holding thresholds referenced above, but they will not be required to purchase Stock on the open market to achieve such thresholds.

Tax Deductibility

The Committee reviews and considers the deductibility of executive compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended, which provides that companies may not deduct compensation of more than $1,000,000 that is paid to certain individuals. We believe that compensation paid under our incentive plans is generally fully deductible for federal income tax purposes. However, in certain situations, the Committee may approve compensation that will not meet these requirements to ensure competitive levels of total compensation for its executive officers. For 2011, 2012 and 2013, we believe that all compensation paid to the NEOs is deductible for federal income tax purposes, except for DSC contributions that may not be deducted until distributed in accordance with Internal Revenue Service regulations.