



INTEGRITY • AGILITY • VALUE

2010 VSE Annual Report and Form 10-K



VSE Corporation

27th

Best Small Business  
in America

2010



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# 2010 Highlights

VSE had several notable accomplishments in 2010. For the third year in a row, *Government Executive Magazine* named VSE the “Number #1 Government Contractor (small);” *Forbes* magazine recognized VSE as the “Number #27 Best Small Business in America;” and the Association for Capital Growth named us the Top Corporate Growth Company (over \$500 million) in the Washington, DC metro area. Deltek, Inc., named VSE the winner of the Business Impact Award, based on being one of the “fastest-growing and most innovative government contractors in the nation.” Finally, VSE was chosen as Letterkenny Army Depot’s Supplier of the Year.

Akimeka LLC, a native Hawaiian health service information technology consulting company, was acquired by VSE on August, 19th. Akimeka recorded revenues during 2009 of approximately \$38 million and operating income of about \$6.5 million. Akimeka is headquartered in Kihei, Hawaii and has been serving the U.S. Government market for more than a decade with additional offices in Alexandria, VA; Orlando, FL and San Antonio, TX. Akimeka complements VSE’s prior acquisition in 2008, G&B Solutions, an established full-service IT provider to many federal agencies, including the Departments of Health and Human Services, Homeland Security, Labor, Social Security Administration, the Pension Benefits Guarantee Corporation, and the National Institutes of Health.

The Federal Group CED business unit was awarded a prime contract to continue work under U.S. Army CECOM’ Rapid Response (“R2”) replacement program known as “Rapid Response- Third Generation (R2-3G).” VSE will compete for task orders under the Indefinite Delivery/Indefinite Quantity contract over a five-year period.

Other contract award highlights include:

- January 2011 award on our LOGWORLD omnibus contract to provide equipment refurbishment support services to the Army Reserve for a base year and four one-year options with a potential value of \$410 million;
- 10-year, \$80 million IDIQ contract with the Department of Justice, Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF) to provide services similar to the VSE Treasury Seized Asset Program;
- \$190 million/ five year IDIQ contract to provide Integration Kits (“VIKs”), spare VIK components, and engineering and installation support on tactical wheeled vehicles and combat vehicles for the U.S. Army and the U.S. Marine Corps.

## Corporate Profile

We conduct our business operations in more than 100 locations world-wide under four reportable operating segments: Federal; International; IT, Energy and Management Consulting; and Infrastructure. VSE’s offerings include:

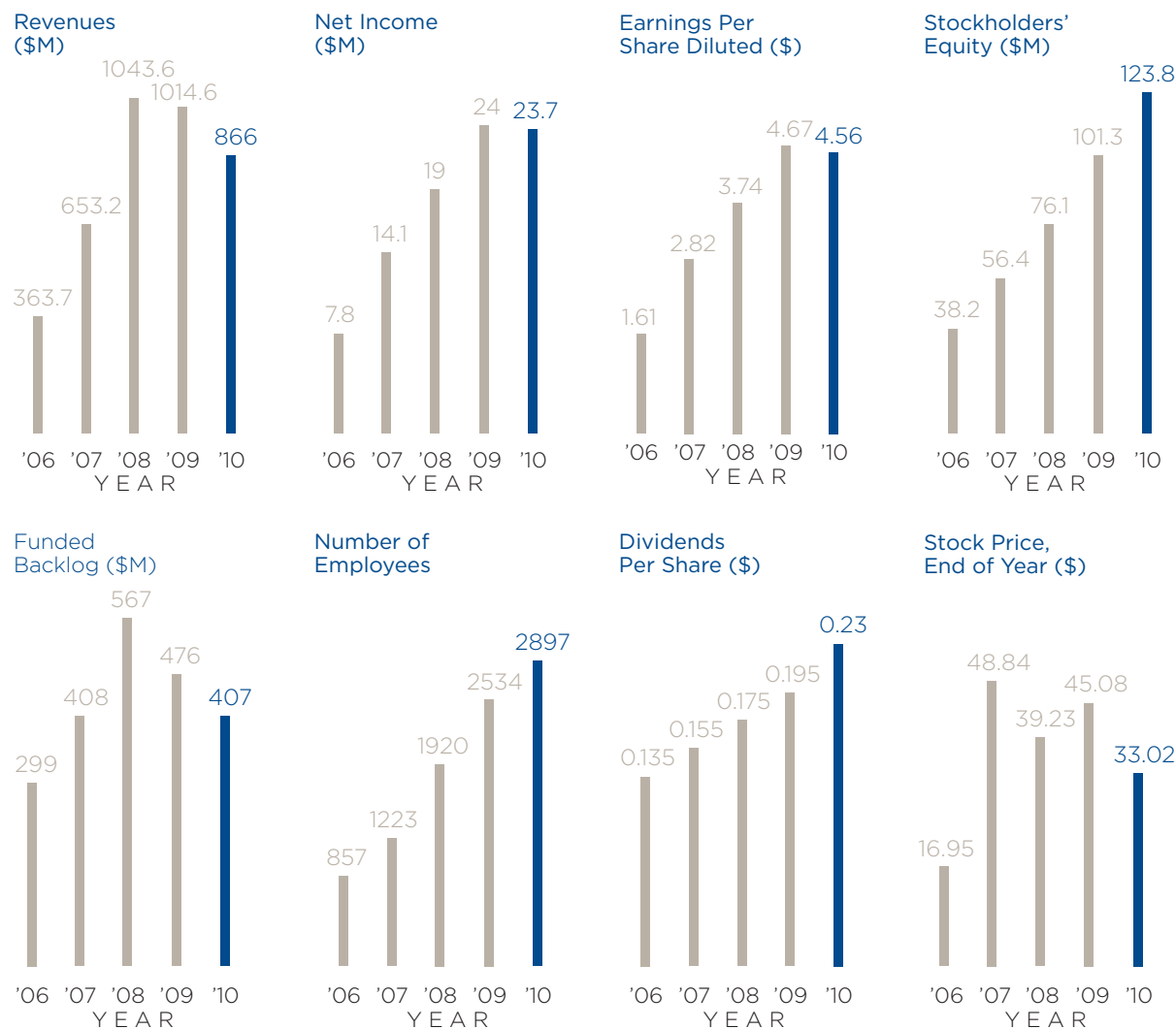
- **Logistic Services**—Multi-dimensional functions that converge to support one service task/ equipment system such as true field support, supply chain management and warehouse management.
- **Engineering and Equipment Refurbishment**—Conceptual design, engineering of equipment, vehicle reset, parts supply, and advanced technologies.
- **IT Services**—Complete enterprise architecture, data mining, public protection/security, and technical/ software engineering for systems, assessments and reviews.
- **Construction Management**—Planning, preparation, permitting, feasibility studies, procurement, and construction management for major complexes as well as all civil works projects.
- **Technical and Management Consulting**—Professional competencies in technology roadmaps and solutions, policy impacts, analysis, cyber-security and infrastructure protection and mitigation measurements.

## Stockholder Inquiries

VSE is a publicly owned company and its shares are traded on the NASDAQ Global Select Market under the symbol VSEC. Inquiries about stock ownership, dividends, and stockholder changes of address may be directed to our Transfer Agent: Registrar and Transfer Company, 10 Commerce Drive, Cranford, New Jersey 07016-1340, or to VSE at 2550 Huntington Avenue, Alexandria, Virginia 22303-1499, Attention: Corporate Secretary, Telephone (703) 329-4770.

Further information about VSE and its subsidiaries is available at [www.vsecorp.com](http://www.vsecorp.com); [www.icrcsolutions.com](http://www.icrcsolutions.com); [www.gbsolutionsinc.com](http://www.gbsolutionsinc.com), [www.energetics.com](http://www.energetics.com) and [www.akimeka.com](http://www.akimeka.com).

# Financial Highlights



## Income Statement Data (in thousands, except share data)

Year Ended December 31	2010	% CHANGE	2009
Revenues	\$ 866,036	-14.65%	\$ 1,014,639
Net income	23,687	-1.40%	24,024
Earnings per share (diluted)	4.56	-2.36%	4.67
Weighted average shares (diluted)	5,189,263		5,146,347

## Balance sheet data (in thousands, except percentages)

December 31	2010	% CHANGE	2009
Total assets	\$ 288,426	13.56%	\$ 253,990
Working capital	54,569	18.88%	45,902
Stockholders' equity	123,776	22.18%	101,310
Return on equity	23.4%		31.6%

# Message to Stockholders

## Overview

Our operating results for 2010 reflect continuing efforts toward improved profitability. Operating margins increased from 3.8% to 4.4%.

Accordingly, net operating income for 2010 remained strong despite the challenges to our revenues resulting from a decline in low margin “pass-through” work. Revenues generated by our direct labor remained strong and continued to provide a valuable contribution to our bottom line. Our improved profit margins in 2010 have enabled us to continue to provide our shareholders with an above average return on equity.

Our efforts to further grow our bottom line results will continue to be focused on increases in our direct labor workforce and the pursuit of more profitable business markets. The acquisition of Akimeka represents a key initiative on both of these fronts, as this acquisition brought us over 200 highly skilled, professional employees performing services in one of our targeted strategic markets. Company-wide, we added 363 employees in 2010, ending the year with 2,897 employees.

## Strategic Planning 2011-2013

Our Strategic Planning process continues to be a successful tool for ensuring our continued success. Throughout 2010, we reviewed the 2010-2012 Strategic Plan on a quarterly basis. We updated the plan in mid-2010 and at the end of the year we launched our 2011-2013 plan. Key focus areas include:

- Agility and flexibility are key strengths of VSE Corporation. We continue to operate our business through discreet operating groups dedicated to their unique business lines and customer bases. They have the autonomy to respond quickly to our customers’ needs.
- Refinement of our key business metrics. We have established specific goals for each of our operating groups with the express intent to further increase shareholder value.

- We continue to focus on improved profitability by securing work that is performed by our own direct labor and strategic partners.

## Operational Challenges

As a federal technical services contractor, we depend upon the priorities and pace of funding of our primary client, the Federal Government. Retaining and expanding our workforce, while clients work through contract award delays and funding issues continues to be an especially challenging effort. We believe there will be a strong demand for expertise in our core areas, and that the composition of our workforce and services we offer are well aligned with near and long term government spending priorities.

Declining budgets faced by our federal customers are challenging our efforts to sustain our business levels. Reductions in our customers’ budgets mean more competition for less work. Additionally, budget pressures have led to delayed awards and program launches and to an increasing number of protests. Our efforts to mitigate the delays in new contract awards include a revitalized focus on directing work toward our existing large omnibus contracts. We will continue to aggressively bid and win contracts while monitoring trends and opportunities as we move forward through 2011.

## Note of Appreciation

We would like to take a moment to acknowledge Don Ervine for his exceptional leadership and dedication to the success of VSE Corporation. Throughout his tenure, Don has served VSE Corporation with great distinction, and we are grateful for his contributions to VSE as Chairman of the Board, CEO, COO and President. Don has been an integral part of VSE’s growth and success over the past 25 years, guiding the company from a small business to \$1 billion in revenue in 2008. His commitment to our customers, shareholders and our employees has been stellar. We thank Don for his dedication and extraordinary service, and wish him all the best in the years to come as he has decided to retire from the Board in May of this year.

## Looking Ahead

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While 2010 has been a challenging year for VSE, we have implemented strategies to strengthen our business operations that enhance our ability to secure and execute federal contracts. We have the talent, dedication, experience and leadership in place who remain focused on serving our

clients with the same dedication and commitment VSE has always maintained throughout its 52 years of business. Our core values: Integrity – Agility – Value will continue to guide us through all aspects in our conduct of business.



A handwritten signature in black ink, appearing to read "M. Gauthier". The signature is fluid and cursive, with a long horizontal stroke at the end.

Maurice A. Gauthier  
CEO/President/COO

March 2011



A handwritten signature in black ink, appearing to read "Cliff Kendall". The signature is cursive and somewhat stylized.

Clifford M. Kendall  
Chairman of the Board

March 2011

# Board of Directors

**James F. Lafond, CPA**  
Retired Executive; formerly  
Washington Area Managing Partner,  
PricewaterhouseCoopers LLP

**Jimmy D. Ross**  
General, USA (Ret.)  
Senior Logistics Consultant,  
Cypress International, Inc.

**David M. Osnos, Esq.**  
Of Counsel  
Arent Fox LLP  
Attorneys-at-Law

**Donald M. Ervine**  
Retired President/CEO/COO  
Former VSE Chairman of the Board  
VSE Corporation

**Maurice A. Gauthier**  
CEO/President/COO  
VSE Corporation

**Bonnie K. Wachtel**  
Vice President and General Counsel,  
Wachtel & Co., Inc.

**Ralph E. Eberhart**  
General, USAF (Ret.)  
President, Armed Forces Benefit Association  
Chairman and Director of  
5Star Bank/Life/Funds/Investments

**Clifford M. Kendall**  
Chairman of the Board  
2011 Tech Council of Maryland Lifetime  
Achievement Award  
2010 Government Contractor Hall of  
Fame Inductee

**Calvin S. Koonce, Ph.D.**  
Chairman, Koonce Securities, Inc.  
Securities Broker/Dealer



VSE Corporation is the federal services company of choice for solving problems of global significance with agility, integrity and value. VSE is dedicated to making our clients successful through the effective use of highly experienced people, systems, and technology in logistics and equipment refurbishment, supply chain management, engineering, IT services, construction program management and consulting. In helping others succeed, we increase shareholder value by capturing new work, exceeding our customers' expectations, increasing our technical competence, affording more employment opportunities and building great industry teammates.

VSE specializes in improving the reliability of systems and equipment and reducing associated costs. Our reputation for success and our quality management system are based on self-governance, openness and honesty. The foundation of VSE's success also is based on highly experienced leadership, state-of-the-art IT communications, creative thinking, teamwork and motivation.

VSE's policy is to provide services of the highest quality to meet or exceed the expectations and requirements of our customers on time and at a fair price. VSE's quality management system is registered to the ISO 9001:2008 standard.

VSE is proud of our continued growing support to the U.S. military, navies of allied nations and federal and civil agencies. VSE strives to provide our customers with competitive, cost effective solutions to specific problems while remaining true to our roots as a value engineering firm.

VSE has adopted the primary community responsibility of assisting wounded warriors, military veterans and their families.

NASDAQ: VSEC

ISO 9001:2008

*Celebrating  
52 year  
of Excellence*





# Facilities

## VSE Corporation Headquarters

2550 Huntington Avenue  
Alexandria, Virginia 22303  
(703) 960-4600 or  
Toll-free: (800) 455-4873

## United States Locations

Huntsville, Alabama  
Anchorage, Alaska  
Fort Smith, Arkansas  
North Little Rock, Arkansas  
Texarkana, Arkansas  
Barstow, California  
Camp Parks, California  
China Lake, California  
Chula Vista, California  
Concord, California  
Dublin, California  
Fort Hunter Liggett, California  
Fort Irwin, California  
Fresno, California  
Jolon, California  
Los Alamitos, California  
Los Angeles, California  
Point Mugu, California  
Riverside, California

Sacramento, California  
San Diego, California  
San Jose, California  
Santa Clara, California  
Vallejo, California  
Yermo, California  
Denver, Colorado  
Fort Carson, Colorado  
Lakewood, Colorado  
Bradley Airport, Connecticut  
Jacksonville, Florida  
Maitland, Florida  
Miami, Florida  
Tampa, Florida  
Orlando, Florida  
Valrico, Florida  
College Park, Georgia  
East Point, Georgia  
Forest Park, Georgia  
Fort McPherson, Georgia  
Fort Stewart, Georgia  
Warner Robbins, Georgia  
Anderson AFB, Guam  
Tamuning, Guam  
Hickam AFB, Hawaii  
Honolulu, Hawaii



Artist rendition of new VSE Headquarters in Springfield, Virginia set to open in Spring 2012.

# Facilities

Kaneohe Bay, Hawaii  
 Kihei, Hawaii  
 Schofield Barracks, Hawaii  
 Boise, Idaho  
 Mountain Home AFB, Idaho  
 Darien, Illinois  
 Hamel, Illinois  
 Indianapolis, Indiana  
 Des Moines, Iowa  
 Belle Chase NAS, Louisiana  
 Fort Polk, Louisiana  
 Adelphi, Maryland  
 Baltimore, Maryland  
 Columbia, Maryland  
 Fort Meade, Maryland  
 Indian Head, Maryland  
 Lexington Park, Maryland  
 Sterling Heights, Michigan  
 Long Beach, Mississippi  
 Vicksburg, Mississippi  
 Weldon Springs, Missouri  
 Helena, Montana  
 Bridgeport, New Jersey  
 Fort Dix, New Jersey  
 Shrewsbury, New Jersey  
 South Brunswick, New Jersey  
 Sparta, New Jersey  
 Chaparral, New Mexico  
 McGregor, New Mexico  
 Cherry Point, North Carolina  
 Fort Bragg, North Carolina  
 Marine Corps Air Station New River, North Carolina  
 Bismarck, North Dakota  
 Broken Arrow, Oklahoma  
 Fort Sill, Oklahoma  
 Tinker AFB, Oklahoma  
 Midwest City, Oklahoma  
 Coraopolis, Pennsylvania  
 Guaynabo, Puerto Rico  
 Charleston, South Carolina  
 Fort Jackson, South Carolina  
 Marine Corps Air Station, Beaufort, South Carolina

Corpus Christi, Texas  
 Fort Bliss, Texas  
 Fort Hood, Texas  
 Fort Sam Houston, Texas  
 Gatesville, Texas  
 Harlingen, Texas  
 San Antonio, Texas  
 Texarkana, Texas  
 Ogden, Utah  
 Salt Lake City, Utah  
 Alexandria, Virginia  
 Arlington, Virginia  
 Ashburn, Virginia  
 Chesapeake, Virginia  
 Fort Monroe, Virginia  
 Hampton, Virginia  
 Ladysmith, Virginia  
 Langley AFB, Virginia  
 Reston, Virginia  
 Ruther Glen, Virginia  
 Fort Lewis, Washington  
 Vancouver, Washington  
 Morgantown, West Virginia  
 Washington, D.C.  
 Fort McCoy, Wisconsin

## **International Locations**

Afghanistan  
 Armed Forces Africa  
 Alexandria, Egypt  
 Kaiserslautern, Germany  
 Iraq  
 Rome, Italy  
 Atsugi, Japan  
 Kadena AFB/Torri Station, Okinawa, Japan  
 Tokyo, Japan  
 Kuwait  
 Tuxpan, Vera Cruz, Mexico  
 Osan Air Base, Republic of Korea  
 Camp Carroll, South Korea  
 Romania  
 Raohsiong, Taiwan  
 Golchuk, Turkey

# ACG National Capital

## 2010 Corporate Growth Awards

### DEAL OF THE YEAR

Under \$100M in transactional value

**Winner: Global Defense Technology & Systems IPO**

- DynCorp International Acquisition of Phoenix Consulting Group, Inc.
- GridPoint, Inc., Acquisition of ADMMicro

### DEAL OF THE YEAR

Over \$100M in transactional value

**Winner: Capital One's Acquisition of Chevy Chase Bank**

- ICF International's Acquisition of Macro International, Inc.
- Lockheed Martin Corporation acquisition of UNITECH

### DEALMAKER OF THE YEAR

Corporate

**Winner: Eric A. Hamann**

- Robin S. Lineberger
- John B. Spirtos

### DEALMAKER OF THE YEAR

Investment or Capital Provider

### EMERGING GROWTH COMPANY

Under \$50M

**Winner: Invertix**

- Customer Value Partners
- SENTECH, Inc.

### CORPORATE GROWTH COMPANY

\$50-\$100M

**Winner: Modern Technology Solutions Inc. (MTSI)**

- Buccaneer Computers Systems and Services, Inc.
- Capstone Corporation



## OUTSTANDING GROWTH COMPANY

Over \$500M

**Winner: VSE Corporation**

- FELD Entertainment
- ManTech International Corporation
- FELD Entertainment
- ManTech International Corporation



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