

KFORCE INC
Form S-4/A
April 13, 2004
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As filed with the Securities and Exchange Commission on April 12, 2004

Registration No. 333-111566

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 2

to

FORM S-4

REGISTRATION STATEMENT

Under

THE SECURITIES ACT OF 1933

KFORCE INC.

(Exact name of registrant as specified in its charter)

Florida
(State or other jurisdiction of
incorporation or organization)

7363
(Primary Standard Industrial
Classification Code Number)

59-3264661
(I.R.S. Employer Identification No.)

1001 East Palm Avenue
Tampa, Florida 33605

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(813) 552-5000

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

David L. Dunkel

Chairman and Chief Executive Officer

Kforce Inc.

1001 East Palm Avenue

Tampa, Florida 33605

(813) 552-5000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

With copy to:

**Robert J. Grammig, Esq.
Marni Morgan Poe, Esq.
Holland & Knight LLP
100 North Tampa Street, Suite 4100
Tampa, Florida 33602
Phone: (813) 227-6502
Fax: (813) 229-0134**

**Lawrence Calof, Esq.
Gibson, Dunn & Crutcher LLP
1881 Page Mill Road
Palo Alto, California 94304
Phone: (650) 849-5331
Fax: (650) 849-5333**

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective time of the proposed merger described in the proxy statement/prospectus, which shall occur as soon as practicable after the effective date of this registration statement and the satisfaction or waiver of all conditions to the closing of such merger.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box:

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in

accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary proxy statement/prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary proxy statement/prospectus is not an offer to sell and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PRELIMINARY PROXY STATEMENT/PROSPECTUS

Subject to Completion, dated April 12, 2004

PROXY STATEMENT/PROSPECTUS

PROPOSED MERGER YOUR VOTE IS VERY IMPORTANT

Dear Stockholders:

The boards of directors of Kforce Inc. and Hall, Kinion & Associates, Inc. have approved the acquisition of Hall Kinion by Kforce in a merger. In order to complete the merger, we must obtain the approval of Hall Kinion stockholders. The approval of Kforce shareholders is not required. If the merger is completed, a wholly-owned subsidiary of Kforce will merge with and into Hall Kinion and Hall Kinion will become a wholly-owned subsidiary of Kforce. In the merger, Hall Kinion stockholders will receive, in exchange for shares of Hall Kinion common stock, an aggregate amount of fully paid and nonassessable shares of Kforce common stock based upon the exchange ratio. The exchange ratio is dependent on the Kforce stock market value. The Kforce stock market value is the average of the per share closing prices of Kforce common stock on the Nasdaq National Market over the 15 consecutive trading days ending on and including the third trading day prior to the date of the merger. If the Kforce stock market value is equal to or greater than \$7.09, but less than \$9.60, then the exchange ratio will equal .45, which will result in Hall Kinion stockholders receiving between \$40.4 million and \$55.1 million in Kforce common stock. If the Kforce stock market value is less than \$7.09, then the exchange ratio will be \$3.19 *divided by* the Kforce stock market value, which will result in Hall Kinion stockholders receiving approximately \$40.4 million in Kforce common stock. If the Kforce stock market value is equal to or greater than \$9.60, but less than or equal to \$10.60, then the exchange ratio will be \$4.32 *divided by* the Kforce stock market value, which will result in Hall Kinion stockholders receiving approximately \$55.2 million in Kforce common stock. If the Kforce stock market value exceeds \$10.60, the exchange ratio will be calculated by dividing \$4.32 by \$10.60, resulting in a fixed exchange ratio of .4075 for all Kforce stock market values greater than \$10.60. Assuming the Kforce stock market value were equal to \$9.17, which was the average of the per share closing prices of Kforce common stock on the Nasdaq National Market over the 15 consecutive trading days ending on and including the third trading day prior to April 5, 2004, the exchange ratio would equal .45, which would result in Hall Kinion stockholders receiving approximately \$52.6 million in Kforce common stock. We hope to complete the merger within one business day following the Hall Kinion stockholder meeting, or as soon as reasonably possible thereafter. However, there may be some delay between the vote to approve the merger and when the merger is actually completed, during which time the price of Kforce common stock could decline. As a result, Hall Kinion stockholders will not know with certainty at the time they vote the value of the shares of Kforce common stock they will receive in the merger. Based on a Kforce stock market value of \$9.17 and based on those assets and liabilities of Hall Kinion at December 28, 2003 and the pro forma adjustments on page F-3, the value of the identifiable assets, goodwill and liabilities of Hall Kinion to be acquired or assumed in the merger by Kforce would be \$31.0 million, \$56.3 million and \$34.7 million, respectively. Kforce common stock is traded on the Nasdaq National Market under the symbol **KFRC**.

Subject to the limitations and qualifications summarized in **The Merger** **Material United States Federal Income Tax Consequences** section of this document beginning on page 62, the merger will be tax-free to Hall Kinion stockholders, except to the extent of any cash received by Hall Kinion stockholders in the merger.

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Hall Kinion has scheduled a special meeting of its stockholders on May 20, 2004 at 11:00 a.m. local time to vote on the merger proposal at the law offices of Gibson, Dunn & Crutcher LLP located at One Montgomery Street, Suite 3100, San Francisco, California 94104. Regardless of the number of shares that you own or whether you plan to attend a meeting, it is important that your shares be represented and voted. Voting instructions are inside.

The Hall Kinion board of directors has unanimously approved the merger agreement and determined that the merger agreement and the merger are advisable and in the best interests of Hall Kinion and its stockholders. Accordingly, the Hall Kinion board of directors recommends that Hall Kinion stockholders vote to adopt the merger agreement.

This document provides you with detailed information about the proposed merger. We encourage you to read this entire document carefully.

See **Risk Factors** beginning on page 20 of this document for a discussion of various risks you should consider in evaluating the merger.

We believe that this merger will benefit our stockholders and we ask for your support in voting for the merger proposal at our special meeting.

Brenda C. Rhodes

Chairman and Chief Executive Officer

Hall, Kinion & Associates, Inc.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this proxy statement/prospectus or determined if this proxy statement/prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This proxy statement/prospectus is dated April , 2004, and is first being mailed to Hall Kinion stockholders on or about April , 2004.

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HALL, KINION & ASSOCIATES, INC.

75 ROWLAND WAY, SUITE 200

NOVATO, CALIFORNIA 94945

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON MAY 20, 2004

To Hall, Kinion & Associates, Inc. Stockholders:

You are cordially invited to attend a special meeting of stockholders of Hall, Kinion & Associates, Inc. for the following purposes:

To consider and vote on a proposal to adopt the Amended and Restated Agreement and Plan of Merger, dated as of April 5, 2004, among Hall Kinion, Kforce Inc., and Novato Acquisition Corporation, a wholly-owned subsidiary of Kforce. A copy of the merger agreement is attached as Annex A to the proxy statement/prospectus accompanying this notice. Approval and adoption of the merger agreement will also constitute approval of the merger and the other transactions contemplated by the merger agreement; and

To transact other business as may properly be presented at the meeting or any postponements or adjournments of the meeting.

The date, time and place of the meeting are as follows:

May 20, 2004

11:00 a.m., local time

Law Offices of Gibson, Dunn & Crutcher LLP

One Montgomery Street

Suite 3100

San Francisco, California 94104

Only stockholders of record at the close of business on April 6, 2004 are entitled to notice of and to vote at the meeting and any postponements or adjournments of the meeting. Hall Kinion will keep at its offices in Novato, California a list of stockholders entitled to vote at the meeting available for inspection for any purpose relevant to the meeting during normal business hours for the ten days before the meeting. As of April 6,

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2004, there were 12,590,733 shares of Hall Kinion common stock outstanding. Each share of Hall Kinion common stock is entitled to one vote on each matter properly brought before the meeting.

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE SUBMIT YOUR PROXY IN ANY ONE OF THE FOLLOWING WAYS:

USE THE TOLL-FREE TELEPHONE NUMBER SHOWN ON THE PROXY CARD;

USE THE INTERNET WEBSITE SHOWN ON THE PROXY CARD; OR

COMPLETE, SIGN, DATE AND PROMPTLY RETURN THE ENCLOSED PROXY CARD IN THE POSTAGE-PAID ENVELOPE. IT REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES.

You may revoke your proxy in the manner described in the accompanying proxy statement/prospectus. If you attend the special meeting of stockholders, you may vote your shares in person even if you have previously submitted a proxy.

The board of directors of Hall Kinion unanimously recommends that you vote to approve the merger proposal which is described in the accompanying proxy statement/prospectus.

By Order of the Board of Directors,

Martin A. Kropelnicki

Secretary

Novato, California

April , 2004

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ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates by reference important business and financial information about Kforce and Hall Kinion that is not included in or delivered with this document. See "Where You Can Find More Information" beginning on page 90.

You can obtain any of the documents incorporated by reference into this document from Kforce or Hall Kinion, respectively, or from the SEC's website at <http://www.sec.gov>. Documents incorporated by reference are available from Kforce or Hall Kinion, respectively, without charge, excluding any exhibits to those documents unless the exhibit is specifically incorporated by reference into this document. You may obtain documents incorporated by reference into this document by requesting them in writing or by telephone from the applicable company as follows:

Kforce Inc.	Hall, Kinion & Associates, Inc.
1001 East Palm Avenue	75 Rowland Way, Suite 200
Tampa, Florida 33605	Novato, California 94945
Attention: Investor Relations	Attention: Investor Relations
Telephone: (813) 552-5000	Telephone: (415) 895-2200

If you would like to request documents incorporated by reference, please do so by May 10, 2004, to receive them before Hall Kinion's special meeting. Please be sure to include your complete name and address in your request. If you request any documents, we will mail them to you by first class mail, or another equally prompt means, within one business day after we receive your request.

This proxy statement/prospectus is accompanied by a copy of Hall Kinion's Annual Report on Form 10-K/A for the fiscal year ended December 28, 2003, as filed with the SEC. The enclosed 10-K/A of Hall Kinion includes important business and financial information about Hall Kinion that is not included in this document. See "Where You Can Find More Information" beginning on page 80.

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QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: Why are Kforce and Hall Kinion proposing the merger?

A: Kforce and Hall Kinion believe that the merger of Hall Kinion with Kforce will allow the combined company to leverage complementary strengths in technology and finance and accounting staffing services. Bringing together two strong organizations will benefit current and prospective candidates and client customers and employees. We believe this combination should improve Kforce's liquidity and trading fundamentals and create a stronger public company with better capital market access. During the past three years, Hall Kinion has experienced a substantial reduction in revenues, primarily as a result of the downturn in the high technology business sector, which had been the historical focus of Hall Kinion's business. As a result, Hall Kinion has taken actions to reduce costs in order to match revenues and expenses. During recent years, the costs of being a public company have significantly increased. We believe the potential elimination of significant duplicate public company and executive, general and administrative costs will provide greater earnings and cash flow potential for the combined company, and ultimately greater value to each company's stockholders. As a result of these and other factors, the Hall Kinion board of directors concluded that it was in the best interests of Hall Kinion stockholders for Hall Kinion to seek a merger with a larger company that could finance growth from the combination of the companies and achieve synergies from the integration of the companies' executive, general and other administrative functions.

Q: What do I need to do now?

A: After you carefully read this document, mail your signed proxy card in the enclosed return envelope, or submit your proxy by telephone or on the Internet, as soon as possible, so that your shares may be represented at your meeting. In order to ensure that your vote is recorded, please vote your proxy as instructed on your proxy card even if you currently plan to attend your company's special meeting in person.

Q: Why is my vote important?

A: If you do not return your proxy card or submit your proxy by telephone or through the Internet or vote in person at the Hall Kinion special meeting, it will be more difficult for Hall Kinion to obtain the necessary quorum to hold its special meeting. A failure to vote, or an abstention from voting, will have the same effect as a vote against the adoption of the merger agreement.

Q: What vote of Hall Kinion stockholders and what vote of Kforce shareholders is required in connection with the merger?

A: Adoption of the merger agreement requires the affirmative vote of at least a majority of the outstanding shares of Hall Kinion common stock. No vote of Kforce shareholders is required (or will be sought) in connection with the merger.

Q: If my shares are held in street name by my broker, will my broker vote my shares for me?

A: No. If you do not provide your broker with instructions on how to vote your street name shares, your broker will not be permitted to vote them on the adoption of the merger agreement. You should therefore be sure to provide your broker with instructions on how to vote your shares. Please check the voting form used by your broker to see if it offers telephone or Internet submission of proxies.

Q: What if I fail to instruct my broker?

A: If you fail to instruct your broker to vote your shares and the broker submits an unvoted proxy, the resulting broker non-vote will be counted toward a quorum at the special meeting but will not count as a vote cast at the special meeting. Broker non-votes will have the

same effect as negative votes.

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Q: Can I change my vote after I have mailed my proxy card?

A: Yes. You can change your vote at any time before your proxy is voted at the Hall Kinion special meeting. You can do this in any of the following ways:

timely delivery of a valid, later-dated proxy by mail;

timely delivery of a valid, later dated proxy by telephone by calling 1-888-426-7035;

timely delivery of a valid, later dated proxy via the Internet at <http://www.proxyvoting.com/haki>;

written notice to Hall Kinion's secretary before the special meeting that you have revoked your proxy; or

voting by ballot at the Hall Kinion special meeting.

If you have instructed a broker to vote your shares, you must follow directions from your broker to change those instructions.

Q: When and where is the special meeting?

A: The Hall Kinion special meeting will take place on May 20, 2004, at the law offices of Gibson, Dunn & Crutcher LLP located at One Montgomery Street, Suite 3100, San Francisco, California 94104, at 11:00 a.m. local time.

Q: How was the exchange ratio and the relevant collar determined?

A: The exchange ratio of .45 was negotiated between the parties and reflects the parties' views of the approximate relative worth of Kforce and Hall Kinion based on the subjective evaluation of the management of each party, and taking into account the historical and recent performance of each party, and their respective future prospects, liquidity, stock price and positions within their various geographical markets. The 15% collar was also a negotiated point which recognizes that there is likely to be some fluctuation in the market prices in the common stock of the two companies that would not warrant adjusting the consideration to be paid.

Q: Should I send in my stock certificates now?

A: No. After the merger is completed, Kforce will send Hall Kinion stockholders written instructions for exchanging their stock certificates.

Q: When do you expect the merger to be completed?

A: We are working to complete the merger in the second quarter of 2004. However, it is possible that factors outside of our control could require us to complete the merger at a later time or not complete it at all. We hope to complete the merger within one business day following the Hall Kinion stockholder meeting, or as soon as reasonably possible thereafter. However, there may be some delay between the vote to approve the merger and when the merger is actually completed.

Q: Will Kforce shareholders receive any shares as a result of the merger?

A: No. Kforce shareholders will continue to hold the Kforce shares they currently own.

Q: Who do I call if I have questions about the special meeting or the merger?

A: Hall Kinion stockholders may call Martin A. Kropelnicki, Vice President, Chief Financial Officer and Secretary, at (415) 895-2200.

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SUMMARY

*This summary highlights material information in this proxy statement/prospectus and may not contain all of the information that is important to you. To understand the merger fully and for a more complete description of the legal terms of the merger, you should carefully read this document and the other documents to which we have referred you. See *Where You Can Find More Information* beginning on page 80 for more details. We have included page references directing you to a more complete description of each item presented in this summary.*

The Companies

Kforce Inc.

1001 East Palm Avenue

Tampa, Florida 33605

(813) 552-5000

Headquartered in Tampa, Florida, Kforce is a full-service specialty staffing firm providing flexible and permanent staffing solutions for hiring organizations and career management for job seekers in the specialty skill areas of:

Information Technology;

Finance and Accounting;

Pharmaceutical;

HealthCare; and

Scientific.

Kforce was formed in August 1994 as a result of the combination of Romac & Associates, Inc. and three of its largest franchises. Following an Initial Public Offering in 1995, Kforce grew to 31 offices in 18 major markets. On April 20, 1998, Kforce consummated a merger whereby Source Services Corporation was merged into Kforce. The acquisition was accounted for using the pooling of interests method of accounting; accordingly, all historical results were restated to reflect the merger. Kforce now operates through 62 locations in 45 markets and serves clients from Fortune 1000 as well as local and regional small to mid-size companies, with its largest ten clients representing approximately 16% of revenue in 2003.

Hall, Kinion & Associates, Inc.

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75 Rowland Way, Suite 200

Novato, California 94945

(415) 895-2200

Hall, Kinion, The Talent Source® for specialized professionals, delivers world-class talent on a contract and full-time basis to high-demand sectors. Hall Kinion finds, evaluates and places industry-specific Technology and Corporate Professionals.

Founded in 1991, Hall Kinion completed its initial public offering in 1997. Hall Kinion operates two divisions, both of which provide consultants and direct-hire talent: the Technology Professional Division places highly-skilled experts in positions ranging from software engineering to CTO into technology, financial services, healthcare, government and energy sectors; and the Corporate Professional Services Division (OnStaff) places specialists at all levels into real estate, financial services and healthcare sectors. Hall Kinion®, The Talent Source® and OnStaff® are registered trademarks of Hall Kinion.

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In the merger, a wholly-owned subsidiary of Kforce, Novato Acquisition Corporation, will merge with and into Hall Kinion and Hall Kinion will become a wholly-owned subsidiary of Kforce. *The merger agreement is attached as Annex A to this proxy statement/prospectus and we encourage you to read it carefully.*

What You Will Receive in the Merger (Page 57)

In the merger, Hall Kinion stockholders will receive, in exchange for shares of Hall Kinion common stock, an aggregate amount of fully paid and nonassessable shares of Kforce common stock based upon the exchange ratio. The exchange ratio is dependent on the Kforce stock market value. The Kforce stock market value is the average of the per share closing prices of Kforce common stock on the Nasdaq National Market over the 15 consecutive trading days ending on and including the third trading day prior to the date of the merger. If the Kforce stock market value is equal to or greater than \$7.09, but less than \$9.60, then the exchange ratio will equal .45, which will result in Hall Kinion stockholders receiving between \$40.4 million and \$55.1 million in Kforce common stock. If the Kforce stock market value is less than \$7.09, then the exchange ratio will be \$3.19 *divided by* the Kforce stock market value, which will result in Hall Kinion stockholders receiving approximately \$40.4 million in Kforce common stock. If the Kforce stock market value is equal to or greater than \$9.60, but less than or equal to \$10.60, then the exchange ratio will be \$4.32 *divided by* the Kforce stock market value, which will result in Hall Kinion stockholders receiving approximately \$55.2 million in Kforce common stock. If the Kforce stock market value exceeds \$10.60, the exchange ratio will be calculated by dividing \$4.32 by \$10.60, resulting in a fixed exchange ratio of .4075 for all Kforce stock market values greater than \$10.60. The exchange ratio and collar adjustments were determined by arms-length negotiation between Hall Kinion and Kforce after consultation by each of the parties with their respective financial and legal advisors. Assuming the Kforce stock market value is equal to \$9.17, which was the average of the per share closing prices of Kforce common stock on the Nasdaq National Market over the 15 consecutive trading days ending on and including the third trading day prior to April 5, 2004, the exchange ratio would equal .45, which would result in Hall Kinion stockholders receiving approximately \$52.6 million in Kforce common stock. We hope to complete the merger within one business day following the Hall Kinion stockholder meeting, or as soon as reasonably possible thereafter. However, there may be some delay between the Hall Kinion stockholders vote to approve the merger and when the merger is actually completed, during which time the price of Kforce common stock could decline. As a result, Hall Kinion stockholders will not know with certainty at the time they vote the value of the shares of Kforce common stock they will receive in the merger. Based on a Kforce stock market value of \$9.17 and based on those assets and liabilities of Hall Kinion at December 28, 2003 and the pro forma adjustments on page F-3, the value of the identifiable assets, goodwill and liabilities of Hall Kinion to be acquired or assumed in the merger by Kforce would be \$31.0 million, \$56.3 million and \$34.7 million, respectively.

In addition, Hall Kinion stockholders will receive cash instead of any fractional shares of Kforce common stock to which they are otherwise entitled. The holders of shares of Hall Kinion common stock who would otherwise have been entitled to a fraction of a share of Kforce common stock pursuant to the merger agreement will receive cash in an amount equal to the product of the fractional interest of Kforce common stock the Hall Kinion stockholder would have been entitled to receive multiplied by the Kforce stock market value. For example, if a Hall Kinion stockholder would have been entitled to receive 0.5 shares of Kforce common stock and the Kforce stock market value were \$9.17 per share, such Hall Kinion stockholder would receive \$4.58 in cash in lieu of 0.5 shares of Kforce common stock. Hall Kinion and Kforce currently estimate that not more than \$1,000 cash in the aggregate will likely be paid to holders of Hall Kinion common stock in lieu of fractional shares.

Each outstanding, unexercised and fully vested option to purchase Hall Kinion common stock with an exercise price less than (i) the Kforce stock market value *multiplied by* (ii) the exchange ratio will automatically

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be converted into the right to receive an aggregate amount of shares of Kforce common stock as if such option had been exercised on a net-exercise basis immediately prior to the closing of the merger. All other outstanding options will be automatically cancelled. The term net-exercise basis means that the number of Hall Kinion shares an option holder will be deemed to own will be decreased by the exercise price of such options and the taxes required to be withheld as a result of the exercise. For example, if an individual has options to purchase 75 shares of Hall Kinion stock at \$1.00 per share and at the time of the merger the Kforce stock market value is \$9.17 per share (resulting in an implied value of \$4.13 paid per share), assuming a withholding tax rate of 29.6%, Kforce would issue the option holder 17 shares of Kforce common stock based on the following calculation: 75 Hall Kinion option shares multiplied by the exchange ratio of .45 equals 33.7 shares. The sum of the aggregate exercise price of \$75 plus the withholding tax of \$69.49 [(\$4.13-\$1.00) x 75 shares x the assumed tax rate of 29.6%] equals \$144.49. \$144.49 divided by the Kforce stock market value of \$9.17 equals 15.8 shares. The option holder would be entitled to receive 33.7 shares less 15.8 shares, or 17.9 shares. Because Kforce will be paying cash in lieu of fractional shares, the option holder will receive 17 shares of Kforce common stock.

Assuming the Kforce stock market value were equal to \$9.17, which was the average of the per share closing prices of Kforce common stock on the Nasdaq National Market over the 15 consecutive trading days ending on and including the third trading day prior to April 5, 2004, vested options to purchase 409,761 shares of Hall Kinion common stock would be in-the-money and would be converted into approximately 102,715 shares of Kforce common stock. The actual number of options that will be in the money, and the actual number of shares issuable upon exercise of such options, may increase or decrease based on fluctuations in the Kforce stock market value and the exchange ratio before the merger is completed.

The following table illustrates the aggregate merger consideration and aggregate number of shares of Kforce common stock that Hall Kinion stockholders will receive in the merger in exchange for all of the outstanding shares of Hall Kinion common stock, at different Kforce stock market values randomly selected by us. If the merger is consummated, Hall Kinion stockholders will receive no less than approximately \$40.4 million. Kforce has the right, under the terms of the merger agreement, to terminate the merger agreement if the Kforce stock market value is below \$7.00. The number of Kforce shares issued includes outstanding Hall Kinion options converted into Kforce shares.

<u>Kforce Stock Market Value</u>	<u>Exchange Ratio</u>	<u>Implied Value Paid</u>	<u>Value Paid per Share</u>	<u>Kforce Shares Issued</u>	<u>Ownership of Kforce after Merger⁽¹⁾</u>
\$7.00	.456	\$ 40,388,371	\$ 3.19	5,769,767	15.8%
\$7.09	.450	\$ 40,391,561	\$ 3.19	5,697,780	15.7%
\$8.34	.450	\$ 47,557,014	\$ 3.75	5,702,280	15.7%
\$9.17	.450	\$ 52,607,647	\$ 4.13	5,736,930	15.8%
\$9.59	.450	\$ 55,133,676	\$ 4.32	5,749,080	15.8%
\$10.00	.432	\$ 55,142,307	\$ 4.32	5,514,231	15.2%
\$10.61	.4075	\$ 55,256,296	\$ 4.32	5,207,945	14.5%
\$11.00	.4075	\$ 57,294,118	\$ 4.48	5,208,556	14.5%

⁽¹⁾ Represents the percentage of the outstanding common stock of Kforce after the merger.

Stockholder Vote Required (Page 31)

Adoption of the merger agreement requires the affirmative vote of at least a majority of the outstanding shares of Hall Kinion common stock. On the record date, directors and executive officers had the right to vote 2,983,039 shares of Hall Kinion common stock, representing approximately

23.7% of the shares of Hall Kinion

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common stock outstanding and entitled to vote at the special meeting. To Hall Kinion's knowledge, directors and executive officers of Hall Kinion and their affiliates intend to vote their common stock in favor of the adoption of the merger agreement.

Each of Brenda C. Rhodes, Jeffrey A. Evans, Herbert I. Finkelman, Rita S. Hazell, Todd J. Kinion, Martin A. Kropelnicki, Jon H. Rowberry, Jack F. Jenkins-Stark and Michael S. Stein, each a director and/or executive officer of Hall Kinion, who together hold shares of Hall Kinion common stock representing approximately 23.7% of the voting power of Hall Kinion, has entered into a voting agreement with Kforce in which he or she has agreed to vote (i) in favor of the approval of the merger agreement, (ii) against any action that would result in any of the conditions of Kforce's obligations under the merger agreement not being fulfilled, (iii) against any action that would result in a breach by Hall Kinion of any of its covenants, representations or warranties under the merger agreement, and (iv) against (A) any third party acquisition proposal, or (B) the election of a group of individuals to replace a majority or more of the individuals on the Hall Kinion board of directors. A form of Hall Kinion voting agreement is attached to this proxy statement/prospectus as part of Annex A. You should read it in its entirety.

Conditions to the Consummation of the Merger (Page 67)

The completion of the merger depends on the satisfaction or waiver of a number of conditions set forth in the merger agreement, including, but not limited to, the following:

the approval of the merger and the adoption of the merger agreement by the Hall Kinion stockholders;

the approval of the shares of Kforce common stock to be issued to Hall Kinion stockholders in the merger for trading on the Nasdaq National Market;

the registration statement of which this proxy statement/prospectus is a part being declared effective by the SEC and the absence of any stop order suspending the effectiveness of the registration statement;

the accuracy of all of Kforce's representations and warranties as of the date of the merger agreement and the closing date, as qualified in the merger agreement;

the accuracy of all of Hall Kinion's representations and warranties as of the date of the merger agreement and the accuracy of certain of Hall Kinion's representations and warranties as of the closing date, as qualified in the merger agreement;

the performance or compliance in all material respects with all agreements and covenants set forth in the merger agreement;

the receipt of all consents and approvals of third parties as set forth in the merger agreement;

the absence of any law, temporary restraining order, injunction or other order issued by a court that has the effect of making the merger illegal or otherwise prohibiting the merger; and

the expiration or termination of the waiting period applicable to the merger under the Hart-Scott-Rodino Antitrust Impro