KFORCE INC
Form S-4/A
February 09, 2004
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As filed with the Securities and Exchange Commission on February 9, 2004

Registration No. 333-111566

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1

to

FORM S-4

REGISTRATION STATEMENT

Under

THE SECURITIES ACT OF 1933

KFORCE INC.

(Exact name of registrant as specified in its charter)

Florida	7363	59-3264661
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

1001 East Palm Avenue

Tampa, Florida 33605

(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 joint 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 joint 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 joint 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 JOINT PROXY STATEMENT/PROSPECTUS

Subject to Completion, dated February 9, 2004

JOINT 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 each obtain the approval of our stockholders. 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 .60, which will result in Hall Kinion stockholders receiving between $54.6 million and $74.4 million in Kforce common stock. If the Kforce stock market value is equal to or greater than $9.60, then the exchange ratio will be $5.75 *divided by* the Kforce stock market value, which will result in Hall Kinion stockholders receiving no less than approximately $74.4 million. If the Kforce stock market value is less than $7.09, then the exchange ratio will be $4.25 *divided by* the Kforce stock market value, which will result in Hall Kinion stockholders receiving no more than approximately $54.6 million. Assuming the Kforce stock market value were equal to $10.32, 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 February 3, 2004, the exchange ratio would equal 0.557, which would result in Hall Kinion stockholders receiving approximately $74.4 million. We hope to complete the merger as soon as reasonably possible following the Hall Kinion and Kforce stockholder meetings. 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 $10.32 and based on those assets and liabilities of Hall Kinion at September 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 $38.5 million, $76.8 million and $40.9 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 Kforce shareholders and Hall Kinion stockholders, except to the extent of any cash received by Hall Kinion stockholders in the merger.

Kforce has scheduled a special meeting of its shareholders on March 11, 2004, at 10:00 a.m. local time to vote on the merger proposal at its corporate headquarters located at 1001 East Palm Avenue, Tampa, Florida 33605, and Hall Kinion has scheduled a special meeting of its stockholders on March 11, 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 Kforce 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 Kforce and its shareholders. Accordingly, the Kforce board of directors recommends that Kforce shareholders vote to approve the issuance of shares of Kforce common stock pursuant to the merger agreement.

Similarly, 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 23 of this document for a discussion of various risks you should consider in evaluating the merger.

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

David L. Dunkel

Chairman and Chief Executive Officer

Kforce Inc.

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 joint proxy statement/prospectus or determined if this joint proxy statement/prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

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

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KFORCE INC.

1001 EAST PALM AVENUE

TAMPA, FLORIDA 33605

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON MARCH 11, 2004

To Kforce Inc. Shareholders:

You are cordially invited to attend a special meeting of shareholders of Kforce Inc. for the following purposes:

To consider and vote on a proposal to approve the issuance of shares of Kforce common stock under an Agreement and Plan of Merger, dated as of December 2, 2003, as amended, among Kforce, Novato Acquisition Corporation, a wholly-owned subsidiary of Kforce, and Hall, Kinion & Associates, Inc. A copy of the merger agreement is attached as Annex A to the joint proxy statement/prospectus accompanying this notice; 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:

March 11, 2004

10:00 a.m., local time

Kforce Inc.

1001 East Palm Avenue

Tampa, Florida 33605

Only shares of record at the close of business on February 9, 2004 are entitled to notice of and to vote at the meeting and any postponements or adjournments of the meeting. Kforce will keep at its offices in Tampa, Florida a list of shareholders 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 February 9, 2004, there were shares of Kforce common stock outstanding. Each share of Kforce 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 joint proxy statement/prospectus. If you attend the special meeting of shareholders, you may vote your shares in person even if you have previously submitted a proxy.

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

By Order of the Board of Directors,

William L. Sanders

Secretary

Tampa, Florida

February , 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 MARCH 11, 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 Agreement and Plan of Merger, dated as of December 2, 2003, as amended, 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 joint 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:

March 11, 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 February 2, 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 February 2, 2004, there were 12,589,428 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 joint 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 joint proxy statement/prospectus.

By Order of the Board of Directors,

Martin A. Kropelnicki

Secretary

Novato, California

February   , 2004

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ADDITIONAL INFORMATION

This joint 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 89.

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 March 1, 2004, to receive them before your company 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 joint proxy statement/prospectus is accompanied by a copy of Hall Kinion s Annual Report on Form 10-K for the fiscal year ended December 29, 2002, as filed with the SEC on March 31, 2003, and Hall Kinion s latest Quarterly Report on Form 10-Q for the quarter ended September 28, 2003, as filed with the SEC on November 12, 2003. The enclosed 10-K and 10-Q of Hall Kinion include 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 89.

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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 brands 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 your company s special meeting, it will be more difficult for Kforce and Hall Kinion to obtain the necessary quorum to hold their special meetings. In addition, if you are a Kforce shareholder, a failure to vote will reduce the number of affirmative votes required to approve the issuance of shares of Kforce common stock in the merger. If you are a Kforce shareholder and you abstain from voting, your abstention will reduce the number of affirmative votes required to approve the issuance of shares of Kforce common stock in the merger. If you are a Hall Kinion stockholder, 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: 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 by Hall Kinion stockholders or the approval of the issuance of shares of Kforce common stock in the merger. 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 respective special meeting but will not count as a

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vote cast at the special meeting. With respect to the Kforce special meeting, broker non-votes will reduce the number of affirmative votes required to approve the issuance of shares of Kforce common stock in the merger. With respect to the Hall Kinion special meeting, broker non-votes will have the same effect as negative votes.

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 your company s special meeting. You can do this in any of the following ways:

- timely delivery of a valid, later-dated proxy by mail, or a later-dated proxy by telephone or Internet;
- if you are a Kforce shareholder, by timely delivery of a valid, later dated proxy by telephone by calling 1-877-PRX-VOTE (1-877-779-8683);
- if you are a Kforce shareholder, by timely delivery of a valid, later dated proxy via the Internet at http://www.eproxyvote.com/kfrc;
- if you are a Hall Kinion stockholder, by timely delivery of a valid, later dated proxy by telephone by calling 1-888-426-7035;
- if you are a Hall Kinion stockholder, by timely delivery of a valid, later dated proxy via the Internet at http://www.proxyvoting.com/haki;
- written notice to your company s secretary before the special meeting that you have revoked your proxy; or
- voting by ballot at either the Kforce special meeting or 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 are the special meetings?

A: The Kforce special meeting will take place on March 11, 2004, at its corporate headquarters located at 1001 East Palm Avenue, Tampa, Florida 33605 at 10:00 a.m. local time. The Hall Kinion special meeting will take place on March 11, 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 .60 was negotiated between the parties and reflects the parties views of the approximate relative worth of Kforce and Hall Kinion. 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. Kforce shareholders will keep their existing stock certificates.

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

A: We are working to complete the merger by March 31, 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

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complete the merger as soon as reasonably possible following the Hall Kinion and Kforce stockholder meetings. 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 meetings or the merger?

A: Kforce shareholders may call Michael Blackman, Vice President Investor Relations, at (813) 552-5000.

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 joint 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 89 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 64 locations in over 40 markets and serves clients from Fortune 1000 as well as local and regional small to mid-size companies, with our largest ten clients representing approximately 14% of revenue in 2002.

Hall, Kinion & Associates, Inc.

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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The Merger (Page 38)

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, as amended, is attached as Annex A to this joint proxy statement/prospectus and we encourage you to read it carefully.***

What You Will Receive in the Merger (Page 66)

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 .60, which will result in Hall Kinion stockholders receiving between $54.6 million and $74.4 million in Kforce common stock. If the Kforce stock market value is equal to or greater than $9.60, then the exchange ratio will be $5.75 *divided by* the Kforce stock market value, which will result in Hall Kinion stockholders receiving no less than approximately $74.4 million. If the Kforce stock market value is less than $7.09, then the exchange ratio will be $4.25 *divided by* the Kforce stock market value, which will result in Hall Kinion stockholders receiving no more than approximately $54.6 million. 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 $10.32, 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 February 3, 2004, the exchange ratio would equal 0.557, which would result in Hall Kinion stockholders receiving approximately $74.4 million. We hope to complete the merger as soon as reasonably possible following the Hall Kinion and Kforce stockholder meetings. 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 $10.32 and based on those assets and liabilities of Hall Kinion at September 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 $38.5 million, $76.8 million and $40.9 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 $10.32 per share, such Hall Kinion stockholder would receive $5.16 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 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

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taxes required to be withheld as a result of the exercise. For example, if an individual has options to purchase 100 shares of Hall Kinion stock at $1.00 per share and at the time of the merger the Kforce stock market value is $10.32 per share, assuming a withholding tax rate of 29.6%, Kforce would issue the option holder 32 shares of Kforce common stock based on the following calculation: 100 Hall Kinion option shares multiplied by the exchange ratio of 0.557 equals 55.7 shares. The sum of the aggregate exercise price of $100 plus the withholding tax of $140.60 [($5.75-$1.00) x 100 shares x the assumed tax rate of 29.6%] equals $240.60. $240.60 divided by the Kforce stock market value of $10.32 equals 23.3 shares. The option holder would be entitled to receive 55.7 shares less 23.3 shares or 32.4 shares. Because Kforce will be paying cash in lieu of fractional shares, the option holder will receive 32 shares of Kforce common stock.

Assuming the Kforce stock market value were equal to $10.32, 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 February 3, 2004, vested options to purchase 1,065,689 shares of Hall Kinion common stock would be in-the-money and would be converted into 176,023 shares of Kforce common stock.

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. While there is no maximum number of shares of Kforce common stock to be issued in the merger, if the merger is consummated, Hall Kinion stockholders will receive no less than approximately $54.6 million and no more than approximately $74.4 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 $6.00. The number of shares in the far right column includes outstanding Hall Kinion options converted into Kforce shares.

Kforce Price	**Exchange Ratio (rounded)**	**Implied Value Paid**	**Value Paid per Share**	**Kforce Shares Issued**
$6.00	.708	$ 54,618,375	$ 4.25	9,103,062
$7.09	.600	$ 54,695,514	$ 4.25	7,714,459
$7.90	.600	$ 61,251,986	$ 4.74	7,753,416
$8.34	.600	$ 64,701,720	$ 5.00	7,758,000
$8.55	.600	$ 66,367,759	$ 5.13	7,762,311
$9.59	.600	$ 74,467,903	$ 5.75	7,765,162
$10.32	.557	$ 74,393,350	$ 5.75	7,208,658

Ownership of Kforce After the Merger

Kforce and Hall Kinion expect that the number of shares of Kforce common stock issued to Hall Kinion stockholders in the merger will constitute approximately 19.5% of the outstanding common stock of Kforce after the merger, based on the assumptions set forth in the pro forma condensed combined financial statements and assuming the conversion of all vested in-the-money options to purchase shares of Hall Kinion common stock into shares of Kforce common stock under the merger agreement.

Stockholder Votes Required (Pages 33 and 35)

For Kforce shareholders:

Approval of the proposal to issue shares of Kforce common stock in the merger requires the affirmative vote of holders of a majority of the shares of Kforce common stock present or represented by proxy and entitled to vote at the Kforce special meeting. Approval of the proposal to issue shares of Kforce common stock in the merger is a condition to the completion of the merger. Therefore, if shareholders wish to have the merger completed, they must approve the proposal.

On the record date, directors and executive officers of Kforce and their affiliates had the right to vote shares of Kforce common stock, representing approximately % of the shares of Kforce common stock outstanding on the record date. To Kforce s knowledge, directors and executive officers of Kforce and their

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affiliates intend to vote their common stock in favor of the proposal to issue shares of Kforce common stock in the merger.

Each of David L. Dunkel, Richard M. Cocchiaro, Joseph J. Liberatore, Ken W. Pierce, William L. Sanders and Howard W. Sutter, each a director and/or executive officer of Kforce, who as of December 19, 2003, beneficially owned shares of Kforce common stock representing approximately 31.59% of the voting power of Kforce, has entered into a voting agreement with Hall Kinion in which he 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 Hall Kinion s obligations under the merger agreement not being fulfilled, (iii) against any action that would result in a breach by Kforce of any of its covenants, representations or warranties under the merger agreement, and (iv) against the election of a group of individuals to replace a majority or more of the individuals on the Kforce board of directors. A form of Kforce voting agreement is attached to this joint proxy statement/prospectus as part of Annex A. You should read it in its entirety.

For Hall Kinion Stockholders:

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 shares of Hall Kinion common stock, representing approximately 30.2% of the shares of Hall Kinion 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 beneficially own shares of Hall Kinion common stock representing approximately 30.2% 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 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 joint proxy statement/prospectus as part of Annex A. You should read it in its entirety.

Conditions to the Consummation of the Merger (Page 75)

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 stockholders of Hall Kinion and the approval of the issuance of the shares of Kforce common stock in the merger by the shareholders of Kforce;
- 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 joint 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 representations and warranties as of the date of the merger agreement and the closing date, as qualified in the merger agreement;

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- 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;
- the expiration or termination of the waiting period applicable to the merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended; and
- the receipt by Kforce and Hall Kinion of a legal opinion that the merger will be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended.

At any time prior to the effective time of the merger, Kforce and Hall Kinion may, to the extent legally allowed, extend the time for performance of any of the obligations or other acts set forth in the merger agreement, waive any inaccuracies in the representations or warranties set forth in the merger agreement and waive compliance with any of the agreements or conditions set forth in the merger agreement.

Kforce and Hall Kinion cannot be certain when, or if, the conditions to the merger will be satisfied or waived, or that the merger will be completed.

Termination of the Merger Agreement (Page 77)

Kforce and Hall Kinion may terminate the merger agreement by mutual written consent.

Either Kforce or Hall Kinion may terminate the merger agreement if:

- the merger is not completed by April 30, 2004 but only if the party seeking termination did not fail to fulfill any obligation under the merger agreement that has been a material cause of the failure of the closing to occur on or before April 30, 2004;
- any governmental entity issues a non-appealable final order permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by the merger agreement or fails to issue an order necessary to satisfy a closing condition to the merger and such failure becomes final and non-appealable;
- the other party materially breaches any of the representations or warranties set forth in the merger agreement, and such breach or failure cannot be cured before April 30, 2004;
- the other party materially breaches any of its covenants or agreements set forth in the merger agreement, and such breach cannot be cured within 20 business days after written notice thereof;

under certain circumstances, Hall Kinion takes action with respect to or pursues an unsolicited third-party acquisition proposal that is or may be superior to the merger with Kforce; or

Hall Kinion stockholders do not approve the merger and adopt the merger agreement or Kforce shareholders do not approve the issuance of shares of Kforce common stock pursuant to the merger agreement.

Kforce may terminate the merger agreement if:

the Hall Kinion board of directors withdraws, modifies, qualifies or fails to make or reconfirm its recommendation to the Hall Kinion stockholders, or Hall Kinion willfully and materially breaches its obligation to call a stockholders meeting;

Hall Kinion willfully and materially breaches its non-solicitation obligations; or

between December 2, 2003 and the closing of the merger, the average of the closing sales prices of Kforce common stock on the Nasdaq National Market shall have been less than $6.00 per share for 15 consecutive trading days.

Hall Kinion may terminate the merger agreement if:

the Kforce board of directors withdraws, modifies, qualifies or fails to make its recommendation to the Kforce shareholders, or Kforce willfully and materially breaches its obligation to call a shareholders meeting.

Termination Fees (Page 78)

Termination of the merger by Kforce under specified circumstances, including if (i) Hall Kinion enters into or consummates a similar transaction with a third party, (ii) the Hall Kinion board of directors withdraws, modifies, qualifies or fails to make its recommendation to the Hall Kinion stockholders, or (iii) Hall Kinion materially breaches its obligation to call a stockholders meeting, could result in Hall Kinion being required to pay to Kforce a termination fee in an amount equal to $2.0 million. In addition to the termination fee, Hall Kinion must pay Kforce an amount equal to the difference, if any, between 3% of the transaction value paid to Hall Kinion s stockholders by a third party and $2.0 million if: (i) at any time after the date of the merger agreement and before Hall Kinion s stockholders approve the merger, a third party acquisition proposal with respect to Hall Kinion has been publicly announced or otherwise communicated to the stockholders of Hall Kinion; and (ii) prior to December 31, 2004, Hall Kinion or any of its subsidiaries enters into any definitive agreement with respect to, or consummates, any acquisition proposal. Such additional termination fee could discourage other companies from trying or proposing to combine with Hall Kinion.

Termination of the merger by Hall Kinion under specified circumstances, including if Kforce s board of directors withdraws, modifies, qualifies or fails to make its recommendation to the Kforce shareholders, or Kforce materially breaches its obligation to call a shareholders meeting, could result in Kforce being required to pay to Hall Kinion a termination fee in the amount of $2.0 million.

Recommendation of Kforce s Board of Directors (Page 43)

The Kforce board of directors has unanimously approved the merger agreement and the transactions contemplated thereby and has deemed the merger advisable and determined that the consideration to be paid by Kforce in the merger is fair and in the best interest of Kforce and its shareholders. The Kforce board of directors recommends that Kforce shareholders vote for the approval of the issuance of Kforce common stock in the merger.

In reaching its decision, the Kforce board of directors consulted with its management team and advisors and considered the proposed merger agreement and the transactions contemplated by the merger agreement. During the course of its deliberations, the Kforce board of directors considered a number of factors, including without limitation:

the high quality of the operational personnel and the compatibility of the cultures of the two companies;

the combination of executive, general and administrative functions;

elimination of Hall Kinion s public company costs;

the consideration to be paid by Kforce in the merger;

the strategic and geographic fit of Kforce and Hall Kinion;

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- information concerning Kforce s and Hall Kinion s respective businesses, prospects, strategic business plans, financial performances and conditions, results of operations, technology positions, management and competitive positions;

- the view of Kforce s management as to the financial condition, results of operations and business of Kforce and Hall Kinion before and after giving effect to the merger, based on management s due diligence, internal projections, publicly available earnings estimates and other publicly available information;

- the opinion of Lehman Brothers to the effect that, as of the date of that opinion, and based upon and subject to the matters described in its opinion, the exchange ratio to be paid by Kforce pursuant to the merger agreement is fair to Kforce from a financial point of view;

- information concerning historical and current market prices with respect to Kforce s common stock and Hall Kinion s common stock;

- the likelihood of a successful integration and the successful operation of the combined company;

- the shareholders view of the combined company;

- the terms and conditions of the merger agreement, the voting agreements, and the affiliate agreements, including without limitation the termination fees; and

- the likelihood that the merger will be completed.

During the course of its deliberations concerning the merger, the Kforce board of directors also identified and considered a variety of potentially negative factors that could materialize as a result of the merger, including, but not limited to:

- the risk that the potential benefits of the merger may not be realized, including that the expected operating synergies might not be achieved;

- the possibility that the merger might not be consummated and the effect of the public announcement of the merger on Kforce s partners, customers and employees;

- the risks associated with obtaining the necessary approvals required to complete the merger;

- the transaction costs involved in connection with closing the merger;

- the potential inability to realize certain Federal and state tax benefits through future income. No value will be assigned to the Hall Kinion deferred tax asset in the asset allocation;

- the management efforts and costs required to complete the integration of the businesses and operations of the two companies following the merger;

the risk that sales of substantial amounts of Kforce common stock in the public market after the proposed merger could materially adversely affect the market price of Kforce common stock;

the risk that customers and other business partners of Hall Kinion might terminate their relationships as a result of the merger; and

the other risks described under the section entitled Risk Factors beginning on page 23.

Recommendation of Hall Kinion s Board of Directors (Page 45)

The Hall Kinion board of directors has unanimously approved the merger agreement and the transactions contemplated thereby and believes that the terms of the merger agreement and the merger are fair to, and in the best interests of, Hall Kinion and its stockholders. The Hall Kinion board of directors recommends that the Hall Kinion stockholders approve the merger and adopt the merger agreement.

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In reaching its decision, the Hall Kinion board of directors consulted with its management team and advisors and considered the proposed merger agreement and the transactions contemplated by the merger agreement. During the course of its deliberations, the Hall Kinion board of directors considered a number of factors, including without limitation:

- current market prices for Hall Kinion common stock, the fluctuation in historical trading prices of the Hall Kinion common stock, the lack of liquidity in the market for Hall Kinion common stock, the inability to use Hall Kinion common stock at current price levels as consideration for acquisitions, which limits Hall Kinion s growth potential, and the fact that the merger consideration includes a premium over the market price for Hall Kinion common stock on the last trading day before the merger was announced;

- the greater liquidity of Kforce s common stock following the merger as compared to Hall Kinion s common stock;

- the fact that Hall Kinion s stockholders will have the opportunity to participate in the growth and opportunities of the combined company;

- the likelihood that other offers or expressions of interest at prices higher than the merger consideration would have been expected to have surfaced prior to the execution of the merger agreement as a result of the marketing efforts conducted by Baird;

- the Hall Kinion board of directors knowledge of Hall Kinion s business, current financial condition and liquidity, the nature of the markets in which Hall Kinion competes and Hall Kinion s position in those markets, Hall Kinion s prospects for future growth as an independent company as compared with prospects as part of a larger enterprise; and the likelihood of further consolidation occurring in the industry and the effects of such consolidation;

- the historical and potentially continuing downturn in technology spending, particularly by companies that historically had been part of Hall Kinion s primary customer base, and the downturn in the demand for services in Hall Kinion s OnStaff division;

- the potential reduction in Hall Kinion s liquidity under its line of credit as a result of decreased revenues, which results in a reduced borrowing base;

- the potential synergies, cost savings and economies of scale resulting from the combined executive, general and administrative functions of the two companies following the merger;

- Hall Kinion s ability, subject to certain conditions, to respond to, and to accept, an unsolicited offer that is superior to the merger, if failing to do so would breach the fiduciary responsibilities of the Hall Kinion board of directors;

- the fact that the merger is a tax-free reorganization, which will permit Hall Kinion stockholders to defer payment of capital gains taxes until they sell shares of Kforce common stock received in the merger;

- the other terms of the merger agreement; and

- the analyses and financial presentations to the Hall Kinion board of directors in connection with the Hall Kinion board of directors consideration of the merger, including the opinion of Baird that the exchange ratio to be received by the Hall Kinion stockholders was fair, from a financial point of view.

In addition to the positive factors summarized above, the Hall Kinion board of directors also considered the following negative factors in reaching its determination:

the possibility that the merger might not be consummated, the impact of the transaction costs incurred if the merger is not completed, the risks associated with potential fluctuations in the price of Kforce common stock prior to the closing of the merger, including Kforce s right to terminate the merger if its

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stock price decreases to less than $6.00 per share over a period of time prior to the closing of the merger and the effect of the public announcement of the merger on Hall Kinion s sales, operating results, stock price and relations with employees and customers;

the risk that the potential benefits and synergies in the merger might not be fully realized;

the risk of a stock price decline in Kforce stock following the completion of the merger;

the costs and potential operational problems that may be incurred in the integration of the two companies operations;

the risks associated with diversion of management resources from operational matters for an extended period of time; and

the risks described under the section entitled Risk Factors beginning on page 23 of this joint proxy statement/prospectus.

Kforce s Termination Rights (Page 77)

Kforce may terminate the merger agreement if the average of the closing share price of Kforce common stock on the Nasdaq National Market shall have been less than $6.00 per share for 15 consecutive trading days. Although a resolicitation of proxies from our shareholders is not required, Kforce has not concluded whether it would resolicit proxies if it has the opportunity to exercise its walk-away rights. Kforce s determination of whether to proceed with the transaction in such a case will be based upon its board s careful consideration, exercising its reasonable business judgment consistent with its fiduciary duties to Kforce s shareholders, of the impact of the event triggering any walk-away rights on the valuation of Hall Kinion s business in the merger and other strategic alternatives to the merger which may then be available to Kforce, as well as general market and industry conditions. Kforce s board of directors reserves the right not to proceed with a resolicitation of proxies and to consummate the transaction if, taking into account its responsibilities, it determines that proceeding with the transaction is in its shareholders best interest.

Opinion of Kforce s Financial Advisor (Page 46)

In connection with the merger, the Kforce board of directors received a written opinion from Lehman Brothers as to the fairness, from a financial point of view, to Kforce of the exchange ratio to be paid in the merger by Kforce. The full text of the Lehman Brothers written opinion, dated December 2, 2003, is attached to this joint proxy statement/prospectus as Annex B. Kforce and Hall Kinion encourage you to read this opinion carefully in its entirety for a description of the assumptions made, procedures followed, matters considered and limitations on the review undertaken. **The Lehman Brothers opinion is addressed to the Kforce board of directors and does not constitute a recommendation to any shareholder with respect to any matters relating to the proposed merger.**

Opinion of Hall Kinion s Financial Advisor (Page 53)

In connection with the merger, the Hall Kinion board of directors received a written opinion from Robert W. Baird & Co. Incorporated as to the fairness, from a financial point of view, of the exchange ratio to be received in the merger by the holders of Hall Kinion common stock. The full text of the Robert W. Baird & Co. Incorporated written opinion, dated December 2, 2003, is attached to this joint proxy statement/prospectus as Annex C. Kforce and Hall Kinion encourage you to read this opinion carefully in its entirety for a description of the assumptions made, procedures followed, matters considered and limitations on the review undertaken. **The Robert W. Baird & Co. Incorporated opinion is addressed to the Hall Kinion board of directors, and does not constitute a recommendation to any stockholder with respect to any matters relating to the proposed merger.**

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Material United States Federal Income Tax Consequences (Page 62)

The exchange of Hall Kinion common stock for Kforce common stock, other than cash paid for fractional shares, is intended to be tax-free to you for United States federal income tax purposes. Hall Kinion and Kforce will not be obligated to consummate the merger unless they receive legal opinions to the effect that the merger qualifies as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. However, neither Kforce nor Hall Kinion has requested nor will either request a ruling from the Internal Revenue Service with regard to any of the tax consequences of the merger. If the Internal Revenue Service were to assert successfully that the merger is not a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, then the exchange of Hall Kinion common stock for Kforce common stock would not be tax-free to you. Tax matters are very complicated and the tax consequences of the merger to you will depend on your own personal circumstances. **You should consult your tax advisor for a full understanding of all of the federal, state, local and foreign income and other tax consequences of the merger to you.**

Accounting Treatment (Page 64)

The merger will be accounted for as a purchase under accounting principles generally accepted in the United States of America.

Interests of Hall Kinion Directors and Officers in the Merger (Page 83)

Certain Hall Kinion directors and executive officers have interests in the merger that are different from, or are in addition to, those of other stockholders. These interests include: (i) the continued indemnification of current directors and officers of Hall Kinion; (ii) in the case of Brenda C. Rhodes and Rita S. Hazell, change of control payments in the amount of $1.1 million and $980,000 owed to them, respectively, as a result of the merger; (iii) in the case of Ms. Rhodes, Ms. Hazell, Martin A. Kropelnicki and David Healey, the acceleration of the vesting of certain stock options held by them; (iv) in the case of Ms. Rhodes, the acceleration of $1.05 million in compensation otherwise owed to her; and (v) in the case of Ms. Rhodes and Ms. Hazell, the acceleration of the forgiveness of approximately $302,000 and $58,000 of indebtedness owed to Hall Kinion by Ms. Rhodes and Ms. Hazell, respectively. The members of Hall Kinion s board of directors were aware of, and considered the interests of, themselves and Hall Kinion s executive officers in approving the merger and adopting the merger agreement.

Regulatory Clearances and Approvals (Page 65)

Kforce and Hall Kinion have notified and furnished information to the Federal Trade Commission and the Antitrust Division of the U.S. Department of Justice under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the applicable waiting period has terminated. Although the waiting period has terminated, the Federal Trade Commission, the Antitrust Division, any state or any private party may challenge the merger at any time before or after its completion.

No Appraisal Rights (Page 65)

Stockholders are not entitled to appraisal rights in connection with the merger.

Quotation on the Nasdaq National Market (Page 65)

Kforce s common stock is currently traded on the Nasdaq National Market under the symbol KFRC. It is a condition to the merger that the shares of Kforce common stock to be issued in the merger be approved for trading on the Nasdaq National Market subject to official notice of issuance.

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Kforce Selected Historical Consolidated Financial Data

The selected consolidated historical financial information set forth below under the captions Consolidated Statement of Operations Data and Consolidated Balance Sheet Data for, and as of the end of, each of the fiscal years in the five-year period ended December 31, 2002, are derived from Kforce s historical audited financial statements. The selected consolidated historical financial information set forth below for the nine-month periods ended September 30, 2003 and 2002 are derived from Kforce s unaudited condensed consolidated historical financial statements, and in the opinion of Kforce s management reflects all adjustments necessary for the fair presentation of this unaudited consolidated historical financial information. This information should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations of Kforce and the consolidated financial statements and notes thereto incorporated by reference into this joint proxy statement/prospectus. Historical results are not necessarily indicative of results to be expected for any future period.

	Year Ended December 31					Nine Months Ended September 30	
	1998	**1999**	**2000**	**2001**	**2002**	**2002**	**2003**
	(In thousands, except per share amounts)						
Consolidated Statement of Operations Data:							
Net service revenues	$ 685,704	$ 754,710	$ 805,020	$ 658,417	$ 513,547	$ 390,040	$ 369,847
Direct costs of services	394,123	432,079	443,464	406,017	345,585	260,904	254,776
Gross profit	291,581	322,631	361,556	252,400	167,962	129,136	115,071
Selling, general and administrative expenses	224,790	346,452	341,812	244,792	168,233	123,701	108,649
Depreciation and amortization	9,507	14,514	18,440	17,325	9,629	7,613	3,203
Merger, restructuring, and integration expense	26,122						
Income (loss) from operations	31,162	(38,335)	1,304	(9,717)	(9,900)	(2,178)	3,219
Other (income) expense, net	(4,985)	(942)	113	4,460	3,206	1,529	898
Income (loss) before income taxes	36,147	(37,393)	1,191	(14,177)	(13,106)	(3,707)	2,321
Benefit (provision) for income taxes	(20,708)	13,877	(1,474)	2,089	(102)	(1,527)	(8)
Income (loss) before cumulative effect of change in accounting principle	15,439	(23,516)	(283)	(12,088)	(13,208)	(2,180)	2,329
Cumulative effect of change in accounting principle					(33,823)		
Net income (loss)	$ 15,439	$ (23,516)	$ (283)	$ (12,088)	$ (47,031)	$ (2,180)	$ 2,329
Net income (loss) per share basic	$ 0.33	$ (0.53)	$ (0.01)	$ (0.38)	$ (1.49)	$ (0.07)	$ 0.08
Weighted average shares outstanding basic	45,410	44,781	42,886	31,711	31,577	31,789	30,528
Net income (loss) per share diluted	$ 0.34	$ (0.53)	$ (0.01)	$ (0.38)	$ (1.49)	$ (0.07)	$ 0.08
Weighted average shares outstanding diluted	47,318	44,781	42,886	31,711	31,577	31,789	30,964

	As of December 31,					As of September 30,
	1998	**1999**	**2000**	**2001**	**2002**	**2003**
	(In thousands)					

Consolidated Balance Sheet Data:						
Working capital	$ 135,348	$ 86,310	$ 70,885	$ 43,083	$ 32,126	$ 38,447
Total assets	$ 333,812	$ 296,187	$ 278,018	$ 222,772	$ 152,177	$ 161,447
Total long-term debt	$ 461	$	$ 45,000	$ 28,185	$ 22,000	$ 22,000
Stockholders equity	$ 255,022	$ 218,205	$ 155,037	$ 138,809	$ 85,588	$ 88,052

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Hall Kinion Selected Historical Consolidated Financial Data

The selected consolidated historical financial information set forth below under the captions Consolidated Statement of Operations Data and Consolidated Balance Sheet Data for, and as of the end of, each of the fiscal years ended December 29, 2002, December 30, 2001, December 31, 2000, December 26, 1999 and December 27, 1998, are derived from Hall Kinion s historical audited financial statements. The selected consolidated historical financial information set forth below for the nine-month periods ended September 28, 2003 and September 29, 2002 are derived from Hall Kinion s unaudited consolidated historical financial statements, and in the opinion of Hall Kinion s management reflects all adjustments necessary for the fair presentation of this unaudited consolidated historical financial information. This information should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operati