KFORCE INC
Form S-4/A
April 13, 2004
Table of Contents

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	**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 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.

Table of Contents

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.

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.

Table of Contents

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, 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

Table of Contents

TABLE OF CONTENTS

Table of Contents

Table of Contents

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.
1001 East Palm Avenue
Tampa, Florida 33605
Attention: Investor Relations
Telephone: (813) 552-5000

Hall, Kinion & Associates, Inc.
75 Rowland Way, Suite 200
Novato, California 94945
Attention: Investor Relations
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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

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.

Table of Contents

The Merger (Page 33)

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 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.

Kforce Stock Market Value	Exchange Ratio	Implied Value Paid	Value Paid per Share	Kforce Shares Issued	Ownership of Kforce after Merger[(1)]
$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

Table of Contents

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 Improvements Act of 1976, 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.

Table of Contents

Termination of the Merger Agreement (Page 68)

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 June 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 June 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 June 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.

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;
- between April 5, 2004 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 $7.00 per share for 15 consecutive trading days; or
- Hall Kinion materially breaches the management agreement or the management agreement is terminated (other than a termination of the management agreement by Hall Kinion because of an uncured material breach of the management agreement by Kforce).

Termination Fees (Page 70)

Termination of the merger agreement 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 $6.0 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 $6.0 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.

Table of Contents

Termination of the merger agreement by Kforce for any reason other than: (i) under those circumstances set forth in the preceding paragraph; (ii) upon the mutual written consent of Kforce and Hall Kinion; (iii) as a result of the failure to obtain Hall Kinion stockholder approval; (iv) as a result of a breach of any representation, warranty or covenant of Hall Kinion; (v) if the average of the closing share prices of Kforce common stock on the Nasdaq National Market shall have been less than $7.00 per share for 15 consecutive trading days; (vi) as a result of Hall Kinion s failure to satisfy a condition to closing; or (vii) as a result of any material breach of the management agreement by Hall Kinion or a termination of the management agreement (other than because of an uncured material breach of the management agreement by Kforce); could result in Kforce being required to pay to Hall Kinion a termination fee in the amount of $6.0 million.

Recommendation of Hall Kinion s Board of Directors (Page 42)

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.

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;

Table of Contents

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 stock price decreases to less than $7.00 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 20 of this proxy statement/prospectus.

Kforce s Termination Rights (Page 68)

Kforce may terminate the merger agreement if the average of the closing share prices of Kforce common stock on the Nasdaq National Market shall have been less than $7.00 per share for 15 consecutive trading days. Kforce has not concluded whether it would exercise its walk-away rights if it had the opportunity to do so. 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 exercise its walk-away rights 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 Hall Kinion s Financial Advisor (Page 43)

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 April 5, 2004, is attached to this proxy statement/prospectus as Annex B. Kforce and

Table of Contents

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.**

Material United States Federal Income Tax Consequences (Page 53)

The merger has been structured to qualify as a reorganization for United States federal income tax purposes, Accordingly, subject to the limitations and qualifications summarized in The Merger Material United States Federal Income Tax Consequences beginning on page 53, the exchange of Hall Kinion common stock for Kforce common stock, other than cash paid for fractional shares, should be tax-free to Hall Kinion stockholders for United States federal income tax purposes. In connection with the filing of this proxy statement/prospectus, Hall Kinion and Kforce have received legal opinions from their respective tax counsel 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 Hall Kinion stockholders. 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 53)

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 73)

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 Martin A. Kropelnicki, salary at an annual rate of $300,000 for employment during a transition period following the merger and a cash payment of $990,000 after termination of employment; (iv) in the case of David Healey, salary at an annual rate of $135,000 for employment during a transition period following the merger and a cash payment of $198,000 after termination of employment; (v) in the case of Ms. Rhodes, Ms. Hazell, Mr. Kropelnicki and Mr. Healey, the acceleration of the vesting of certain stock options held by them that will be converted into 17,734 shares of Kforce common stock (assuming a Kforce stock market value of $9.17); (vi) in the case of Ms. Rhodes, the acceleration of $1.05 million in compensation otherwise owed to her; (vii) in the case of Ms. Rhodes and Ms. Hazell, the acceleration of the forgiveness of approximately $300,000 and $58,000 of indebtedness owed to Hall Kinion by Ms. Rhodes and Ms. Hazell, respectively; and (viii) in the case of Ms. Rhodes and Todd Kinion, the release and reimbursement of any amounts drawn upon certain letters of credit issued by Ms. Rhodes and Mr. Kinion in the aggregate amount of $5.0 million to guaranty an increase in Hall Kinion s credit facility. 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 55)

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

Table of Contents

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 55)

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

Quotation on the Nasdaq National Market (Page 55)

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.

Table of Contents

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, 2003, are derived from Kforce s historical audited financial statements. 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 proxy statement/prospectus. Historical results are not necessarily indicative of results to be expected for any future period.

	Year Ended December 31				
	1999	2000	2001	2002	2003
	(In thousands, except per share amounts)				
Consolidated Statement of Operations Data:					
Net service revenues	$ 754,710	$ 805,020	$ 658,417	$ 513,547	$ 495,585
Direct costs of services	432,079	443,464	406,017	345,585	341,617
Gross profit	322,631	361,556	252,400	167,962	153,968
Selling, general and administrative expenses	346,452	341,812	244,792	168,233	142,915
Depreciation and amortization	14,514	18,440	17,325	9,629	4,371
Income (loss) from operations	(38,335)	1,304	(9,717)	(9,900)	6,682
Other (income) expense, net	(942)	113	4,460	3,206	1,214
Income (loss) before income taxes	(37,393)	1,191	(14,177)	(13,106)	5,468
Benefit (provision) for income taxes	13,877	(1,474)	2,089	(102)	(350)
Net income (loss) before cumulative effect of change in accounting principle	(23,516)	(283)	(12,088)	(13,208)	5,118
Cumulative effect of change in accounting principle				(33,823)	
Net income (loss)	$ (23,516)	$ (283)	$ (12,088)	$ (47,031)	5,118
Net income (loss) per share basic	$ (0.53)	$ (0.01)	$ (0.38)	$ (1.49)	0.17
Weighted average shares outstanding basic	44,781	42,886	31,711	31,577	30,514
Net income (loss) per share diluted	$ (0.53)	$ (0.01)	$ (0.38)	$ (1.49)	0.16
Weighted average shares outstanding diluted	44,781	42,886	31,711	31,577	31,231

	As of December 31,				
	1999	2000	2001	2002	2003
	(In thousands)				
Consolidated Balance Sheet Data:					
Working capital	$ 86,310	$ 70,885	$ 43,083	$ 32,126	$ 42,183
Total assets	$ 296,187	$ 278,018	$ 222,772	$ 151,435	$ 160,317
Total long-term debt	$	$ 45,000	$ 28,185	$ 22,000	$ 22,000

Stockholders equity	$ 218,205	$ 155,037	$ 138,809	$ 84,846	$ 91,405

Table of Contents

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 28, 2003, December 29, 2002, December 30, 2001, December 31, 2000 and December 26, 1999, are derived from Hall Kinion s historical audited financial statements. This information should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations of Hall Kinion and the consolidated financial statements and notes thereto incorporated by reference into this proxy statement/prospectus. Historical results are not necessarily indicative of results to be expected for any future period.

	Fiscal Year Ended				
	1999	2000	2001	2002	2003
	(In thousands, except per share amounts)				
Consolidated Statement of Operations Data:					
Net service revenues	$ 180,749	$ 296,491	$ 173,836	$ 120,428	$ 156,919
Cost of contract services	96,502	147,539	100,834	80,744	111,616
Gross profit	84,247	148,952	73,002	39,684	45,303
Selling, general and administrative expenses	67,827	120,905	91,952	43,705	46,607
Depreciation and amortization	2,905	4,588	4,868	3,702	3,104
Impairment of goodwill			26,736	15,478	
Restructuring costs (income)			17,048	(6)	2,792
Income (loss) from operations	13,515	23,459	(67,602)	(23,195)	(4,096)
Other (income) expense, net	477	(1,615)	(1,181)	323	295
Income (loss) before income taxes	13,038	25,074	(66,421)	(23,518)	(4,391)
Benefit (provision) for income taxes	(5,382)	(10,464)	20,809	2,870	(14,181)
Net income (loss)	$ 7,656	$ 14,610	$ (45,612)	$ (20,648)	$ (18,572)
Net income (loss) per share basic	$ 0.75	$ 1.18	$ (3.48)	$ (1.66)	$ (1.47)
Net income (loss) per share diluted	$ 0.71	$ 1.10	$ (3.48)	$ (1.66)	$ (1.47)
Weighted average shares outstanding basic	10,155	12,357	13,121	12,475	12,592
Weighted average shares outstanding diluted	10,716	13,267	13,121	12,475	12,592

	As of Fiscal Year Ended				
	1999	2000	2001	2002	2003
	(In thousands)				
Consolidated Balance Sheet Data:					
Working capital (deficit)	$ 15,560	$ 64,819	$ 36,721	$ 6,916	$ (972)
Total assets	$ 76,554	$ 139,821	$ 89,459	$ 74,906	$ 55,043
Long-term liabilities	$ 14,161	$ 209	$ 6,470	$ 6,201	$ 4,228
Stockholders equity	$ 43,969	$ 110,762	$ 64,781	$ 43,767	$ 25,293

Table of Contents

Selected Unaudited Pro Forma Condensed Combined Financial Data

The following selected unaudited pro forma condensed combined financial statements have been prepared to give effect to the proposed business combination of Kforce and Hall Kinion using the purchase method of accounting and the assumptions and adjustments described in the accompanying notes to the selected unaudited pro forma condensed combined financial statements contained elsewhere in this proxy statement. These pro forma statements were prepared as if the business combination of Kforce and Hall Kinion and Hall Kinion s acquisition of OnStaff had been completed as of December 31, 2003 for balance sheet purposes and as of January 1, 2003 for statements of operations purposes.

The selected unaudited pro forma condensed combined financial statements are presented for illustrative purposes only and are not necessarily indicative of the financial position or results of operations that would have actually been reported had the business combination occurred as of December 31, 2003 for balance sheet purposes and as of January 1, 2003 for statement of operations purposes, nor is it necessarily indicative of future financial position or results of operations. The selected unaudited pro forma condensed combined financial statements include adjustments, which are based upon preliminary estimates, to reflect the allocation of purchase price to the fair value of the acquired assets and assumed liabilities of Hall Kinion, before any integration adjustments. The final allocation of the purchase price will be determined after the completion of the business combination and will be based upon an independent valuation of the fair values of certain of the net tangible and intangible assets acquired as well as liabilities assumed. The selected unaudited pro forma condensed combined financial statements do not reflect any combination costs or operational synergies resulting from the merger. The selected unaudited pro forma condensed combined financial statements assume 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.

Kforce and Hall Kinion expect to incur merger and integration charges as a result of combining the companies. Kforce and Hall Kinion also anticipate that the merger will provide the combined company with financial benefits that include reduced operating expenses and the opportunity to earn more revenue. The selected unaudited pro forma condensed combined financial data, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect these expenses or benefits and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combined company would have been had Kforce and Hall Kinion actually been combined during the periods presented.

Table of Contents

This selected unaudited pro forma condensed combined financial data should be read in conjunction with the selected historical consolidated financial data and the unaudited pro forma condensed combined financial statements and accompanying notes contained elsewhere in this proxy statement/prospectus and the separate historical consolidated financial statements and accompanying notes of Kforce and Hall Kinion incorporated by reference into this proxy statement/prospectus.

	Year Ended December 31, 2003 (In thousands, except per share amounts)
Statement of Operations Data:	
Net service revenues	$ 652,504
Direct cost of services	453,233
Gross profit	199,271
Selling, general and administrative expenses	186,418
Restructuring costs, net	2,792
Depreciation and amortization	8,074
Income from operations	1,987
Other expenses	1,112
Income before income taxes	875
Income tax expense	14,531
Net loss	$ (13,656)
Net (loss) per share Basic	$ (0.38)
Weighted average shares outstanding Basic	36,298
Net loss per share Diluted	(0.37)
Weighted average shares outstanding Diluted	37,015

	As of December 31, 2003 (In thousands)
Balance Sheet Data:	
Working capital	$ 31,407
Total assets	233,913
Total long-term debt	22,816
Stockholders equity	$ 144,013

Table of Contents

Comparative Per Share Data

The following tables present (a) the basic and diluted loss per common share and book value per share data for each of Kforce and Hall Kinion on a historical basis, (b) the historical basic and diluted loss per common share and book value per share for the combined company on a pro forma basis and (c) the historical basic and diluted loss per common share and book value per share for Kforce and Hall Kinion on an equivalent pro forma combined basis. Neither Kforce nor Hall Kinion declared any cash dividends for the periods presented below.

We calculate historical book value per share by dividing stockholders equity by the number of shares of common stock outstanding at December 31, 2003.

We calculate pro forma book value per share by dividing pro forma stockholders equity by the pro forma number of shares of Kforce common stock which would have been outstanding had the merger been consummated as of December 31, 2003. Pro forma combined net loss, pro forma stockholders equity and the pro forma number of shares of Kforce common stock outstanding have been derived from the unaudited pro forma condensed combined financial statements appearing elsewhere in this proxy statement/prospectus and assumes 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.

Kforce and Hall Kinion expect to incur merger and integration charges as a result of combining the companies. Kforce and Hall Kinion also anticipate that the merger will provide the combined company with financial benefits that include reduced operating expenses and the opportunity to earn more revenue. The pro forma information, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect these expenses or benefits and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combined company would have been had Kforce and Hall Kinion actually been combined during the periods presented.

	For the Year Ended December 31, 2003(1)
Historical Kforce Inc.	
Net income (loss) per common share basic	$0.17
Net income (loss) per common share diluted	0.16
Book value per common share at period end	2.99
Historical Hall Kinion[1]	
Net income (loss) per common share basic	(1.47)
Net income (loss) per common share diluted	(1.47)
Book value per common share at period end	2.01

	For the Year Ended December 31, 2003		
Exchange Ratio[8]	.4075[1][4][8]	.450[1][2][8]	.456[1][3][8]
Pro forma combined per share[5]			
Basic net income (loss) per common share	(0.38)	(0.38)	(0.38)
Diluted net income (loss) per common share	(0.37)	(0.37)	(0.37)
Book value per common share at period end[6]	4.10	3.97	3.63
Pro forma combined per Hall Kinion equivalent share[7]			
Basic net income (loss) per common share	(0.16)	(0.17)	(0.17)
Diluted net income (loss) per common share	(0.15)	(0.17)	(0.17)

Book value per common share at period end	1.67	1.79	1.65

(1) The historical amounts for Hall Kinion and the combined pro forma amounts for Hall Kinion and Kforce reflect historical amounts for Hall Kinion for the twelve months ended December 28, 2003.

Table of Contents

(2) These calculations are based on an exchange ratio of .45 of a share of Kforce stock to be issued for each Hall Kinion share (or exchangeable stock option). This exchange ratio assumes an average share price for Kforce common stock of between $7.09 per share and $9.60 per share, which represents the floor and ceiling price within which the exchange ratio is fixed at .45. If the average per share closing price of Kforce common stock for the 15 consecutive trading days ending on and including the third trading day preceding the closing date is less than $7.09 per share, the exchange ratio will be adjusted upward to an exchange ratio calculated by dividing $3.19 by the Kforce market value per share. If the average per share closing price of Kforce common stock is equal to or greater than $9.60 per share, but is less than or equal to $10.60 per share, the exchange ratio will be adjusted downward to an exchange ratio calculated by dividing $4.32 by the Kforce market value per share. However, 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.

(3) These calculations are based on an assumed Kforce average share price of $7.00 per share, which would result in an exchange ratio of .456 of a share of Kforce stock for each Hall Kinion share (or exchangeable stock option). Kforce may terminate the merger agreement if the average of the closing sales prices of Kforce common stock on the Nasdaq National Market is less than $7.00 per share for 15 consecutive trading days. The pro forma per share data would not be materially impacted for Kforce stock market values between $7.00 and $7.09.

(4) These calculations are based on an assumed Kforce average share price of $10.61 per share, which would result in an exchange ratio of .4075 of a share of Kforce stock for each Hall Kinion share (or exchangeable stock option). The Kforce average share price of $10.61 per share is the price at which the exchange ratio becomes fixed at .4075.

(5) Pro forma combined income from continuing operations per share is computed by dividing pro forma combined income from continuing operations by the sum of Kforce s basic or diluted weighted average shares during the period plus the number of Kforce s shares assumed to be issued in the merger.

(6) Pro forma combined book value per share is computed by dividing pro forma shareholders equity by the number of shares of Kforce common stock outstanding as of December 31, 2003 plus the number of shares of Kforce common stock assumed to be issued in the merger.

(7) Pro forma combined per equivalent Hall Kinion share amounts are computed by multiplying the exchange ratio by the corresponding pro forma per share amounts.

(8) The total number of pro forma shares that would be outstanding under each of the exchange ratios is presented below. The number of new Kforce shares issued is calculated by multiplying the exchange ratio by the estimated outstanding shares of Hall Kinion at closing. The number of new Kforce shares issued includes outstanding Hall Kinion options converted into Kforce shares.

	Outstanding shares as of December 31, 2003		
Exchange Ratio	**.4075**	**.450**	**.456**
	(in thousands)		
Kforce	30,553	30,553	30,553
New Kforce shares	5,208	5,737	5,770
Total	35,761	36,290	36,323

	Weighted average shares basic For the year ended December 31, 2003		
Exchange Ratio	**.4075**	**.450**	**.456**
	(in thousands)		
Kforce	30,514	30,514	30,514
New Kforce shares	5,208	5,737	5,770
Total	35,722	36,251	36,284

Table of Contents

Exchange Ratio	Weighted average shares diluted For the year ended December 31, 2003		
	.4075	.450	.456
		(in thousands)	
Kforce	31,231	31,231	31,231
New Kforce shares	5,208	5,737	5,770
Total	36,439	36,968	37,001

Table of Contents

Comparative Market Price and Dividend Information

Kforce common stock trades on the Nasdaq National Market under the symbol KFRC. Hall Kinion common stock trades on the Nasdaq National Market under the symbol HAKI.

The table below sets forth, for the Kforce fiscal quarters indicated, the high and low sale prices of Kforce and Hall Kinion common stock as reported on the Nasdaq National Market, in each case based on published financial sources.

	Kforce Common Stock		Hall Kinion Common Stock	
	High	**Low**	**High**	**Low**
2002				
1st Qtr	6.40	4.05	9.95	6.50
2nd Qtr	6.20	3.77	12.00	6.00
3rd Qtr	6.05	2.55	9.14	4.80
4th Qtr	5.14	1.63	7.08	4.75
2003				
1st Qtr	4.42	1.70	6.11	0.67
2nd Qtr	5.39	2.37	3.24	1.20
3rd Qtr	8.68	4.76	5.11	2.56
4th Qtr	9.46	7.29	5.05	3.70
2004				
1st Qtr	11.00	8.61	5.71	2.65
2nd Qtr (through April 5, 2004)	10.00	9.10	3.07	2.70

The following table sets forth trading information for Kforce common stock and Hall Kinion common stock on December 1, 2003 and April 5, 2004. December 1, 2003 was the day preceding the date Kforce and Hall Kinion announced the signing of the original merger agreement. April 5, 2004 was the last trading day before the date Kforce and Hall Kinion announced the signing of the merger agreement. We cannot assure you what the market price of the Kforce common stock will be at the merger date. The prices of each company s common stock will fluctuate prior to the special meeting and the merger, and you should obtain current market quotations. The market price of Kforce common stock has fluctuated substantially in the past and could fluctuate substantially in the future. Those fluctuations may adversely affect the price of Kforce common stock and the value of the shares of Kforce common stock that Hall Kinion stockholders receive in the merger. Among other things, volatility in the price of Kforce common stock could mean that investors will not be able to sell their shares at or above the current market price of Kforce common stock. The volatility also could impair Kforce s ability in the future to offer common stock as a source of additional capital or as consideration in the acquisition of other businesses.

	Kforce Common Stock	Hall Kinion Common Stock
Closing price on December 1, 2003	$ 8.34	$ 4.23
Closing price on April 5, 2004	9.59	3.06

Neither Kforce nor Hall Kinion has ever declared or paid cash dividends on its capital stock. Kforce does not anticipate paying cash dividends on its common stock in the foreseeable future.

RISK FACTORS

You should carefully consider the following factors, in addition to the other information included elsewhere in this proxy statement/prospectus and the documents that Kforce has filed with the SEC and the Hall Kinion documents accompanying this proxy statement/prospectus, in considering what action to take in connection with the merger. Unless the context requires otherwise, the use of the combined company or Kforce refers to the combined company of Kforce and Hall Kinion after giving effect to the merger.

Risks Relating to the Proposed Merger

Kforce and Hall Kinion may not achieve the benefits they expect from the merger which may have a material adverse effect on the combined company s business, financial and operating results.

Kforce and Hall Kinion entered into the merger agreement with the expectation that the merger will result in benefits to the combined company arising out of the combination of executive management, general and administration functions and facilities plus the elimination of costs relating to Hall Kinion s status as a public reporting company. To realize any benefits from the merger, the combined company will face the following post-merger challenges:

- expected cost savings and synergies from the merger may not be realized;
- the management and employees of each company, particularly the sales force, may not be retained and assimilated as expected;
- existing customers, strategic partners and suppliers of each company may not be retained; and
- uniform standards, controls, procedures, policies and information systems between the two companies may not be successfully developed or maintained.

If the combined company is not successful in addressing these and other challenges, then the benefits of the merger may not be realized and, as a result, the combined company s operating results and the market price of Kforce s common stock may be adversely affected. These challenges, if not successfully met by the combined company, could result in possible unanticipated costs, diversion of management attention and loss of personnel. Neither Kforce nor Hall Kinion can assure you that the combined company will successfully integrate Hall Kinion s business with Kforce s, or profitably manage the combined company. Further, neither Kforce nor Hall Kinion can assure you that the growth rate of the combined company after the merger will equal the historical growth rates experienced by Kforce or Hall Kinion.

If the costs associated with the merger exceed the benefits, the combined company may experience adverse financial results.

Kforce and Hall Kinion will incur significant transaction costs as a result of the merger, including investment banking, legal and accounting fees, that may exceed their current estimates. In addition, Kforce and Hall Kinion expect that the combined company will incur consolidation and integration expenses which they cannot accurately estimate at this time. Actual transaction costs may substantially exceed Kforce s and Hall

Kinion s current estimates and may affect the combined company s financial condition and operating results negatively. If the benefits of the merger do not exceed the costs associated with the merger, including any dilution to Kforce s shareholders resulting from the issuance of shares in connection with the merger, the combined company s financial results could be adversely affected.

The market price of Kforce s common stock may decline as a result of the merger.

The market price of Kforce s common stock may decline as a result of the merger for a number of reasons, including if:

- the integration of Kforce and Hall Kinion is not completed in a timely and efficient manner;
- the combined company does not achieve the perceived benefits of the merger as rapidly or to the extent anticipated by financial or industry analysts;

Table of Contents

- the effect of the merger on the combined company s financial results is not consistent with the expectations of financial or industry analysts; or

- significant stockholders of Kforce or Hall Kinion decide to dispose of their stock following completion of the merger.

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.

Kforce expects to issue a significant number of shares of Kforce common stock to Hall Kinion stockholders in the merger dependent on the Kforce stock market value at the time of closing of the merger. The sale of substantial amounts of Kforce common stock may result in significant fluctuations in the price of Kforce common stock and could cause Kforce s common stock price to fall. The sale of these shares could also impair the combined company s ability to raise capital through sales of additional common stock.

Failure to complete the merger could negatively impact the market price of Hall Kinion common stock and Kforce common stock.

The obligations of Hall Kinion and Kforce to complete the merger are subject to the satisfaction or waiver of certain conditions. See The Merger Agreement Conditions to the Consummation of the Merger beginning on page 67 of this proxy statement/prospectus for a discussion of these conditions. If these conditions are not satisfied or waived, the merger may not be completed. If the merger is not completed for any reason, both Hall Kinion and Kforce may be subject to other material risks, including:

- a negative effect on the stock trading price of Hall Kinion common stock and Kforce common stock to the extent that the current market price reflects a market assumption that the merger will be completed;

- either party may be required to pay a termination fee see The Merger Agreement Termination Fees beginning on page 70 of this proxy statement/prospectus for a discussion of the termination fees; and

- costs related to the merger, such as legal and accounting fees, must be paid even if the merger is not completed.

Certain of Hall Kinion s officers and directors have interests different from yours that may influence them to support or approve the merger.

Certain directors and officers of Hall Kinion have pre-existing arrangements that may result in the realization of interests in the merger that are different from, or in addition to, yours, including the following:

- because the merger will result in a sale and change of control of Hall Kinion, certain stock options held by Hall Kinion s directors and officers will accelerate and immediately vest upon a change of control;

- under existing Hall Kinion employment and similar agreements, and/or as confirmed in termination letter agreements, certain severance payments will be triggered as a result of the merger;

in the case of Brenda C. Rhodes, certain payments of compensation otherwise owed to her will be accelerated as a result of the merger;

in the case of Ms. Rhodes and Rita S. Hazell, the forgiveness of certain outstanding indebtedness will be accelerated; and

in the case of Ms. Rhodes and Todd Kinion, the release and reimbursement of any amounts drawn upon certain letters of credit issued by Ms. Rhodes and Mr. Kinion in the aggregate amount of $5.0 million to guarantee an increase in Hall Kinion s credit facility.

In addition, the following arrangements have been entered into in connection with the merger:

Kforce has agreed to cause the surviving corporation in the merger to indemnify each present and former Hall Kinion officer and director against liabilities arising out of such person s services as an officer or director of Hall Kinion prior to the merger to the same extent as is currently available under Hall Kinion s certificate of incorporation and bylaws; and

Table of Contents

Kforce has agreed to cause the surviving corporation to maintain officers and directors liability insurance to cover any such liabilities for six years following the merger at a cost not to exceed $1.0 million.

For the above reasons, the directors and officers of Hall Kinion may have been more likely to support and recommend the approval of the merger agreement than if they did not hold these interests. As of the record date, Hall Kinion directors and executive officers held approximately 23.7% of the outstanding shares of Hall Kinion common stock. Hall Kinion stockholders should consider whether these interests may have influenced these directors and officers to support or recommend the merger. You should read more about these interests under Interests of Certain Persons in Merger Interests of Hall Kinion Directors and Officers beginning on page 73.

Hall Kinion s results of operations could be adversely impacted as a result of actions taken by Kforce under the management agreement.

In connection with the merger, the parties have entered into a management agreement pursuant to which Kforce is supervising and managing the day-to-day operations of Hall Kinion. If the merger is not consummated, any actions taken by Kforce, as manager, may have an adverse effect on Hall Kinion s ability to retain employees and key personnel and may have an adverse effect on Hall Kinion s results of operations.

Uncertainty regarding the merger and the effects of the merger could cause each company s customers or strategic partners to delay or defer decisions.

Kforce s and/or Hall Kinion s customers and strategic partners, in response to the announcement of the merger, may delay or defer decisions regarding the use of the combined company s services, which could have a material adverse effect on the business of the combined company or the relevant company if the merger is not completed.

Hall Kinion could lose an opportunity to enter into a merger or business combination with another party on more favorable terms as the merger agreement restricts Hall Kinion from soliciting such proposals.

While the merger agreement is in effect, subject to certain limited exceptions, Hall Kinion is restricted from entering into or soliciting, initiating or encouraging any inquiries or proposals that may lead to a proposal or offer for a merger with any persons other than Kforce. As a result of the restriction, Hall Kinion may lose an opportunity to enter into a transaction with another potential partner on more favorable terms. If Hall Kinion terminates the merger agreement to enter into another transaction, Hall Kinion likely would be required to pay a termination fee to Kforce that may make an otherwise more favorable transaction less favorable. See The Merger Agreement Termination Fees of this proxy statement/prospectus beginning on page 70. In addition, if the merger agreement is terminated and the Hall Kinion board of directors determines that it is in the best interests of the Hall Kinion stockholders to seek a merger or business combination with another strategic partner, Hall Kinion cannot assure you that it will be able to find a partner offering terms equivalent or more attractive than the price and terms offered by Kforce.

Kforce and Hall Kinion may not be able to obtain the required regulatory approvals for completion of the merger.

Kforce and Hall Kinion cannot complete the merger until they give notification and furnish information to the Federal Trade Commission and the Antitrust Division of the Department of Justice and observe a statutory waiting period requirement. Kforce and Hall Kinion filed the required notification and report forms with the Federal Trade Commission and the Antitrust Division on December 17, 2003. Although the waiting period has terminated, at any time before or after the effective time of the merger, the Federal Trade Commission, the Antitrust Division or any state or competition authority of another country could take any action under the applicable antitrust or competition laws as it deems necessary or desirable. This action could include seeking to enjoin the completion of the merger. Private parties may also institute legal actions under the antitrust laws under some circumstances.

In considering the opinion by Baird to the Hall Kinion board of directors regarding the fairness of the exchange ratio, stockholders should be aware of potential conflicts of interest affecting Baird.

Baird was retained by Hall Kinion to act as its financial advisor for the proposed merger between Kforce and Hall Kinion. Hall Kinion stockholders should consider the potential conflict of interest in Baird representing Hall Kinion when reviewing Baird s opinion to the Hall Kinion board regarding the fairness of the exchange ratio. A significant portion of the fees related to the financial advisory services of Baird to Hall Kinion in connection with the proposed combination is contingent upon the consummation of the proposed merger and upon the total enterprise value. Baird has also performed investment banking services for Hall Kinion and for Kforce in the past. Over the past two years, Baird has received approximately $75,000 in financial advisory fees from Kforce.

Risks Relating to the Business and Operations of Kforce Following the Merger

The recent economic downturn has adversely affected the demand for Kforce s and Hall Kinion s services.

Historically, the general level of economic activity has significantly affected the demand for employment services. As economic activity slows, the use of temporary and contract personnel tends to be curtailed before permanent employees are laid off. The recent economic downturn adversely affected the demand for temporary and contract personnel, which in turn had an adverse effect on Kforce s and Hall Kinion s results of operations and financial condition. Additionally, the use of search firms for permanent hires declined significantly. Kforce expects that future economic downturns will continue to have similar effects. The recent economic downturn resulted in lessened demand for Kforce s and Hall Kinion s services. There can be no assurance that demand will return to prior levels, and demand may continue to deteriorate.

In 2002 and a substantial portion of 2003 Kforce and Hall Kinion experienced a continuation of the economic slowdown in the IT industry that reflected a slowdown in the rate of innovation in this industry and a general reduction in demand for personnel with expertise in leading hardware, software or networking technologies. It reduced the demand for Kforce s and Hall Kinion s services. Reduction in demand for Kforce s and Hall Kinion s services had a material negative impact on its business, operating results and financial condition.

In the real estate services industry Hall Kinion serves, the demand for professional personnel is strongly influenced by the volume of mortgage financing, both for new units and re-financings. The volume is very sensitive to interest rates and other general economic conditions. Increases in interest rates could have a significant negative impact on business in this field.

Kforce s liquidity may be adversely impacted by covenants in its credit facility.

In 2002, Kforce amended the terms of its credit facility and increased its borrowing capacity to $100 million with a syndicate of four banks lead by Bank of America. Kforce had approximately $22.0 million outstanding under this credit facility as of December 31, 2003. If the amount borrowed under this credit facility exceeds certain amounts, then a number of financial covenants become applicable. As of December 31, 2003, Kforce had an additional $10.2 million of borrowing available without triggering these financial covenants. At no time during the existence of the credit facility has Kforce ever triggered such covenants. If Kforce were to trigger such financial covenants in the future and if Kforce does not comply with them, such a breach of the credit facility covenants could materially adversely affect Kforce s liquidity and financial condition. Such lack of compliance could result in, among other things, the acceleration of all amounts borrowed under the credit facility.

Table of Contents

Kforce may not be able to recruit and retain qualified personnel.

Kforce depends upon its ability to attract and retain personnel, particularly technical and professional personnel, who possess the skills and experience necessary to meet the staffing requirements of its clients. Kforce must continually evaluate and upgrade its base of available qualified personnel to keep pace with changing client needs and emerging technologies. Kforce expects competition for individuals with proven technical or professional skills for the foreseeable future. If qualified personnel are not available to Kforce in sufficient numbers and upon economic terms acceptable to Kforce, it could have a material detrimental effect on Kforce s business.

Kforce s business, operating results and financial condition could be negatively impacted if demand for its services in any new geographic markets it enters is less than anticipated, if new offices are not profitable in a timely manner or if Kforce fails to hire qualified employees.

Kforce s growth depends in part on its ability to enter new vertical or geographic markets successfully. This expansion is dependent on a number of factors, including its ability to:

- develop, recruit and maintain a base of qualified professionals within a new geographic market;
- initiate, develop and sustain corporate client relationships in each new vertical or geographic market;
- attract, hire, integrate and retain qualified sales and sales support employees; and
- accurately assess the demand of a new market.

The addition of offices and entry into new geographic markets may not occur on a timely basis or achieve anticipated financial results. The addition of new offices and entry into new vertical or geographic markets typically result in increases in operating expenses, primarily due to increased employee headcount. Expenses are incurred in advance of forecasted revenue, and there is typically a delay before Kforce s new employees reach full productivity. Additionally, demand for services in new markets that Kforce enters might also be less than anticipated. If Kforce is unable to enter new vertical or geographic markets in a cost-effective manner or if demand for its services in new markets does not meet or exceed its forecasts, Kforce s business, operating results and financial condition could be negatively impacted. In 2001, 2002 and March 2003, Kforce closed and consolidated offices to improve efficiency, and further closures or consolidation may occur depending on market and competitive conditions.

Kforce s current market share may decrease as a result of limited barriers to entry by new competitors and its clients discontinuation of outsourcing their staffing needs.

Kforce faces significant competition in the markets it serves, and there are limited barriers to entry by new competitors. The competition among staffing services firms is intense. Kforce competes for potential clients with providers of outsourcing services, systems integrators, computer systems consultants, other providers of staffing services, temporary personnel agencies, and search firms. A number of Kforce s competitors possess substantially greater resources than it does. From time to time Kforce has experienced significant pressure from its clients to reduce price levels. During these periods, Kforce may face increased competitive pricing pressures and may not be able to recruit the personnel necessary to fill its clients needs. Kforce also faces the risk that certain of its current and prospective clients will decide to provide similar services internally. There can be no assurance that Kforce will continue to successfully compete.

Kforce does not provide an offshore outsourcing solution.

Many staffing customers are now seeking an offshore solution to support their technology and business process function and as a result, a significant amount of technology and financial staffing may be replaced by offshore resources. Kforce does not currently provide an offshore program and there can be no assurance that Kforce will be able to compete successfully against the offshore solution providers or that Kforce will not lose significant market share and revenue.

Table of Contents

Kforce relies on short-term contracts with most of its clients.

Because long-term contracts are not a significant part of Kforce s business, future results cannot be reliably predicted by considering past trends or extrapolating past results.

Decreases in patient occupancy at Kforce s healthcare clients facilities may adversely affect the profitability of its business.

Demand for Kforce s temporary healthcare staffing services is significantly affected by the general level of patient occupancy at its healthcare clients facilities. When a hospital s occupancy increases, temporary employees are often added before full-time employees are hired. As occupancy decreases, clients may reduce their use of temporary employees before undertaking layoffs of their regular employees. Kforce also may experience more competitive pricing pressure during periods of occupancy downturn. This reduction in occupancy could adversely affect the demand for Kforce s services and its profitability. There has been a significantly lessened demand for Kforce s healthcare staffing services in recent years. There can be no assurance that such demand will return to prior levels.

Competition for acquisition opportunities may restrict Kforce s future growth by limiting its ability to make acquisitions at reasonable valuations.

Kforce s business strategy includes increasing its market share and presence in the staffing industry through strategic acquisitions of companies that complement or enhance its business. Kforce has historically faced competition for acquisitions. In the future, this could limit its ability to grow by acquisitions or could raise the prices of acquisitions and make them less accretive or non-accretive. In addition, if Kforce is unable to secure necessary financing to consummate an acquisition, Kforce may be unable to complete desirable acquisitions.

Kforce may face difficulties integrating future acquisitions into its operations and future acquisitions may be unsuccessful, involve significant cash expenditures or expose Kforce to unforeseen liabilities.

Kforce continually evaluates opportunities to acquire staffing companies that complement or enhance its business and frequently have preliminary acquisition discussions with some of these companies.

These acquisitions involve numerous risks, including:

- potential loss of key employees or clients of acquired companies;
- difficulties integrating acquired personnel and distinct cultures into Kforce s business;
- diversion of management attention from existing operations; and

assumption of liabilities and exposure to unforeseen liabilities of acquired companies.

These acquisitions may also involve significant cash expenditures, debt incurrence and integration expenses that could have a material adverse effect on Kforce s financial condition and results of operations. Any acquisition may ultimately have a negative impact on Kforce s business and financial condition.

Kforce depends on the proper functioning of its information systems.

Kforce is dependent on the proper functioning of its information systems in operating its business. Kforce s critical information systems used in its daily operations identify and match staffing resources and client assignments and perform billing and accounts receivable functions. Kforce s information systems are protected through physical and software safeguards and Kforce has backup remote processing capabilities. They are still vulnerable, however, to hurricanes, other storms, flood, fire, terrorist acts, earthquakes, power loss, telecommunications failures, physical or software break-ins, computer viruses and similar events. If Kforce s critical information systems fail or are otherwise unavailable, it would have to accomplish these functions manually, which could temporarily impact Kforce s ability to identify business opportunities quickly, to maintain billing and clinical records reliably, and to bill for services efficiently. In addition, Kforce depends on third party vendors for certain functions whose future performance and reliability it cannot warranty.

Kforce s success depends upon retaining the services of its management team.

Kforce is highly dependent on its management team. Kforce expects that its continued success will largely depend upon the efforts and abilities of members of its management team. The loss of services of any key executive for any reason could have a material adverse effect upon Kforce. Kforce s success also depends upon its ability to identify, develop, and retain qualified operating employees, particularly management, client servicing, and candidate recruiting employees. Kforce expends significant resources in recruiting and training its employees, and the pool of available applicants for these positions is limited. The loss of some of Kforce s operating management and client servicing and candidate recruiting employees could have an adverse effect on operations, including the ability to establish and maintain client, candidate and professional and technical personnel relationships.

Kforce faces significant employment liability risk.

Kforce employs and places people in the workplaces of other businesses. An inherent risk of such activity includes possible claims of errors and omissions, misuse of client proprietary information, misappropriation of funds, discrimination and harassment, employment of illegal aliens, theft of client property, other criminal activity, or torts and other claims. Kforce has policies and guidelines in place to reduce its exposure to such risks. However, failure of any employee or personnel to follow these policies and guidelines may result in negative publicity, injunctive relief, and the payment by Kforce of monetary damages or fines, or have other material adverse effects upon Kforce s business. Moreover, Kforce could be held responsible for the actions at a workplace of persons not under its immediate control. To reduce its exposure, Kforce maintains insurance covering general liability, workers compensation claims, errors and omissions, and employee theft. Due to the nature of its assignments, in particular, access to client information systems and confidential information, and the potential liability with respect thereto, Kforce might not be able to obtain insurance coverage in amounts adequate to cover any such liability on acceptable terms. In addition, Kforce faces various employment-related risks not covered by insurance, such as wage laws and employment tax responsibility.

Significant legal actions, particularly relating to Kforce s healthcare staffing services, could subject it to substantial uninsured liabilities.

In recent years, healthcare providers have become subject to an increasing number of legal actions alleging malpractice, product liability or related legal theories. Many of these actions involve large claims and significant defense costs. In addition, Kforce may be subject to claims related to torts or crimes committed by its employees or temporary staffing personnel. In some instances, Kforce is required to indemnify clients against some or all of these risks. A failure of any of Kforce s employees or personnel to observe its policies and guidelines intended to reduce these risks, relevant client policies and guidelines or applicable federal, state or local laws, rules and regulations could result in negative publicity, payment of fines or other damages. To protect itself from the cost of these claims, Kforce maintains professional malpractice liability insurance and general liability insurance coverage in amounts and with deductibles that it believes are appropriate for its operations. Kforce s insurance coverage, however, may not cover all claims against Kforce or continue to be available to it at a reasonable cost. If Kforce is unable to maintain adequate insurance coverage, it may be exposed to substantial liabilities.

Currently Kforce is unable to recruit enough nurses to meet its clients demands for its nurse staffing services, limiting the potential growth of its healthcare staffing business.

Kforce relies on its ability to attract, develop, and retain nurses and other healthcare personnel who possess the skills, experience and, as required, licensure necessary to meet the specified requirements of its healthcare staffing clients. Kforce competes for healthcare staffing personnel with other temporary healthcare staffing

Table of Contents

companies, as well as actual and potential clients, some of which seek to fill positions with either regular or temporary employees. Currently, there is a shortage of qualified nurses in most areas of the United States and competition for nursing personnel is increasing. At this time Kforce does not have enough nurses to meet its clients demands for its nurse staffing services. This shortage of nurses limits Kforce s ability to grow its healthcare staffing business. Furthermore, Kforce believes that the aging of the existing nurse population and declining enrollments in nursing schools will result in further competition for qualified nursing personnel. Nurse staffing revenues have declined substantially over the past years and there can be no assurance that such revenues will return to prior levels.

If Kforce becomes subject to material liabilities under its self-insured programs, its financial results may be adversely affected.

Kforce provides workers compensation coverage through a program that is partially self-insured. In addition, Kforce provides medical coverage to its employees through a partially self-insured preferred provider organization. If Kforce becomes subject to substantial uninsured workers compensation or medical coverage liabilities, its financial results may be adversely affected.

Kforce may be adversely affected by government regulation of the staffing business.

Kforce s business is subject to regulation and licensing in many states. While Kforce has had no material difficulty complying with regulations in the past, there can be no assurance that it will be able to continue to obtain all necessary licenses or approvals or that the cost of compliance will not prove to be material. If Kforce fails to comply, such failure could materially adversely affect Kforce.

Kforce may be adversely affected by government regulation of the workplace.

Part of Kforce s business entails employing individuals on a temporary basis and placing such individuals in client s workplaces. Increased government regulation of the workplace or of the employer-employee relationship could materially adversely affect Kforce.

Adverse results in tax audits could result in significant cash expenditures or exposure to unforeseen liabilities.

Kforce is subject to periodic federal, state and local income tax audits for various tax years. Although Kforce attempts to comply with all taxing authority regulations, adverse findings or assessments made by the taxing authorities as the result of an audit could materially adversely affect Kforce.

Future changes in reimbursement trends could hamper Kforce s clients ability to pay Kforce.

Many of Kforce s healthcare clients are reimbursed under the federal Medicare program and state Medicaid programs for the services they provide. In recent years, federal and state governments have made significant changes in these programs that have reduced government rates. In addition, insurance companies and managed care organizations seek to control costs by requiring that healthcare providers, such as hospitals, discount their services in exchange for exclusive or preferred participation in their benefit plans. Future federal and state legislation or evolving commercial reimbursement trends may further reduce, or change conditions for, Kforce s clients reimbursement. Limitations on reimbursement could reduce Kforce s clients cash flow, hampering their ability to pay Kforce. This situation could have a significant impact on Kforce s cash flow.

Kforce s stock price may be volatile.

Kforce s common stock is traded on the Nasdaq National Market under the symbol KFRC. The market price of Kforce s stock has fluctuated substantially in the past and could fluctuate substantially in the future, based on a variety of factors, including its operating results, changes in general conditions in the economy, the

Table of Contents

financial markets, the employment services industry, or other developments affecting Kforce, its clients, or its competitors, some of which may be unrelated to its performance. Those fluctuations and demand for Kforce s services may adversely affect the price of Kforce s stock.

In addition, the stock market in general, especially the Nasdaq National Market tier along with market prices for staffing companies, has experienced volatility that has often been unrelated to the operating performance of these companies. These broad market and industry fluctuations may adversely affect the market price of Kforce common stock, regardless of Kforce s operating results.

Among other things, volatility in Kforce s stock price could mean that investors will not be able to sell their shares at or above the prices which they pay. The volatility also could impair Kforce s ability in the future to offer common stock as a source of additional capital or as consideration in the acquisition of other businesses.

Significant increases in payroll-related costs could adversely affect Kforce s business.

Kforce is required to pay a number of federal, state, and local payroll and related costs, including unemployment taxes, workers compensation and insurance, FICA, and Medicare, among others, for its employees and personnel. Certain state unemployment taxes have recently increased significantly. These and other significant increases in the effective rates of any payroll related costs likely would have a material adverse effect upon Kforce. Kforce s costs could also increase as a result of health care reforms or the possible imposition of additional requirements and restrictions related to the placement of personnel. Recent federal and state legislative proposals have included provisions extending health insurance benefits to personnel who currently do not receive such benefits. Kforce may not be able to increase the fees charged to its clients in a timely manner and in a sufficient amount to cover increased costs, if any such proposals are adopted.

Provisions in Kforce s articles, bylaws, and under Florida law may have certain anti-takeover effects.

Kforce s articles of incorporation and bylaws and Florida law contain provisions that may have the effect of inhibiting a non-negotiated merger or other business combination. In particular, Kforce s articles of incorporation provide for a staggered board of directors and permit the removal of directors only for cause. Additionally, management may issue up to 15 million shares of preferred stock, and fix the rights and preferences thereof, without a further vote of the shareholders. In addition, certain of Kforce s officers have employment agreements containing certain provisions that call for substantial payments to be made to such officers upon any change in control. Certain of these provisions may discourage a future acquisition of Kforce, including an acquisition in which shareholders might otherwise receive a premium for their shares. As a result, shareholders who might desire to participate in such a transaction may not have the opportunity to do so. Moreover, the existence of these provisions may have a depressive effect on the market price of Kforce common stock.

Table of Contents

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Any statements in this document about expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and are forward-looking statements. These statements are often, but not always, made through the use of words or phrases such as may, should, could, predict, potential, believe, will likely result, expect, will continue, anticipate, estimate, intend, plan, pro outlook. Accordingly, these statements involve estimates, assumptions and uncertainties which could cause actual results to differ materially from those expressed in them. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this document. The following cautionary statements identify important factors that could cause Kforce s, Hall Kinion s or the combined company s actual results to differ materially from those projected in the forward-looking statements made in this document. Among the key factors that have a direct bearing on Kforce s, Hall Kinion s or the combined company s results of operations are:

- general economic and business conditions; the existence or absence of adverse publicity; changes in marketing and technology; changes in political, social and economic conditions;
- competition in the staffing industry; general risks of the staffing industry;
- success of acquisitions and operating initiatives; changes in business strategy or development plans; management of growth;
- dependence on senior management; business abilities and judgment of personnel; availability of qualified personnel; labor and employee benefit costs;
- ability to integrate effectively the two companies technology, operations and personnel in a timely and efficient manner;
- ability of Kforce to retain and hire key executives, technical personnel and other employees;
- ability of Kforce to manage its growth and the difficulty of successfully managing a larger, more geographically dispersed organization; and
- the timing of, and regulatory and other conditions associated with, the completion of the merger and the ability of Kforce to combine operations and obtain operating synergies following the merger.

These factors and the risk factors referred to above could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made by Kforce or Hall Kinion, and you should not place undue reliance on any such forward-looking statements. Further, any forward-looking statement speaks only as of the date on which it is made and neither Kforce nor Hall Kinion undertakes any obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for Kforce or Hall Kinion to predict which will arise. In addition, neither Kforce nor Hall Kinion can assess the impact of each factor on Kforce s, Hall Kinion s or the combined company s business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Table of Contents

THE HALL KINION SPECIAL MEETING

This proxy statement/prospectus is being furnished to you as part of the solicitation of proxies by the Hall Kinion board of directors for use at the special meeting of Hall Kinion stockholders to be held on May 20, 2004 and at any adjournment or postponement of the meeting. We are first mailing this proxy statement/prospectus, this notice of special meeting of stockholders, the accompanying Form 10-K/A of Hall Kinion and the enclosed proxy card to you on or about April , 2004.

Time and Place of the Special Meeting

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

Purpose of the Special Meeting

At the special meeting, you will be asked to consider and approve a proposal to adopt the Amended and Restated Agreement and Plan of Merger, dated as of April 5, 2004, by and among Kforce, Novato Acquisition Corporation, a wholly-owned subsidiary of Kforce, and Hall Kinion, pursuant to which Novato Acquisition Corporation will merge with and into Hall Kinion, with Hall Kinion as the surviving corporation. As a result of the merger, 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 s common stock on the Nasdaq National Market over the 15 consecutive trading days 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 results in Hall Kinion stockholders receiving between $40.4 million and $55.1 million in Kforce common stock. The collar around the .45 exchange ratio represents a 15% increase and a 15% decrease in the $8.34 closing price of Kforce common stock on December 1, 2003, the day immediately prior to the execution of the original merger agreement. 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.

Hall Kinion knows of no other matters to be brought before the special meeting. If any matter incident to the conduct of the special meeting should be brought before the meeting, the persons named in the proxy card will vote in their discretion.

Board of Directors Recommendation

The Hall Kinion board of directors has unanimously approved and adopted the merger agreement and the merger, has deemed them advisable and recommends a vote FOR approval of the merger and adoption of the merger agreement.

Record Date; Stock Entitled to Vote; Quorum

The Hall Kinion board of directors has fixed the close of business on April 6, 2004 as the record date for the special meeting. Only holders of Hall Kinion common stock on the record date will be entitled to vote at the special meeting and any adjournments or postponements thereof. At the record date, 12,590,733 shares of Hall Kinion common stock were outstanding and entitled to vote and were held by approximately 61 stockholders of record.

Table of Contents

The presence, in person or by proxy, of a majority of the outstanding shares of Hall Kinion common stock is necessary to constitute a quorum at the special meeting. Abstentions and broker non-votes will be included in the determination of shares present at the special meeting for purposes of determining a quorum.

Required Vote

Approval of the merger and adoption of the merger agreement requires the affirmative vote of the holders of a majority of the shares of Hall Kinion common stock outstanding on the record date. Failure to vote, abstentions and broker non-votes will not be deemed to be cast either FOR or AGAINST the merger agreement and the merger. However, because approval of the merger and adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Hall Kinion common stock, the failure to submit a proxy card or to vote in person at the special meeting, abstentions by a stockholder and broker non-votes all will have the same effect as a vote AGAINST the merger agreement and the merger. Approval and adoption of the merger agreement will also constitute approval of the merger and the other transactions contemplated by the merger agreement.

All other matters presented for approval at the special meeting will require the affirmative vote of the holders of a majority of the outstanding shares of Hall Kinion common stock present in person or represented by proxy at the Hall Kinion special meeting and entitled to vote. As a result, with respect to the other matters, if any, presented for approval at the special meeting, the failure to submit a proxy card or to be present in person at the special meeting, and any broker non-vote, all will reduce the number of affirmative votes required to approve such matters. Abstentions by a stockholder will have the same effect as a vote against such other matters.

Statement of Shares held by Directors and Officers; Voting Agreements

As of the record date, Hall Kinion directors and executive officers and their affiliates held approximately 23.7% of the outstanding shares of Hall Kinion common stock. 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 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 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.

Proxies; Voting and Revocation

All shares of Hall Kinion common stock represented by properly executed proxy cards received in time for the special meeting will be voted at the special meeting in the manner specified in such proxies. Shares of Hall Kinion common stock represented by properly executed proxy cards that do not contain voting instructions with respect to approval of the merger and adoption of the merger agreement will be voted FOR approval of the merger and adoption of the merger agreement. You may also vote your shares by telephone or through the Internet. Information for voting by telephone or through the Internet is set forth in the enclosed proxy card instructions.

You may revoke or change your proxy at any time prior to its being voted by filing a written instrument of revocation or change with the corporate secretary of Hall Kinion. You may also revoke your proxy by filing a duly executed proxy bearing a later date or by appearing at the special meeting in person, notifying the corporate secretary and voting by ballot at the special meeting. If you attend the special meeting, you may vote in person whether or not you have previously given a proxy, but your presence at the special meeting, without notifying the corporate secretary of Hall Kinion, will not revoke a previously given proxy. In addition, if you beneficially hold

Table of Contents

shares of Hall Kinion common stock that are not registered in your own name, you will need additional documentation from the record holder of such shares to attend and vote the shares personally at the special meeting. For further information on how to vote your shares, please contact Martin A. Kropelnicki, Vice President, Chief Financial Officer and Secretary, Hall, Kinion & Associates, Inc., 75 Rowland Way, Suite 200, Novato, California 94945, at (415) 895-2200.

If you have voted your shares by telephone or through the Internet, you may revoke your prior telephone or Internet vote by recording a different vote, by signing and returning a proxy card dated as of a date that is later than your last telephone or Internet vote, or by appearing at the special meeting in person. If you have instructed a broker to vote your shares, you must follow directions from your broker to change those instructions.

Solicitation of Proxies

Proxies will be solicited through the mail and directly by officers, directors and employees of Hall Kinion not specifically employed for such purpose, without additional compensation. In addition to solicitation by mail, Hall Kinion s directors, officers and employees may solicit proxies by telephone, fax, telegram, via the Internet or in person. Hall Kinion will reimburse banks, brokerage houses and other custodians, nominees and fiduciaries for their reasonable expenses in forwarding these proxy materials to the principals.

Stockholder Proposals

If the merger is not completed, or if Hall Kinion elects to hold its 2004 annual meeting of stockholders before the merger is completed, Hall Kinion stockholders may present proposals for inclusion in Hall Kinion s proxy statement for consideration at the 2004 annual meeting by submitting them in writing to the offices of Hall Kinion at 75 Rowland Way, Suite 200, Novato, California 94945. Stockholders interested in submitting such a proposal are advised to contact knowledgeable counsel with regard to the detailed requirements of the applicable securities laws. Proposals generally must comply with the requirements of Rule 14a-8 of the Securities Exchange Act. If the date of the 2004 annual meeting changes by more than 30 days, the proposal must be received at Hall Kinion s offices a reasonable time before Hall Kinion begins to print and mail its proxy materials. Otherwise, such proposals must have been received by March 2, 2004.

Rights of Appraisal

No Hall Kinion stockholder will have appraisal rights in connection with the merger.

Table of Contents

THE MERGER

This section of the proxy statement/prospectus and the next section entitled The Merger Agreement beginning on page 57 describes the proposed merger. Although Kforce and Hall Kinion believe that the description in this section covers the material terms of the merger and the related transactions, this summary may not contain all of the information that is important to you. You should carefully read this entire proxy statement/prospectus and the other documents referred to in this proxy statement/prospectus for a more complete understanding of the merger.

General

The merger agreement provides that, at the effective time of the merger, Novato Acquisition Corporation, a wholly-owned subsidiary of Kforce, will merge with and into Hall Kinion, with Hall Kinion continuing in existence as the surviving corporation. 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 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. The collar around the .45 exchange ratio represents a 15% increase and a 15% decrease in the $8.34 closing price of Kforce common stock on December 1, 2003, the day immediately prior to the execution of the original merger agreement. 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 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.

Upon completion of the merger, Hall Kinion will be a wholly-owned subsidiary of Kforce and market trading of Hall Kinion common stock will cease.

Background of the Merger

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. Revenues for the year ended December 31, 2000 were approximately $296.0 million compared to revenues for the year ended December 31, 2002 of $120.0 million, a decrease of about 59%. As a result, Hall Kinion has taken actions to reduce costs in order to match revenues and expenses. Although the acquisition of OnStaff in 2002 resulted in a substantial increase in revenue during the first nine months of 2003, OnStaff revenues declined in the fourth quarter of 2003 as a result of the increase in interest rates and concurrent decline in home mortgage refinancings. During recent years, the costs of being a public company have significantly increased. Hall Kinion management as well as the Hall Kinion board of directors believed it would be a significant challenge to finance both short-term and long-term growth and maintain satisfactory levels of profitability at current revenue levels to ensure stockholder value. 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.

In March 2003, management of Hall Kinion was authorized by the Hall Kinion board of directors to negotiate an agreement with Baird to act as a financial advisor to Hall Kinion. While Baird s engagement included seeking additional equity capital or a joint venture, Hall Kinion management and board of directors concluded, after discussions with Baird, that neither of these options provided a feasible long-term solution to the challenges faced by Hall Kinion. Thus, Baird s efforts were focused on locating a potential acquiror for all or a substantial portion of Hall Kinion s business. In March 2003, management held initial meetings with Baird to discuss the marketing process and negotiated the terms of Baird s engagement.

During early April 2003, Baird began making initial calls to potential acquirors, including Kforce. These calls were designed to determine the level of interest of the potential acquirors in an acquisition in the staffing industry, without identifying Hall Kinion as the target. Baird prepared, distributed and negotiated a confidentiality agreement with the companies that had indicated an interest in the opportunity. Kforce executed a confidentiality agreement on April 24, 2003.

On April 24, 2003, Baird made a presentation to the Hall Kinion board of directors. The report included a summary of its marketing plan for Hall Kinion, including the development of management presentations, the status of completing marketing materials, assembling due diligence information and documentation for a data room and making initial contact with potential acquirors. Baird reported it had made initial inquiries to 37 companies that possessed general business, operating and financial characteristics representative of the companies in the industry in which Hall Kinion operates and that were believed to have the financial capability to complete a transaction. As a result of the initial inquiries, confidentiality agreements were signed with 21 companies. The Hall Kinion board of directors did not address any particular transaction structure in April 2003. The board of directors intended to weigh any offer to acquire Hall Kinion with the risks and benefits of continuing as an independent entity.

On May 14, 2003, Hall Kinion placed the marketing process on hold to allow for completion of the second quarter of fiscal 2003. The delay would allow for the marketing materials to include second quarter results, which were expected to reflect the operational improvements resulting from earlier restructuring efforts.

On July 24, 2003, Hall Kinion and Baird restarted the marketing process by distributing marketing materials to potential acquirors that had executed confidentiality agreements, including Kforce, and initiating discussions with four other potential acquirors. From August 18, 2003 through September 9, 2003, Hall Kinion made management presentations to potential acquirors that indicated an interest in acquiring Hall Kinion and provided due diligence information. These efforts led to oral and written indications of interest and due diligence requests from four companies, some of which were interested in Hall Kinion as a whole, and some of which were interested in portions of Hall Kinion s business. On September 18, 2003, Kforce sent a letter to Baird outlining Kforce s interest in acquiring Hall Kinion.

From September 18, 2003 through September 25, 2003, management of Hall Kinion and Baird reviewed the indications of interest, including the indication of interest from Kforce. Two of the parties were interested only in the Technology Professionals business and two of the parties were interested in Hall Kinion as a whole. On September 25, 2003, Baird made a presentation to the Hall Kinion board of directors regarding the indications of interest. The Hall Kinion board of directors concluded that it was in the best interests of stockholders to pursue a sale of the company as a whole. In reaching this conclusion, the Hall Kinion board of directors determined that the sale of the company as a whole would provide greater value to the stockholders than would be available if the company was to be sold in pieces. In addition, if sold in pieces, any unsold portion of the company might be too small to be viable as a public company. Of the two parties interested in acquiring Hall Kinion as a whole, the Kforce offer provided more aggregate consideration to the Hall Kinion stockholders. The Hall Kinion board of directors concluded, based on the information from Baird and management, that the terms of the indication of interest from Kforce provided the best potential transaction and authorized management and Baird to commence negotiations with Kforce. In making this determination, the Hall Kinion board of directors considered such factors as the liquidity that would become available to Hall Kinion stockholders as a result of an acquisition by Kforce, the common cultural attributes of the organizations, the financial terms of the proposed merger, and the

Table of Contents

cost savings and synergies that could result from the merger. The initial indication of interest from Kforce included a merger with Hall Kinion at an exchange ratio of 0.66 shares of Kforce common stock for each share of Hall Kinion common stock and other terms, including termination rights and price collars.

During October and November 2003, David L. Dunkel, the Chairman and Chief Executive Officer of Kforce, and Brenda C. Rhodes, the Chairman and Chief Executive Officer of Hall Kinion, held a number of phone conversations discussing the rationale underlying a potential combination of the two companies, including similar client lists, complementary geographic locations, common cultural attributes, and compatible sales organizations. During the same period, William L. Sanders, the Chief Operating Officer and former Chief Financial Officer of Kforce, and Martin A. Kropelnicki, the Chief Financial Officer of Hall Kinion, discussed potential cost savings and other synergies that could arise from the merger of the two companies, including elimination of public company costs at Hall Kinion, systems integration (both front and back office, because both companies use PeopleSoft applications), savings from consolidating back office operations and duplicative insurance costs, consolidation of offices and elimination of corporate overhead.

On October 3, 2003, Messrs. Dunkel and Sanders met with representatives of Lehman Brothers to discuss the engagement of Lehman Brothers to issue a fairness opinion in connection with the merger. On October 8, 2003, Kforce engaged Lehman Brothers to issue the fairness opinion because of their experience and highly regarded reputation in the area of mergers and acquisitions and familiarity with Kforce and its industry.

Between September 25, 2003 and December 2, 2003, Hall Kinion and Kforce completed due diligence and negotiated the terms of the definitive agreement. During that time, Baird, the financial advisor to Hall Kinion and Lehman Brothers, who provided a fairness opinion to Kforce, completed due diligence.

During the week of October 6, 2003 Kforce continued to analyze Hall Kinion s operations, including the operations of Hall Kinion s OnStaff division. Following this phase of due diligence, Kforce revised its initial offer, which provided for an exchange ratio of .69, by requesting an adjustment to the exchange ratio if Hall Kinion s revenues in the fourth quarter were less than initially expected. Kforce requested the adjustment based on its analysis of Hall Kinion s prospects on a going-forward basis.

On October 13, 2003, the Hall Kinion special committee met to discuss the results of the Kforce due diligence review and the proposal to adjust the exchange ratio. Hall Kinion made a counter proposal of an exchange ratio of .66 in response to Kforce s revised exchange ratio and also proposed that all outstanding options be converted into options to purchase Kforce common stock.

Kforce made a revised proposal to Hall Kinion on October 14, 2003, providing for a reduced initial exchange ratio of .66 and a further adjustment to an exchange ratio of .60 if Hall Kinion fourth quarter revenues were less than $36.0 million. In addition, Kforce requested a termination right if Hall Kinion fourth quarter revenues were below $34.0 million and proposed that only vested in-the-money options would be converted into Kforce common stock on a net-exercise basis. Kforce proposed all out-of-the-money vested stock options and all unvested stock options would be cancelled. Kforce s revised proposal was based on its evaluation of Hall Kinion s business prospects and reflected the continuing decline in Hall Kinion s business prospects.

On October 15, 2003, the Hall Kinion special committee met to discuss the revised Kforce proposal. As a result of the meeting further negotiations with Kforce were authorized;

On October 17, 2003, the Hall Kinion special committee met to discuss the results of the most recent negotiations and approved the revised exchange ratio proposal contained in the merger agreement, subject to review of draft agreements.

On October 23, 2003, the parties concluded that they could not reach an agreement at that time and suspended negotiations. At a regularly scheduled meeting held on October 24, 2003, the Kforce board of directors discussed the suspension of negotiations based on uncertainties related to Hall Kinion s earnings and

Table of Contents

the decision to await the release of Hall Kinion s third quarter financial results before proceeding further. The Kforce board of directors also discussed five other public companies identified as potential acquisition targets during Kforce s ongoing search for acquisition candidates. None of the five potential targets expressed an interest in being acquired by Kforce at that time.

After the release of each party s financial results for the third quarter, representatives of the parties had contact with each other over a period of several days. Based on their reevaluation of the potential combination between the parties in light of Hall Kinion s declining performance and Kforce s improving performance as revealed by the third quarter financial results, on November 7, 2003, the parties concluded that they should reopen negotiations.

On November 11, Kforce delivered a new term sheet, including an exchange ratio of .60, subject to a 15% collar. Kforce requested this exchange ratio as more appropriately reflecting the relative values of the two companies after the release of third quarter financial information. This was primarily due to the continued improvement in Kforce s operating results and Kforce s concerns about trends in the mortgage refinance industry and Hall Kinion s OnStaff business. Thereafter, negotiations commenced regarding the new term sheet and the parties exchanged draft agreements and commenced negotiation of the agreements.

On November 13, 2003, the Hall Kinion special committee met to discuss the current term sheet and concluded that Hall Kinion should proceed with the negotiation of definitive agreements based on the proposed terms, which such draft definitive agreements would then be submitted to the full Hall Kinion board of directors;

On November 18, 2003, the Hall Kinion board of directors met to discuss the terms of the merger and related matters, and the results of Baird s preliminary financial analyses. The Kforce proposal being considered included an exchange ratio of 0.60 shares of Kforce common stock for each share of Hall Kinion common stock, with a collar at 15% above and below the closing price of Kforce common stock on the day before announcement of a transaction. Kforce would have the right to terminate the agreement if its stock fell below $6.00 per share at closing or if Hall Kinion failed to achieve fourth quarter revenues of $34.0 million. If the Kforce common stock fell outside of the collar range, the exchange ratio would be adjusted pursuant to a formula. The other terms were not substantially changed. Representatives of Baird discussed with the Hall Kinion board of directors the premium implied by the current term sheet. Baird discussed the results of its preliminary financial analyses related to the proposed transaction, and indicated that, based on the current term sheet, it believed that it would be able to provide a fairness opinion. The results of Baird s preliminary financial analyses were not materially different from the results of the financial analyses later presented to the Hall Kinion board of directors on December 2, 2003. At the conclusion of this meeting, the Hall Kinion board of directors authorized management and Hall Kinion s advisers to complete negotiation of definitive agreements for further consideration by the Hall Kinion board of directors. Negotiations continued for the remainder of November.

On December 1, 2003, the Kforce board of directors held a telephonic meeting to discuss the materials regarding the merger that Mr. Dunkel distributed to the members of the board on November 25, 2003. Such materials contained an overview of Hall Kinion s business, including major shareholder information, an organizational profile, client and industry information, historical financial data from 2000 through the third quarter of 2003, 2004 projections produced by Hall Kinion management and Baird, and pro forma financial statements based on estimated 2003 results for each company. Mr. Dunkel, Mr. Sanders, Howard W. Sutter, Vice President of Kforce, and Derrell E. Hunter, Chief Financial Officer of Kforce, also made presentations to the Kforce board of directors of an analysis of the proposed transaction between Kforce and Hall Kinion. Representatives of Lehman Brothers distributed an analysis of the latest proposed transaction to the Kforce board of directors, including a summary of the terms, the strategic rationale that Lehman Brothers and management of Kforce had previously discussed, a valuation of Hall Kinion and a financial analysis of the proposed transaction, exchange ratios and a pro forma analysis of the potential combination. Representatives of Lehman Brothers delivered a verbal summary of its fairness opinion. Representatives of Holland & Knight LLP, Kforce s counsel, also attended the meeting. The Kforce board discussed the fact that Kforce had previously identified six potential public company targets over a year before but that little progress had been made in discussions with such targets.

37

Table of Contents

The members of the Kforce board of directors acknowledged receipt and consideration of the proposed merger agreement and other written materials prepared by management and the Kforce board of directors legal obligations in connection with its consideration of the merger. The Kforce board of directors discussed, among other things, the belief that there might be significant synergies, an enhanced client base and greater cross-selling opportunities as a result of the merger. The Kforce board of directors approved the acquisition of Hall Kinion, subject to final negotiations by Kforce senior management and receipt of a written fairness opinion from Lehman Brothers. The Kforce board of directors also authorized Kforce s officers to undertake all acts necessary or desirable to effect the merger.

A final written fairness opinion from Lehman Brothers that confirmed its oral opinion was delivered to the members of the Kforce board of directors on December 2, 2003.

On December 2, 2003, the Hall Kinion board of directors held a special meeting to discuss the terms of the draft merger agreement and the potential benefits and risks of the proposed acquisition by Kforce. Representatives of Gibson, Dunn & Crutcher LLP, Hall Kinion s counsel (Gibson Dunn), and representatives of Baird also attended the meeting. The members of the Hall Kinion board of directors acknowledged receipt and consideration of written materials prepared by Gibson Dunn summarizing the terms of the proposed acquisition and the Hall Kinion board of directors legal obligations in connection with its consideration of the proposed merger. Representatives of Baird presented a summary of the transaction structure and a valuation analysis. Representatives of Gibson Dunn and Baird reviewed the terms of the original merger agreement and the merger with the Hall Kinion board of directors. Representatives of Baird discussed Baird s financial analyses of the transaction with the Hall Kinion board of directors and delivered its verbal opinion, which was subsequently confirmed by delivery to the Hall Kinion board of directors of a written opinion dated December 2, 2003, to the effect that, as of that date and based on and subject to the matters described in the opinion, the exchange ratio was fair, from a financial point of view, to Hall Kinion s stockholders. Following a thorough discussion of the proposed acquisition, the Hall Kinion board of directors voted unanimously to authorize the original merger agreement and to recommend that the Hall Kinion stockholders approve and adopt the original merger agreement and the merger.

On December 2, 2003, Hall Kinion and Kforce signed the original merger agreement, and certain officers, directors and stockholders of Hall Kinion and Kforce signed and delivered the voting agreements, and at approximately 5:00 p.m. EST, Hall Kinion and Kforce issued a joint press release announcing the proposed acquisition.

On December 3, 2003, Kforce and Hall Kinion held a joint conference call to discuss the proposed merger.

Promptly following the announcement of the original merger agreement, Kforce indicated that it wanted to commence introduction and orientation of Hall Kinion officers and mid-level management immediately, including holding meetings in Tampa, Florida. Consistent with its experience in the fourth quarter of previous years, which historically has the fewest number of billing days, Hall Kinion believed that it was important to maximize revenue generation in the fourth quarter of 2003. As a result, Hall Kinion was not willing to have its senior management and mid-level managers involved in off-site meetings, when it was critically important to achieve the minimum revenue target. After further negotiations between the parties between December 4, 2003 and December 9, 2003, Kforce concluded that Hall Kinion fourth quarter revenues would likely be reasonably close to $34 million, which would reflect a level of revenue sufficient for Kforce to proceed with the merger, and that it was of great importance that the combined company promptly commence integration processes. Accordingly, Hall Kinion agreed to cooperate with Kforce s integration plan, and Kforce agreed to delete the $34 million revenue condition. In addition, the parties discussed arrangements with senior executives of Hall Kinion post-closing and agreed upon how severance compensation and other benefits would be handled in accordance with existing Hall Kinion employment agreements. See Interests of Certain Persons in the Merger on page 81 for detailed information regarding severance and other benefits to senior management of Hall Kinion following the merger. Finally, because Brenda Rhodes planned to resign at the closing of the merger, the parties concluded that integration efforts should be handled through Mr. Kropelnicki. On December 9, 2003, the respective boards of directors of Kforce, Hall Kinion, and Novato approved an amendment to the original merger agreement covering the matters described above.

38

Table of Contents

On December 31, 2003, the companies further amended the original merger agreement to confirm certain agreements relating to the original merger agreement, including the payment of completion bonuses by Kforce to certain Hall Kinion employees following consummation of the merger, termination of the Hall Kinion Deferred Compensation Plan by Hall Kinion on or before December 31, 2003 and payments of the amounts due thereunder, and the payment of severance and other benefits to Rita Hazell and Brenda Rhodes. See Interests of Certain Persons in the Merger on page 81 for detailed information regarding severance and other benefits to senior management of Hall Kinion following the merger.

During the period February 19 through 27, 2004, Kforce received a number of indications that Hall Kinion s financial condition may have substantially deteriorated. In particular, Kforce received information that Hall Kinion s cash flow and cash position were deteriorating and that Hall Kinion was not in compliance with one of the financial covenants in its credit facility with CIT Business Credit as of the end of January and February 2004. Kforce was also concerned that Hall Kinion s relationship with its other creditors was worsening.

On March 1, 2004, in a telephone conversation among Messrs. Sanders, Hunter, Kropelnicki, Healey and Evans, Mr. Sanders indicated that the financial condition at Hall Kinion required further examination by the board of directors before finalizing the proxy statement/prospectus. Mr. Sanders further indicated that he believed the board of directors would require, and the Kforce shareholders would expect, substantially revised terms or termination of the original merger agreement. Mr. Sanders asked that Hall Kinion provide Kforce with an expeditious written response.

Following the March 1, 2004 call from Kforce, the Hall Kinion board of directors authorized counsel to advise it regarding potential claims against Kforce if the merger was not completed on its original terms. The Hall Kinion board of directors concluded, notwithstanding the contrary position taken by Kforce, that Kforce did not have the right to terminate the original merger agreement. The board of directors considered whether the best interests of stockholders would be served better by (i) termination of the original merger agreement likely accompanied by litigation to recover at least $2 million in liquidated damages, including consideration of whether Hall Kinion could remain viable as an independent entity during a period in which other merger alternatives could be explored and (ii) commencing litigation against Kforce to seek a court order requiring Kforce to complete the merger on the terms originally negotiated. The board of directors also consulted with Baird regarding the current market valuation for the Company.

In a letter dated March 2, 2004, from Lawrence Calof of Gibson, Dunn & Crutcher LLP, counsel to Hall Kinion, to Robert J. Grammig of Holland & Knight LLP, counsel to Kforce, Mr. Calof, at the direction of the special committee of the board of directors of Hall Kinion, indicated that Hall Kinion did not believe that Kforce had any basis for terminating the original merger agreement and requested that the Kforce board of directors reconfirm its recommendation to the Kforce shareholders to approve the merger within three business days of the date of the letter.

In a letter dated March 5, 2004, from Mr. Grammig to Mr. Calof, Mr. Grammig outlined Kforce s concerns regarding changes in Hall Kinion s financial condition, liquidity and long-term prospects. Mr. Grammig further indicated that Kforce did not believe that, based upon the current circumstances, the board of directors of Kforce would reconfirm its recommendation to approve the merger. Mr. Grammig informed Mr. Calof that the Kforce board of directors would hold a special meeting on March 10, 2004 to review the current situation, make its decision regarding the transaction and finalize Kforce s Annual Report on Form 10-K for the year ended December 31, 2003. Accordingly, Mr. Grammig reiterated Kforce s prior request for renegotiation of the terms of the original merger agreement prior to the special meeting of its board of directors.

In a telephone conversation between Messrs. Sanders, Hunter, Sutter, Rowberry and Finkelman and Ms. Rhodes, on March 5, 2004, Mr. Sanders stated that Kforce was willing to proceed with a merger with Hall Kinion if Hall Kinion agreed to certain amendments to the original merger agreement, including a reduction in the exchange ratio.

Table of Contents

In a letter dated March 6, 2004, from Mr. Calof to Mr. Grammig, Mr. Calof informed Mr. Grammig that as a result of the failure of the Kforce board of directors to reconfirm its recommendation to the Kforce shareholders to approve the merger, Hall Kinion was suspending further integration efforts, effective 10:00 a.m. PST, March 8, 2004, until the current situation was resolved.

In a letter dated March 8, 2004, from Mr. Sanders to Mr. Kropelnicki, Mr. Sanders informed Mr. Kropelnicki that Hall Kinion s suspension of further integration efforts was a material breach of the original merger agreement and that Hall Kinion had three business days to cure such breach.

In a letter dated March 9, 2004, from Mr. Kropelnicki to Mr. Sanders, Mr. Kropelnicki stated that while he did not believe that Hall Kinion was in material breach of the original merger agreement, in order to avoid further concern over liquidity issues, Hall Kinion had arranged to provide for a guaranty to its lender that would permit Hall Kinion to meet its operational cash requirements through the closing of the merger.

In a letter dated March 9, 2004, from Mr. Calof to Mr. Grammig, Mr. Calof responded to Kforce s oral proposal on March 5, 2004 to amend the original merger agreement, stating that Hall Kinion was willing to consider an amendment to the original merger agreement to reduce the exchange ratio.

At a March 10, 2004 special meeting concerning the transaction, the Kforce board of directors did not reconfirm its intention to recommend the proposed merger to the Kforce shareholders.

On March 11, 2004, Kforce filed its Annual Report on Form 10-K.

Between March 12, 2004 and March 26, 2004, the parties continued discussions relevant to a reduced exchange ratio and other amended terms. On March 26, 2004, a tentative agreement was reached on an exchange ratio of .45.

Between March 1 and April 5, 2004, the special committee of the Hall Kinion board of directors met on several occasions to discuss strategy and the process of negotiations relating to an amended and restated merger agreement and alternatives to the merger.

On March 27, 2004, the Hall Kinion board of directors held a special meeting and determined to accept a reduced exchange ratio in exchange for elimination of the absence of material adverse effect condition to closing in the original merger agreement. In addition, Hall Kinion proposed entering into a management agreement with Kforce pursuant to which Kforce would immediately begin managing the day-to-day operations of Hall Kinion. In reaching its conclusion to approve the new merger terms, the Hall Kinion board of directors concluded that a merger with Kforce at a lower exchange ratio was a better alternative for Hall Kinion stockholders due to risks and costs associated with potentially protracted litigation against Kforce, the lack of certainty of an alternative transaction, the risks associated with Hall Kinion continuing as an independent entity on a long-term basis due to the potential effects of a failed merger with Kforce, the likely dilution that would be experienced by Hall Kinion stockholders were Hall Kinion to seek to raise additional capital in the near future and the greater certainty of closing the proposed merger as a result of the elimination of certain closing conditions, including the condition that there have been no material adverse effect on Hall Kinion.

At a special meeting on April 1, 2004, the Kforce board of directors approved the revised terms of the merger and authorized management to finalize a revised agreement based on such terms.

The Hall Kinion board of directors met on April 5, 2004 to consider the revised terms of the merger, including an amended and restated merger agreement and the management agreement. Representatives of Gibson Dunn and representatives of Baird also attended the meeting. Representatives of Gibson Dunn summarized for the Hall Kinion Board the amended terms of the merger agreement and the terms of the management agreement. Representatives of Baird discussed Baird s financial analyses of the amended transaction and delivered its verbal opinion, which was subsequently confirmed by delivery to the Hall Kinion board of directors of a written opinion

Table of Contents

dated April 5, 2004, to the effect that, as of that date and based on and subject to the matters described in the opinion, the exchange ratio was fair, from a financial point of view, to Hall Kinion s stockholders. The full text of Baird s opinion, dated April 5, 2004, which describes the assumptions made, general procedures followed, matters considered and the limitations on the scope of review conducted by Baird in rendering its opinion is attached as Annex B. Baird s detailed analyses are summarized under Fairness Opinion of Financial Advisor to Hall Kinion Board of Directors commencing on page 43. These analyses included a comparison of the historical prices and trading activity of Hall Kinion s common stock, Kforce s common stock and certain other publicly traded companies deemed relevant by Baird; a comparison of the financial position, operating results and market trading multiples of Hall Kinion and Kforce and other publicly traded companies deemed relevant by Baird; a comparison of the proposed financial terms of the merger with the financial terms of other business combinations deemed relevant by Baird; a discounted cash flow analysis; and an analysis of potential pro forma effects of the merger. Following a thorough discussion of the proposed acquisition, the Hall Kinion board of directors voted unanimously to authorize the amended and restated merger agreement and management agreement and to recommend that the Hall Kinion stockholders approve and adopt the merger agreement and the merger.

On April 5, 2004, the companies entered into an amended and restated merger agreement to, among other things: (1) reduce the exchange ratio to .45; (2) eliminate the material adverse effect condition to Kforce s obligation to consummate the merger; (3) eliminate the requirement for Kforce shareholder approval of the merger; (4) give Kforce the right to terminate the merger if its stock price decreases to less than $7.00 per share over a period of time prior to the closing of the merger; (5) revise the termination fee; and (6) extend the date by which the merger must be consummated. Simultaneously with the execution of the amended and restated merger agreement, the companies entered into a management agreement pursuant to which Hall Kinion delegated to Kforce the general authority to supervise and manage the day-to-day operations of Hall Kinion and to perform the specific functions set out in the management agreement prior to the completion of the merger.

On April 6, 2004, Kforce and Hall Kinion issued a joint press release announcing the revised terms of the merger.

Kforce s Reasons for the Merger

The Kforce board of directors has unanimously approved the merger agreement and the transactions contemplated thereby and has determined that the terms of the merger and the merger agreement are fair and in the best interests of Kforce and its shareholders. The Kforce board of directors regularly reviews and discusses Kforce s strategic plan and alternatives available for achieving Kforce s strategic plan. During the course of its deliberations, the Kforce board of directors considered, with the assistance of management and its financial and other advisors, a number of business, financial, legal and other factors, including normalized annual expected savings of approximately $11.0 million annually from the elimination of significant duplicate costs, which would be partially offset by the amortization of identifiable intangible assets expected to be approximately $2.5 million annually, through:

- the combination of executive, general and administrative functions;
- the combination of numerous field offices; and
- the elimination of Hall Kinion s public company costs.

In the course of its deliberations, the Kforce board of directors reviewed with Kforce management and Kforce s legal and financial advisors a number of additional factors that the Kforce board of directors deemed relevant, the most significant of which are the following:

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

the consideration to be paid by Kforce in the merger;

the strategic and geographic fit of Kforce and Hall Kinion;

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;
- 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 of approximately $14.3 million involved in connection with closing the merger;
- 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 20.

The Kforce board of directors concluded, however, that these negative factors could likely be managed or mitigated by Kforce or by the combined company or were unlikely to have a material impact on the merger or the combined company, and that, overall, the potentially negative factors associated with the merger were outweighed by the potential benefits of the merger.

The foregoing factors are not intended to be an exhaustive list of all factors considered. The Kforce board of directors conducted an overall analysis of the factors described above, including thorough discussion with and questioning of Kforce s management and its legal advisors. In view of the wide variety of factors considered in connection with its evaluation of the merger and the complexity of these matters, the Kforce board of directors found it impractical to, and did not, quantify or otherwise assign relative weights to the specific factors discussed above and considered in connection with its determination. In addition, the Kforce board of directors did not reach any specific conclusion with respect to each of the factors considered or any aspect of any particular factor. Moreover, the individual members of the Kforce board of directors may have accorded different values to different factors.

Table of Contents

Hall Kinion s Reasons for the Merger

The Hall Kinion board of directors has determined that the acquisition of Hall Kinion by Kforce is advisable, fair to and in the best interests of Hall Kinion and its stockholders, has unanimously approved and adopted the merger agreement and the merger, and unanimously recommends that the Hall Kinion stockholders vote FOR approval and adoption of the merger agreement and the merger. In making its recommendation to the stockholders, the Hall Kinion board of directors considered a number of factors, the most significant of which are the following:

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 originally 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, estimated in the range of $9.5 million to $12 million which would be partially offset by amortization of identifiable intangibles, 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, including without limitation the termination fees; 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.

Table of Contents

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 stock price decreases to less than $7.00 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 of this prospectus/proxy statement entitled Risk Factors beginning on page 20 of this proxy statement/prospectus.

The foregoing discussion of factors considered by the Hall Kinion board of directors is not exhaustive, but includes the material factors considered by the Hall Kinion board of directors in approving the merger and recommending that the Hall Kinion stockholders vote their shares in favor of the merger. The Hall Kinion board of directors did not find it practicable to, and did not quantify or otherwise assign relative weights to the specific factors considered in reaching its determination. Rather, the Hall Kinion board of directors made its determination based on the totality of the information available to it. The judgments of the individual members of the Hall Kinion board of directors may have been influenced to a greater or lesser extent by the different factors. In approving the merger, the Hall Kinion board of directors was aware of the interests of Hall Kinion s management in the merger, as described under Interests of Certain Persons in the Merger Interests of Hall Kinion Directors and Officers beginning on page 73.

Recommendation of the Hall Kinion Board of Directors

Taking into account all of the material facts, matters and information, including those described above, the Hall Kinion board of directors believes that the merger and the other transactions contemplated by the merger agreement are advisable and fair to and in the best interests of Hall Kinion and its stockholders. **The Hall Kinion board of directors unanimously recommends that Hall Kinion s stockholders vote FOR approval of the merger and adoption of the merger agreement.**

Fairness Opinion of Financial Advisor to the Hall Kinion Board of Directors

On March 26, 2004, Hall Kinion retained Robert W. Baird & Co. Incorporated to render its opinion as to the fairness, from a financial point of view, of the exchange ratio to the holders of Hall Kinion common stock.

On April 5, 2004, Baird rendered its opinion to the board of directors of Hall Kinion to the effect that, as of April 5, 2004 and based upon and subject to the various considerations described in the opinion, the exchange ratio of 0.45, was fair, from a financial point of view, to the holders of Hall Kinion common stock (other than Kforce and its affiliates). The full text of Baird s opinion, dated April 5, 2004, which describes the assumptions made, general procedures followed, matters considered and limitations on the scope of review conducted by Baird in rendering its opinion, is attached as Annex B to this proxy statement/prospectus and is incorporated in this document by reference. Baird s opinion is directed only to the fairness, as of the date of the opinion and from a financial point of view, of the exchange ratio to the holders of Hall Kinion common stock (other than Kforce

Table of Contents

and its affiliates) and does not constitute a recommendation to you as to how you should vote with respect to the amended merger agreement. The summary of Baird s opinion set forth below is qualified in its entirety by reference to the full text of the opinion attached as Annex B. Hall Kinion shareholders are urged to read the opinion carefully in its entirety.

In conducting its investigation and analysis and in arriving at its opinion, Baird reviewed information and took into account financial and economic factors it deemed relevant under the circumstances. In rendering its opinion, Baird, among other things:

- reviewed certain internal information, primarily financial in nature, including forecasts, concerning the business and operations of Hall Kinion furnished to Baird for purposes of its analysis, as well as publicly available information including Hall Kinion s recent filings with the SEC and equity analyst research reports prepared by various investment banking firms including Baird;
- reviewed certain internal information, primarily financial in nature, concerning the business and operations of Kforce furnished to Baird for its analysis, as well as publicly available information including Kforce s recent filings with the SEC and equity research reports prepared by various investment banking firms including Baird;
- reviewed the amended and restated merger agreement and the related ancillary agreements and documents in the form presented to Hall Kinion s board of directors;
- compared the historical market prices and trading activity of Hall Kinion s and Kforce s common stock with those of certain other publicly traded companies Baird deemed relevant;
- compared the financial position and operating results of Hall Kinion and Kforce with those of other publicly traded companies Baird deemed relevant and considered the market trading multiples of such companies;
- compared the proposed financial terms of the merger with the financial terms of certain other business combinations Baird deemed relevant; and
- reviewed certain potential pro forma effects of the merger.

Baird held discussions with members of Hall Kinion s and Kforce s respective senior management teams concerning Hall Kinion s and Kforce s historical and current financial condition and operating results, as well as the future prospects of Hall Kinion and Kforce, respectively. Baird also considered other information, financial studies, analyses and investigations and financial, economic and market data which Baird deemed relevant for the preparation of its opinion. Hall Kinion and Kforce determined the exchange ratio in arms-length negotiations. Hall Kinion did not place any limitation upon Baird with respect to the procedures followed or factors considered by Baird in rendering its opinion.

In arriving at its opinion, Baird assumed and relied upon the accuracy and completeness of all of the financial and other information that was publicly available or provided to Baird by or on behalf of Hall Kinion and Kforce. Baird was not engaged to independently verify any of this information. Baird assumed, with Hall Kinion s consent, that:

- all material assets and liabilities (contingent or otherwise, known or unknown) of Hall Kinion and Kforce were as set forth in their respective financial statements;

the financial statements of Hall Kinion and Kforce provided to Baird present fairly the results of operations, cash flows and financial condition of Hall Kinion and Kforce, respectively, for the periods indicated and were prepared in conformity with U.S. generally accepted accounting principles consistently applied;

the forecasts for Hall Kinion provided by Hall Kinion s senior management (the Hall Kinion forecasts) were reasonably prepared on bases reflecting the best available estimates and good faith judgments of Hall Kinion s senior management as to the future performance of Hall Kinion;

the merger will be consummated in accordance with the terms set forth in the amended merger agreement, without any amendment thereto and without waiver by Hall Kinion or Kforce of any of the conditions to their respective obligations under the amended merger agreement;

in all respects material to Baird s analyses, the representations and warranties contained in the amended merger agreement are true and correct and that Hall Kinion and Kforce will each perform all of the respective covenants and agreements it is required to perform under the amended merger agreement;

all material corporate, governmental, regulatory or other consents and approvals required to consummate the merger have been or will be obtained; and

the merger will be treated as a tax-free reorganization for federal income purposes.

At the direction of Hall Kinion, Baird relied on a published equity research analyst report prepared by Baird for estimates of Kforce s projected financial performance for fiscal year 2004 (the Kforce forecasts). Also at the direction of Hall Kinion, Baird did not consider any expenses relating to the merger. In conducting its review, Baird did not undertake nor obtain an independent evaluation or appraisal of any of the assets or liabilities, contingent or otherwise, of Hall Kinion or Kforce nor did it make a physical inspection of the properties or facilities of Hall Kinion or Kforce. Baird s opinion necessarily was based upon economic, monetary and market conditions as they existed and could be evaluated on the date of its opinion, and did not predict or take into account any changes which may occur, or information which may become available, after the date of the opinion. Furthermore, Baird expressed no opinion as to the price or trading range at which any of Hall Kinion s or Kforce s securities (including Hall Kinion common stock and Kforce common stock) will trade following the date of Baird s opinion.

The following is a summary of the material financial analyses performed by Baird in connection with rendering its opinion. Each of the following tables contained in this Fairness Opinion of Financial Advisor to the Hall Kinion Board of Directors section is qualified in its entirety by reference to the other disclosures contained in this section and to Baird s opinion attached as Annex B to this proxy statement/prospectus.

Summary of Hall Kinion Implied Merger Multiples. Baird calculated the implied equity value per share reflected by the terms of the merger to be $4.13 for each share of Hall Kinion common stock. The implied equity values per share were obtained by multiplying the closing price per share of Kforce common stock of $9.18 on April 1, 2004 by the exchange ratio of 0.45. Baird calculated the implied total equity value and implied enterprise value of Hall Kinion as a result of the merger to be $53.1 million and $66.3 million, respectively. The implied total equity value was obtained by multiplying the implied equity value per share by the total number of common shares outstanding as of March 25, 2004, plus each outstanding, unexercised and fully vested option to purchase Hall Kinion common stock with an exercise price less than the Kforce stock market value multiplied by the exchange ratio, less gross proceeds from the exercise of those stock options. The implied enterprise value was obtained by adding Hall Kinion s outstanding total debt, OnStaff earnout payment and the present value of the closed office lease expense to, and subtracting Hall Kinion s cash and cash equivalents balances (as of February 29, 2004, as provided by Hall Kinion management) from, the implied total equity value.

In performing its analysis, Baird used, among other items, operating statistics exclusive of non-recurring items for Hall Kinion s actual 2003 results and projected 2004 results. Baird calculated multiples of the implied enterprise value to Hall Kinion s actual 2003 revenue, earnings before interest, taxes, depreciation and amortization (EBITDA), and earnings before interest and taxes (EBIT) as well as projected 2004 revenue, EBITDA, and EBIT, per the Hall Kinion forecasts. Baird also calculated multiples of the implied total equity value to Hall Kinion s actual 2003 net income and EPS and projected 2004 net income and EPS, per the Hall Kinion forecasts. The table below summarizes the results of this analysis and is qualified in its entirety by

Table of Contents

reference to other disclosures contained in this section and Baird s opinion attached as Annex B to this proxy statement/prospectus.

	Implied Hall Kinion Merger Multiples	
	2003	2004
Implied Enterprise Value / Revenue	0.42x	0.42x
Implied Enterprise Value / EBITDA	60.0	16.6
Implied Enterprise Value / EBIT	N/M	39.2
Implied Equity Value / Net Income	N/M	54.4
Implied Equity Value / EPS	N/M	54.9

Summary of Hall Kinion s Valuation Premiums. Baird compared the premium to holders of Hall Kinion common stock represented by the implied equity value per share of $4.13 to the closing prices for Hall Kinion common stock on April 1, 2004, seven days prior to April 1, 2004, and the average stock price between March 12, 2004, which was the first day following Kforce s public comments regarding the status of the merger, and April 1, 2004. Baird calculated that the implied equity value per share represented the following premiums to holders of Hall Kinion common stock:

a premium of 48.1% over the closing price of $2.79 for Hall Kinion common stock on April 1, 2004;

a premium of 54.7% over the closing price of $2.67 for Hall Kinion common stock seven days prior thereto; and

a premium of 42.7% over the average closing price of $2.89 for Hall Kinion common stock from March 12 to April 1.

Baird noted that the exchange ratio in the merger of 0.45 Kforce shares per Hall Kinion share produced a range of implied premiums that, when taken in conjunction with Baird s other analyses and based on its judgment and mergers and acquisitions experience, was supportive of its opinion as to the fairness, from a financial point of view, to Hall Kinion stockholders of the exchange ratio to be paid by Kforce in the merger.

Analysis of Selected Publicly Traded Hall Kinion Comparable Companies. Baird reviewed certain publicly available financial information as of the most recently reported period and stock market information as of April 1, 2004 for 14 publicly traded companies that Baird deemed relevant. The group of selected publicly traded staffing services companies is listed below:

Alternative Resources Corporation	MPS Group, Inc.
Analysts International Corporation	On Assignment, Inc.
Butler International, Inc.	RCM Technologies, Inc.
CDI Corporation	Robert Half International, Inc.
Computer Task Group, Inc.	Spherion Corporation
Hudson Highland Group, Inc.	TSR, Inc.
Kforce, Inc.	Volt Information Sciences, Inc.

Baird selected these companies based on its review of publicly traded companies that possessed general business, operating and financial characteristics representative of companies in the industry in which Hall Kinion operates. Baird noted that none of the companies reviewed is identical to Hall Kinion and that, accordingly, the analysis of these companies necessarily involves complex considerations and judgments concerning differences in the business, financial and operating characteristics of each company and other factors that affect the market values of these companies.

Table of Contents

Baird also selected a subset of the group of 14 publicly traded companies that included eight companies that had an enterprise value of less than $250.0 million (Small Cap), as of April 1, 2004. The Small Cap group of selected publicly traded staffing services companies is listed below:

Alternative Resources Corporation	Hudson Highland Group, Inc.
Analysts International Corporation	On Assignment, Inc.
Butler International, Inc.	RCM Technologies, Inc.
Computer Task Group, Inc.	TSR, Inc.

Baird selected these companies based on its review of publicly traded companies that possessed general business, operating and financial characteristics representative of companies in the industry in which Hall Kinion operates and the market dynamics affecting smaller companies in the industry in which Hall Kinion operates. Baird noted that none of the companies reviewed is identical to Hall Kinion and that, accordingly, the analysis of these companies necessarily involves complex considerations and judgments concerning differences in the business, financial and operating characteristics of each company and other factors that affect the market values of these companies.

For each selected company, Baird calculated the implied equity value by multiplying the closing stock price of each company as of April 1, 2004, by the total number of outstanding shares on a diluted basis, utilizing the treasury method. In addition, Baird calculated enterprise value for each selected company by adding the book value of outstanding total debt, preferred stock and minority interests to, and subtracting cash and cash equivalents from, equity value. Baird then calculated multiples of enterprise value to each selected company s latest quarter annualized (LQA) revenue, actual 2003 revenue, EBITDA and EBIT and projected 2004 revenue, EBITDA and EBIT, exclusive of non-recurring items, as of the most recently reported period. Baird also calculated multiples of each selected company s equity value per share to each selected company s actual 2003 EPS and projected 2004 EPS, exclusive of non-recurring items. Projected 2004 statistics for the selected companies were based on publicly available equity research analyst reports. Baird then compared the trading multiples for the selected companies to relevant Hall Kinion implied merger multiples, as implied in the merger, based on Hall Kinion s operating results for the LQA period ended December 28, 2003, actual 2003 and projected 2004. The table below summarizes the results of the analysis and is qualified in its entirety by reference to the other disclosures contained in this section and Annex B of this proxy statement/prospectus.

	Implied Hall Kinion Merger Multiples	Implied Selected Public Comparable Company Trading Multiples							
		All Comp. Companies				Small Cap Comp. Companies			
		Low	Mean	Median	High	Low	Mean	Median	High
Enterprise Value Multiples:									
LQA Revenue	0.49x	0.20x	0.54x	0.48x	1.91x	0.20x	0.38x	0.42x	0.55x
2003 Revenue	0.42	0.20	0.55	0.45	2.00	0.20	0.37	0.39	0.53
2004 Revenue	0.42	0.20	0.70	0.54	1.73	0.20	0.35	0.35	0.51
2003 EBITDA	60.0x	7.2x	13.5x	13.2x	21.2x	7.2x	12.8x	12.7x	18.7x
2004 EBITDA	16.6	12.6	17.5	17.1	23.0	N/M	N/M	N/M	N/M
2003 EBIT	N/M	7.4x	14.2x	13.0x	23.4x	7.4x	7.7x	7.7x	8.0x
2004 EBIT	39.2x	20.1	21.9	21.9	23.6	N/M	N/M	N/M	N/M
Equity Value Multiples:									
Cal. 2003 EPS	N/M	2.3x	41.2x	54.9x	72.0x	2.3x	30.3x	16.6x	72.0x
Cal. 2004 EPS	54.9x	13.0	38.5	29.2	97.7	13.0	22.9	24.6	31.3

Based on the public company trading multiples, Baird analyzed the resulting implied exchange ratios derived from applying the selected comparable company valuation multiples to Hall Kinion s LQA revenue, actual 2003 revenue, EBITDA, EBIT and EPS and projected 2004 revenue, EBITDA, EBIT and EPS. Baird derived an implied exchange ratio range of 0.11 to 2.54 Kforce shares per Hall Kinion share for the All Comparable Companies group and an implied exchange ratio range of 0.11 to 0.59 Kforce shares per Hall Kinion share for the Small Cap Comparable Companies group, as compared to the exchange ratio for the

Table of Contents

merger of 0.45 Kforce shares per Hall Kinion share. Baird concluded that, because the exchange ratio in the merger was within the implied exchange ratio range derived from the analysis, such analysis was supportive, when taken in conjunction with Baird s other analyses, of its opinion as to the fairness, from a financial point of view, to the holders of Hall Kinion s common stock of the exchange ratio to be paid by Kforce in the merger. The table below summarizes the results of the analysis and based upon the Exchange Ratio of 0.45. The analysis is qualified in its entirety by reference to the other disclosures contained in this section and Annex B of this proxy statement/prospectus.

	Implied Exchange Ratios[1]							
	All Comp. Companies				Small Cap Comp. Companies			
	Low	Mean	Median	High	Low	Mean	Median	High
Enterprise Value Multiples:								
LQA Revenue	0.12x	0.51x	0.43x	2.06x	0.12x	0.32x	0.37x	0.52x
2003 Revenue	0.16	0.62	0.49	2.54	0.16	0.38	0.40	0.59
2004 Revenue	0.16	0.83	0.61	2.22	0.16	0.36	0.36	0.57
2003 EBITDA	N/M	N/M	N/M	N/M	N/M	N/M	N/M	N/M
2004 EBITDA	0.32x	0.48x	0.47x	0.67x	N/M	N/M	N/M	N/M
2003 EBIT	N/M	N/M	N/M	N/M	N/M	N/M	N/M	N/M
2004 EBIT	0.18x	0.20x	0.20x	0.23x	N/M	N/M	N/M	N/M
Equity Value Multiples:								
Calendar 2003 EPS	N/M	N/M	N/M	N/M	N/M	N/M	N/M	N/M
Calendar 2004 EPS	0.11x	0.32x	0.24x	0.80x	0.11x	0.19x	0.20x	0.26x

(1) Based on comparable company trading multiples and Kforce share price of $9.18 on April 1, 2004.

Analysis of Selected Comparable Acquisition Transactions. Baird reviewed certain publicly available financial information for eight selected acquisition transactions, which Baird deemed relevant. The eight transactions reviewed were (acquiror / acquired company):

Hire Calling Holding Company / SOS Staffing Services, Inc.
Management Group / The Judge Group, Inc.
Research Park Acquisition, Inc. / RWD Technologies, Inc.
Ohsea Holdings Limited / Professional Staff plc
Cravey, Green & Wahlen / AHL Services, Inc.
Intellimark Holdings, Inc. / Technisource, Inc.
Hall, Kinion & Associates, Inc. / OnStaff
Ciber, Inc. / Decision Consultants, Inc.
Aquent, Inc. / Renaissance Worldwide, Inc.

Baird chose these transactions based on its review of acquisition transactions that possessed general business, operating and financial characteristics representative of companies in the industry in which Hall Kinion operates. Baird noted that none of the selected transactions reviewed were identical to the merger. Accordingly, Baird noted that the analysis of comparable transactions necessarily involves complex considerations and judgments concerning differences in financial and operating characteristics of Hall Kinion and other factors that would affect the acquisition value of comparable transactions including, among other factors, the general market conditions prevailing in the equity capital markets at the time of that transaction and the form of consideration used in the selected transactions.

For each selected transaction, Baird calculated multiples of enterprise value to each selected company s LTM revenue and LTM EBITDA, exclusive of non-recurring items, as of the most recently reported period. Baird then compared the implied merger multiples for the selected transactions to relevant Hall Kinion implied merger multiples, as implied in the proposed merger, based on Hall Kinion s operating results for 2003. The table

Table of Contents

below summarizes the results of these analyses and are qualified in their entirety by reference to the other disclosures contained in this section and Annex B of this proxy statement/prospectus.

	Implied Hall Kinion Merger Multiples	Implied Selected Acquisition LTM Multiples			
	2003	Low	Mean	Median	High
Enterprise Value / Revenue	0.42x	0.10x	0.30x	0.22x	0.57x
Enterprise Value / EBITDA	60.0	6.6	9.3	9.4	13.0

Based on implied selected acquisition multiples, Baird analyzed the resulting implied exchange ratios derived from applying the selected comparable acquisition valuation multiples to Hall Kinion s 2003 revenue and EBITDA. Baird derived an implied exchange ratio range of 0.02 to 0.64 Kforce shares per Hall Kinion share, as compared to the exchange ratio in the merger of 0.45 Kforce shares per Hall Kinion share. Baird concluded that, because the exchange ratio in the merger was within the implied exchange ratio range derived from the analysis, such analysis was supportive, when taken in conjunction with Baird s other analyses, of its opinion as to the fairness, from a financial point of view, to the holders of Hall Kinion s common stock of the exchange ratio to be paid by Kforce in the merger. The table below summarizes the results of the analysis and is qualified in its entirety by reference to the other disclosures contained in this section and Annex B of this proxy statement/prospectus.

	Implied Exchange Ratio(1)			
	Low	Mean	Median	High
2003 Revenue	0.02x	0.29x	0.19x	0.64x
2003 EBITDA	N/M	N/M	N/M	N/M

(1) Based on a Kforce share price of $9.18 as of April 1, 2004.

Baird also calculated the premiums paid for the equity in these transactions over the public market value of the equity at various times prior to the announcement of these transactions. Baird then compared the premiums of the selected acquisitions to the relevant Hall Kinion premiums implied in the merger based on Hall Kinion s closing price one day and seven days prior to April 2, 2004. Additionally, Baird analyzed the 15 public company stock-for-stock mergers with enterprise values between $50.0 million and $100.0 million that were completed between January 1, 2002 and April 1, 2004. Baird then compared those premiums to the relevant Hall Kinion premiums implied in the merger based on Hall Kinion s closing price one day and seven days prior to April 2, 2004. The table below summarizes the results of these analyses and are qualified in their entirety by reference to the other disclosures contained in this section and Annex B of this proxy statement/prospectus.

		Implied Selected Acquisition Premiums	
		Selected Comparable Merger Transactions	Selected Stock-for-Stock Merger Transactions
Premium	Implied Hall Kinion Transaction Premiums		

		Low	Mean	Median	High	Low	Mean	Median	High
One-Day	48.1%	(47.7%)	56.5%	43.4%	167.9%	(17.0%)	31.1%	19.3%	113.4%
Seven-Days	54.7%	(53.8%)	59.6%	48.1%	150.0%	0.7%	45.0%	27.0%	136.8%

Discounted Cash Flow Analysis. Baird performed a discounted cash flow analysis of Hall Kinion on a stand alone basis using the Hall Kinion forecasts for calendar years 2004 through 2008 as provided by Hall Kinion, without taking into account any potential cost savings and synergies which may be realized following the merger. In that analysis, Baird assumed terminal value multiples of 0.30x to 0.40x revenue in calendar year 2008 and discount rates of 13.5% to 15.5%, which represent the estimated weighted average cost of capital for Hall Kinion. Given that Hall Kinion has a significant balance of net operating loss carryforwards (NOLs) currently on its balance sheet, Baird applied NOLs against any pre-tax earnings before interest, taxes and amortization in the tax expense calculation in the discounted cash flow analysis. That analysis produced a range of implied exchange ratios of 0.28 to 0.41 Kforce shares per Hall Kinion share, as compared to the exchange ratio in the merger of 0.45 Kforce shares per Hall Kinion share. Baird concluded that, because the exchange ratio in the merger was above the high end of the implied exchange ratio range derived from the analysis, such analysis was supportive, when taken in conjunction with Baird s other analyses, of its opinion as to the fairness, from a financial point of view, to the holders of Hall Kinion s common stock of the exchange ratio to be paid by Kforce in the merger.

Pro Forma Merger Analysis. Baird prepared a pro forma analysis of the financial impact of the merger. Baird compared the earnings per share of Kforce common stock, on a stand-alone basis, to the earnings per share of the common stock of the combined company on a pro forma basis for calendar year 2004, per the Hall Kinion forecasts. The analysis, based on the forecasts provided by Hall Kinion and assuming cost savings and operating synergies expected by the management of Hall Kinion and Kforce to result from a combination of the businesses of Hall Kinion and Kforce, indicated that the proposed transaction would be 49.2% accretive to Kforce shareholders on an earnings per share basis in calendar 2004. The results of the pro forma merger analysis are not necessarily indicative of future operating results or financial position. The actual results achieved by the combined company may vary from the projected results and the variations may be material. In conducting its analysis, Baird relied upon certain assumptions and projected earnings estimates described above for Hall Kinion and Kforce and the Hall Kinion projections.

Implied Exchange Ratio Analysis. Baird performed an analysis of the historical trading ratio between Hall Kinion common stock and Kforce common stock based on the closing market price per share of Hall Kinion common stock relative to the closing market price per share of Kforce common stock for each trading day for the latest twelve-month period ended April 1, 2004. This analysis yielded a trading ratio of 0.30 based on April 1, 2004 prices and 0.32 based on the average of the exchange ratios from March 12, 2004, which was the first trading day after Kforce s press release regarding the status of the merger, to April 1, 2004. This analysis resulted in an implied exchange ratio range of approximately 0.30 to 0.32, as compared to the exchange ratio in the merger of 0.45 Kforce shares per Hall Kinion share. Baird concluded that, because the exchange ratio in the merger was above the implied exchange ratio range derived from the analysis, such analysis was supportive, when taken in conjunction with Baird s other analyses, of its opinion as to the fairness, from a financial point of view, to the holders of Hall Kinion s common stock of the exchange ratio to be paid by Kforce in the merger.

Analysis of Selected Publicly Traded Kforce Comparable Companies. In order to assess the relative public market valuation of the Kforce common stock to be used by Kforce in exchange for Hall Kinion common stock, Baird reviewed certain publicly available financial information as of the most recently reported period and stock market information as of April 1, 2004 for 14 publicly traded companies that Baird deemed relevant. The group of selected publicly traded companies is listed below:

Alternative Resources Corporation	MPS Group, Inc.
Analysts International Corporation	On Assignment, Inc.
Butler International, Inc.	RCM Technologies, Inc.
CDI Corporation	Robert Half International, Inc.
Computer Task Group, Inc.	Spherion Corporation
Hall, Kinion & Associates, Inc.	TSR, Inc.
Hudson Highland Group, Inc.	Volt Information Sciences, Inc.

Baird chose these companies based on its review of publicly traded companies that possessed general business, operating and financial characteristics representative of companies in the industry in which Kforce operates. Baird noted that none of the companies reviewed is identical to Kforce and that, accordingly, the analysis of these companies necessarily involves complex considerations and judgments concerning differences in the business, financial and operating characteristics of each company and other factors that affect the market values of these companies.

Table of Contents

Baird also selected a subset of the group of 14 publicly traded companies that included five companies that had an enterprise value of more than $250.0 million (Large Cap), as of April 1, 2004. The Large Cap group of selected publicly traded staffing services companies is listed below:

CDI Corporation
MPS Group, Inc.
Robert Half International, Inc.
Spherion Corporation
Volt Information Sciences, Inc.

Baird selected these companies based on its review of publicly traded companies that possessed general business, operating and financial characteristics representative of companies in the industry in which Kforce operates and the market dynamics affecting larger companies in the industry in which Kforce operates. Baird noted that none of the companies reviewed is identical to Kforce and that, accordingly, the analysis of these companies necessarily involves complex considerations and judgments concerning differences in the business, financial and operating characteristics of each company and other factors that affect the market values of these companies.

For each selected company, Baird calculated the equity value by multiplying closing stock price of each company as of April 1, 2004, by the total number of outstanding shares on a diluted basis, utilizing the treasury method. In addition, Baird calculated enterprise value for each selected company by adding the book value of outstanding total debt, preferred stock and minority interests to, and subtracting cash and cash equivalents from, equity value. Baird then calculated multiples of enterprise value to each selected company s LQA revenue, actual 2003 revenue, EBITDA and EBIT and projected 2004 revenue, EBITDA and EBIT exclusive of non-recurring items, as of the most recently reported period. Baird also calculated multiples of each selected company s equity value per share to each selected company s actual 2003 EPS and projected 2004 EPS, exclusive of non-recurring items. Projected 2004 statistics for the selected companies were based on publicly available equity analyst research reports. Baird then compared the trading multiples for the selected companies to relevant Kforce trading multiples based on Kforce s operating results for actual 2003 and projected 2004. The table below summarizes the results of the analysis and is qualified in its entirety by reference to the other disclosures contained in this section and Annex B of this proxy statement/prospectus.

		Implied Selected Public Comparable Company Trading Multiples							
	Implied Kforce Trading	All Comp. Companies				Large Cap Comp. Companies			
	Multiples	Low	Mean	Median	High	Low	Mean	Median	High
Enterprise Value Multiples:									
LQA Revenue	0.56x	0.20x	0.53x	0.42x	1.91x	0.21x	0.80x	0.58x	1.91x
2003 Revenue	0.59	0.20	0.52	0.39	2				