KFORCE INC
Form S-4
December 24, 2003
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As filed with the Securities and Exchange Commission on December 24, 2003

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-4

REGISTRATION STATEMENT

Under

THE SECURITIES ACT OF 1933

KFORCE INC.

(Exact name of registrant as specified in its charter)

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

1001 East Palm Avenue

Tampa, Florida 33605

(813) 552-5000

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

David L. Dunkel

Chairman and Chief Executive Officer

Kforce Inc.

1001 East Palm Avenue

Tampa, Florida 33605

(813) 552-5000

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

With copy to:

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

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered(1)	Proposed maximum offering price per unit	Proposed maximum aggregate offering price(2)	Amount of registration fee(3)
Common Stock, par value $0.01 per share	Not applicable	Not applicable	$ 61,676,100.00	$ 4,990.00

(1) Pursuant to Rule 457(o), the registration fee has been calculated on the basis of the maximum aggregate offering price, and the number of shares being registered has been omitted.
(2) Reflects the market price of the common stock of Hall, Kinion & Associates, Inc. computed in accordance with Rule 457(f)(1) and 457(c) under the Securities Act, based upon the average of the high and low sale prices of the Hall, Kinion & Associates, Inc. common stock as quoted on the Nasdaq National Market on December 19, 2003. The proposed maximum aggregate offering price is estimated solely to determine the registration fee.
(3) Calculated by multiplying 0.0000809 by the proposed maximum aggregate offering price.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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

PRELIMINARY JOINT PROXY STATEMENT/PROSPECTUS

Subject to Completion, dated December 24, 2003

[KFORCE LOGO] **[HAKI LOGO]**

JOINT PROXY STATEMENT/PROSPECTUS

PROPOSED MERGER YOUR VOTE IS VERY IMPORTANT

Dear Stockholders:

The boards of directors of Kforce Inc. and Hall, Kinion & Associates, Inc. have approved the acquisition of Hall Kinion by Kforce in a merger. In order to complete the merger, we must each obtain the approval of our stockholders. If the merger is completed, a wholly-owned subsidiary of Kforce will merge with and into Hall Kinion and Hall Kinion will become a wholly-owned subsidiary of Kforce. In the merger, Hall Kinion stockholders will receive, in exchange for shares of Hall Kinion common stock, an aggregate amount of fully paid and nonassessable shares of Kforce common stock based upon the exchange ratio. The exchange ratio is dependent on the Kforce stock market value. The Kforce stock market value is the average of the per share closing prices of Kforce common stock on the Nasdaq National Market over the 15 consecutive trading days ending on and including the third trading day prior to the date of the merger. If the Kforce stock market value is equal to or greater than $7.09, but less than $9.60, then the exchange ratio will equal .60, which will result in Hall Kinion stockholders receiving between $55.0 million and $75.0 million in Kforce common stock. If the Kforce stock market value is equal to or greater than $9.60, then the exchange ratio will be $5.75 *divided by* the Kforce stock market value. If the Kforce stock market value is less than $7.09, then the exchange ratio will be $4.25 *divided by* the Kforce stock market value. 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 57, the merger will be tax-free to Kforce shareholders and Hall Kinion stockholders, except to the extent of any cash received by Hall Kinion stockholders in the merger. ALL STOCKHOLDERS ARE URGED TO REVIEW THE ABOVE-REFERENCED SECTION OF THIS DOCUMENT AND CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES OF THE MERGER.

Kforce has scheduled a special meeting of its shareholders on , 2004, to vote on the merger proposal at its corporate headquarters located at 1001 East Palm Avenue, Tampa, Florida 33605, and Hall Kinion has scheduled a special meeting of its stockholders on , 2004, to vote on the merger proposal at the law offices of Gibson, Dunn & Crutcher LLP located at One Montgomery Street, Suite 3100, San Francisco, California 94104. Regardless of the number of shares that you own or whether you plan to attend a meeting, it is important that your shares be represented and voted. Voting instructions are inside.

The Kforce board of directors has unanimously approved the merger agreement and determined that the merger agreement and the merger are advisable and in the best interests of Kforce and its shareholders. Accordingly, the Kforce board of directors recommends that Kforce shareholders vote to approve the issuance of shares of Kforce common stock pursuant to the merger agreement.

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

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

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

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

David L. Dunkel

Chairman and Chief Executive Officer

Kforce Inc.

Brenda C. Rhodes

Chairman and Chief Executive Officer

Hall, Kinion & Associates, Inc.

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

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

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KFORCE INC.

1001 EAST PALM AVENUE

TAMPA, FLORIDA 33605

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON , 2004

To Kforce Inc. shareholders:

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

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

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

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

, 2004

a.m., local time

Kforce Inc.

1001 East Palm Avenue

Tampa, Florida 33605

Only shares of record at the close of business on , 2004 are entitled to notice of and to vote at the meeting and any postponements or adjournments of the meeting. Kforce will keep at its offices in Tampa, Florida a list of shareholders entitled to vote at the meeting available for inspection for any purpose relevant to the meeting during normal business hours for the ten days before the meeting. As of , 2004, there were shares of Kforce common stock outstanding. Each share of Kforce common stock is entitled to one vote on each matter properly brought before the meeting.

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

- USE THE TOLL-FREE TELEPHONE NUMBER SHOWN ON THE PROXY CARD;
- USE THE INTERNET WEBSITE SHOWN ON THE PROXY CARD; OR
- COMPLETE, SIGN, DATE AND PROMPTLY RETURN THE ENCLOSED PROXY CARD IN THE POSTAGE-PAID ENVELOPE. IT REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES.

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

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

By Order of the Board of Directors,

William L. Sanders

Secretary

Tampa, Florida

, 2004

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HALL, KINION & ASSOCIATES, INC.

75 ROWLAND WAY, SUITE 200

NOVATO, CALIFORNIA 94945

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON , 2004

To Hall, Kinion & Associates, Inc. stockholders:

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

To consider and vote on a proposal to adopt the Agreement and Plan of Merger, dated as of December 2, 2003, as amended, among Hall Kinion, Kforce Inc., and Novato Acquisition Corporation, a wholly-owned subsidiary of Kforce. A copy of the merger agreement is attached as Annex A to the joint proxy statement/prospectus accompanying this notice. Approval and adoption of the merger agreement will also constitute approval of the merger and the other transactions contemplated by the merger agreement; and

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

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

, 2004

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

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

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

USE THE INTERNET WEBSITE SHOWN ON THE PROXY CARD; OR

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

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

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

By Order of the Board of Directors,

Martin A. Kropelnicki

Secretary

Novato, California

, 2004

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ADDITIONAL INFORMATION

This joint proxy statement/prospectus incorporates by reference important business and financial information about Kforce and Hall Kinion that is not included in or delivered with this document. See Where You Can Find More Information beginning on page 81.

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

Kforce Inc.	Hall, Kinion & Associates, Inc.
1001 East Palm Avenue	75 Rowland Way, Suite 200
Tampa, Florida 33605	Novato, California 94945
Attention: Investor Relations	Attention: Investor Relations
Telephone: (813) 552-3974	Telephone: (415) 895-2200

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

This joint proxy statement/prospectus is accompanied by a copy of Hall Kinion s Annual Report on Form 10-K for the fiscal year ended December 29, 2002, as filed with the SEC on March 31, 2003, and Hall Kinion s latest Quarterly Report on Form 10-Q for the quarter ended September 28, 2003, as filed with the SEC on November 12, 2003. The enclosed 10-K and 10-Q of Hall Kinion include important business and financial information about Hall Kinion that is not included in this document. See Where You Can Find More Information beginning on page 81.

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QUESTIONS AND ANSWERS ABOUT THE MERGER

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

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

Q: What do I need to do now?

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

Q: What vote is required from the Kforce shareholders to approve the issuance of shares of Kforce common stock in the merger?

A: The affirmative vote of holders of a majority of the shares of Kforce common stock (present or represented by proxy and entitled to vote) is required to approve the issuance of shares of Kforce common stock in the merger.

Q: What vote is required from the Hall Kinion stockholders to approve the merger and adopt the merger agreement?

A: The merger cannot be completed without the approval of the holders (in person or by proxy) of at least a majority of the outstanding shares of Hall Kinion common stock.

Q: Why is my vote important?

A: If you do not return your proxy card or submit your proxy by telephone or through the Internet or vote in person at your company s special meeting, it will be more difficult for Kforce and Hall Kinion to obtain the necessary quorum to hold their special meetings. In addition, if you are a Kforce shareholder, a failure to vote will reduce the number of affirmative votes required to approve the issuance of shares of Kforce common stock in the merger. If you are a Kforce shareholder and you abstain from voting, your abstention will reduce the number of affirmative votes required to approve the issuance of shares of Kforce common stock in the merger. If you are a Hall Kinion stockholder, a failure to vote, or an abstention from voting, will have the same effect as a vote against the adoption of the merger agreement.

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

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

Q: What if I fail to instruct my broker?

A: If you fail to instruct your broker to vote your shares and the broker submits an unvoted proxy, the resulting broker non-vote will be counted toward a quorum at the respective special meeting but will not count as a vote cast at the special meeting. With respect to the Kforce special meeting, broker non-votes will reduce the number of affirmative votes required to approve the issuance of shares of Kforce common stock in the merger. With respect to the Hall Kinion special meeting, broker non-votes will have the same effect as negative votes.

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

A: Yes. You can change your vote at any time before your proxy is voted at your company s special meeting. You can do this in one of three ways:

- timely delivery of a valid, later-dated proxy by mail, or a later-dated proxy by telephone or Internet;
- written notice to your company s secretary before the special meeting that you have revoked your proxy; or
- voting by ballot at either the Kforce special meeting or the Hall Kinion special meeting.

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

Q: When and where are the special meetings?

A: The Kforce special meeting will take place on , 2004, at its corporate headquarters located at 1001 East Palm Avenue, Tampa, Florida 33605 at a.m. local time. The Hall Kinion special meeting will take place on , 2004, at the law offices of Gibson, Dunn & Crutcher LLP located at One Montgomery Street, Suite 3100, San Francisco, California 94104, at a.m. local time.

Q: What will Hall Kinion stockholders receive in the merger?

A: Following the merger:

- Hall Kinion stockholders will receive, in exchange for shares of Hall Kinion common stock, an aggregate amount of fully paid and nonassessable shares of Kforce common stock based upon the exchange ratio. The exchange ratio is dependent on the Kforce stock market value. The Kforce stock market value is the average of the per share closing prices of Kforce common stock on the Nasdaq National Market over the 15 consecutive trading days ending on and including the third trading day prior to the date of the merger. If the Kforce stock market value is equal to or greater than $7.09, but less than $9.60, then the exchange ratio will equal .60, which will result in Hall Kinion stockholders receiving between $55.0 million and $75.0 million in Kforce common stock. The collar around the .60 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 merger agreement. If the Kforce stock market value is equal to or greater than $9.60, then the exchange ratio will be $5.75 *divided by* the Kforce stock market value. If the Kforce stock market value is less than $7.09, then the exchange ratio will be $4.25 *divided by* the Kforce stock market value.

Instead of fractional shares of Kforce common stock, Hall Kinion stockholders will receive cash.

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.

Q: Should I send in my stock certificates now?

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

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

A: We are working to complete the merger by April 30, 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 as soon as reasonably possible.

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

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

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

A: Kforce shareholders may call Michael Blackman, Vice President Investor Relations, at (813) 552-2927.

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

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SUMMARY

This summary highlights some of the information in this joint proxy statement/prospectus and may not contain all of the information that is important to you. To understand the merger fully and for a more complete description of the legal terms of the merger, you should carefully read this document and the other documents to which we have referred you. See Where You Can Find More Information beginning on page 81 for more details. We have included page references directing you to a more complete description of each item presented in this summary.

The Companies

Kforce Inc.

1001 East Palm Avenue

Tampa, Florida 33605

(813) 552-5000

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

- Information Technology;
- Finance and Accounting;
- Pharmaceutical;
- HealthCare; and
- Scientific.

Kforce was formed in August 1994 as a result of the combination of Romac & Associates, Inc. and three of its largest franchises. Following an Initial Public Offering in 1995, Kforce grew to 31 offices in 18 major markets. On April 20, 1998, Kforce consummated a merger whereby Source Services Corporation was merged into Kforce. The acquisition was accounted for using the pooling of interests method of accounting; accordingly, all historical results were restated to reflect the merger. Kforce now operates through 64 locations in over 40 markets and serves clients from Fortune 1000 as well as local and regional small to mid-size companies, with our largest ten clients representing approximately 14% of revenue in 2002.

Hall, Kinion & Associates, Inc.

75 Rowland Way, Suite 200

Novato, California 94945

(415) 895-2200

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

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

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The Merger (Page 35)

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

What You Will Receive in the Merger (Page 61)

In the merger, Hall Kinion stockholders will receive, in exchange for shares of Hall Kinion common stock, an aggregate amount of fully paid and nonassessable shares of Kforce common stock based upon the exchange ratio. The exchange ratio is dependent on the Kforce stock market value. The Kforce stock market value is the average of the per share closing prices of Kforce common stock on the Nasdaq National Market over the 15 consecutive trading days ending on and including the third trading day prior to the date of the merger. If the Kforce stock market value is equal to or greater than $7.09, but less than $9.60, then the exchange ratio will equal .60, which will result in Hall Kinion stockholders receiving between $55.0 million and $75.0 million in Kforce common stock. The collar around the .60 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 merger agreement. If the Kforce stock market value is equal to or greater than $9.60, then the exchange ratio will be $5.75 *divided by* the Kforce stock market value. If the Kforce stock market value is less than $7.09, then the exchange ratio will be $4.25 *divided by* the Kforce stock market value.

In addition, Hall Kinion stockholders will receive cash instead of any fractional shares of Kforce common stock to which they are otherwise entitled.

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.

Ownership of Kforce After the Merger

Kforce and Hall Kinion expect that the number of shares of Kforce common stock issued to Hall Kinion stockholders in the merger will constitute approximately 19.5% of the outstanding common stock of Kforce after the merger, based on the assumptions set forth in the pro forma condensed combined financial statements.

Stockholder Votes Required (Pages 30 and 33)

For Kforce shareholders:

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

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

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

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

For Hall Kinion Stockholders:

Adoption of the merger agreement requires the affirmative vote of at least a majority of the outstanding shares of Hall Kinion common stock. On the record date, directors and executive officers had the right to vote shares of Hall Kinion common stock, representing approximately 30.2% of the shares of Hall Kinion common stock outstanding and entitled to vote at the special meeting. To Hall Kinion s knowledge, directors and executive officers of Hall Kinion and their affiliates intend to vote their common stock in favor of the adoption of the merger agreement.

Each of Brenda C. Rhodes, Jeffrey A. Evans, Herbert I. Finkelman, Rita S. Hazell, Todd J. Kinion, Martin A. Kropelnicki, Jon H. Rowberry, Jack F. Jenkins-Stark and Michael S. Stein, each a director and/or executive officer of Hall Kinion, who together beneficially own shares of Hall Kinion common stock representing approximately 30.2% of the voting power of Hall Kinion, has entered into a voting agreement with Kforce in which he or she has agreed to vote (i) in favor of the approval of the merger agreement, (ii) against any action that would result in any of the conditions of Kforce s obligations under the merger agreement not being fulfilled, (iii) against any action that would result in a breach by Hall Kinion of any its covenants, representations or warranties under the merger agreement, and (iv) against (A) any third party acquisition proposal, or (B) the election of a group of individuals to replace a majority or more of the individuals on the Hall Kinion board of directors. A form of Hall Kinion voting agreement is attached to this joint proxy statement/prospectus as part of Annex A. You should read it in its entirety.

Conditions to the Completion of the Merger (Page 69)

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

- the approval of the merger and the adoption of the merger agreement by the stockholders of Hall Kinion and the approval of the issuance of the shares of Kforce common stock in the merger by the shareholders of Kforce;

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

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

- the accuracy of all representations and warranties as of the date of the merger agreement and the closing date, as qualified in the merger agreement;
- the performance or compliance in all material respects with all agreements and covenants set forth in the merger agreement;
- the receipt of all consents and approvals of third parties as set forth in the merger agreement;
- the absence of any law, temporary restraining order, injunction or other order issued by a court that has the effect of making the merger illegal or otherwise prohibiting the merger;
- the expiration or termination of the waiting period applicable to the merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended; and
- the receipt by Kforce and Hall Kinion of a legal opinion that the merger will be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended.

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

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

Termination of the Merger Agreement (Page 71)

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

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

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

the other party materially breaches any of its covenants or agreements set forth in the merger agreement, and such breach cannot be cured within 20 business days after written notice thereof;

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

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

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Kforce may terminate the merger agreement if:

- the Hall Kinion board of directors withdraws, modifies, qualifies or fails to make or reconfirm its recommendation to the Hall Kinion stockholders, or Hall Kinion willfully and materially breaches its obligation to call a stockholders meeting;
- Hall Kinion willfully and materially breaches its non-solicitation obligations; or
- between December 2, 2003 and the closing of the merger, the average of the closing sales prices of Kforce common stock on the Nasdaq National Market shall have been less than $6.00 per share for 15 consecutive trading days.

Hall Kinion may terminate the merger agreement if:

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

Termination Fees (Page 72)

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

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

Recommendation of Kforce s Board of Directors (Page 40)

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

Recommendation of Hall Kinion s Board of Directors (Page 41)

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

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Opinion of Kforce s Financial Advisor (Page 42)

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

Opinion of Hall Kinion s Financial Advisor (Page 48)

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

Material United States Federal Income Tax Consequences (Page 57)

The exchange of Hall Kinion common stock for Kforce common stock, other than cash paid for fractional shares, is intended to be tax-free to you for United States federal income tax purposes. 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 59)

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 75)

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) the change of control payments owed to current officers as a result of the merger; (iii) the acceleration of the vesting of certain stock options held by officers and directors; (iv) in the case of Brenda C. Rhodes, the acceleration of certain payments of compensation otherwise owed to her; and (v) in the case of Ms. Rhodes and Rita S. Hazell, the acceleration of the forgiveness of certain indebtedness owed to Hall Kinion. 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 60)

The completion of the merger is subject to the expiration or termination of any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

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No Appraisal Rights (Page 60)

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

Quotation on the Nasdaq National Market (Page 60)

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

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Kforce Selected Historical Consolidated Financial Data

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

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

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

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

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Hall Kinion Selected Historical Consolidated Financial Data

The selected consolidated historical financial information set forth below under the captions Consolidated Statement of Operations Data and Consolidated Balance Sheet Data for, and as of the end of, each of the fiscal years ended December 29, 2002, December 30, 2001, December 31, 2000, December 26, 1999 and December 27, 1998, are derived from Hall Kinion s historical audited financial statements. The selected consolidated historical financial information set forth below for the nine-month periods ended September 28, 2003 and September 29, 2002 are derived from Hall Kinion s unaudited consolidated historical financial statements, and in the opinion of Hall Kinion s management reflects all adjustments necessary for the fair presentation of this unaudited consolidated historical financial information. This information should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations of Hall Kinion and the consolidated financial statements and notes thereto incorporated by reference into this joint proxy statement/prospectus. Historical results are not necessarily indicative of results to be expected for any future period.

	Fiscal Year Ended					Nine Months Ended	
	1998	1999	2000	2001	2002	September 29, 2002	September 28, 2003
	(In thousands, except per share amounts)						
Consolidated Statement of Operations Data:							
Net service revenues	$ 124,132	$ 180,749	$ 296,491	$ 173,836	$ 120,428	$ 81,272	$ 123,298
Cost of contract services	69,066	96,502	147,539	100,834	80,744	53,554	87,213
Gross profit	55,066	84,247	148,952	73,002	39,684	27,718	36,085
Selling, general and administrative expenses	45,339	67,827	120,905	91,952	43,705	30.770	33,937
Depreciation and amortization	1,945	2,905	4,588	4,868	3,702	2,731	2,425
Impairment of goodwill				26,736	15,478		
Restructuring costs (income)				17,048	(6)	(876)	2,906
Income (loss) from operations	7,782	13,515	23,459	(67,602)	(23,195)	(4,907)	(3,183)
Other (income) expense, net	51	477	(1,615)	(1,181)	323	(278)	267
Income (loss) before income taxes	7,731	13,038	25,074	(66,421)	(23,518)	(4,629)	(3,450)
Benefit (provision) for income taxes	(3,325)	(5,382)	(10,464)	20,809	2,870	1,634	
Net income (loss)	$ 4,406	$ 7,656	$ 14,610	$ (45,612)	$ (20,648)	$ (2,995)	$ (3,450)
Net income (loss) per share basic	$ 0.47	$ 0.75	$ 1.18	$ (3.48)	$ (1.66)	$ (0.23)	$ (0.27)
Net income (loss) per share diluted	$ 0.43	$ 0.71	$ 1.10	$ (3.48)	$ (1.66)	$ (0.23)	$ (0.27)
Weighted average shares outstanding basic	9,439	10,155	12,357	13,121	12,475	13,054	12,594
Weighted average shares outstanding diluted	10,342	10,716	13,267	13,121	12,475	13,054	12,594

	As of Fiscal Year Ended					As of September 28,
	1998	1999	2000	2001	2002	2003

	(In thousands)					
Consolidated Balance Sheet Data:						
Working capital	$ 7,808	$ 15,560	$ 64,819	$ 36,721	$ 6,916	$ 15,745
Total assets	$ 55,976	$ 76,554	$ 139,821	$ 89,459	$ 74,906	$ 70,474
Long-term liabilities	$ 1,083	$ 14,161	$ 209	$ 6,470	$ 6,201	$ 16,095
Stockholders equity	$ 37,902	$ 43,969	$ 110,762	$ 64,781	$ 43,767	$ 40,296

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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 joint 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 September 30, 2003 for balance sheet purposes and as of January 1, 2002 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 September 30, 2003 for balance sheet purposes and as of January 1, 2002 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 fair values 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.

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.

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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 joint proxy statement/prospectus and the separate historical consolidated financial statements and accompanying notes of Kforce and Hall Kinion incorporated by reference into this joint proxy statement/prospectus.

	Year Ended December 31, 2002	Nine Months Ended September 30, 2003
	(In thousands, except per share amounts)	
Statement of Operations Data:		
Net service revenues	$ 656,562	$ 493,145
Direct costs of services	442,003	341,989
Gross profit	214,559	151,156
Selling, general and administrative expenses	219,696	142,586
Restructuring costs, net	(6)	2,906
Depreciation and amortization	14,265	5,907
Goodwill impairment	15,478	
Loss from Operations	(34,874)	(243)
Other expense, net	3,460	949
Loss before income taxes	(38,334)	(1,192)
Income tax benefit	(2,869)	(8)
Net loss before change in accounting principle	(35,465)	(1,184)
Change in accounting principle	(33,823)	
Net loss	(69,288)	(1,184)
Other comprehensive loss:		
Cash flow hedges, net of income tax benefit		(237)
Comprehensive loss	$ (69,288)	$ (1,421)
Net loss per share basic before change in accounting principle	$ (0.90)	$ (0.03)
Net loss per share basic	$ (1.76)	$ (0.03)
Weighted average shares outstanding basic	39,335	38,286
Net loss per share diluted before change in accounting principle	$ (0.90)	$ (0.03)
Net loss per share diluted	$ (1.76)	$ (0.03)
Weighted average shares outstanding diluted	39,335	38,722

As of

September 30, 2003

		(In thousands)
Balance Sheet Data:		
Working capital	$	24,655
Total assets		265,690
Total long-term debt		30,097
Stockholders equity	$	152,754

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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 September 30, 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 September 30, 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 joint proxy statement/prospectus.

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, 2002[(1)]	For the Nine Months Ended September 30, 2003[(1)]
Historical Kforce Inc.		
Net income (loss) per common share basic	$ (1.49)	$ 0.08
Net income (loss) per common share diluted	(1.49)	0.08
Book value per common share at period end	2.71	2.88
Historical Hall Kinion[(1)]		
Net income (loss) per common share basic	(1.66)	(0.27)
Net income (loss) per common share diluted	(1.66)	(0.27)
Book value per common share at period end	3.51	3.20

	For the Year Ended December 31, 2002			For the Nine Months Ended September 30, 2003		
Exchange Ratio	.52(1)(4)	.60(1)(2)	.71(1)(3)	.52(1)(4)	.60(1)(2)	.71(1)(3)
Pro forma combined per Kforce share[(5)]						
Net income (loss) per common share basic	$ (1.49)	$ (1.41)	$ (1.32)	$ (0.03)	$ (0.03)	$ (0.03)
Net income (loss) per common share diluted	(1.49)	(1.41)	(1.32)	(0.03)	(0.03)	(0.03)
Book value per common share at period end[(6)]				3.56	3.18	2.77
Pro forma combined per Hall Kinion equivalent share[(7)]						
Net income (loss) per common share basic	(0.32)	(0.35)	(0.38)	(0.01)	(0.01)	(0.01)
Net income (loss) per common share diluted	(0.32)	(0.35)	(0.38)	(0.01)	(0.01)	(0.01)
Book value per common share at period end[(6)]				0.79	0.81	0.83

(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 nine months ended September 28, 2003 and the twelve months ended December 29, 2002.

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(2) These calculations are based on an exchange ratio of 0.60 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. If the average per share closing price of Kforce common stock for the fifteen 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 $4.25 by the Kforce market value per share. If the average per share closing price of Kforce common stock exceeds $9.60 per share, the exchange ratio will be adjusted downward to an exchange ratio calculated by dividing $5.75 by the Kforce market value per share.

(3) These calculations are based on an assumed Kforce average share price of $6.00 per share, which would result in an exchange ratio of .70833 shares of Kforce stock for each Hall Kinion share (or exchangeable stock option).

(4) These calculations are based on an assumed Kforce average share price of $11.00 per share, which would result in an exchange ratio of .52273 of a share of Kforce stock for each Hall Kinion share (or exchangeable stock option).

(5) Pro forma combined income from continuing operations per Kforce 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 (Total pro forma weighted average number of shares) multiplied by the proportion of Kforce s basic or diluted weighted average shares during the period to the Total pro forma weighted average number of shares.

(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 plus the number of shares of Kforce common stock assumed to be issued in the merger (Total pro forma outstanding number of shares) multiplied by the ratio of Kforce s outstanding shares or, for equivalent Hall Kinion shares by the number of Kforce s shares assumed to be issued in the merger, to Total pro forma outstanding number of shares.

(7) Pro forma combined income from continuing operations per equivalent Hall Kinion 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 multiplied by the proportion of Kforce s shares assumed to be issued in the merger to the Total pro forma weighted average number of shares.

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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**
2001				
1st Qtr	$ 5.31	$ 2.28	$ 21.00	$ 5.50
2nd Qtr	7.25	3.93	10.25	5.89
3rd Qtr	7.45	4.03	8.41	4.85
4th Qtr	6.40	3.15	8.97	4.64
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				
2004				
1st Qtr (through , 2004)				

The following table sets forth trading information for Kforce common stock and Hall Kinion common stock on December 1, 2003 and , 2004. December 1, 2003 was the day preceding the date Kforce and Hall Kinion announced the signing of the merger agreement. , 2004 was the last practicable trading day for which information was available before the date of this joint proxy statement/prospectus. 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 meetings and the merger, and you should obtain current market quotations.

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

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.

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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 below 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.

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RISK FACTORS

You should carefully consider the following factors, in addition to the other information included elsewhere in this joint proxy statement/prospectus and the documents that Kforce has filed with the SEC and the Hall Kinion documents accompanying this joint 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;

- 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 69 of this joint 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 72 of this joint 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; and

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

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

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Kforce has agreed to cause the surviving corporation to maintain officers and directors liability insurance to cover any such liabilities for five 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 December 2, 2003, Hall Kinion directors and executive officers beneficially held approximately 30.2% 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 75.

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 joint proxy statement/prospectus beginning on page 72. 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. 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.

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

The recent economic downturn has adversely affected the demand for our 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

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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 our results of operations and our financial condition. Additionally, the use of search firms for permanent hires declined significantly. We expect that future economic downturns will continue to have similar effects. The recent economic downturn resulted in lessened demand for our 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 we 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 our services. Reduction in demand for our services had a material negative impact on our business, operating results and financial condition.

In the real estate services industry we serve, 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 our business in this field.

Our liquidity may be adversely impacted by covenants in our credit facility.

In 2002, we amended the terms of our credit facility and increased our borrowing capacity to $100 million with a syndicate of four banks lead by Bank of America. We had approximately $22.0 million outstanding under this credit facility as of September 30, 2003. If the amount borrowed under this credit facility exceeds certain amounts, then a number of financial covenants become applicable. As of September 30, 2003, we had an additional $17.4 million of borrowing available without triggering these financial covenants. At no time during the existence of the credit facility have we ever triggered such covenants. If we were to trigger such financial covenants in the future and if we do not comply with them, such a breach of the credit facility covenants could materially adversely affect our liquidity and financial condition. Such lack of compliance could result, among other things, in the acceleration of all amounts borrowed under the credit facility.

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

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

Our business, operating results and financial condition could be negatively impacted if demand for our services in any new geographic markets we enter is less than we anticipate, if our new offices are not profitable in a timely manner or if we fail to hire qualified employees.

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

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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 our new employees reach full productivity. Additionally, demand for our services in new markets that we enter might also be less than we anticipate. If we are unable to enter new vertical or geographic markets in a cost-effective manner or if demand for our services in new markets does not meet or exceed our forecasts, our business, operating results and financial condition could be negatively impacted. In 2001, 2002 and March 2003, we closed and consolidated offices to improve efficiency, and further closures or consolidation may occur depending on market and competitive conditions.

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

We face significant competition in the markets we serve, and there are limited barriers to entry by new competitors. The competition among staffing services firms is intense. We compete 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 our competitors possess substantially greater resources than we do. From time to time we have experienced significant pressure from our clients to reduce price levels. During these periods, we may face increased competitive pricing pressures and may not be able to recruit the personnel necessary to fill our clients needs. We also face the risk that certain of our current and prospective clients will decide to provide similar services internally. There can be no assurance that we will continue to successfully compete.

We do 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. We do not currently provide an offshore program and there can be no assurance that we will be able to compete successfully against the offshore solution providers or that we will not lose significant market share and revenue.

We rely on short-term contracts with most of our clients.

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

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

Demand for our temporary healthcare staffing services is significantly affected by the general level of patient occupancy at our 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. We also may experience more competitive pricing pressure during periods of occupancy downturn. This reduction in occupancy could adversely affect the demand for our services and our profitability. There has been a significantly lessened demand for our 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 our future growth by limiting our ability to make acquisitions at reasonable valuations.

Our business strategy includes increasing our market share and presence in the staffing industry through strategic acquisitions of companies that complement or enhance our business. We have historically faced

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competition for acquisitions. In the future, this could limit our ability to grow by acquisitions or could raise the prices of acquisitions and make them less accretive or non-accretive to us. In addition, if we are unable to secure necessary financing to consummate an acquisition, we may be unable to complete desirable acquisitions.

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

We continually evaluate opportunities to acquire staffing companies that complement or enhance our 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 our 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 our financial condition and results of operations. Any acquisition may ultimately have a negative impact on our business and financial condition.

We depend on the proper functioning of our information systems.

We are dependent on the proper functioning of our information systems in operating our business. Our critical information systems used in our daily operations identify and match staffing resources and client assignments and perform billing and accounts receivable functions. Our information systems are protected through physical and software safeguards and we have 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 our critical information systems fail or are otherwise unavailable, we would have to accomplish these functions manually, which could temporarily impact our ability to identify business opportunities quickly, to maintain billing and clinical records reliably, and to bill for services efficiently. In addition, we depend on third party vendors for certain functions whose future performance and reliability we can not warranty.

Our success depends upon retaining the services of our management team.

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

We face significant employment liability risk.

We employ and place 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. We have policies and guidelines in place to reduce our 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 us of monetary damages or fines, or have other material adverse effects upon our business. Moreover, we could be held responsible for the actions at a workplace of persons not under our immediate control. To reduce our exposure, we maintain insurance covering general liability, workers compensation claims, errors and omissions, and employee theft. Due to the nature of our assignments, in particular, access to client information systems and confidential information, and the potential liability with respect thereto, we might not be able to obtain insurance coverage in amounts adequate to cover any such liability on acceptable terms. In addition, we face various employment-related risks not covered by insurance, such as wage laws and employment tax responsibility.

Significant legal actions, particularly relating to our healthcare staffing services, could subject us 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, we may be subject to claims related to torts or crimes committed by our employees or temporary staffing personnel. In some instances, we are required to indemnify clients against some or all of these risks. A failure of any of our employees or personnel to observe our 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 ourselves from the cost of these claims, we maintain professional malpractice liability insurance and general liability insurance coverage in amounts and with deductibles that we believe are appropriate for our operations. Our insurance coverage, however, may not cover all claims against us or continue to be available to us at a reasonable cost. If we are unable to maintain adequate insurance coverage, we may be exposed to substantial liabilities.

Currently we are unable to recruit enough nurses to meet our clients demands for our nurse staffing services, limiting the potential growth of our healthcare staffing business.

We rely on our 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 our healthcare staffing clients. We compete for healthcare staffing personnel with other temporary healthcare staffing 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 we do not have enough nurses to meet our clients demands for our nurse staffing services. This shortage of nurses limits our ability to grow our healthcare staffing business. Furthermore, we believe 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 we become subject to material liabilities under our self-insured programs, our financial results may be adversely affected.

We provide workers compensation coverage through a program that is partially self-insured. In addition, we provide medical coverage to our employees through a partially self-insured preferred provider organization. If we become subject to substantial uninsured workers compensation or medical coverage liabilities, our financial results may be adversely affected.

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

Our business is subject to regulation and licensing in many states. While we have had no material difficulty complying with regulations in the past, there can be no assurance that we 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 we fail to comply such failure could materially adversely affect Kforce.

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

Part of our 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 us.

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

We are subject to periodic federal, state and local income tax audits for various tax years. Although we attempt 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 us.

Future changes in reimbursement trends could hamper our clients ability to pay us.

Many of our 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, our clients reimbursement. Limitations on reimbursement could reduce our clients cash flow, hampering their ability to pay us. This situation could have a significant impact on our cash flow.

Our stock price may be volatile.

Our common stock is traded on the Nasdaq National Market under the symbol KFRC. The market price of our stock has fluctuated substantially in the past and could fluctuate substantially in the future, based on a variety of factors, including our operating results, changes in general conditions in the economy, the financial markets, the employment services industry, or other developments affecting us, our clients, or our competitors, some of which may be unrelated to our performance. Those fluctuations and demand for our services may adversely affect the price of our stock. It is possible that the stock price may reach a level where we lose our eligibility to remain listed on the Nasdaq National Market.

In addition, the stock market in general, especially the Nasdaq National Market tier along with market prices for staffing companies, have 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 our common stock, regardless of our operating results.

Among other things, volatility in our 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 our 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 our business.

We are 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 our employees and personnel. Significant increases in the effective rates of any payroll related costs likely would have a material adverse effect upon us. Our 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. We may not be able to increase the fees charged to our clients in a timely manner and in a sufficient amount to cover increased costs, if any such proposals are adopted.

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

Our 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, our 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 our 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 our common stock.

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THE KFORCE SPECIAL MEETING

This joint proxy statement/prospectus is being furnished to you as part of the solicitation of proxies by the Kforce board of directors for use at the special meeting of Kforce shareholders to be held on , 2004 and at any adjournment or postponement of the meeting. We are first mailing this joint proxy statement/prospectus, this notice of special meeting of shareholders and the enclosed proxy card to you on or about , 2004.

Time and Place of the Special Meeting

The Kforce special meeting will be held at Kforce s corporate headquarters located at 1001 East Palm Avenue, Tampa, Florida 33605, on , 2004 at a.m., local time.

Purpose of the Special Meeting

At the special meeting you will be asked to consider and approve a proposal to issue shares of Kforce common stock pursuant to the Agreement and Plan of Merger, dated as of December 2, 2003, as amended, 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 fifteen consecutive trading days ending on and including the third trading day prior to the date of the merger. If the Kforce stock market value is equal to or greater than $7.09, but less than $9.60, then the exchange ratio will equal .60, which results in Hall Kinion stockholders receiving between $55.0 million and $75.0 million in Kforce common stock. The collar around the .60 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 merger agreement. If the Kforce stock market value is equal to or greater than $9.60, then the exchange ratio will be $5.75 *divided by* the Kforce stock market value. If the Kforce stock market value is less than $7.09, then the exchange ratio will be $4.25 *divided by* the Kforce stock market value.

Kforce 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 Kforce 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 issuance of shares of Kforce common stock pursuant to the merger agreement.

Record Date; Stock Entitled to Vote; Quorum

The Kforce board of directors has fixed the close of business on , 2004 as the record date for the special meeting. Only holders of Kforce 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, shares of Kforce common stock were outstanding and entitled to vote and were held by approximately shareholders of record.

The presence, in person or by proxy, of a majority of the outstanding shares of Kforce 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. Properly executed proxies marked abstain will be deemed present for purposes of determining whether a quorum has been achieved. Proxies held by brokers in street name that are not voted on all proposals to come before the meeting shall also be deemed present.

Required Vote

Approval of the issuance of shares of Kforce common stock pursuant to the merger agreement requires the affirmative vote of at least a majority of the votes cast by the holders of Kforce common stock (in person or by proxy) at the special meeting. Failure to vote, abstentions and broker non-votes will not be deemed to be cast either FOR or AGAINST the issuance of shares of Kforce common stock pursuant to the merger agreement. However, because approval of the issuance of shares of Kforce common stock pursuant to the merger agreement requires only a majority of the votes cast at the special meeting, 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 effect of reducing the number of affirmative votes required to approve the issuance of shares of Kforce common stock in the merger.

Voting Agreements

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

Proxies; Voting and Revocation

All shares of Kforce 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 Kforce common stock represented by properly executed proxy cards that do not contain voting instructions with respect to approval of the issuance of shares of Kforce common stock pursuant to the merger agreement will be voted FOR approval of the issuance of shares of Kforce common stock pursuant to the merger agreement.

You may revoke or change your proxy at any time prior to it being voted by filing a written instrument of revocation or change with the corporate secretary of Kforce. 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 Kforce, will not revoke a previously given proxy. In addition, if you beneficially hold shares of Kforce 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 Michael Blackman, Investor Relations, Kforce Inc., 1001 East Palm Avenue, Tampa, Florida 33605, at (813) 552-5000.

Solicitation of Proxies

Proxies will be solicited through the mail and directly by officers, directors and employees of Kforce not specifically employed for such purpose, without additional compensation. In addition to solicitation by mail,

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Kforce s directors, officers and employees may solicit proxies by telephone, fax, telegram, via the internet or in person. Kforce 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 For 2004 Annual Meeting

According to Rule 14a-8 under the Securities Exchange Act of 1934, some shareholder proposals may be eligible for inclusion in Kforce s proxy statement for consideration at the 2004 annual meeting of shareholders. Any such proposal must be submitted in writing to William L. Sanders, Corporate Secretary, Kforce Inc., 1001 East Palm Avenue, Tampa, Florida 33605, by no later than January 2, 2004 to be included in the proxy statement for that meeting and must comply with the requirements of Rule 14a-8 of the Securities Exchange Act. However, if the date of the 2004 annual meeting of shareholders is changed by more than 30 days from the date of the previous year s meeting, then the deadline is a reasonable time before Kforce begins to print and mail its proxy materials. Shareholders interested in submitting such a proposal are advised to contact knowledgeable counsel with regard to the detailed requirements of the applicable securities law.

The submission of a shareholder proposal or nomination that a shareholder seeks to include in Kforce proxy statement pursuant to Rule 14a-8 may be delivered to the corporate secretary of Kforce not less than 60 days prior to the date of an annual meeting, unless notice or public disclosure of the date of the meeting occurs less than 70 days prior to the date of such meeting, in which event, shareholders may deliver such notice not later than the 10th day following the day on which notice of the date of the meeting was mailed or public disclosure thereof was made. A shareholder s submission must include certain specific information concerning the proposal or nominee, as the case may be, information as to the shareholder s ownership of common stock of Kforce, and information relating to any financial interest the shareholder may have in the proposal, if any. Proposals or nominations not meeting these requirements will not be entertained at the annual meeting.

Rights of Appraisal

No Kforce shareholder will have appraisal rights in connection with the approval of the merger.

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THE HALL KINION SPECIAL MEETING

This joint 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 , 2004 and at any adjournment or postponement of the meeting. We are first mailing this joint proxy statement/prospectus, this notice of special meeting of stockholders, the accompanying Form 10-K and Form 10-Q of Hall Kinion and the enclosed proxy card to you on or about 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 , 2004 at 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 Agreement and Plan of Merger, dated as of December 2, 2003, as amended, 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 fifteen 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 .60, which results in Hall Kinion stockholders receiving between $55.0 million and $75.0 million in Kforce common stock. The collar around the .60 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 merger agreement. If the Kforce stock market value is equal to or greater than $9.60, then the exchange ratio will be $5.75 *divided by* the Kforce stock market value. If the Kforce stock market value is less than $7.09, then the exchange ratio will be $4.25 *divided by* the Kforce stock market value.

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 , 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, shares of Hall Kinion common stock were outstanding and entitled to vote and were held by approximately stockholders of record.

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 December 2, 2003, Hall Kinion directors and executive officers and their affiliates owned approximately 30.2% 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 beneficially own shares of Hall Kinion common stock representing approximately 30.2% of the voting power of Hall Kinion, has entered into a voting agreement with Kforce in which he or she has agreed to vote (i) in favor of the approval of the merger agreement, (ii) against any action that would result in any of the conditions of Kforce s obligations under the merger agreement not being fulfilled, (iii) against any action that would result in a breach by Hall Kinion of any its covenants, representations or warranties under the merger agreement, and (iv) against (A) any third party acquisition proposal, or (B) the election of a group of individuals to replace a majority or more of the individuals on the Hall Kinion board of directors. A form of Hall Kinion voting agreement is attached to this joint proxy statement/prospectus as part of Annex A. You should read it in its entirety.

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 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

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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.

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 by no later than December 10, 2003. 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 have been received at Hall Kinion s offices a reasonable time before Hall Kinion begins to print and mail its proxy materials. Stockholders interested in submitting such a proposal are advised to contact knowledgeable counsel with regard to the detailed requirements of the applicable securities law.

Rights of Appraisal

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

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THE MERGER

This section of the joint proxy statement/prospectus and the next section entitled The Merger Agreement beginning on page 61 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 joint proxy statement/prospectus and the other documents referred to in this joint proxy statement/prospectus for a more complete understanding of the merger.

General

The merger agreement, as amended, 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 fifteen 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 .60, which will result in Hall Kinion stockholders receiving between $55.0 and $75.0 million in Kforce common stock. The collar around the .60 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 merger agreement. If the Kforce stock market value is equal to or greater than $9.60, then the exchange ratio will be $5.75 *divided by* the Kforce stock market value. If the Kforce stock market value is less than $7.09, then the exchange ratio will be $4.25 *divided by* the Kforce stock market value. 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 have recently declined 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 April, 2003, Hall Kinion engaged Robert Baird & Co. Incorporated (Baird) to initiate a process to consider potential strategic alternatives for Hall Kinion, including a merger. Later that month, Baird made an initial report to the Hall Kinion board of directors regarding its marketing plan for Hall Kinion, including developing a management presentation and seeking indications of interest. Beginning in April, 2003, Baird made initial inquiries to 37 companies. As a result of the initial inquiries, confidentiality agreements were signed with 21 companies. Marketing efforts were then suspended during the summer of 2003, and recommenced during the second half of July.

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The following is a chronology of meetings and events leading up to Hall Kinion s agreement with Kforce:

On March 21, 2003, Hall Kinion held an organizational meeting with Baird to discuss the marketing process for the sale of Hall Kinion. During this meeting, Hall Kinion and Baird reviewed the likely timeline of the process and initiated the first steps of the process;

On April 16, 2003, Baird began making initial calls to potential acquirors, including Kforce. These calls were comprised of Baird attempting to determine the interest of the potential acquirors in an acquisition in the staffing industry. Baird began negotiating confidentiality agreements with those potential acquirors who had an interest in the opportunity, and on April 24, 2003, Kforce executed a confidentiality agreement;

On April 24, 2003, Hall Kinion met with Baird to discuss the status of the informational materials to be used during the marketing of Hall Kinion;

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

On July 24, 2003, Hall Kinion and Baird restarted the marketing process by distributing marketing materials to those potential acquirors who had executed confidentiality agreements, including Kforce, and reinitiating discussions with other potential acquirors;

Between August 18, 2003 and September 9, 2003, Hall Kinion held management presentations for the potential acquirors who indicated an interest in acquiring Hall Kinion, including Kforce;

During the time between the management presentations and the September 18, 2003 due date for indications of interest, Hall Kinion and Baird responded to the due diligence requests of the potential acquirors, including Kforce;

On September 18, 2003, Kforce sent a letter to Baird outlining Kforce s expression of interest in acquiring Hall Kinion, which included proposed concepts regarding merger consideration, walk-away rights, collars and other specific terms;

Following the receipt of the indications of interest on September 18, 2003, Hall Kinion management and board of directors reviewed the indications of interest. On September 25, 2003, Hall Kinion decided to pursue a transaction with Kforce;

In October 2003 and throughout 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;

In October and November of 2003, certain senior officers of Kforce and Hall Kinion discussed potential cost savings and other efficiencies that could arise from the merger of the two companies;

During October and November of 2003, 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, further assessed the potential economics of a transaction between the companies;

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;

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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 by requesting an adjustment to the exchange ratio if Hall Kinion s revenues in the fourth quarter were less than initially expected;

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 to Kforce s revised exchange ratio;