

KFORCE INC
Form S-4/A
February 09, 2004
Table of Contents

As filed with the Securities and Exchange Commission on February 9, 2004

Registration No. 333-111566

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1

to

FORM S-4

REGISTRATION STATEMENT

Under

THE SECURITIES ACT OF 1933

KFORCE INC.

(Exact name of registrant as specified in its charter)

Florida
(State or other jurisdiction of
incorporation or organization)

7363
(Primary Standard Industrial
Classification Code Number)

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

1001 East Palm Avenue
Tampa, Florida 33605

Edgar Filing: KFORCE INC - Form S-4/A

(813) 552-5000

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

David L. Dunkel

Chairman and Chief Executive Officer

Kforce Inc.

1001 East Palm Avenue

Tampa, Florida 33605

(813) 552-5000

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

With copy to:

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

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

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

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

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

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

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

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

Table of Contents

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

PRELIMINARY JOINT PROXY STATEMENT/PROSPECTUS

Subject to Completion, dated February 9, 2004

JOINT PROXY STATEMENT/PROSPECTUS

PROPOSED MERGER YOUR VOTE IS VERY IMPORTANT

Dear Stockholders:

The boards of directors of Kforce Inc. and Hall, Kinion & Associates, Inc. have approved the acquisition of Hall Kinion by Kforce in a merger. In order to complete the merger, we must each obtain the approval of our stockholders. If the merger is completed, a wholly-owned subsidiary of Kforce will merge with and into Hall Kinion and Hall Kinion will become a wholly-owned subsidiary of Kforce. In the merger, Hall Kinion stockholders will receive, in exchange for shares of Hall Kinion common stock, an aggregate amount of fully paid and nonassessable shares of Kforce common stock based upon the exchange ratio. The exchange ratio is dependent on the Kforce stock market value. The Kforce stock market value is the average of the per share closing prices of Kforce common stock on the Nasdaq National Market over the 15 consecutive trading days ending on and including the third trading day prior to the date of the merger. If the Kforce stock market value is equal to or greater than \$7.09, but less than \$9.60, then the exchange ratio will equal .60, which will result in Hall Kinion stockholders receiving between \$54.6 million and \$74.4 million in Kforce common stock. If the Kforce stock market value is equal to or greater than \$9.60, then the exchange ratio will be \$5.75 *divided by* the Kforce stock market value, which will result in Hall Kinion stockholders receiving no less than approximately \$74.4 million. If the Kforce stock market value is less than \$7.09, then the exchange ratio will be \$4.25 *divided by* the Kforce stock market value, which will result in Hall Kinion stockholders receiving no more than approximately \$54.6 million. Assuming the Kforce stock market value were equal to \$10.32, which was the average of the per share closing prices of Kforce common stock on the Nasdaq National Market over the 15 consecutive trading days ending on and including the third trading day prior to February 3, 2004, the exchange ratio would equal 0.557, which would result in Hall Kinion stockholders receiving approximately \$74.4 million. We hope to complete the merger as soon as reasonably possible following the Hall Kinion and Kforce stockholder meetings. However, there may be some delay between the vote to approve the merger and when the merger is actually completed, during which time the price of Kforce common stock could decline. As a result, Hall Kinion stockholders will not know with certainty at the time they vote the value of the shares of Kforce common stock they will receive in the merger. Based on a Kforce stock market value of \$10.32 and based on those assets and liabilities of Hall Kinion at September 28, 2003 and the pro forma adjustments on page F-3, the value of the identifiable assets, goodwill and liabilities of Hall Kinion to be acquired or assumed in the merger by Kforce would be \$38.5 million, \$76.8 million and \$40.9 million, respectively. Kforce common stock is traded on the Nasdaq National Market under the symbol **KFRC**.

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

Kforce has scheduled a special meeting of its shareholders on March 11, 2004, at 10:00 a.m. local time to vote on the merger proposal at its corporate headquarters located at 1001 East Palm Avenue, Tampa, Florida 33605, and Hall Kinion has scheduled a special meeting of its

Edgar Filing: KFORCE INC - Form S-4/A

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

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

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

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

See **Risk Factors** beginning on page 23 of this document for a discussion of various risks you should consider in evaluating the merger.

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

David L. Dunkel

Chairman and Chief Executive Officer

Kforce Inc.

Brenda C. Rhodes

Chairman and Chief Executive Officer

Hall, Kinion & Associates, Inc.

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

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

Table of Contents

KFORCE INC.

1001 EAST PALM AVENUE

TAMPA, FLORIDA 33605

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON MARCH 11, 2004

To Kforce Inc. Shareholders:

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

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

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

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

March 11, 2004

10:00 a.m., local time

Kforce Inc.

1001 East Palm Avenue

Tampa, Florida 33605

Only shares of record at the close of business on February 9, 2004 are entitled to notice of and to vote at the meeting and any postponements or adjournments of the meeting. Kforce will keep at its offices in Tampa, Florida a list of shareholders entitled to vote at the meeting available for inspection for any purpose relevant to the meeting during normal business hours for the ten days before the meeting. As of February 9, 2004, there were _____ shares of Kforce common stock outstanding. Each share of Kforce common stock is entitled to one vote on each matter properly brought before the meeting.

Edgar Filing: KFORCE INC - Form S-4/A

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

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

USE THE INTERNET WEBSITE SHOWN ON THE PROXY CARD; OR

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

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

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

By Order of the Board of Directors,

William L. Sanders

Secretary

Tampa, Florida

February , 2004

Table of Contents

HALL, KINION & ASSOCIATES, INC.

75 ROWLAND WAY, SUITE 200

NOVATO, CALIFORNIA 94945

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON MARCH 11, 2004

To Hall, Kinion & Associates, Inc. Stockholders:

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

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

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

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

March 11, 2004

11:00 a.m., local time

Law Offices of Gibson, Dunn & Crutcher LLP

One Montgomery Street

Suite 3100

San Francisco, California 94104

Only stockholders of record at the close of business on February 2, 2004 are entitled to notice of and to vote at the meeting and any postponements or adjournments of the meeting. Hall Kinion will keep at its offices in Novato, California a list of stockholders entitled to vote at the meeting available for inspection for any purpose relevant to the meeting during normal business hours for the ten days before the meeting.

Edgar Filing: KFORCE INC - Form S-4/A

As of February 2, 2004, there were 12,589,428 shares of Hall Kinion common stock outstanding. Each share of Hall Kinion common stock is entitled to one vote on each matter properly brought before the meeting.

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

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

USE THE INTERNET WEBSITE SHOWN ON THE PROXY CARD; OR

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

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

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

By Order of the Board of Directors,

Martin A. Kropelnicki

Secretary

Novato, California

February , 2004

Table of Contents**TABLE OF CONTENTS**

	Page
<u>ADDITIONAL INFORMATION</u>	1
<u>QUESTIONS AND ANSWERS ABOUT THE MERGER</u>	2
<u>SUMMARY</u>	5
<u>The Companies</u>	5
<u>The Merger</u>	6
<u>What You Will Receive in the Merger</u>	6
<u>Ownership of Kforce After the Merger</u>	7
<u>Stockholder Votes Required</u>	7
<u>Conditions to the Consummation of the Merger</u>	8
<u>Termination of the Merger Agreement</u>	9
<u>Termination Fees</u>	10
<u>Recommendation of Kforce's Board of Directors</u>	10
<u>Recommendation of Hall Kinion's Board of Directors</u>	11
<u>Kforce's Termination Rights</u>	13
<u>Opinion of Kforce's Financial Advisor</u>	13
<u>Opinion of Hall Kinion's Financial Advisor</u>	13
<u>Material United States Federal Income Tax Consequences</u>	14
<u>Accounting Treatment</u>	14
<u>Interests of Hall Kinion Directors and Officers in the Merger</u>	14
<u>Regulatory Clearances and Approvals</u>	14
<u>No Appraisal Rights</u>	14
<u>Quotation on the Nasdaq National Market</u>	14
<u>Kforce Selected Historical Consolidated Financial Data</u>	15
<u>Hall Kinion Selected Historical Consolidated Financial Data</u>	16
<u>Selected Unaudited Pro Forma Condensed Combined Financial Data</u>	17
<u>Comparative Per Share Data</u>	19
<u>Comparative Market Price and Dividend Information</u>	21
<u>CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS</u>	22
<u>RISK FACTORS</u>	23
<u>Risks Relating to the Proposed Merger</u>	23
<u>Risks Relating to the Business and Operations of Kforce Following the Merger</u>	26
<u>THE KFORCE SPECIAL MEETING</u>	32
<u>Time and Place of the Special Meeting</u>	32
<u>Purpose of the Special Meeting</u>	32
<u>Board of Directors Recommendation</u>	32
<u>Record Date; Stock Entitled to Vote; Quorum</u>	32
<u>Required Vote</u>	33
<u>Voting Agreements</u>	33
<u>Proxies; Voting and Revocation</u>	33
<u>Solicitation of Proxies</u>	33
<u>Stockholder Proposals For 2004 Annual Meeting</u>	34
<u>Rights of Appraisal</u>	34
<u>THE HALL KINION SPECIAL MEETING</u>	35
<u>Time and Place of the Special Meeting</u>	35
<u>Purpose of the Special Meeting</u>	35
<u>Board of Directors Recommendation</u>	35
<u>Record Date; Stock Entitled to Vote; Quorum</u>	35
<u>Required Vote</u>	36
<u>Statement of Shares held by Directors and Officers; Voting Agreements</u>	36

Table of Contents

	<u>Page</u>
<u>Proxies; Voting and Revocation</u>	36
<u>Solicitation of Proxies</u>	37
<u>Stockholder Proposals</u>	37
<u>Rights of Appraisal</u>	37
<u>THE MERGER</u>	38
<u>General</u>	38
<u>Background of the Merger</u>	38
<u>Kforce's Reasons for the Merger</u>	42
<u>Recommendation of the Kforce Board of Directors</u>	44
<u>Hall Kinion's Reasons for the Merger</u>	44
<u>Recommendation of the Hall Kinion Board of Directors</u>	45
<u>Fairness Opinion of Financial Advisor to the Kforce Board of Directors</u>	46
<u>Fairness Opinion of Financial Advisor to the Hall Kinion Board of Directors</u>	53
<u>Material United States Federal Income Tax Consequences</u>	62
<u>Accounting Treatment</u>	64
<u>Regulatory Clearances and Approvals</u>	65
<u>No Appraisal Rights</u>	65
<u>Quotation on the Nasdaq National Market</u>	65
<u>Delisting and Deregistration of Hall Kinion Common Stock</u>	65
<u>Federal Securities Laws Consequences</u>	65
<u>THE MERGER AGREEMENT</u>	66
<u>The Merger</u>	66
<u>The Exchange Ratio and Treatment of Securities</u>	66
<u>Exchange of Certificates</u>	67
<u>Transfer of Shares</u>	67
<u>Representations and Warranties of Hall Kinion</u>	68
<u>Representations and Warranties of Kforce</u>	69
<u>Conduct of Hall Kinion's Business Prior to the Merger</u>	69
<u>Conduct of Kforce's Business Prior to the Merger</u>	71
<u>Stockholder Meetings</u>	71
<u>Reasonable Efforts</u>	71
<u>No Solicitation</u>	72
<u>Fees and Expenses</u>	74
<u>Directors and Officers Indemnification and Insurance</u>	74
<u>Nasdaq</u>	74
<u>Affiliates</u>	74
<u>Other Additional Agreements</u>	74
<u>Post Merger Compensation</u>	75
<u>Conditions to the Consummation of the Merger</u>	75
<u>Termination</u>	77
<u>Termination Fees</u>	78
<u>Amendment; Extension and Waiver</u>	78
<u>Related Agreements</u>	79
<u>INTERESTS OF CERTAIN PERSONS IN THE MERGER</u>	81
<u>Interests of Kforce Directors and Officers</u>	81
<u>Interests of Hall Kinion Directors and Officers</u>	83
<u>COMPARISON OF RIGHTS OF HOLDERS OF KFORCE COMMON STOCK AND HALL KINION COMMON STOCK</u>	85
<u>Capitalization</u>	85
<u>Voting Rights; Action in Lieu of Meeting</u>	85
<u>Notice</u>	85
<u>Special Meetings</u>	86
<u>Number, Election, Vacancy and Removal of Directors</u>	86

Table of Contents

	Page
<u>Liability of Directors and Officers</u>	86
<u>Dividends</u>	87
<u>Charter Document Amendments</u>	87
<u>Merger</u>	87
<u>Rights Plan</u>	88
<u>Control Share Acquisitions</u>	88
<u>Certain Business Combinations</u>	88
<u>LEGAL MATTERS</u>	89
<u>EXPERTS</u>	89
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	89
<u>INDEX TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS</u>	F-1
<u>Annex A Merger Agreement, as amended</u>	A-1
<u>Annex B Opinion of Kforce's Financial Advisor</u>	B-1
<u>Annex C Opinion of Hall Kinion's Financial Advisor</u>	C-1

Table of Contents

ADDITIONAL INFORMATION

This joint proxy statement/prospectus incorporates by reference important business and financial information about Kforce and Hall Kinion that is not included in or delivered with this document. See *Where You Can Find More Information* beginning on page 89.

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

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

If you would like to request documents incorporated by reference, please do so by March 1, 2004, to receive them before your company's special meeting. Please be sure to include your complete name and address in your request. If you request any documents, we will mail them to you by first class mail, or another equally prompt means, within one business day after we receive your request.

This joint proxy statement/prospectus is accompanied by a copy of Hall Kinion's Annual Report on Form 10-K for the fiscal year ended December 29, 2002, as filed with the SEC on March 31, 2003, and Hall Kinion's latest Quarterly Report on Form 10-Q for the quarter ended September 28, 2003, as filed with the SEC on November 12, 2003. The enclosed 10-K and 10-Q of Hall Kinion include important business and financial information about Hall Kinion that is not included in this document. See *Where You Can Find More Information* beginning on page 89.

Table of Contents

QUESTIONS AND ANSWERS ABOUT THE MERGER

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

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

Q: What do I need to do now?

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

Q: Why is my vote important?

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

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

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

Q: What if I fail to instruct my broker?

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

Table of Contents

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

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

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

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

if you are a Kforce shareholder, by timely delivery of a valid, later dated proxy by telephone by calling 1-877-PRX-VOTE (1-877-779-8683);

if you are a Kforce shareholder, by timely delivery of a valid, later dated proxy via the Internet at <http://www.eproxyvote.com/kfrc>;

if you are a Hall Kinion stockholder, by timely delivery of a valid, later dated proxy by telephone by calling 1-888-426-7035;

if you are a Hall Kinion stockholder, by timely delivery of a valid, later dated proxy via the Internet at <http://www.proxyvoting.com/haki>;

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

voting by ballot at either the Kforce special meeting or the Hall Kinion special meeting.

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

Q: When and where are the special meetings?

A: The Kforce special meeting will take place on March 11, 2004, at its corporate headquarters located at 1001 East Palm Avenue, Tampa, Florida 33605 at 10:00 a.m. local time. The Hall Kinion special meeting will take place on March 11, 2004, at the law offices of Gibson, Dunn & Crutcher LLP located at One Montgomery Street, Suite 3100, San Francisco, California 94104, at 11:00 a.m. local time.

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

A: The exchange ratio of .60 was negotiated between the parties and reflects the parties' views of the approximate relative worth of Kforce and Hall Kinion. The 15% collar was also a negotiated point which recognizes that there is likely to be some fluctuation in the market prices in the common stock of the two companies that would not warrant adjusting the consideration to be paid.

Q: Should I send in my stock certificates now?

Edgar Filing: KFORCE INC - Form S-4/A

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

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

A: We are working to complete the merger by March 31, 2004. However, it is possible that factors outside of our control could require us to complete the merger at a later time or not complete it at all. We hope to

Table of Contents

complete the merger as soon as reasonably possible following the Hall Kinion and Kforce stockholder meetings. However, there may be some delay between the vote to approve the merger and when the merger is actually completed.

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

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

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

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

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

Table of Contents

SUMMARY

*This summary highlights material information in this joint proxy statement/prospectus and may not contain all of the information that is important to you. To understand the merger fully and for a more complete description of the legal terms of the merger, you should carefully read this document and the other documents to which we have referred you. See *Where You Can Find More Information* beginning on page 89 for more details. We have included page references directing you to a more complete description of each item presented in this summary.*

The Companies

Kforce Inc.

1001 East Palm Avenue

Tampa, Florida 33605

(813) 552-5000

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

Information Technology;

Finance and Accounting;

Pharmaceutical;

HealthCare; and

Scientific.

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

Hall, Kinion & Associates, Inc.

Edgar Filing: KFORCE INC - Form S-4/A

75 Rowland Way, Suite 200

Novato, California 94945

(415) 895-2200

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

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

Table of Contents**The Merger (Page 38)**

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

What You Will Receive in the Merger (Page 66)

In the merger, Hall Kinion stockholders will receive, in exchange for shares of Hall Kinion common stock, an aggregate amount of fully paid and nonassessable shares of Kforce common stock based upon the exchange ratio. The exchange ratio is dependent on the Kforce stock market value. The Kforce stock market value is the average of the per share closing prices of Kforce common stock on the Nasdaq National Market over the 15 consecutive trading days ending on and including the third trading day prior to the date of the merger. If the Kforce stock market value is equal to or greater than \$7.09, but less than \$9.60, then the exchange ratio will equal .60, which will result in Hall Kinion stockholders receiving between \$54.6 million and \$74.4 million in Kforce common stock. If the Kforce stock market value is equal to or greater than \$9.60, then the exchange ratio will be $\$5.75$ divided by the Kforce stock market value, which will result in Hall Kinion stockholders receiving no less than approximately \$74.4 million. If the Kforce stock market value is less than \$7.09, then the exchange ratio will be $\$4.25$ divided by the Kforce stock market value, which will result in Hall Kinion stockholders receiving no more than approximately \$54.6 million. The exchange ratio and collar adjustments were determined by arms-length negotiation between Hall Kinion and Kforce after consultation by each of the parties with their respective financial and legal advisors. Assuming the Kforce stock market value is equal to \$10.32, which was the average of the per share closing prices of Kforce common stock on the Nasdaq National Market over the 15 consecutive trading days ending on and including the third trading day prior to February 3, 2004, the exchange ratio would equal 0.557, which would result in Hall Kinion stockholders receiving approximately \$74.4 million. We hope to complete the merger as soon as reasonably possible following the Hall Kinion and Kforce stockholder meetings. However, there may be some delay between the Hall Kinion stockholders vote to approve the merger and when the merger is actually completed, during which time the price of Kforce common stock could decline. As a result, Hall Kinion stockholders will not know with certainty at the time they vote the value of the shares of Kforce common stock they will receive in the merger. Based on a Kforce stock market value of \$10.32 and based on those assets and liabilities of Hall Kinion at September 28, 2003 and the pro forma adjustments on page F-3, the value of the identifiable assets, goodwill and liabilities of Hall Kinion to be acquired or assumed in the merger by Kforce would be \$38.5 million, \$76.8 million and \$40.9 million, respectively.

In addition, Hall Kinion stockholders will receive cash instead of any fractional shares of Kforce common stock to which they are otherwise entitled. The holders of shares of Hall Kinion common stock who would otherwise have been entitled to a fraction of a share of Kforce common stock pursuant to the merger agreement will receive cash in an amount equal to the product of the fractional interest of Kforce common stock the Hall Kinion stockholder would have been entitled to receive multiplied by the Kforce stock market value. For example, if a Hall Kinion stockholder would have been entitled to receive 0.5 shares of Kforce common stock and the Kforce stock market value were \$10.32 per share, such Hall Kinion stockholder would receive \$5.16 in cash in lieu of 0.5 shares of Kforce common stock. Hall Kinion and Kforce currently estimate that not more than \$1,000 cash in the aggregate will likely be paid to holders of Hall Kinion common stock in lieu of fractional shares.

Each outstanding, unexercised and fully vested option to purchase Hall Kinion common stock with an exercise price less than (i) the Kforce stock market value multiplied by (ii) the exchange ratio will automatically be converted into the right to receive an aggregate amount of shares of Kforce common stock as if such option had been exercised on a net-exercise basis immediately prior to the closing of the merger. All other outstanding options will be automatically cancelled. The term net-exercise basis means that the number of Hall Kinion shares an option holder will be deemed to own will be decreased by the exercise price of such options and the

Table of Contents

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

Assuming the Kforce stock market value were equal to \$10.32, which was the average of the per share closing prices of Kforce common stock on the Nasdaq National Market over the 15 consecutive trading days ending on and including the third trading day prior to February 3, 2004, vested options to purchase 1,065,689 shares of Hall Kinion common stock would be in-the-money and would be converted into 176,023 shares of Kforce common stock.

The following table illustrates the aggregate merger consideration and aggregate number of shares of Kforce common stock that Hall Kinion stockholders will receive in the merger in exchange for all of the outstanding shares of Hall Kinion common stock, at different Kforce stock market values randomly selected by us. While there is no maximum number of shares of Kforce common stock to be issued in the merger, if the merger is consummated, Hall Kinion stockholders will receive no less than approximately \$54.6 million and no more than approximately \$74.4 million. Kforce has the right, under the terms of the merger agreement, to terminate the merger agreement if the Kforce stock market value is below \$6.00. The number of shares in the far right column includes outstanding Hall Kinion options converted into Kforce shares.

<u>Kforce Price</u>	<u>Exchange Ratio</u> (rounded)	<u>Implied</u> <u>Value Paid</u>	<u>Value Paid</u> <u>per</u> <u>Share</u>	<u>Kforce</u> <u>Shares Issued</u>
\$6.00	.708	\$ 54,618,375		