

KFORCE INC  
Form S-3  
May 24, 2002

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As filed with the Securities and Exchange Commission on May 24, 2002

Registration No. 333-\_\_\_\_\_

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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM S-3  
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933  
**KFORCE INC.**

(Exact name of Registrant as specified in its charter)

**Florida** **59-3264661**  
(State or other jurisdiction (I.R.S. Employer  
of incorporation or organization) Identification No.)

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**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)

**William L. Sanders  
Chief Financial Officer, Senior Vice President and Secretary  
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)

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*Copy To:*  
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**Approximate date of commencement of proposed sale to the public:** From time to time after the effective date of this registration statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, 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, please 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(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

CALCULATION OF REGISTRATION FEE

## Edgar Filing: KFORCE INC - Form S-3

There are being registered hereunder by the Registrant such indeterminate principal amount of Debt Securities, such indeterminate number of shares of Preferred Stock, such indeterminate number of shares of Common Stock, such indeterminate number of Depositary Shares, such indeterminate number of Warrants to purchase Common Stock, Debt Securities, Preferred Stock, Depositary Shares or Units, and such indeterminate number of Units of the Registrant as shall have an aggregate initial offering price not to exceed \$250,000,000. If any Debt Securities are issued and/or sold at an original issue discount, then the securities registered shall include such additional Debt Securities as may be necessary such that the aggregate initial public offering price of all securities issued pursuant to this Registration Statement will equal \$250,000,000. Any securities registered hereunder may be sold separately or as units with other securities registered hereunder. The proposed maximum initial offering price per unit will be determined, from time to time, by the Registrant in connection with the issuance by the Registrant of the securities registered hereunder. There are also being registered hereunder by the Registrant an indeterminate number of shares of Common Stock as shall be issuable upon conversion or exercise of any securities that provide for that issuance.

- (2) This Registration Statement also relates to rights to purchase shares of the Registrant's Common Stock (the Rights), which are attached to all shares of Common Stock. Until the occurrence of certain prescribed events, the Rights are not exercisable, are evidenced by the certificates for the Common Stock and will be transferable along with and only with the Common Stock. The value attributable to the Rights, if any, is reflected in the value of the Common Stock.
- (3) Subject to footnote (1), there are being registered hereunder by the Registrant an indeterminate number of Depositary Shares to be evidenced by Depositary Receipts issued pursuant to a Deposit Agreement. If the Registrant elects to offer to the public fractional interests in shares of the Preferred Stock registered hereunder, Depositary Receipts will be distributed to those persons purchasing such fractional interests, and the shares of Preferred Stock will be issued to the Depositary under the Deposit Agreement.
- (4) Calculated pursuant to Rule 457(o) of the rules and regulations under the Securities Act with respect to securities sold by the Registrant and pursuant to 457(c) for the selling shareholders in the secondary offering based on the average high and low sales price of our common stock on the Nasdaq National Market on May 20, 2002.
- (5) Up to 7,727,089 shares of our common stock may be sold from time to time pursuant to this registration statement by selling shareholders.
- (6) Estimated solely for the purpose of determining the registration fee on the basis of the average of the high and low sales prices of our common stock on the Nasdaq National Market on May 20, 2002.

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 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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CONSENT OF DELOITTE & TOUCHE LLP

CONSENT OF PRICEWATERHOUSECOOPERS LLP

POWER OF ATTORNEY

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

**Subject To Completion, Dated May 24, 2002**

**PROSPECTUS**

**\$250,000,000**

**Debt Securities, Preferred Stock, Common Stock**

**Depository Shares, Warrants and Units**

**Offered by**

**Kforce Inc.**

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**7,727,089 Shares of Common Stock**

**Offered by**

**Selling Shareholders**

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We may offer and sell debt securities, shares of preferred stock, shares of common stock, depository shares, warrants and units. These securities may be offered and sold from time to time for an aggregate offering price of up to \$250,000,000.

Up to 7,727,089 shares of common stock may be sold from time to time in one or more offerings by the selling shareholders identified on page 39. We will not receive any proceeds from sales of shares of our common stock by the selling shareholders.

When we offer securities, we will provide you with a prospectus supplement describing the terms of the specific issue of securities, including the offering price of the securities. The prospectus supplements may also add, update or change information contained in this prospectus. You should read this prospectus and any supplements carefully before you invest.

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Our common stock is traded on the Nasdaq National Market under the symbol **KFRC**.

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**Investing in these securities involves risks. See Risk Factors beginning on page 7 of this prospectus.**

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

The date of this prospectus is \_\_\_\_\_, 2002.

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**ABOUT THIS PROSPECTUS**

This prospectus is part of a registration statement on Form S-3 that we filed with the Securities and Exchange Commission ( SEC ) utilizing a shelf registration process. Under this shelf process, we may from time to time, sell any combination of securities described in this prospectus in one or more offerings. This prospectus provides you with a general description of the securities we may offer. Certain selling shareholders referred to in this prospectus and identified in supplements to this prospectus may offer and sell shares of our common stock under this prospectus. We will not receive any of the proceeds from any sale of shares by the selling shareholders.

This prospectus provides you with a general description of the securities we may offer. Each time we or a selling shareholder sells securities, we will provide a prospectus supplement that will contain specific information about the terms of the securities being offered. That prospectus supplement may include a discussion of any risk factors or other special considerations that apply to those securities. The prospectus supplement may also add, update or change information contained in this prospectus. If there is any inconsistency between the information in this prospectus and a prospectus supplement, you should rely on the information in that prospectus supplement. You should read both this prospectus and any applicable prospectus supplement together with additional information described below under the heading Where You Can Find More Information.

When acquiring any securities discussed in this prospectus, you should rely only on the information provided in this prospectus and the prospectus supplement, including the information incorporated by reference. Neither we, nor any underwriters or agents, have authorized anyone to provide you with different information. We are not offering the securities in any state where such an offer is prohibited. You should not assume that the information in this prospectus, any prospectus supplement, or any document incorporated by reference, is truthful or complete at any date other than the date mentioned on the cover page of those documents.

When used in this prospectus and any prospectus supplement, the terms Kforce Inc. , Kforce , we , our , us and the Company refer to Kforce Inc. and its subsidiaries.

**KFORCE INC.**

We are a national provider of flexible and permanent professional specialty staffing to our clients, specifically in the areas of information technology, finance and accounting and health and life sciences. With approximately 1,500 recruiting associates, Kforce operates through 76 locations in 45 markets in the United States and serves clients from Fortune 1000 as well as local and regional small to mid-size companies.

**Services**

***Functional Service Lines***

We operate through the following three operating segments:

**Information Technology.** Computer and Data Processing Services were among the Bureau of Labor Statistics list of the fastest growing industries over the last decade. The shortage of technical expertise to operate the advanced systems that businesses have acquired over the last decade is a major catalyst contributing to the growth of this segment. Our Information Technology services focus on more sophisticated areas of information technologies (i.e., systems/applications programmers, systems analysts, and e-business and networking technicians). The economic slowdown in 2001 significantly affected the willingness and ability of companies to commit capital resources to their technology systems/infrastructure.

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While we believe that the long term business catalysts of technology remain in place, there can be no assurance that spending in the sector will return to the levels seen over the last decade.

**Finance & Accounting.** We believe we have built a reputation for providing qualified finance and accounting professionals to businesses. Our Finance & Accounting personnel are experienced in areas such as taxation, budget preparation and analysis, financial reporting, cost analysis and audit services. Finance & Accounting also offers its Executive Solutions service line, which provides chief financial officers, controllers and other higher-level financial professionals on a contract basis for assignment lengths generally ranging from three to six months. Our accounting support group provides placement of entry level accounting positions such as bookkeepers.

**Health and Life Sciences.** This segment consists of professionals skilled in the healthcare, pharmaceutical and scientific functions. The health care group specializes in the placement of nurses for hospitals and other healthcare companies and health care information management professionals. A clinical trial professional (CRA) is an example of the type of role filled by the pharmaceutical group. The scientific group works with lab professionals, research and development, quality assurance and quality control professionals.

***Staffing Services***

Once the functional challenges of a client have been identified, we consult with the client to determine its staffing and time duration requirements. In each of our operating segments we offer our staffing services in two categories: Flexible Staffing Services and Search Services. In 2001, Flexible Staffing Services and Search Services accounted for 86.3% and 13.7% of our revenue, respectively.

**Flexible Staffing Services**

Flexible Staffing Services entail placing skilled workers in the client environment on a contractual basis. Assignments typically run from three months to one year in duration. We currently offer Flexible Staffing Services in most large metropolitan market areas.

**Search Services**

We provide Search Services (permanent placement) for professional and technical personnel. We perform both contingency and retained searches. A contingency search results in payment to us only when personnel are actually hired by a client. Our strategy is to perform contingency searches only for skills we target as our core businesses. Client searches that are outside a core-business area typically are at a management or executive level and require a targeted research and recruiting effort. We typically perform these searches as retained searches where the client pays a part of the search fee in advance and the remainder upon completion of the search. Our fee is typically structured as a percentage of the placed individual's first-year annual compensation. The vast majority of our search work is done on a contingency basis.

An active database of candidates is maintained as the result of our continuous recruiting efforts and reputation in the industry. In addition, operating employees locate many potential personnel as the result of referrals from the Flexible Staffing Services activities.

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We believe that we have developed a reputation for quality search work and that we are recognized as one of the leaders in our search specialties. To minimize the risk of changes in skill demand, our marketing plan incorporates a continual review of client recruitment plans for future periods to allow for rapid changes to in-demand skills. The quality of the relationship with client personnel is a key component of the strategy, and we seek to use consultative relationships to obtain insight into emerging growth areas. The clients targeted by the Search Services are typically the same as those targeted by the Flexible Staffing Services. This common focus is intended to contribute to our objective of providing integrated solutions to our clients' personnel needs.

Our headquarters are located at 1001 East Palm Avenue, Tampa, Florida 33605, and our telephone number is (813) 552-5000. Our website is [www.kforce.com](http://www.kforce.com). The information provided on our website is not incorporated into this prospectus.

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**DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements made by us in this prospectus, any prospectus supplement and other documents filed with the SEC that are not historical facts, or are preceded by, followed by or include the words believes, expects, anticipates, estimates, plans or similar expressions, or that relate to future plans, events or performances are forward-looking statements within the meaning of the federal securities laws.

When a forward-looking statement includes an underlying assumption, we caution that, while we believe the assumption to be reasonable and make it in good faith, assumed facts almost always vary from actual results, and the difference between assumed facts and actual results can be material. Where in any forward-looking statement, we express an expectation or belief as to future results, there can be no assurance that the expectation or belief will result. Our actual results may differ materially from those expressed in any forward-looking statements made by us. Forward-looking statements involve a number of risks or uncertainties including, but not limited to, the risks described under the heading Risk Factors beginning on page 7 of this prospectus. Other risks are referred to from time to time in our periodic filings with the SEC.

All forward-looking statements are qualified by and should be read in conjunction with those risk factors. Except as may be required by applicable law, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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**RISK FACTORS**

*In addition to the factors discussed elsewhere in this prospectus and in the documents incorporated by reference in this prospectus, as well as any factors included in any prospectus supplement relevant to an offering of specific securities, the following are important factors that could cause actual results or events to differ materially from those contained in any forward-looking statements we make.*

*The prospectus supplement applicable to each type or series of securities we offer may contain a discussion of risks applicable to the particular types of securities that we are offering under that prospectus supplement. Prior to making a decision about investing in our securities, you should carefully consider the specific factors discussed under the caption *Risk Factors* in the applicable prospectus supplement, together with all of the other information contained in the prospectus supplement or appearing or incorporated by reference in this prospectus.*

**The current economic downturn and future economic downturns may adversely affect the demand for our services.**

Historically, the general level of economic activity has significantly affected the demand for employment services. As economic activity has slowed, the use of temporary and contract personnel often has been curtailed before permanent employees have been laid off. The current economic downturn has 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 personnel hires has declined significantly. We expect that future economic downturns will cause similar results.

**Our liquidity may be adversely impacted by covenants in our line of credit.**

We have a \$90 million Credit Facility with Bank of America. We had approximately \$26.0 million outstanding under this Credit Facility as of March 31, 2002. If the amount borrowed under this Credit Facility exceeds certain amounts, then a number of financial covenants become applicable. As of March 31, 2002, we had an additional \$13.8 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. However, we currently would not be in compliance with such covenants if they were applicable and at certain times we have borrowed amounts that put us within approximately \$1.0 million of triggering these 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 and 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.

**Our line of credit may restrict our ability to make acquisitions.**

Our Credit Facility with Bank of America contains restrictions upon our ability to make acquisitions under certain circumstances. These restrictions could impede our ability to make acquisitions, thereby limiting our ability to expand our business. This may result in a significant competitive disadvantage to us.

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

We depend upon our ability to attract and retain qualified 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 in the foreseeable future. If qualified personnel do not continue to be available to us in sufficient numbers and upon economic terms acceptable to us, it could have a detrimental effect on our business.

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**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. 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. The competition among staffing services firms is intense. 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. Additionally, we face significant competition for candidates in many professional and technical specialties.

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

Our customer contracts are typically short-term and any early termination of a number of such contracts or of a significant contract may adversely affect our operating results. 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. Because we primarily rely on short-term contracts, we will have to negotiate new contracts or renewals in the future, which may have terms that are not as favorable to us as the terms of our existing contracts. Our business, results of operations and financial condition could be adversely affected by such new contracts or renewals.

**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.

**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 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 to us. In addition, if we are unable to secure necessary financing to consummate an acquisition, we may be unable to complete desirable acquisitions.

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**We may face difficulties integrating any acquisitions we may make into our operations and these 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, but not limited to:

- 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, earthquakes, power loss, telecommunications failures, physical or software break-ins 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.

**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. We have employment agreements with certain members of our management team that generally include covenants not to compete for a period of one year after their termination for any reason. However, such agreements can not ensure the retention of these individuals. 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 because we place people in the workplaces of other businesses.**

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

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reduce our exposure to these 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 direct control. To reduce our exposure, we maintain insurance and fidelity bonds 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.

**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.

**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.

**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.

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

Our business is subject to regulation and licensing in many states. There can be no assurance that we will be able 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.

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**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 clients' workplaces. Increased government regulation of the workplace or of the employer-employee relationship 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 KFORC. 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.

In addition, the stock market in general, and 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.

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

Our articles of incorporation, 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 15,000,000 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.

**We cannot assure you that an active trading market will develop for the securities offered other than our common stock or that such a market will not be volatile.**

There is no established trading market for the securities offered other than our common stock, and we do not intend to apply for listing of the securities (other than our common stock) offered on any national securities exchange or for quotation of the securities offered on any automated dealer quotation system. We expect that any underwriters we select will make a market in the securities offered after the consummation of an offering of securities issued in connection with this prospectus, although they would be under no obligation to do so and may discontinue any market-making activities at any time without any notice. Accordingly, no assurance can be given as to the price of the securities offered, the liquidity of the trading market for the securities offered or that an active public trading market for the securities offered will develop. If an active public trading market for the securities offered does not develop, the market price and liquidity of the securities offered may be adversely affected. If the securities offered are traded, they may trade at a discount from their offering price, depending upon prevailing interest rates, the market for similar securities, our performance and certain other factors. The liquidity of, and trading markets for, any debt securities offered may also be adversely affected by general declines in the market for non-investment grade debt. Such declines may adversely affect the liquidity of, and trading markets for, the securities offered, independent of our financial performance or prospects. Historically, the markets for non-investment grade debt securities have been subject to disruptions that have caused substantial price volatility. There can be no assurance that the market for any debt securities offered will not be subject to similar disruptions. Any such disruptions may have a material adverse effect on the value of such securities offered.

**Table of Contents****USE OF PROCEEDS**

Unless otherwise indicated in the prospectus supplement, the net proceeds from the sale of securities offered by this prospectus may be used to fund acquisitions and for general corporate purposes, which may include capital expenditures, the repayment or refinancing of debt and to meet working capital needs. Pending such uses, we anticipate that we will invest the net proceeds in interest-bearing securities.

**RATIO OF EARNINGS TO FIXED CHARGES**

The ratio of earnings to fixed charges and preferred stock dividends for each of the periods indicated is as follows:

For purposes of computing the ratio of earnings to fixed charges, earnings consist of the sum of pretax income from continuing operations, interest amortized to cost of sales, interest expense (exclusive of capitalized interest) and the portion of rent expense deemed to represent interest. Fixed charges consist of the sum of interest expense, including capitalized interest and amortization of debt issuance costs, if applicable, and the portion of rent expense deemed to represent interest. As of the date of this prospectus, we have no preferred stock outstanding.

	<b>Fiscal Year Ended December 31,</b>					<b>Three Months</b>
	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>Ended March 31, 2002</b>
Ratio of earnings to fixed charges	(a)	168.6	(b)	1.4	(b)	(b)

(a) During 1997, Kforce did not have fixed charges.

(b) Due to Kforce's losses in 1999, 2001 and the three months ended March 31, 2002, the ratio coverage was less than 1:1. Kforce must have generated additional earnings before income taxes of \$37,393,028, \$14,378,714; and \$2,622,675 in 1999, 2001 and the three months ended March 31, 2002, respectively, to achieve a coverage ratio of 1:1.

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**DESCRIPTION OF DEBT SECURITIES WE MAY OFFER**

*This section outlines some of the indentures, and the debt securities we may offer. This information may not be complete in all respects and is qualified entirely by reference to the indentures under which the debt securities are issued. These indentures are incorporated by reference as exhibits to the registration statement of which this prospectus is a part. This information relates to certain terms and conditions that generally apply to the debt securities. The specific terms of any series of debt securities will be described in a prospectus supplement. If so described in a prospectus supplement, the terms of that series may differ from the general description of the terms presented below.*

The senior debt securities are to be issued in one or more series under an indenture, as supplemented or amended from time to time between us and an institution that we will name in the related prospectus supplement, as trustee. For ease of reference, we will refer to the indenture relating to senior debt securities as the senior indenture and we will refer to the trustee under that indenture as the senior trustee. The subordinated debt securities are to be issued in one or more series under an indenture, as supplemented or amended from time to time, between us and an institution that we will name in the related prospectus supplement, as trustee. For ease of reference, we will refer to the indenture relating to subordinated debt securities as the subordinated indenture and we will refer to the trustee under that indenture as the subordinated trustee. Whenever we refer to particular defined terms of the indentures in this section or in a prospectus supplement, we are incorporating these definitions into this prospectus or the prospectus supplement.

**General**

The debt securities will be issuable in one or more series pursuant to the applicable indenture, a supplemental indenture relating to such series of debt securities or a resolution of our board of directors or a committee of our board of directors. Unless otherwise specified in a prospectus supplement, each series of senior debt securities will rank equally in right of payment with all of our other senior obligations. Each series of subordinated debt securities will be subordinated and junior in right of payment to the extent and in the manner set forth in the subordinated indenture and any supplemental indenture relating to that debt. In addition, such subordinated debt securities may rank equal or senior in right of payment to other subordinated indebtedness which may have been issued or will be issued in the future. Except as otherwise provided in a prospectus supplement, the indentures will not limit our incurrence or issuance of other secured or unsecured debt, whether under the indentures, any other indenture that we may enter into in the future or otherwise. For more information, you should read the prospectus supplement relating to a particular offering of securities.

The applicable prospectus supplement or prospectus supplements will describe the following terms of each series of debt securities:

the title of the debt securities and whether such series constitutes senior debt securities or subordinated debt securities;

any limit upon the aggregate principal amount of the debt securities;

the percentage of principal amount of which the debt securities will be issued;

the date or dates on which the principal of the debt securities is payable or the method of that determination or the right, if any, of Kforce Inc. to defer payment of principal;

the rate or rates, if any, at which the debt securities will bear interest (including reset rates, if any, and the method by which any such rate will be determined), the interest payment dates on which interest will be payable and the right, if any, of Kforce Inc. to defer any interest payment;

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the place or places where, subject to the terms of the indenture as described below under the caption **Payment and Paying Agents**, the principal of and premium, if any, and interest, if any, on the debt securities will be payable and where, subject to the terms of the indenture as described below under the caption **Denominations, Registration and Transfer**, we will maintain an office or agency where debt securities may be presented for registration of transfer or exchange and the place or places where notices and demands to or upon us in respect of the debt securities and the indenture may be made;

any period or periods within, or date or dates on which, the price or prices at which and the terms and conditions upon which debt securities may be redeemed, in whole or in part, at our option pursuant to any sinking fund or otherwise;

the obligation, if any, of Kforce to redeem or purchase the debt securities pursuant to any sinking fund or analogous provisions or at the option of a holder and the period or periods within which, the price or prices at which, the currency or currencies including currency unit or units, in which and the other terms and conditions upon which the debt securities will be redeemed or purchased, in whole or in part, pursuant to such obligation;

the denominations in which any debt securities will be issuable if other than denominations of \$1,000 and any integral multiple thereof;

if other than in United States dollars, the currency or currencies, including currency unit or units, in which the principal of, and premium, if any, and interest, if any, on the debt securities will be payable, or in which the debt securities shall be denominated;

any additions, modifications or deletions in the events of default or covenants of Kforce Inc. specified in the indenture with respect to the debt securities;

if other than the principal amount, the portion of the principal amount of debt securities that will be payable upon declaration of acceleration of the maturity thereof;

any additions or changes to the indenture with respect to a series of debt securities that will be necessary to permit or facilitate the issuance of the series in bearer form, registrable or not registrable as to principal, and with or without interest coupons;

any index or indices used to determine the amount of payments of principal of and premium, if any, on the debt securities and the manner in which such amounts will be determined;

subject to the terms of the indenture as described below under the caption **Global Debt Securities**, whether the debt securities of the series will be issued in whole or in part in the form of one or more global securities and, in such case, the depository for the global securities;

the appointment of any trustee, registrar, paying agent or agents;

the terms and conditions of any obligation or right of Kforce or a holder to convert or exchange debt securities into preferred securities or other securities;

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whether the defeasance and covenant defeasance provisions described under the caption Satisfaction and Discharge; Defeasance will be inapplicable or modified;

any applicable subordination provisions in addition to those set forth herein with respect to subordinated debt securities; and

any other terms of the debt securities not inconsistent with the provisions of the applicable indenture.

We may sell debt securities at a substantial discount below their stated principal amount, bearing no interest or interest at a rate which at the time of issuance is below market rates. We will describe material United States federal income tax consequences and special considerations applicable to those debt securities in the applicable prospectus supplement.

If the purchase price of any of the debt securities is payable in one or more foreign currencies or currency units or if any debt securities are denominated in one or more foreign currencies or currency units or if the principal of, premium, if any, or interest, if any, on any debt securities is payable in one or more foreign currencies or currency units, we will set forth the restrictions, elections, material United States federal income tax considerations, specific terms and other information with respect to such issue of debt securities and such foreign currency or currency units in the applicable prospectus supplement.

If any index is used to determine the amount of payments of principal, premium, if any, or interest on any series of debt securities, we will describe the material United States federal income tax, accounting and other considerations applicable thereto in the applicable prospectus supplement.

**Denominations, Registration and Transfer**

Unless otherwise specified in the applicable prospectus supplement, the debt securities will be issuable only in registered form, without coupons, in denominations of \$1,000 and any integral multiple thereof. Debt securities of any series will be exchangeable for other debt securities of the same issue and series, of any authorized denominations of a like aggregate principal amount, the same original issue date, stated maturity and bearing the same interest rate.

Holders may present each series of debt securities for exchange as provided above, and for registration of transfer, with the form of transfer endorsed thereon, or with a satisfactory written instrument of transfer, duly executed, at the office of the appropriate securities registrar or at the office of any transfer agent designated by us for such purpose and referred to in the applicable prospectus supplement, without service charge and upon payment of any taxes and other governmental charges as described in the indenture. We will appoint the trustee of each series of debt securities as securities registrar for such series under the indenture. If the applicable prospectus supplement refers to any transfer agents, in addition to the securities registrar initially designated by us with respect to any series, we may at any time rescind the designation of any such transfer agent or approve a change in the location through which any such transfer agent acts, provided that we maintain a transfer agent in each place of payment for the series. We may at any time designate additional transfer agents with respect to any series of debt securities.

In the event of any redemption, neither we nor the trustee will be required to:

issue, register the transfer of or exchange debt securities of any series during a period beginning at the opening of business 15 days before the day of mailing of a notice for redemption of debt securities of that series, and ending at the close of business on the day of mailing of the relevant notice of redemption; or

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transfer or exchange any debt securities so selected for redemption, except, in the case of any debt securities being redeemed in part, any portion not being redeemed.

**Global Debt Securities**

Unless otherwise specified in the applicable prospectus supplement, the debt securities of a series may be issued in whole or in part in the form of one or more global securities that we will deposit with, or on behalf of, a depository identified in the prospectus supplement relating to such series. Global debt securities may be issued only in fully registered form and in either temporary or permanent form. Unless and until it is exchanged in whole or in part for the individual debt securities represented by it, a global debt security may not be transferred except as a whole by the depository for the global debt security to a nominee of the depository, or by a nominee of the depository to the depository or another nominee of the depository, or by the depository or any nominee to a successor depository or any nominee of the successor.

The specific terms of the depository arrangement with respect to a series of debt securities will be described in the prospectus supplement relating to the series. We expect that the following provisions will generally apply to depository arrangements.

Upon the issuance of a global debt security, and the deposit of the global debt security with or on behalf of the applicable depository, the depository for the global debt security, or its nominee, will credit on its book-entry registration and transfer system the respective principal amounts of the individual debt securities represented by the global debt security to the accounts of persons, more commonly known as participants, that have accounts with the depository. These accounts will be designated by the dealers, underwriters or agents with respect to the debt securities or by us if the debt securities are offered and sold directly by us. Ownership of beneficial interests in a global debt security will be limited to participants or persons that may hold interests through participants. Ownership of beneficial interests in the global debt security will be shown on, and the transfer of that ownership will be effected only through, records maintained by the applicable depository or its nominee with respect to interests of participants and the records of participants with respect to interests of persons who hold through participants. The laws of some states require that certain purchasers of securities take physical delivery of the securities in definitive form. These limits and laws may impair the ability to transfer beneficial interests in a global debt security.

So long as the depository for a global debt security, or its nominee, is the registered owner of the global debt security, the depository or its nominee, as the case may be, will be considered the sole owner or holder of the debt securities represented by the global debt security for all purposes under the indenture. Except as provided below, owners of beneficial interests in a global debt security will not be entitled to have any of the individual debt securities of the series represented by the global debt security registered in their names, will not receive or be entitled to receive physical delivery of any debt securities of the series in definitive form, and will not be considered the owners or holders of them under the indenture.

Payments of principal of, and premium, if any, and interest on individual debt securities represented by a global debt security registered in the name of a depository or its nominee will be made to the depository or its nominee, as the case may be, as the registered owner of the global debt security representing the debt securities. None of Kforce, the trustee, any paying agent or the securities registrar for the debt securities will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interest of the global debt security for the debt securities or for maintaining, supervising or reviewing any records relating to those beneficial ownership interests.

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We expect that the depository for a series of debt securities or its nominee, upon receipt of any payment of principal, premium or interest in respect of a permanent global debt security representing any of the debt securities, immediately will credit participants' accounts with payments in amounts proportionate to their respective beneficial interest in the principal amount of the global debt security for the debt securities as shown on the records of the depository or its nominee. We also expect that payments by participants to owners of beneficial interests in the global debt security held through the participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in street name. These payments will be the responsibility of these participants.

Unless otherwise specified in the applicable prospectus supplement, if the depository for a series of debt securities is at any time unwilling, unable or ineligible to continue as depository and a successor depository is not appointed by us within 90 days, we will issue individual debt securities of the series in exchange for the global debt security representing the series of debt securities. In addition, unless otherwise specified in the applicable prospectus supplement, we may at any time and in our sole discretion, subject to any limitations described in the prospectus supplement relating to the debt securities, determine not to have any debt securities of the series represented by one or more global debt securities and, in such event, will issue individual debt securities of the series in exchange for such global debt securities. Further, if we so specify with respect to the debt securities of a series, an owner of a beneficial interest in a global debt security representing debt securities of the series may, on terms acceptable to us, the trustee and the depository for the global debt security, receive individual debt securities of the series in exchange for such beneficial interests, subject to any limitations described in the prospectus supplement relating to the debt securities. In any such instance, an owner of a beneficial interest in a global debt security will be entitled to physical delivery of individual debt securities of the series represented by the global debt security equal in principal amount to its beneficial interest and to have the debt securities registered in its name. Individual debt securities of the series so issued will be issued in denominations, unless otherwise specified by us, of \$1,000 and integral multiples thereof. The applicable prospectus supplement may specify other circumstances under which individual debt securities may be issued in exchange for the global debt security representing any debt securities.

## **Payment and Paying Agents**

Unless otherwise indicated in the applicable prospectus supplement, payment of principal of, and premium, if any, and any interest on debt securities will be made at the office of the trustee or at the office of such paying agent or paying agents as we may designate from time to time in the applicable prospectus supplement, except that at our option, payment of any interest may be made:

except in the case of global debt securities, by check mailed to the address of the person or entity entitled thereto as such address shall appear in the securities register; or

by transfer to an account maintained by the person or entity entitled thereto as specified in the securities register, provided that proper transfer instructions have been received by the regular record date.

Unless otherwise indicated in the applicable prospectus supplement, we will make payment of any interest on debt securities to the person or entity in whose name the debt security is registered at the close of business on the regular record date for the interest payment, except in the case of defaulted interest. We may at any time designate additional paying agents or rescind the designation of any paying agent; however, we will at all times be required to maintain a paying agent in each place of payment for each series of debt securities.

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Any moneys deposited with the trustee or any paying agent, or held by us in trust, for the payment of the principal of, and premium, if any, or interest on any debt security and remaining unclaimed for two years after such principal, and premium, if any, or interest has become due and payable will, at our request, be repaid to us or released from such trust, as applicable, and the holder of the debt security will thereafter look, as a general unsecured creditor, only to us for payment.

### **Option to Defer Interest Payments or to Pay-In-Kind**

If provided in the applicable prospectus supplement, we will have the right, at any time and from time to time during the term of any series of debt securities, to defer the payment of interest for such number of consecutive interest payment periods as may be specified in the applicable prospectus supplement, subject to the terms, conditions and covenants, if any, specified in such prospectus supplement, provided that an extension period may not extend beyond the stated maturity of the final installment of principal of the series of debt securities. If provided in the applicable prospectus supplement, we will have the right, at any time and from time to time during the term of any series of debt securities, to make payments of interest by delivering additional debt securities of the same series. Certain material United States federal income tax consequences and special considerations applicable to the debt securities will be described in the applicable prospectus supplement.

### **Subordination**

Except as set forth in the applicable prospectus supplement, the subordinated indenture will provide that the subordinated debt securities will be subordinated and junior in right of payment to all senior indebtedness of Kforce. The term *senior indebtedness* will be defined in the applicable prospectus supplement. If:

we default in the payment of any principal, or premium, if any, or interest on any senior indebtedness when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or declaration or otherwise; or

an event of default occurs with respect to any senior indebtedness permitting the holders thereof to accelerate the maturity thereof and written notice of such event of default, requesting that payments on subordinated debt securities cease, is given to us by the holders of senior indebtedness;

then unless and until the default in payment or event of default shall have been cured or waived or shall have ceased to exist, no direct or indirect payment, in cash, property or securities, by set-off or otherwise, will be made or agreed to be made on account of the subordinated debt securities or interest thereon or in respect of any repayment, redemption, retirement, purchase or other acquisition of subordinated debt securities.

Except as set forth in the applicable prospectus supplement, the subordinated indenture will provide that in the event of:

any insolvency, bankruptcy, receivership, liquidation, reorganization, readjustment, composition or other similar proceeding relating to us, our creditors or our property;

any proceeding for the liquidation, dissolution or other winding-up of Kforce, voluntary or involuntary, whether or not involving insolvency or bankruptcy proceedings;

any assignment by us for the benefit of creditors; or

any other marshaling of the assets of us;

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all present and future senior indebtedness, including, without limitation, interest accruing after the commencement of the proceeding, assignment or marshaling of assets, will first be paid in full before any payment or distribution, whether in cash, securities or other property, will be made by us on account of subordinated debt securities. In that event, any payment or distribution, whether in cash, securities or other property, other than securities of Kforce or any other corporation provided for by a plan of reorganization or a readjustment, the payment of which is subordinate, at least to the extent provided in the subordination provisions of the indenture, to the payment of all senior indebtedness at the time outstanding and to any securities issued in respect thereof under any such plan of reorganization or readjustment and other than payments made from any trust described below under the caption Satisfaction and Discharge; Defeasance, which would otherwise, but for the subordination provisions, be payable or deliverable in respect of subordinated debt securities, including any such payment or distribution which may be payable or deliverable by reason of the payment of any other indebtedness of Kforce being subordinated to the payment of subordinated debt securities, will be paid or delivered directly to the holders of senior indebtedness or to their representative or trustee, in accordance with the priorities then existing among such holders, until all senior indebtedness shall have been paid in full. No present or future holder of any senior indebtedness will be prejudiced in the right to enforce subordination of the indebtedness evidenced by subordinated debt securities by any act or failure to act on our part.

**Modification of Indentures**

From time to time, we and the trustees may modify the indentures without the consent of any holders of any series of debt securities with respect to some matters, including, but not limited to:

to cure any ambiguity, defect or inconsistency or to correct or supplement any provision which may be inconsistent with any other provision of the indenture;

to qualify, or maintain the qualification of, the indentures under the Trust Indenture Act of 1939; and/or

to make any change that does not materially adversely affect the interests of any holder of such series of debt securities.

In addition, under the indentures, we and the trustees may modify some of our rights, covenants and obligations and the rights of holders of any series of debt securities with the written consent of the holders of at least a majority in aggregate principal amount of the series of outstanding debt securities; but no extension of the maturity of any series of debt securities, reduction in the interest rate or extension of the time for payment of interest, change in the optional redemption or repurchase provisions in a manner adverse to any holder of the series of debt securities, other modification in the terms of payment of the principal of, or interest on, the series of debt securities, or reduction of the percentage required for modification, will be effective against any holder of the series of outstanding debt securities without the holder's consent.

In addition, we and the trustees may execute, without the consent of any holder of the debt securities, any supplemental indenture for the purpose of creating any new series of debt securities.

**Events of Default**

The indentures will provide that any one or more of the following described events with respect to a series of debt securities that has occurred and is continuing constitutes an event of default with respect to that series of debt securities:

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failure for 60 days to pay any interest or any sinking fund payment on the series of debt securities when due (subject to the deferral of any due date in the case of an extension period);

failure to pay any principal or premium, if any, on the series of the debt securities when due, whether at maturity, upon redemption, by declaration or otherwise;

failure to observe or perform in any material respect certain other covenants contained in the indenture for 90 days after written notice has been given to us from the trustee or the holders of at least 25% in principal amount of the series of outstanding debt securities;

default resulting in acceleration of other indebtedness of Kforce Inc. for borrowed money, where the aggregate principal amount so accelerated exceeds \$25 million and the acceleration is not rescinded or annulled within 60 days after the written notice thereof to us by the trustee or to us and the trustee by the holders of 25% in aggregate principal amount of the debt securities of the series then outstanding, provided that the event of default will be remedied, cured or waived if the default that resulted in the acceleration of such other indebtedness is remedied, cured or waived; or