KFORCE INC
Form DEF 14A
April 28, 2009
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant x Filed by a party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to Rule 14a-12

KFORCE INC.

(Name of Registrant as Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

x No fee required

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

---

(2) Aggregate number of securities to which transaction applies:

---

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

---

(4) Proposed maximum aggregate value of transaction:

---

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

---

(2) Form, Schedule or Registration Statement No.:

---

(3) Filing Party:

---

(4) Date Filed:

Table of Contents

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held June 16, 2009

Dear Shareholder:

On Tuesday, June 16, 2009, Kforce Inc. will hold its 2009 Annual Meeting of Shareholders at Kforce s corporate headquarters located at 1001 East Palm Avenue, Tampa, Florida 33605. The Board of Directors cordially invites all shareholders to attend the meeting which will begin at 8:00 a.m., Eastern Time.

We are holding this meeting to:

1. Elect four Class III directors to hold office for a three-year term expiring in 2012;
2. Ratify the appointment of Deloitte & Touche LLP as Kforce s independent registered public accountants for the fiscal year ending December 31, 2009;
3. Approve an amendment to increase the number of shares authorized to be issued under the Kforce Inc. 2006 Stock Incentive Plan by 2,100,000 shares; and
4. Attend to other business properly presented at the meeting.

Kforce s Board of Directors has selected April 17, 2009 as the record date for determining shareholders entitled to vote at the meeting.

The proxy statement, proxy card and Kforce s 2008 Annual Report to Shareholders are being mailed on or about May 1, 2009. Whether or not you plan to attend the annual meeting, please submit your proxy in any one of the following ways: (1) using the toll-free telephone number shown on the enclosed proxy card, (2) using the Internet website shown on the enclosed proxy card or (3) completing, signing and dating the enclosed proxy card and returning it promptly in the enclosed postage-paid envelope.

If you need further assistance, please contact Kforce Investor Relations at (813) 552-5000.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be

Held on June 16, 2009

This proxy statement and our 2008 Annual Report to Stockholders are available at

***http://investor.kforce.com/annuals.cfm*.**

BY ORDER OF THE BOARD OF DIRECTORS

Joseph J. Liberatore
Corporate Secretary

Tampa, Florida

April 28, 2009

TABLE OF CONTENTS

Table of Contents

QUESTIONS AND ANSWERS

Q: Why did you send me this proxy statement?

A: We sent you this proxy statement and the enclosed proxy card because Kforce s Board of Directors (the Board) is soliciting your proxy on behalf of Kforce to vote your shares at the Annual Meeting. This proxy statement summarizes information that we are required to provide to you under the rules of the Securities and Exchange Commission (SEC) and which is designed to assist you in voting.

Q: When is the Annual Meeting and where will it be held?

A: The Annual Meeting will be held on Tuesday, June 16, 2009, at 8:00 a.m., Eastern Time, at Kforce s corporate headquarters located at 1001 East Palm Avenue, Tampa, Florida 33605.

Q: What may I vote on?

A: You may vote on the following proposals:

The election of four Class III directors to hold office for a three-year term expiring in 2012;

The ratification of the appointment of Deloitte & Touche LLP as Kforce s independent registered public accountants for the fiscal year ending December 31, 2009; and

The approval of an amendment to increase the number of shares authorized to be issued under the Kforce Inc. 2006 Stock Incentive Plan by 2,100,000 shares.

Q: How does Kforce s Board recommend I vote on the proposals?

A: The Board recommends a vote FOR each of the proposals.

Q: Who is entitled to vote?

A: Only those who owned Kforce common stock (the Common Stock) at the close of business on April 17, 2009 (the Record Date) are entitled to vote at the Annual Meeting.

Q: How do I vote?

A: You may vote your shares either in person or by proxy. Whether you plan to attend the meeting and vote in person or not, we urge you to submit your proxy by: (1) using the toll-free telephone number shown on the enclosed proxy card; (2) using the Internet website shown on the enclosed proxy card; or (3) completing the enclosed proxy card and returning it promptly in the enclosed postage-paid envelope. If you return your signed proxy card but do not mark the boxes showing how you wish to vote, your shares will be voted FOR each of the proposals.

Shareholders voting via the Internet should understand that there might be costs associated with electronic access, such as usage charges from Internet access providers and telephone companies, which the shareholder must bear.

Q: Can I change my vote?

A: You have the right to change your vote at any time before the meeting by:

(1) Notifying Kforce s Corporate Secretary, Joseph J. Liberatore, in writing at the address listed below that you have revoked your proxy;

(2) Voting in person;

1

Table of Contents

(3) Returning a later-dated proxy card;

(4) Voting through the Internet at http://www.investorvote.com at a later date; or

(5) Voting through the toll-free telephone number by calling 1-800-652-VOTE (8683) at a later date.

Q: How many shares can vote?

A: As of the Record Date, 38,353,474 shares of Common Stock were outstanding. Every holder of Common Stock is entitled to one vote for each share held.

Q: What is a quorum ?

A: A majority of the shares entitled to vote, represented in person or by proxy, constitutes a quorum at a meeting of shareholders. There must be a quorum for the meeting to be held. If you submit a properly executed proxy card, even if you abstain from voting, then you will be considered part of the quorum. Abstentions, however, are not counted in the tally of votes FOR or AGAINST a proposal. If a broker, bank, custodian, nominee or other record holder of Common Stock indicates on a proxy that it does not have discretionary authority to vote certain shares on a particular matter, the shares held by that record holder (referred to as broker non-votes) will also be counted as present and considered part of a quorum but will not be counted in the tally of votes FOR or AGAINST a proposal.

Q: What is the required vote for the proposals to pass assuming that a quorum is present at the Annual Meeting?

A:	Proposal 1:	In order to pass, this proposal must receive a plurality of the votes cast at a meeting.
	Proposals 2 and 3:	In order to pass, each of these proposals must receive the affirmative vote of a majority of the shares entitled to vote on the matter. An abstention is considered as present and entitled to vote, but is not considered a vote cast with respect to a proposal. Because each of Proposals 2 and 3 requires the affirmative vote of a majority of the shares entitled to vote on the Proposal, an abstention will have the effect of a vote against each of Proposals 2 and 3. A broker non-vote, on the other hand, is not considered entitled to vote. Therefore, broker non-votes will not have an effect on Proposals 2 and 3.

Q: How will voting on any other business be conducted?

A: Although we do not know of any business to be considered at the Annual Meeting other than the proposals described in this proxy statement, if any other business is properly presented at the Annual Meeting, your signed proxy card gives authority to Joseph J. Liberatore, Kforce s Executive Vice President, Chief Financial Officer and Corporate Secretary and Michael Blackman, Kforce s Senior Vice President of Investor Relations, or either of them, to vote on such matters at their discretion.

Q: How are my shares voted if I submit a proxy but do not specify how I want to vote?

A: If you submit a properly executed proxy card or complete the telephone or Internet voting procedures but do not specify how you want to vote, your shares will be voted FOR the election of each of the nominees for director, FOR the ratification of the appointment of

Deloitte & Touche LLP as Kforce s independent registered accountants for the fiscal year ending December 31, 2009, FOR the approval of an amendment to increase the number of shares authorized to be issued under the Kforce Inc. 2006 Stock Incentive Plan by 2,100,000 shares, and in the discretion of the persons named as proxies on all other matters that may be brought before the meeting.

Table of Contents

Q: How do I vote using the telephone or the Internet?

A: *For Shares Directly Registered in the Name of the Shareholder.* Shareholders with shares registered directly with Computershare Trust Company, N.A. (Computershare), Kforce s transfer agent, may vote on the Internet at http://www.investorvote.com. The voter will be required to provide the Control Numbers contained on the voter s proxy card. After providing the correct Control Number, the voter will be asked to complete an electronic proxy card. The votes will be generated on the computer screen and the voter will be prompted to submit or revise them as desired. Votes submitted via the Internet by a registered shareholder must be received by 11:59 p.m. (Eastern Time) on June 15, 2009.

For Shares Registered in the Name of a Bank or Brokerage. A number of brokerage firms and banks are participating in a program for shares held in street name that offers Internet voting options. This program is different from the program provided by Computershare for shares registered in the name of the shareholder. If your shares are held in an account at a brokerage firm or bank participating in the street name program, you may have already been offered the opportunity to elect to vote using the Internet. Votes submitted via the Internet through the street name program must be received by 11:59 p.m. (Eastern Time) on June 15, 2009.

Shareholders voting via the Internet should understand that there might be costs associated with electronic access, such as usage charges from Internet access providers and telephone companies, which the shareholder must bear.

Shareholders eligible to vote at the Annual Meeting, using a touch-tone telephone, may also vote by calling (toll free) **1-800- 652-VOTE (8683)** and following the recorded instructions.

Please note that the method of voting used will not affect your right to vote in person should you decide to attend the Annual Meeting. Also, please be aware that Kforce is not involved in the operation of either of these Internet voting procedures and cannot take responsibility for any access or Internet service interruptions that may occur or any inaccuracies, or erroneous or incomplete information that may appear.

Q: When are the shareholder proposals for the next Annual Meeting of Shareholders due?

A: All shareholder proposals to be considered for inclusion in next year s proxy statement must be submitted in writing to Joseph J. Liberatore, Corporate Secretary, Kforce Inc., 1001 East Palm Avenue, Tampa, Florida 33605, by December 30, 2009. In addition, the proxy solicited by the Board for the 2010 Annual Meeting of Shareholders will confer discretionary authority to vote on any shareholder proposal presented at that meeting, unless we are provided with written notice of such proposal by March 15, 2010.

Q: Who will pay for this proxy solicitation?

A: We will pay all the costs of soliciting these proxies, except for costs associated with individual shareholder use of the Internet and telephone. In addition to mailing proxy solicitation material, our directors and employees may solicit proxies in person, by telephone or by other electronic means of communication. We will also reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to our shareholders.

Q: What is the complete mailing address, including ZIP Code, of Kforce s principal executive office?

A: Kforce s principal executive office is located at 1001 East Palm Avenue, Tampa, Florida 33605.

Table of Contents

PROPOSAL 1. ELECTION OF DIRECTORS

The Board has ten directors who are divided into three classes serving staggered three-year terms. The classes relate to the director s term of office. At each annual meeting of shareholders, the successors to the directors whose terms expire at that meeting are elected for terms expiring at the third annual meeting after their election by the shareholders. At the 2009 Annual Meeting, you and the other shareholders will elect four individuals, which are identified below, to serve as Class III directors for a three-year term expiring at the 2012 Annual Meeting. All of the nominees are currently directors of Kforce, elected by the shareholders, except Mr. Moneymaker who was elected by the Board on July 25, 2008 to serve as a Class III director. Pursuant to the marketplace rules of The NASDAQ Stock Market (the NASDAQ Rules) and the laws and regulations of the SEC (the SEC Rules), the Board determined that the individuals nominated by the Board are independent except for Messrs. Dunkel and Moneymaker, who are not independent.

The individuals named as proxies will vote the enclosed proxy for the election of the individuals nominated by the Board unless you direct them to withhold your votes. If any nominee becomes unable or unwilling to stand for election, the Board may reduce its size or designate a substitute. If a substitute is designated, proxies voting for the original nominee will be cast for the substituted nominee.

Nominees for Election, Class III Directors

Terms Expire in 2012

W. R. Carey, Jr., 61, has served as a director of Kforce since October 1995. He is currently the Chairman and Chief Executive Officer of Corporate Resource Development, Inc., an Atlanta, Georgia based sales and marketing consulting and training firm which began in 1981 and assists some of America s largest firms in design, development, and implementation of strategic and tactical product marketing. Mr. Carey has served on the Board of Directors of Lime Energy Corp. since March 2006. Mr. Carey previously served on the Board of Directors of Outback Steakhouse, Inc. from 1992 to June 2007.

David L. Dunkel, 55, has served as Kforce s Chairman, Chief Executive Officer and a director since its formation in 1994. Prior to August 1994, he served as President and Chief Executive Officer of Romac-FMA, one of Kforce s predecessors, for 14 years.

Mark F. Furlong, 52, has served as a director of Kforce since July 2001. He currently serves as the CEO of Marshall & Ilsley Corporation (since April 2007) and has served as President of Marshall & Ilsley Corporation since July 2004. He also served as Chief Financial Officer of Marshall & Ilsley Corporation from April 2001 to October 2004. Mr. Furlong s prior experience also includes service as an audit partner with Deloitte & Touche LLP.

Patrick D. Moneymaker, 61, has served as a director of Kforce since July 2008. Since July 2008, he has served as President and CEO of Proxy Aviation Systems. He served as the CEO of Kforce Government Holdings, Inc. (KGH), a wholly-owned subsidiary of Kforce Inc., from September 2006 to July 2008, and also served as a director of Kforce from June 2005 to September 2006. Prior to his role as CEO of KGH, Mr. Moneymaker served as the CEO, Operating Officer and President of Ocean Systems Engineering Corporation (OSEC), a privately held company based in Carlsbad, California from October 1998 until OSEC s sale in May 2006. From 1968-1998, Mr. Moneymaker was an officer in the United States Navy, ultimately achieving the rank of Rear Admiral. Prior to rising to the rank of Rear Admiral, he served as Navy Director of Space and Information Warfare and served at U.S. Strategic Command and as commander at the Naval Space Command.

Table of Contents

Continuing Directors, Class I Directors

Terms Expire in 2010

Elaine D. Rosen, 56, has served as a director of Kforce since June 2003. Ms. Rosen has served as a Director of Assurant, Inc., a publicly traded corporation, and a provider of specialized insurance and insurance-related products and services since March 1, 2009. Ms. Rosen has also served as the Chair of the Board of The Kresge Foundation since January 2007. Ms. Rosen serves as trustee or director of several non-profit organizations and is the Chair of the Board of Preble Street, a homeless collaborative in Portland, Maine. She is also a director of AAA of Northern New England, an automotive member organization serving Maine, New Hampshire and Vermont, a director of Downeast Energy Corp., a privately-held company that provides heating products and building supplies. From 1975 to March 2001, Ms. Rosen held a number of positions with Unum Life Insurance Company of America, including President.

Ralph E. Struzziero, 64, has served as a director of Kforce since October 2000. Since 1995, Mr. Struzziero has operated an independent business consulting practice. In addition, he served as an adjunct professor at the University of Southern Maine from 1997 to 2006. Mr. Struzziero previously served as Chairman (1990-1994) and President (1980-1994) of Romac & Associates, Inc., one of Kforce s predecessors. Mr. Struzziero is also currently a director of Automobile Club of Southern California, a travel club and property and casualty insurer in California, AAA of Northern New England, a travel club serving Maine, New Hampshire and Vermont, and Downeast Energy Corp, a provider of heating products and building supplies.

Howard W. Sutter, 60, has served as a director of Kforce since its formation in 1994. Mr. Sutter has served as a Vice Chairman since 2005, and oversees mergers and acquisitions. Prior to August 1994, Mr. Sutter served as Vice President of Romac-FMA (1984-1994), and Division President of Romac-FMA s South Florida location (1982-1994).

Continuing Directors, Class II Directors

Terms Expire in 2011

John N. Allred, 62, has served as a director of Kforce since April 1998. Mr. Allred has served as President of A.R.G., Inc., a provider of temporary and permanent physicians located in the Kansas City area since January 1994. Mr. Allred was a director at Source Services Corporation (Source) prior to its merger with Kforce in 1998 and served in various capacities with Source from 1976 to 1993 including Vice President (1987-1993), Regional Vice President (1983-1987) and Kansas City Branch Manager (1976-1983).

Richard M. Cocchiaro, 54, has served as a director of Kforce since its formation in August 1994. He has served as a Vice Chairman since 2004. Previously, Mr. Cocchiaro served as Vice President of National Accounts for Kforce from 2000 to 2004, Vice President of Strategic Alliances for Kforce.com Interactive (1999) and National Director of Strategic Solutions within Kforce s emerging technologies group (1994-1999).

A. Gordon Tunstall, 65, has served as a director of Kforce since October 1995. He is the founder of, and for more than 25 years has served as President of, Tunstall Consulting, Inc., a provider of strategic consulting and financial planning services. Mr. Tunstall previously served as a director for JLM Industries, Inc., Orthodontics Center of America, Inc. and Discount Auto Parts, Inc.

THE BOARD UNANIMOUSLY RECOMMENDS A VOTE *FOR* EACH OF THE NOMINEES FOR ELECTION AS DIRECTOR.

Table of Contents

BOARD OF DIRECTORS AND COMMITTEE INFORMATION

During 2008, the Board held five meetings and Committees of the Board held a total of 16 meetings. Each director attended 100% of the total number of meetings of (a) the Board (held during the period for which he or she was a director) and (b) the Committees on which he or she served (during the periods that he or she served).

The Board considers all major decisions. The Board, however, has established the following five standing committees so that certain important areas can be addressed in more depth than may be possible in a full Board meeting: an Audit Committee, a Compensation Committee, a Corporate Governance Committee, a Nomination Committee and an Executive Committee. The written charters of the Audit Committee, Compensation Committee and Nomination Committee (which constitute all of the committees required by NASDAQ Rules and SEC Rules) adopted by the Board are available on the Investor Relations section of our website at http://www.kforce.com.

The following table describes the current members of each of the Committees and the number of meetings held during 2008.

	AUDIT	COMPENSATION	CORPORATE GOVERNANCE	NOMINATION	EXECUTIVE
John N. Allred *	X		X	X	
W.R. Carey, Jr. *	X	X	X	Chair	
Richard M. Cocchiaro **					X
David L. Dunkel **					Chair
Mark F. Furlong *	Chair	X	X		
Patrick D. Moneymaker ** (1)					X
Elaine D. Rosen *		Chair	X	X	
Ralph E. Struzziero *		X	Chair		
Howard W. Sutter **					X
A. Gordon Tunstall *			X		X
Number of Meetings	**5**	**6**	**4**	**1**	**0**

* *The Board has determined that these members are independent pursuant to the NASDAQ Rules and the SEC Rules.*

** *The Board has determined that these members are not independent pursuant to the NASDAQ Rules and the SEC Rules.*

(1) Effective July 11, 2008, Patrick D. Moneymaker resigned as CEO of Kforce Government Holdings, Inc., which position Mr. Moneymaker held since September 2006. On July 25, 2008, on the recommendation of the Nomination Committee, the Board elected Mr. Moneymaker to the Board to serve as a Class III director on the Executive Committee, which was effective immediately.

Audit Committee

The Audit Committee is a separately designated standing committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the Exchange Act). The Audit Committee assists the Board in fulfilling its responsibility for oversight of the quality and integrity of our accounting and reporting practices and such other duties as directed by the Board. In discharging this oversight role, the Audit Committee is empowered to investigate any matter brought to its attention, with full access to all books, records, facilities and personnel of Kforce, and the power to retain outside counsel or other experts for this purpose. The Audit Committee has the sole responsibility for the selection, compensation, oversight and termination of the independent auditors who audit our financial statements. In carrying out its responsibilities, the Audit Committee selects, provides for the compensation of, and oversees the work of the independent auditors; pre-approves the fees, terms, and services under all audit and non-audit engagements; reviews the performance of the independent auditors; and monitors and periodically reviews the independence of the independent auditors by obtaining and reviewing a report from the independent auditors at least annually regarding all relationships between the independent auditors and Kforce.

Table of Contents

Other responsibilities of the Audit Committee include reviewing with the internal auditors and the independent auditors their respective annual audit plans, staffing, reports, and the results of their audits; reviewing with management and the independent auditors Kforce s annual and quarterly financial results, financial statements and results of the independent auditors reviews of such financial information; reviewing with the independent auditors any matters of significant disagreement between management and the independent auditors and any other problems or difficulties encountered during the course of the audit and management s response to such disagreements, problems, or difficulties; conferring with the independent auditors with regard to the adequacy of internal accounting controls; reviewing with the independent auditors (a) all critical accounting policies and practices, (b) all alternative treatments of financial accounting and disclosures within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors, and (c) other material written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences as well as meeting with the independent auditors in executive session to discuss any other matters that the independent auditors believe should be discussed privately.

The Audit Committee also oversees Kforce s internal audit function and compliance with procedures for the receipt, retention and treatment of complaints received by Kforce regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission of concerns regarding accounting or auditing matters.

Each member of the Audit Committee is independent within the meaning of the NASDAQ Rules and SEC Rules. The Board has determined that Mr. Furlong is an audit committee financial expert, as defined by SEC Rules. The Audit Committee s responsibilities are more fully set forth in its written charter.

Compensation Committee

The Compensation Committee reviews overall compensation and employee benefit policies and practices; reviews and recommends to the Board the adoption of, or amendments to, stock option, stock-based incentive, or stock purchase plans; approves any grants or awards under any long-term incentive program; and prepares an annual report on our executive compensation policies and practices as required by SEC rules. The Compensation Committee may meet in executive sessions (excluding the Chief Executive Officer) from time to time. With regard to issues within its authority, the Compensation Committee has the sole authority to select, retain and terminate legal counsel, accountants, consultants, financial experts and advisors, including, without limitation, a compensation consultant to assist in the evaluation of director and executive officer compensation, and shall have sole authority to approve the consultant s fees and other retention terms. In 2006, the Compensation Committee retained Pearl Meyer & Partners (PM&P), an independent executive compensation consultant, to complete an analysis of Kforce s executive compensation program. PM&P was engaged to compare the annual and long-term incentive compensation levels for Kforce s Chief Executive Officer and its other named executive officers (collectively, the NEOs) to the competitive market for similar executive talent and make any necessary recommendations to the Compensation Committee. In 2008, the Compensation Committee retained PM&P to review the Compensation Discussion and Analysis (CD&A) contained in this proxy statement, assess Kforce s executive compensation programs, and assist with the design of the amendment to the 2006 Stock Incentive Plan. For further information regarding the work performed by PM&P, please see the discussion below under the heading Compensation Discussion and Analysis.

Each member of the Compensation Committee is independent within the meaning of the NASDAQ Rules and SEC Rules. The compensation of directors serving on the Compensation Committee is determined by the Board. The Compensation Committee s responsibilities are more fully set forth in its written charter.

Table of Contents

Corporate Governance Committee

The purpose of the Corporate Governance Committee is to encourage and enhance communication among independent directors. Each member of the Corporate Governance Committee is independent within the meaning of the NASDAQ Rules and SEC Rules, and each member of the Board who is independent within the meaning of these rules serves on the Corporate Governance Committee. This Committee is designed to fulfill the requirements of NASDAQ Rule 4350(c)(2).

Nomination Committee

The Nomination Committee makes recommendations to the Board regarding the size and composition of the Board. The Nomination Committee establishes procedures for the nomination process, recommends candidates for election to our Board and nominates officers for election by the Board.

As set forth in the general guidelines established pursuant to its charter, the Nomination Committee strives for directors who will: (a) bring to the Board a variety of experience and backgrounds; (b) bring substantial senior management experience, financial expertise and such other skills that would enhance the Board s effectiveness; and (c) represent the balanced, best interests of our shareholders as a whole and the interests of our stakeholders, as appropriate, rather than special interest groups or constituencies. In selecting nominees, the Nomination Committee assesses independence, character and integrity, potential conflicts of interest, experience, and the willingness to devote sufficient time to carrying out the responsibilities of a director. The Nomination Committee has the authority to retain a search firm to be used to identify director candidates and to approve the search firm s fees and other retention terms. The Nomination Committee has not established minimum qualifications for director nominees because it is the view of the Nomination Committee that the establishment of rigid minimum qualifications might preclude the consideration of otherwise desirable candidates for election to the Board.

The Nomination Committee will consider nominees for the Board that are proposed by our shareholders. The same identifying and evaluating procedures apply to all candidates for director nomination, including candidates submitted by shareholders. Any shareholder who wishes to recommend a prospective nominee for the Board, for the Nomination Committee s consideration, may do so by giving the candidate s name and qualifications in writing to Joseph J. Liberatore, Corporate Secretary, Kforce Inc., 1001 East Palm Avenue, Tampa, Florida 33605. Each member of the Nomination Committee is independent within the meaning of the NASDAQ Rules and SEC Rules. The Nomination Committee s responsibilities are more fully set forth in its written charter.

Executive Committee

The Executive Committee has the authority to act in place of the Board on all matters which would otherwise come before the Board, except for such matters which are required by law or by our Articles of Incorporation or Bylaws to be acted upon exclusively by the Board.

Communications with Board of Directors

Shareholders may communicate with the full Board or individual directors by submitting such communications in writing to Joseph J. Liberatore, Corporate Secretary, Kforce Inc., 1001 East Palm Avenue, Tampa, Florida 33605. Such communications will be delivered directly to Kforce s Board.

Kforce has no formal policy on director attendance at the Annual Meeting of Shareholders. Mr. Dunkel, Chairman, attended Kforce s 2008 Annual Meeting of Shareholders.

Code of Ethics and Business Conduct

The Board has adopted a Code of Ethics and Business Conduct that is applicable to all employees of Kforce, including the chief executive officer, chief financial officer and chief accounting officer. The Code of Ethics and Business Conduct Policy is available on the Investor Relations section of our website at http://www.kforce.com.

Table of Contents

Transactions with Related Persons

During 2008, Kforce made payments to a third party, ExecuJet, related to the leasing of aircraft for business-related travel services for certain of our executives in the amount of $187,800. These payments covered customary charges such as flight and fuel charges, landing fees, etc. An aircraft leased from ExecuJet is partially owned by an entity under the control of our Chairman and Chief Executive Officer, David Dunkel. When the aircraft is not being used by Kforce for business travel or Mr. Dunkel for personal use, ExecuJet has the ability to utilize the aircraft in its chartering operations. Kforce did not pay for Mr. Dunkel s, or any of its other officers or directors , personal use of the aircraft. The original term of the agreement between ExecuJet and Kforce was for a period of 12 months from its effective date of September 25, 2007 and was renewed for an additional 12-month period. Pursuant to the agreement with ExecuJet, Kforce receives the maximum discount allowable for each hour of flight time, which Kforce believes is at below-market rates for the charter of similar aircraft.

Review, Approval or Ratification of Transactions with Related Persons

The Board recognizes that related party transactions can present a heightened risk of potential or actual conflicts of interest and may create the appearance that decisions are based on considerations other than the best interests of Kforce and its shareholders. As a result, the Board prefers to avoid related party transactions. However, the Board also recognizes that there are situations where related party transactions may be in, or may not be inconsistent with, the best interests of Kforce and its shareholders. As a result, the Board has placed responsibility to review related party transactions with the Audit Committee, as indicated in the Audit Committee s charter. The Audit Committee has the authority to approve all related party transactions that Kforce would be required to disclose in accordance with Item 404 of Regulation S-K. This review and approval takes into account whether the transaction is on terms that are consistent with the best interests of Kforce and its shareholders. While the Board does not currently have a written policy in which the Board evidences its policies and procedures regarding the review, approval or ratification of transactions with related persons, it is confident that the Audit Committee adequately reviews and approves, ratifies or denies all related party transactions, and all potential related party transactions, that could possibly be required to be disclosed in accordance with Item 404 of Regulation S-K.

Directors Compensation

The following table shows the annual compensation of our directors, except Mr. Dunkel, for the fiscal year ended December 31, 2008, which consisted of the following components:

Name (a)	Year (b)	Fees Earned or Paid In Cash (1) (c)	Stock Awards (2) (d)	Option Awards (3) (e)	Non-Equity Incentive Plan Compensation (f)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (g)	All Other Compensation (h)	Total (i)
John N. Allred	2008	$ 50,000		$ 67,188			$ 0	$ 117,188
W.R. Carey, Jr.	2008	$ 67,000		$ 67,188			$ 0	$ 134,188
Richard M. Cocchiaro	2008						$ 186,687(4)	$ 186,687
Mark F. Furlong	2008	$ 70,000		$ 67,188			$ 0	$ 137,188
Patrick D. Moneymaker	2008	$ 24,000		$ 23,656			$ 301,300(5)	$ 348,956
Elaine D. Rosen	2008	$ 59,500		$ 67,188			$ 0	$ 126,688
Ralph E. Struzziero	2008	$ 55,000		$ 67,188			$ 0	$ 122,188
Howard W. Sutter	2008						$ 580,578(6)	$ 580,578
A. Gordon Tunstall	2008	$ 38,000		$ 86,618			$ 0	$ 124,618

(1) Fees earned or paid in cash consist of an annual retainer for each board member of $20,000 and meeting fees for each board or committee meeting attended of $2,000. Fees earned or paid in cash also include annual retainers for each committee chairperson, as follows: $10,000 paid to Mark F. Furlong for his service as Audit Committee Chair, $7,500 paid to Elaine D. Rosen for her service as Compensation Committee Chair, $5,000 paid to W.R. Carey, Jr. for his service as Nominating Committee Chair and $5,000 paid to Ralph E. Struzziero for his service as Governance Committee Chair. Messrs. Cocchiaro and Sutter are not compensated for their service on the Executive Committee of the Board, which did not meet during 2008.

9

Table of Contents

(2) During the three years ended December 31, 2008, Kforce did not grant any stock awards to any director, except for Mr. Sutter. Mr. Sutter s 2008 compensation is presented in columns (h) and (i) above and discussed in (6) below.
(3) Kforce grants 5,000 stock options each year as a long-term incentive to each member of the Board, except Messrs. Cocchiaro and Sutter. The exercise price of the options is equal to the closing stock price on the date of grant. The amounts reported reflect the compensation expense recognized for financial statement reporting purposes for the fiscal year ended December 31, 2008 in accordance with Statement of Financial Accounting Standards (SFAS) No. 123R, Share-Based Payment (SFAS 123R). The grant date fair value of each of the stock options granted during 2008 was $6.47. For a discussion of the assumptions used in the fair value calculation, see Note 13, Stock Incentive Plans, to Kforce s consolidated financial statements, included in our Annual Report on Form 10-K for fiscal 2008.
(4) Mr. Cocchiaro is employed by us and his compensation in 2008 consisted of the following items: $156,687 in base salary and $30,000 in bonus. Mr. Cocchiaro is not compensated for his service on the Board.
(5) Mr. Moneymaker was employed by us as CEO of KGH from September 2006 through July 2008. His compensation in 2008 related to his service as CEO of KGH consisted of the following items: $219,700 in base salary and $75,000 in bonus. During his service on the Board after his service as CEO of KGH ended, Mr. Moneymaker received $6,600 for certain consulting services provided to Kforce primarily related to the 2008 acquisition of RDI Systems, Inc. We also paid Mr. Moneymaker the annual retainer and granted him the annual option award, as presented in columns (c) and (e) of the table above, to compensate him for his service on the Board during 2008.
(6) Mr. Sutter is employed by us and his compensation in 2008 consisted of the following items: $202,200 in base salary, $305,000 in bonus and $73,378 in stock awards. Mr. Sutter is not compensated for his service on the Board.

The following table shows the aggregate number of stock awards and options to purchase Kforce stock held by our non-employee directors at December 31, 2008:

Name	Aggregate Number of Stock Awards Held	Aggregate Number of Unexercised Options Held
John N. Allred		47,623
W.R. Carey, Jr.		42,093
Mark F. Furlong		44,855
Patrick D. Moneymaker		10,000
Elaine D. Rosen		25,000
Ralph E. Struzziero		29,464
A. Gordon Tunstall		42,768

* *The beneficial ownership of common shares as of the record date for each of our directors is presented below under the heading of Beneficial Ownership of Common Stock.*

PROPOSAL 2. RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

Our consolidated financial statements for the year ended December 31, 2008, have been audited by Deloitte & Touche LLP, independent auditors. The Audit Committee of the Board of Directors has selected Deloitte & Touche LLP, subject to ratification by shareholders, to audit our consolidated financial statements for the fiscal year ending December 31, 2009, to provide review services for each of the quarters in the year then ended, and to perform other appropriate services.

Deloitte & Touche LLP has audited Kforce s financial statements since the fiscal year ended December 31, 2000. A representative of Deloitte & Touche LLP is expected to be present at the Annual Meeting in order to respond to appropriate questions and to make any other statement deemed appropriate.

THE BOARD UNANIMOUSLY RECOMMENDS A VOTE *FOR* THE RATIFICATION OF DELOITTE & TOUCHE LLP TO SERVE AS KFORCE S INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS FOR THE FISCAL YEAR ENDING DECEMBER 31, 2009.

Table of Contents

Independent Registered Public Accountants Fee Information

Audit Fees

Fees for audit services totaled $1,005,200 in 2008 and $958,900 in 2007, including fees associated with the annual audit and the review of our financial statements included in our Quarterly Reports on Form 10-Q.

Audit-Related Fees

Fees for audit-related services totaled $99,400 in 2008 and $102,600 in 2007. Audit-related services principally include assurance and related services by the independent auditors that are reasonably related to the performance of the audit or review of our financial statements, or other filings that are not captured under Audit Fees above. These services included financial statement audits of our employee benefit plans; consultations as to the accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by the SEC, FASB, and other regulatory or standard-setting bodies; internal control reviews, including consultation, under Section 404 of the Sarbanes-Oxley Act of 2002; due diligence services and audits and accounting consultations related to acquisitions.

Tax Fees

Fees for tax services, including tax compliance, tax advice and tax planning, to Deloitte & Touche LLP totaled $15,000 in 2008 and $0 in 2007.

All Other Fees

Fees for all other services not described above totaled $0 in 2008 and $400 in 2007. The fees for 2007 were related to attendance of Kforce staff at a Deloitte & Touche LLP continuing professional education seminar.

The Audit Committee considered whether Deloitte & Touche LLP s provision of the above non-audit services is compatible with maintaining such firm s independence and satisfied itself as to Deloitte & Touche LLP s independence.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors

The Audit Committee s policy is to pre-approve all audit and permissible non-audit services provided by the independent auditors in order to ensure that the provision of such services does not impair the auditor s independence. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific limit above which separate pre-approval is required. Management is required to periodically report to the Audit Committee regarding the extent of services provided by the independent auditors in accordance with this pre-approval, and the fees for the services performed to date.

During the fiscal year ended December 31, 2008, 100% of audit-related services were pre-approved by the Audit Committee in accordance with this policy.

Table of Contents

AUDIT COMMITTEE REPORT

Kforce Inc. s Audit Committee is composed of three directors, all of whom the Board has determined to be independent within the meaning of the NASDAQ Rules and SEC Rules. The Audit Committee assists the Board in general oversight of Kforce Inc. s financial accounting and reporting process, system of internal control and audit process.

Kforce Inc. s management has primary responsibility for Kforce Inc. s consolidated financial statements and for maintaining effective internal control over financial reporting. Kforce Inc. s independent auditors, Deloitte & Touche LLP, are responsible for expressing an opinion on Kforce Inc. s consolidated financial statements as to whether they present fairly, in all material respects, Kforce Inc. s financial position, results of operations and cash flows, in conformity with accounting principles generally accepted in the United States of America and an opinion on the effectiveness of Kforce s internal control over financial reporting based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. This opinion is based on their audits.

In this context, the Audit Committee reports as follows:

1. The Audit Committee has reviewed and discussed the audited consolidated financial statements with Kforce Inc. s management;

2. The Audit Committee has discussed with the independent auditors the matters required to be discussed by the Statement on Auditing Standards No. 114 (AICPA, Professional Standards, Vol. 1. AU Section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T;

3. The Audit Committee has received the written disclosures and the letter from the independent auditors required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditor s communications with the audit committee concerning independence, and has discussed with the independent auditors the independent auditors independence; and

4. Based on the review and discussion referred to in the above paragraphs, the Audit Committee recommended to the Board that the audited financial statements be included in Kforce Inc. s Annual Report on Form 10-K for the fiscal year ended December 31, 2008, for filing with the SEC. The Audit Committee has also selected Deloitte & Touche LLP, subject to ratification by shareholders, to audit our consolidated financial statements for the year ending December 31, 2009, and to provide review services for each of the quarters in the year ending December 31, 2009.

Submitted by the Audit Committee

Mark F. Furlong (Chairman)

John N. Allred

W.R. Carey, Jr.

The information contained in the above Audit Committee Report shall not be deemed soliciting material or filed with the SEC, or subject to the liabilities of Section 18 of the Exchange Act, except to the extent that we specifically incorporate it by reference into such filings.

Table of Contents

BENEFICIAL OWNERSHIP OF COMMON SHARES

Directors and Named Executive Officers

The following table shows the amount of Kforce common shares beneficially owned as of the Record Date by: (a) our NEOs, (b) our directors and (c) all of our directors and executive officers as a group.

Name of Individual or Identity of Group	Shares of Kforce Common Shares Beneficially Owned Number (1)(2)(3)(4)	Percent of Class
John N. Allred	76,547	*
W.R. Carey, Jr.	47,093	*
Richard M. Cocchiaro	1,762,317	4.59%
David L. Dunkel	3,337,606	8.70%
Michael L. Ettore	359,693	*
Mark F. Furlong	56,955	*
Joseph J. Liberatore	662,674	1.73%
Patrick D. Moneymaker	5,000	*
Elaine D. Rosen	21,000	*
William L. Sanders (5)	1,286,034	3.35%
Ralph E. Struzziero	143,579	*
Howard W. Sutter	1,748,637	4.56%
A. Gordon Tunstall	37,768	*
All directors and executive officers as a group (16 persons)	9,691,541	25.27%

* *Less than 1% of the outstanding common shares*

(1) Includes the number of shares subject to purchase pursuant to currently exercisable options or options exercisable within 60 days of the Record Date, as follows: Mr. Allred, 42,623; Mr. Blackman, 56,535; Mr. Carey, 37,093; Mr. Cocchiaro, 24,937; Mr. Dunkel, 939,841; Mr. Ettore, 136,022; Mr. Furlong, 39,855; Mr. Kelly, 44,100; Mr. Liberatore, 210,756; Mr. Moneymaker, 5,000; Ms. Rosen, 20,000; Mr. Sanders, 531,865; Mr. Struzziero, 24,464; Mr. Sutter, 148,767; and Mr. Tunstall, 37,768.

(2) Includes 19,000 shares as to which beneficial ownership is disclaimed by Mr. Cocchiaro (shares held by spouse). Also includes 1,645,191 shares as to which voting and/or investment power is shared or controlled by another person and as to which beneficial ownership is not disclaimed, as follows: Mr. Cocchiaro, 28,845 (shares held by mother), 3,080 (shares held by sons), and 55,463 (shares held by Cocchiaro Family Foundation); Mr. Struzziero, 1,987 (shares held by spouse) and 9,500 (shares held by his sons); and Mr. Sutter, 5,000 (shares held by spouse) and 1,541,316 (shares held by Sutter Investments Ltd. of which H.S. Investments, Inc. is the sole general partner).

(3) Includes the number of shares of restricted stock that are beneficially owned as follows: Mr. Blackman, 23,158; Mr. Dunkel, 377,085; Mr. Ettore, 136,527; Mr. Kelly, 26,880; Mr. Liberatore, 200,276; Mr. Sanders, 215,538 and Mr. Sutter, 40,766.

(4) As of the Record Date, Kforce s executive officers held a total of 802,289 SARs, of which 343,411 have vested as of the Record Date or will have vested within 60 days of the Record Date. Upon exercise of a SAR, the holder will receive the number of shares of Kforce s Common Stock that has a total value which is equivalent to the difference between the exercise price of the SAR and the fair market value of Kforce s Common Stock on the date of exercise. As of the Record Date, the fair market value of Kforce s Common Stock (based on its closing sales price on the NASDAQ) was $10.27 per share, which is higher than the exercise price of the vested SARs held by Kforce s executive officers on the Record Date. As such, this table includes the number of shares subject to vested stock appreciation rights (SARs) held by Kforce s executive officers as follows: Mr. Ettore, 17,281; Mr. Liberatore, 88,829 and Mr. Sanders, 237,301.

(5) Some or all of Mr. Sanders shares are held in a brokerage account that contains standard margin account language that can be triggered any time if he buys securities on margin. As a result of that arrangement, those shares may be deemed to be pledged.

Table of Contents

Owners of More Than 5%

The following table shows the number of common shares held by persons known to Kforce to beneficially own more than 5% of our outstanding shares of Common Stock.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Royce & Associates, LLC (1) 1414 Avenue of the Americas New York, New York 10019	4,558,291	11.88%
Artisan Partners Limited Partnership (2) 875 East Wisconsin Avenue, Suite 800 Milwaukee, Wisconsin 53202	4,018,200	10.48%
T. Rowe Price Associates, Inc. (3) 100 E. Pratt Street Baltimore, Maryland 21202	2,499,205	6.52%
Dimensional Fund Advisors LP (4) Palisades West, Building One 6300 Bee Cave Road Austin, Texas 78746	1,937,406	5.05%

(1) Based on Amendment No. 2 to Schedule 13G dated January 26, 2009, in which Royce & Associates, LLC, reported that, as of December 31, 2008, it had sole voting and dispositive powers over all 4,359,500 shares.
(2) Based on Amendment No. 2 to Schedule 13G dated February 13, 2009, in which Artisan Partners Limited Partnership, reported that, as of December 31, 2008, it had shared voting power over 3,684,200 of the shares and shared dispositive power over all 4,018,200 shares.
(3) Based on a Schedule 13G dated February 13, 2009 in which T. Rowe Price Associates, Inc. reported that, as of December 31, 2008, it had sole voting power over 510,000 of the shares and sole dispositive power over all 2,499,205 shares.
(4) Based on a Schedule 13G dated February 9, 2009 in which Dimensional Fund Advisors LP reported that, as of December 31, 2008, it had sole voting power over 1,868,691 of the shares and sole dispositive power over all 1,937,406 shares.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires Kforce directors, executive officers and persons holding more than 10 percent of our Common Stock to file reports of ownership and changes in ownership of the Common Stock with the SEC. The directors, officers and 10 percent shareholders are required by the SEC regulations to furnish us with copies of all Section 16(a) reports that they file. The SEC has designated specific due dates for these reports and we must identify in this proxy statement those persons who did not file these reports when due.

Based solely on our review of copies of the reports received by us and written representations from certain reporting persons, we believe that all directors, executive officers and persons holding more than 10 percent of our Common Stock were in compliance with their filing requirements during our most recent fiscal year.

EXECUTIVE OFFICERS

Michael R. Blackman, 54, has served as Kforce s Senior Vice President of Investor Relations since 1999. Prior to his appointment as Senior Vice President of Investor Relations, Mr. Blackman also served as Kforce s Director of Selection and Senior Consultant in the healthcare services specialty.

David L. Dunkel, 55, has served as Kforce s Chairman, Chief Executive Officer and a director since its formation in 1994. Prior to August 1994, he served as President and Chief Executive Officer of Romac-FMA, one of Kforce s predecessors, for 14 years.

Michael Ettore, 52, has served as Kforce s Senior Vice President and Chief Services Officer since October 2004. Mr. Ettore joined Kforce in 1999 and has served as the Vice President, Leadership Development and Vice President, Operations. Prior to joining Kforce, Mr. Ettore served in the United States Marine Corps as an Infantry Officer, retiring in 1998, after 24 years of service.

Jeffrey B. Hackman, 30, has served as Kforce s Chief Accounting Officer and Principal Accounting Officer since February 2009. Prior to his appointment as Chief Accounting Officer, Mr. Hackman served as the SEC Reporting Director from October 2007 to February 2009. Prior to joining Kforce, Mr. Hackman was employed by Grant Thornton LLP as an audit senior manager beginning in September 2002.

David M. Kelly, 43, has served as Kforce s Senior Vice President, Finance and Accounting since February 2009 and Vice President, Finance since January 2005. Mr. Kelly joined Kforce in 2000 and has served as Chief Accounting Officer from November 2000 to January 2005 and Group Financial Officer from January 2000 to November 2000. Prior to joining Kforce, Mr. Kelly served in various roles that included treasury director and vice president, controller.

Joseph J. Liberatore, 46, has served as Kforce s Executive Vice President and Chief Financial Officer since July 2008, Senior Vice President and Chief Financial Officer since October 2004 and Corporate Secretary since February 2007. Prior to his appointment as Chief Financial Officer, Mr. Liberatore had served as Senior Vice President since June 2000, Chief Talent Officer since September 2001 and Chief Sales Officer from September 2000 to August 2001. Mr. Liberatore has served in various roles in Kforce since 1988.

Stephen J. McMahan, 54, served as Kforce s Senior Vice President and Chief Sales Officer from January 2006 through February 2009. Mr. McMahan declined to accept a modified role within Kforce and his employment ended in February 2009. Prior to his appointment as Chief Sales Officer, Mr. McMahan served as President of the Atlantic Region, Group President (2002-2005), Business Unit President-East (2000-2002) and Regional Vice President, Northeast (1998-2000) responsible for Tech, Finance and Accounting staffing and search businesses. Mr. McMahan came to Kforce through the acquisition of Source Services Corporation, where he served as Managing Director of the Boston Tech, Finance and Accounting practices.

William L. Sanders, 62, has served as Kforce s President since October 2004. Mr. Sanders also served as Kforce s Corporate Secretary from April 1999 to February 2007. Prior to his appointment as President, Mr. Sanders served as Kforce s Chief Operating Officer since December 2002 and Senior Vice President since April 1999. From April 1999 to September 2003, Mr. Sanders also served as Kforce s Chief Financial Officer. Mr. Sanders prior experience also includes serving as a partner with Deloitte & Touche LLP.

COMPENSATION DISCUSSION AND ANALYSIS

Introduction and Background

For purposes of this discussion, Kforce s named executive officers (NEOs) are: David L. Dunkel, William L. Sanders, Joseph J. Liberatore, Michael Ettore and Stephen J. McMahan (while Mr. McMahan is an NEO for purposes of this CD&A and, more generally, our 2008 compensation program, his employment with Kforce ended as of February 15, 2009).

The Compensation Committee (the Committee) is responsible for setting Kforce s compensation principles that serve to guide the design of its executive compensation program. The Committee is also responsible for recommending to the Board the compensation levels of the CEO and for reviewing the compensation levels of certain other senior executives, including the other NEOs, as listed above. During 2006, the Committee selected Pearl Meyer & Partners (PM&P), an independent executive compensation consultant, to review and analyze the executive compensation program for our NEOs. The objective of this engagement was to provide Kforce with an analysis of our executive compensation program in relation to the competitive market for similar executive officers using 2005 market data. In performing this engagement, PM&P compared the salaries and annual and long-term incentive compensation levels for Kforce s CEO and other NEOs to the competitive market for similar executive talent. PM&P gathered competitive market data from published and private compensation survey sources covering the staffing and professional services industry, as well as compensation information contained in proxy statements filed by Kforce s defined peer group companies.

Table of Contents

Since completion of the study by PM&P in early 2006, the Committee has annually assessed the ongoing competitiveness and effectiveness of Kforce s executive compensation program in achieving the desired goals and objectives summarized in this CD&A. In undertaking this annual review, the Committee considers the advice of PM&P in assessing the extent to which the amounts and types of compensation provided to Kforce NEOs are appropriate and to provide counsel and make recommendations to the Board. During 2008, Kforce paid and accrued $84,379 and $29,995, respectively, in fees to PM&P for professional services rendered in 2008, primarily for the review of the 2008 CD&A, assessments of Kforce s executive compensation programs and assistance related to the design of the amendment to the 2006 Stock Incentive Plan, as requested by the Committee. PM&P provided no other services to Kforce during 2008. PM&P reported to the Compensation Committee and did not provide any services to our management.

The Committee makes every effort to maintain its independence and objectivity. The Committee may meet in executive session from time to time for discussions or decisions regarding executive compensation. While the Committee receives input from the CEO, President and Chief Financial Officer and discusses compensation with them, the ultimate decision regarding compensation with regard to the CEO is solely at the discretion of the Committee. The CEO is responsible for establishing, and the Committee is responsible for reviewing and approving, the compensation for the other NEOs. The Committee is committed to: (i) staying informed of current issues and emerging trends; (ii) ensuring that Kforce s executive compensation program remains aligned with best practices; and (iii) establishing and maintaining an executive compensation program that is consistent with shareholder interests while providing appropriate incentives to our executives.

Overview

This CD&A provides information regarding the 2008 NEO compensation program. This CD&A describes the overall objectives of our executive compensation program, each element of our executive compensation program, and the policies underlying our 2008 NEO compensation program, as approved by the Committee. The CD&A contains forward looking statements that are based on our current plans, considerations, expectations and determinations regarding future compensation programs. Actual compensation programs that we adopt may differ materially from currently planned programs as summarized in this discussion.

The Committee believes Kforce is fortunate to have an outstanding management team, which has produced excellent financial results and shareholder returns in comparison to companies in its industry. The following are several significant operational achievements of Kforce and our management team over the last several years:

- Entered and significantly expanded Kforce s presence in the federal government contracting space by making certain strategic investments and acquisitions. Kforce acquired RDI Systems, Inc. in 2008 and PCCI Holdings, Inc. and Bradson Corporation in 2006, each of which has a significant presence and reputation serving the federal government contracting space. Net service revenues for our Government Solutions segment grew 23.4% in 2008 and now have annualized revenues in excess of $100 million, which provides this segment with access to more significant government contracts. Management believes that the government business is an area of long-term growth and is also generally more stable during variable economic cycles.

- Established Kforce s National Recruiting Center (NRC), which is a centralized recruiting organization that identifies and interviews active candidates from nationally contracted job boards as well as other sources. Our management team believes the NRC provides Kforce with a significant competitive advantage by shortening our market response time.

- Disposed of the Scientific and per-diem Nursing businesses during 2008 for $12.0 million and $1.5 million, respectively. Our management team believes the disposition of these two businesses in our Health and Life Sciences (HLS) segment has allowed us to focus on the growth opportunities that we believe exist in our ongoing core businesses in the HLS segment, which now has annualized revenues approaching $200 million.

Substantially completed a restructuring of our back office and field operations as well as completing an upgrade of our corporate systems and technology to increase our operational efficiencies and responsiveness to our clients. Our management team believes our field operations model, which allows us to deliver our service offerings in a disciplined and consistent manner across all geographies and business lines, as well as our highly centralized back office operations, are competitive advantages and keys to our future growth and profitability.

De-emphasized the contribution of Search fees to overall net services revenues, primarily because of the highly volatile nature of the Search business, the investments required to establish the workforce and the return achieved on these investments.

The following are key financial highlights for our fiscal year ended December 31, 2008:

Total net service revenues for 2008 were $997.0 million, an increase of 2.5% over the comparable period in 2007 and a compounded annual growth rate over the last 3 years of 11.25%. This is the sixth consecutive year of total net service revenues increases.

Cash provided by operating activities was $89.3 million for 2008, which represents an increase of $40.6 million, or 83.2%, over the comparable period in 2007.

Outstanding borrowings under the Credit Facility at the end of 2008 were $38.0 million as compared to $106.0 million immediately following the Bradson acquisition in October 2006, reflecting a reduction of 64.2%. The significant reduction was achieved after consideration of the following events:

The acquisition of RDI Systems, Inc., effective November 30, 2008, for approximately $38.9 million,

Repurchase of 4.5 million shares of Common Stock during 2008 at a total cost of $37.9 million, and

The disposition of our Scientific and per-diem Nursing businesses for $13.5 million.

Our stock price has outperformed the NASDAQ Stock Market (Composite) and our 2008 Industry Peer Group during the five-year period 2004 to 2008 by 4.3% and 12.5%, respectively.

Our stock price performance has been consistently strong as total shareholder return has been in the top quartile of our peer group for each of the last three and five-year periods.

Executive Compensation Philosophy and Guiding Principles

Kforce s executive compensation philosophy is to attract, motivate and retain highly qualified executives who are able to maximize shareholder value. In seeking to carry out this philosophy and employ highly qualified executives, Kforce has embraced certain principles intended to guide compensation design and administrative decisions made by the Board, the Committee and management.

1 Compensation should be directly aligned with performance.

Executive compensation levels should be commensurate with Kforce s performance and shareholder return. The Committee, however, also recognizes, and considers in determining compensation levels, that disparities may arise between Kforce s performance and shareholder return at certain times due to, among other factors, market and economic conditions. As a result, Kforce uses different performance measurements in its annual incentive and long-term incentive programs. Long-term incentive awards are tied directly to stock price performance. The annual incentive program, on the other hand, uses, in addition to evaluating individual performance and the achievement of individual Management

Business Objectives (MBOs), earnings per share (EPS) and total annual revenues as performance measurements. The Committee and Kforce management believe that these are profitable growth measures that will increase long-term shareholder value. For each measure of the annual incentive program, incentive awards can be at, above or below target levels based on actual versus-planned results, with no payments made if performance does not meet a minimum threshold level. Each award for the CEO is subject to discretion of the Committee and each award for the other NEOs is subject to similar discretion by the CEO depending upon final results and circumstances.

2 Pay opportunities and program design should be competitive with market practice.

Attracting and retaining key management talent is critical to the success of a staffing firm in which people represent the true assets of such a company. Understanding competitive market pay levels is essential to hiring and retaining qualified executives. It also is important to be knowledgeable of best practices and how comparable organizations compensate their executives. The Committee retained PM&P in 2006 to review Kforce s pay levels against those of the industry and our industry peer group. PM&P has also provided the Committee on an ongoing basis with information on emerging trends and issues impacting executive compensation.

The Committee also takes into account Kforce s complex operating model that is unique within an industry populated by many single-service private firms owned by entrepreneurial individuals or financed by private-equity firms representing our most effective competition in many markets. Large financial rewards are frequently generated for owners of these private companies and Kforce s past acquisitions has led to a need to take into account such philosophies of superior pay for superior performance. The Committee believes that Kforce s compensation programs should provide superior cash and equity incentives to attract, motivate and retain executive officers and to adequately compete with public and private companies. The Committee believes Kforce s compensation program achieves this result.

The Committee reviews compensation data from several independent sources to determine whether Kforce s executive compensation program continues to be competitive. Kforce s competitive market for executive talent is primarily staffing organizations; however, the Committee also reviews pay data for other comparably sized professional service organizations because Kforce generally requires skills from a more varied set of backgrounds. Total pay levels for NEOs are targeted between the 50^{th} percentile (median) and the 75^{th} percentile of the industry average for similar executives when targeted performance goals are achieved. The Committee believes that targeting our executive compensation at or above the median is critical to the successful retention of our NEOs and provides a significant incentive to our NEOs to exceed targeted performance. In addition, as further discussed in the paragraph below, the Committee believes that our executive compensation program is aligned with our shareholders interests by providing a high degree of variability based on measurable performance criteria.

3 Share ownership should be promoted.

The Committee believes that Kforce s executives should have a personal financial stake directly aligned with the interests of Kforce s shareholders. As a result, long-term equity incentives, including stock options, SARs, performance accelerated restricted stock (PARS) and full-value awards such as restricted stock, are included in Kforce s executive compensation program. Executives can also increase their equity ownership levels by receiving stock in lieu of cash compensation at the Committee s discretion. In addition, all employees, including the NEOs, are eligible to purchase stock through the Kforce Inc. 1999 Employee Stock Purchase Plan. During 2006, the Committee adopted formal ownership guidelines, which requires each of the NEOs to own the equity equivalent of two times his annual salary or have certain restrictions on equity-based grants. As of the Record Date, Messrs. Dunkel, Sanders, Liberatore, and Ettore were in compliance with this policy. The stock ownership policy is available for review at http://www.kforce.com.

4 Kforce considers the tax deductibility of executive compensation as appropriate.

Kforce considers the possible tax consequences in the design of its executive compensation programs. However, tax consequences, including tax deductibility, are subject to many factors (such as changes in the tax laws and regulations, the interpretations of such laws and regulations, and the nature and timing of various decisions by executives regarding stock options and other rights) beyond the control of Kforce. In addition,

Table of Contents

Kforce believes it is important to retain maximum flexibility in designing compensation programs to meet its stated objectives. While Kforce considers tax deductibility as one of the factors in designing compensation programs, for all of the above reasons, Kforce will not limit compensation to those levels or types of compensation that will be deductible. Kforce will consider alternative forms of compensation, consistent with its compensation goals that preserve deductibility.

We have structured the 2006 Stock Incentive Plan and the proposed amendment to the 2006 Stock Incentive Plan so that gains from the exercise of stock options and SARs will be fully deductible to Kforce for federal income tax purposes under Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code). In addition, to the extent they are performance-based, certain other forms of compensation may be deductible. Kforce reserves the right to grant compensation that would not ordinarily be deductible, including salary, discretionary incentives, time-based restricted stock and executive perquisites to the extent deemed to be in the shareholders interests even if such compensation may result in less than full tax deductibility to Kforce.

Kforce Stock Price Performance Graph and Benchmarking

The following graph is a comparison of the cumulative total returns for Kforce s Common Stock as compared with the cumulative total return for: (i) the NASDAQ Stock Market Index; (ii) the 2008 Industry Peer Group; and (iii) the peer group that we used for comparison purposes in last year s Annual Report to Shareholders (the 2007 Industry Peer Group). Kforce s cumulative return was computed by dividing the difference between the price of Kforce s Common Stock at the end of each year and the beginning of the measurement period (December 31, 2003 to December 31, 2008) by the price of Kforce Common Stock at the beginning of the measurement period. The cumulative total returns for the NASDAQ, the 2008 Industry Peer Group and the 2007 Industry Peer Group include dividends in the calculation of total return and are based on an assumed $100 investment on December 31, 2003, with all returns weighted based on market capitalization at the end of each discrete measurement period. The comparisons in the graph below are based on historical data and are not intended to forecast the possible future performance of Kforce s Common Stock. For purposes of the stock price performance graph below, Kforce has been excluded from the 2008 Industry Peer Group and the 2007 Industry Peer Group.

The industry peer group is one of the building blocks of the executive compensation program as it provides the Committee with fact-based data and insight into external compensation practices. The industry peer group provides information about pay levels, pay practices and performance comparisons. The primary criterion for peer group selection includes peer company customers, geographical presence, talent, capital, complexity of operating model and annual revenues.

2008 Industry Peer Group:

CDI Corporation	On Assignment, Inc.
CIBER, Inc.	Robert Half International Inc.
COMSYS IT Partners, Inc.	Spherion Corporation
Kelly Services, Inc.	Volt Information Sciences Inc.
MPS Group, Inc.	

The only difference between the 2007 Industry Peer Group and the 2008 Industry Peer Group is that Volt Information Sciences Inc. replaced Manpower Inc. (Manpower). This decision was primarily driven by the difference in the geographical composition of revenues of Manpower and Kforce. Pursuant to Manpower s Annual Report on Form 10-K for their fiscal year ended December 31, 2007, approximately 88.0% of its revenues from services were generated outside the United States of America. Kforce s international operations comprised less than 1% of net service revenues for the year ended December 31, 2007. The median market capitalization of our 2008 Industry Peer Group as of December 31, 2008 was $266.8 million compared to Kforce s market capitalization of approximately $292 million.

	2003	2004	2005	2006	2007	2008
Kforce Inc.	100.0	118.7	119.4	130.2	104.3	82.1
NASDAQ Stock Market (Composite)	100.0	108.6	110.1	120.6	132.4	78.7
2008 Industry Peer Group	100.0	116.8	135.9	143.2	106.6	73.0
2007 Industry Peer Group	100.0	112.0	125.5	147.8	112.5	75.0

Compensation Components

Below is a description of Kforce s targeted overall compensation for its NEOs, as well as a description of how Kforce determines the components that make up total targeted compensation.

Targeted Overall Compensation

Kforce targets overall compensation for its NEOs between the 50th percentile and the 75th percentile of the industry averages for similar executives based on the attainment of targeted goals. If goals are not reached, or if they are exceeded, total compensation is adjusted accordingly. The information regarding industry averages was derived from a combination of the industry peer group and pay survey data compiled by PM&P in 2006 and updated periodically. All percentile targets referred to below in the specific Kforce pay programs are based on this combination of data. Our CEO and the Committee believe the performance-based compensation metrics that determine the at risk portion of the overall compensation plans are appropriate and aligned with the interests of our shareholders and are an integral part of Kforce s business strategies.

Base Salaries

NEOs salaries are targeted at the market median of competitive practices as compared with similar positions at comparable companies, consistent with Kforce s compensation strategy, which includes the goal of minimizing fixed costs and maximizing the percentage of at risk performance-based pay for senior executives. Salary levels are adjusted from these target levels to reflect past performance, expected future contributions, and the experience level of each executive. Kforce chooses to pay salaries to senior officers to provide a level of assured cash compensation commensurate with their professional status and accomplishments.

Table of Contents

Consistent with Kforce s strategy of performance-based pay, each NEO received a salary increase in 2008 primarily to reflect the high performance levels of our executives. The following table provides the salary growth rate for each NEO from 2003 to 2008, except for Messrs. Ettore and McMahan, for which the salary growth rate is calculated from the point at which they were designated as a NEO, which for Mr. Ettore was 2005 and Mr. McMahan was 2006.

Name (a)	**Beginning Base Salary (1)** (b)	**2008 Base Salary** (c)	**Compounded Growth in Base Salary** (d)
David Dunkel, CEO	$ 625,000	$ 750,000	3.7%
William Sanders, President	$ 450,000	$ 600,000	5.9%
Joseph Liberatore, Chief Financial Officer	$ 360,000	$ 450,000	4.6%
Michael Ettore, Chief Services Officer	$ 300,000	$ 335,000	3.8%
Stephen McMahan, Chief Sales Officer	$ 300,000	$ 335,000	5.7%

(1) The beginning base salary for each NEO, except Messrs Ettore and McMahan, is that which was earned in 2003. For Mr. Ettore and Mr. McMahan, the beginning base salary is that which was earned in 2005 and 2006, respectively, which was the first year in which each was an NEO. The base salary in 2003 to 2007 includes an annual perquisite allowance of $50,000 for each NEO, which the NEO may use in his discretion for reimbursement of healthcare costs, financial planning fees, automobile allowance and any other appropriate perquisite. During 2008, the $50,000 perquisite allowance was eliminated.

As a measure of our commitment to align expenses with a revenue stream that may decline in 2009 given the state of the macro-economic environment, Kforce will keep 2009 base salaries at 2008 levels for our top 50 leaders, which include our NEOs, our executive team, top field leadership and certain other corporate officers.

Annual Incentive Compensation

Annual incentive compensation is targeted at the market 67th percentile of competitive practices and would result in total cash compensation at approximately the 60th percentile when challenging performance goals are met. Actual total cash compensation will be at, above, or below targeted levels, based on actual versus-planned performance results. Targeting pay above the market median requires the achievement of challenging performance goals while also promoting retention among the NEOs. In addition, we believe that these annual incentives motivate senior executives to meet performance goals that have been approved by the Committee and provide a higher level of total cash compensation to NEOs while minimizing fixed costs in the form of salaries.

We award annual incentive compensation to our NEOs in two different forms: (1) a bonus based on the 2005 Annual Performance Bonus Plan, which was approved by Kforce shareholders in 2005 and which is primarily based on achieving certain annual performance metrics (the Incentive Bonus); and (2) an objectives-based bonus based on individual accomplishments and business unit performance (the Individual Bonus). More specifically, the Incentive Bonus is composed of amounts typically tied to EPS and annual revenues, and the Individual Bonus is composed of amounts tied to individual performance and the achievement of individual MBOs.

The total target annual incentive award (including the Incentive Bonus and Individual Bonus) has historically been based on the following:

Messrs. Dunkel, Sanders and Liberatore:

40% was tied to EPS;
40% of the total award was tied to total annual revenues; and
20% was tied to individual performance and the achievement of individual MBOs.

Mr. Ettore:

30% was tied to EPS;
20% of the total award was tied to total annual revenues; and
50% was tied to individual performance and the achievement of individual MBOs.

Table of Contents

Mr. McMahan:

- 20% was tied to EPS;
- 30% of the total award was tied to total annual revenues; and
- 50% was tied to individual performance and the achievement of individual MBOs.

The total target 2008 annual incentive award, which includes the Incentive Bonus and Individual Bonus, for Messrs. Dunkel, Sanders, Liberatore, Ettore and McMahan as a percentage of their respective 2008 base salaries were 100%, 90%, 80%, 75% and 75%, respectively.

For 2007 (as for several preceding years), the Incentive Bonus was based upon the achievement of varying levels of corporate performance, specifically earnings per share and total annual revenues. During the design process of the 2008 Incentive Bonus, the Committee determined that the historical structure, which was based on the achievement of varying levels of EPS and total annual revenues, should be modified. The Committee s determination was based primarily on the significant uncertainty that existed with respect to management s ability to reliably forecast the varying levels of EPS and total revenues for the year ended December 31, 2008 given the deteriorating macro-economic environment. As a result, the Committee believed it was in the best interests of Kforce and its shareholders to grant restricted stock to each NEO in order to limit the distraction of the uncertain economic environment and allow the NEOs to focus on the long-term objective of increasing shareholder value.

The grant date fair value of the restricted stock awarded to each NEO on February 15, 2008 was equal in value to the amount of cash that would have been received by the NEOs based on their respective total target annual incentive award and the percentage of their base salary that was historically based on the revenue and EPS targets. For Messrs. Dunkel, Sanders, Liberatore, Ettore and McMahan, the grant date fair value of the restricted stock, based on a grant price of $8.09, was approximately $600,000, $432,000, $288,000, $125,625 and $125,625, respectively. All of the restricted shares vested on February 15, 2009 and had a value of $7.72 per share based on the closing price of Kforce s Common Stock on the last business day prior to the vesting date. As a result, the NEOs realized values that were less than the targeted amounts on the grant date. None of the NEOs received a cash-based 2008 Incentive Bonus.

The 2008 Individual Bonus was based on each NEO s attainment of selected business objectives as well as individual performance, which requires Committee discretion and approval. The goal-setting process and payout determination takes into account internal budgets, past performance, market expectations, economic conditions, and competitor performance. Also, two additional factors were considered in determining the 2008 Individual Bonus: (i) divesting Kforce s Scientific business in an amount greater than $10 million and (ii) each NEO s ability to contribute to the successful navigation of Kforce through the uncertain economic environment.

The significant factors considered in determining the 2008 Individual Bonus were:

- The performance of Kforce s Common Stock during 2008 ranked 2nd within our 2008 Industry Peer Group in a very difficult macro-economic environment.

- The divestiture of the Scientific and per-diem Nursing businesses, which generated a pre-tax gain on sale of discontinued operations of $7.3 million during 2008.

- The acquisition of RDI Systems, Inc. during 2008 for approximately $38.9 million, which significantly expanded Kforce s presence in the federal government contracting space.

- Maintenance of our Flex net service revenues during 2008, which increased 3.8% over the comparable period in 2007.

Table of Contents

Successful management of discretionary expenses and overall selling, general and administrative (SG&A) expenses as the Firm progressed throughout 2008 and the macro-economic environment began to impact the Firm s revenues. SG&A as a percentage of net service revenues was 28.5% and 27.3%, respectively, for the third and fourth quarter of 2008, respectively, excluding the pre-tax goodwill and intangible asset impairment charge that was taken in the fourth quarter.

Maintained a strong balance sheet through conservative management having reduced outstanding borrowings under our Credit Facility from $50.3 million at the end of 2007 to $38.0 million at the end of 2008. This was achieved after consideration of the repurchase of 4.5 million shares of Common Stock at a total cost of $37.9 million and the acquisition of RDI Systems, Inc. for approximately $38.9 million.

The bonus earned and paid to Messrs. Dunkel, Sanders, Liberatore, Ettore and McMahan during 2008 as a result of the sale of Kforce s Scientific business was $150,000, $108,000, $72,000, $125,625 and $125,625, respectively, and has been disclosed in column (g) of the Summary Compensation Table. The remaining 2008 Individual Bonus for Messrs. Dunkel, Sanders, Liberatore, Ettore and McMahan was $505,865, $364,223, $242,815, $75,000 and $0, respectively, and has also been disclosed in column (g) of the Summary Compensation Table.

After consideration of the 2008 Individual Bonus and the value of the restricted stock that vested on February 15, 2009, the total incentive compensation earned for 2008 as a percentage of target for Messrs. Dunkel, Sanders and Liberatore was 164% and for Messrs. Ettore and McMahan was 128% and 98%, respectively.

Long-Term Incentives

Kforce grants long-term incentives to its NEOs to help ensure the long-term success of Kforce, and to align executive and shareholder interests . Long-term incentives are targeted at the 60th percentile of competitive practices, as defined in the 2005 PM&P study and our ongoing understanding of peer company practices. SARs, PARS and restricted stock grants typically represent the primary form of long-term incentives for our NEOs. In order to limit potential shareholder dilution from our equity plans and better manage share reserves, equity grant run rates will vary with Kforce s performance but will not exceed 4% of common shares outstanding as of a particular year-end.

As we progressed through 2008, there were growing concerns about the U.S. macro-economic environment including the significant turmoil in the credit and financial markets, declining GDP growth, an increase in the unemployment rate for individuals with college degrees, and increasing jobless claims; as well as several significant sudden business failures. We believe these concerns contributed to the negative shareholder return in the overall equity markets and particularly in the staffing industry during 2008, which impacted our NEOs as well as our other shareholders. However, as noted above, our common stock has outperformed the returns of our peer group and NASDAQ during 2008 and over the 5-year period of 2003-2008.

Long-term incentive awards are tied directly to the performance of Kforce s Common Stock in relation to the industry peer group, up to a maximum of 4%. During 2008, 2007 and 2006, the performance of Kforce s Common Stock ranked 2nd, 4th and 2nd within our peer group (which, for purposes of determining the number of 2008 long-term incentive awards, was the 2008 Industry Peer Group), respectively, resulting in suggested equity grant pools of 3.67%, 3.00% and 3.67% of our common shares outstanding, respectively. Based on the Committee s discretion, the actual grant pools for 2007 and 2006 were 2.57% and 1.65% of our common shares outstanding, respectively. Due to limitations in the remaining shares available for issuance under the 2006 Stock Incentive Plan, actual equity awards granted to our NEOs for 2008 were limited to 1.55% of our common shares outstanding. The actual equity grants generally consist of a combination of SARs, PARS and restricted stock (RS) and were allocated to each of the respective NEOs.

Table of Contents

January 2008 Grants Based on 2007 Performance

During 2007, the performance of Kforce s Common Stock ranked 4th within our peer group (which, for purposes of determining the number of long-term incentive awards, was the 2007 Industry Peer Group), which resulted in a suggested equity grant pool of 3.00% of our common shares outstanding. Based on the Committee s discretion, the actual grant pool for 2007, which was made in January 2008, was 2.57% of our common shares outstanding.

The actual equity grants relating to 2007 performance made on January 2, 2008 were as follows:

Name (a)	Type of Award (b)	# of Units (c)
David Dunkel, CEO	PARS	400,000
William Sanders, President	SARs	237,301
	PARS	79,100
Joseph Liberatore, Chief Financial Officer	SARs	88,829
	PARS	44,414
	RS	44,414
Michael Ettore, Chief Services Officer	SARs	17,281
	PARS	25,921
	RS	43,202
Stephen McMahan, Chief Sales Officer	SARs	17,281
	PARS	25,921
	RS	43,202

January 2009 Grants Based on 2008 Performance

During 2008, the performance of Kforce s Common Stock ranked 2nd within our 2008 Industry Peer Group, which resulted in a suggested equity grant pool of 3.67% of our common shares outstanding. Due to limitations in the remaining shares available for issuance under the 2006 Stock Incentive Plan, actual equity awards granted to our NEOs for 2008 were limited to 1.55% of our common shares outstanding.

We made an equity grant on January 2, 2009 based on the performance of Kforce s common stock relative to our peer group in 2008. A key decision our Committee made was to more effectively use the remaining shares in the 2006 Stock Incentive Plan by granting only PARS to our qualifying executives. The PARS will vest on a time basis over the course of six years, but vesting may be accelerated if the price of Kforce s Common Stock exceeds the stock price at the date of grant by 50%, or $11.43, for a period of 10 trading days, regardless of whether such 10 trading days are consecutive.

The actual equity grants relating to 2008 performance made on January 2, 2009, at a price of $7.62 (which represented the closing price on that date), were as follows:

Name (a)	Type of Award (b)	# of Units (c)
David Dunkel, CEO	PARS	281,515
William Sanders, President	PARS	154,542
Joseph Liberatore, Chief Financial Officer	PARS	99,483
Michael Ettore, Chief Services Officer	PARS	55,801

Table of Contents

January 2009 Cash-Based Alternative Long-Term Incentive (ALTI) Grants

On January 2, 2009, given the limited number of remaining shares available for issuance under the 2006 Stock Incentive Plan to fulfill the equity grant for the 2008 performance period, the Committee made an ALTI grant to each NEO, with an aggregate initial target total payout for all NEOs of $2,691,270. The initial target total payout for Messrs. Dunkel, Sanders, Liberatore and Ettore is $1,281,213, $703,341, $452,759 and $253,957, respectively. The ALTI will be measured over three discrete annual periods in 2009, 2010 and 2011 with the ultimate annual payout based on the performance of Kforce s Common Stock each year relative to its peer group. The ultimate annual payout under the ALTI may increase or decrease based upon the performance of Kforce s stock price each year relative to its peer group. The Committee used the ALTI to align management with shareholders interests and provide long-term incentives to the NEOs. Please note that Mr. McMahan left our employment in early 2009 and did not receive either an equity grant or an ALTI grant on January 2, 2009.

The following table provides the annual ALTI payout as a % of target for varying levels of stock price performance relative to its peer group:

Peer Group Ranking (a)	% of Target (b)	Annual Payout (c)	Total Payout (d)
1st	125.0%	$ 1,121,363	$ 3,364,089
2nd	116.6%	$ 1,046,007	$ 3,138,021
3rd	108.3%	$ 971,548	$ 2,914,644
4th	100.0%	$ 897,090	$ 2,691,270
5th	87.5%	$ 784,954	$ 2,354,862
6th	75.0%	$ 672,818	$ 2,018,454
7th	62.5%	$ 560,681	$ 1,682,043
8th	50.0%	$ 448,545	$ 1,345,635
9th	37.5%	$ 336,409	$ 1,009,227
10th	0.0%	$ 0	$ 0

Because the ALTI grants will be earned in future years, they are not included in the Summary Compensation Table or any of the other tables included below.

Other Factors Affecting Compensation

Executive Benefit Plans

The following executive benefit plans are available to our NEOs. The Committee takes into account the benefits expected to be received under the plans described below when it calculates overall compensation for senior executives.

Kforce Nonqualified Deferred Compensation Plan. Kforce maintains a nonqualified deferred compensation plan in which eligible management and highly compensated key employees, as defined by IRS regulations, may elect to defer part of their compensation to later years. Amounts deferred are indexed to investment options selected by the eligible employees and increase or decrease in value based upon the performance of the selected investments. Eligible employees are permitted to change investment options and scheduled distributions annually. Kforce has insured the lives of the participants in the deferred compensation plan to assist in the funding of the deferred compensation liability. Employer matching contributions to the nonqualified deferred compensation plan are discretionary and are funded annually as approved by the Board of Directors. None of Kforce s NEOs made new contributions to the deferred compensation plan during 2008 and Kforce did not make any matching contributions for 2008.

Table of Contents

Kforce Inc. Supplemental Executive Retirement Plan. During 2006, Kforce adopted a Supplemental Executive Retirement Plan (SERP) for all NEOs. The primary goals of the SERP are to provide for retirement benefits, create an additional wealth accumulation opportunity and restore lost qualified pension benefits due to ERISA limitations on the contributions that can be made by NEOs to Kforce s 401(k) plan. The SERP is funded entirely by Kforce, and benefits are taxable to the executive officer upon receipt and deductible by Kforce when paid. Benefits payable under the SERP are targeted at 45% of the covered executive officer s average salary and bonus from the three years where the executive earned the highest salary and bonus during the last ten years of employment, which is subject to adjustment for early retirement and the participant s vesting percentage. Benefits under the SERP are normally paid based on the lump sum present value but may be paid over the life of the covered executive officer or 10-year annuity, as elected by the covered executive officer upon commencement of participation in the SERP. Normal retirement age under the SERP is defined as age 65. Vesting under the plan is defined as 100% upon a participant s attainment of age 55 and 10 years of service and 0% prior to a participant s attainment of age 55 and 10 years of service. Full vesting also occurs if a participant with five years or more of service is involuntarily terminated by Kforce without cause or upon death, disability or a change in control. Certain conditions allow for early retirement as early as age 55. The benefits under the SERP are reduced for a participant who has not either reached age 62 and 10 years of service or age 55 and 25 years of service.

Kforce Senior Executive Retirement Health Plan. During 2007, Kforce adopted a Supplemental Executive Retirement Health Plan (SERHP) for all NEOs. The primary goal of the SERHP is to provide postretirement health and welfare benefits to all NEOs, if qualified and elected. The vesting and eligibility requirements mirror that of the SERP and no advance funding is required by Kforce or the participants. Under the terms of their respective employment agreements, if an NEO retires while employed by Kforce, and qualify for retirement benefits under the SERP, then each may elect, on behalf of himself and his spouse, to participate in the SERHP.

The Committee believes the SERP and SERHP are necessary for the retention of our NEOs.

Employment, Severance and Change in Control Agreements

Kforce has employment agreements with each of its NEOs, which provide for severance payments under certain termination circumstances, including termination following a change in control, as defined in the employment agreements. The Committee has determined that it is in Kforce s best interests and that of its shareholders to recognize the contributions of the NEOs to Kforce s business and to continue to retain the services of the NEOs. These agreements have been amended from time to time, most recently in December 2008 for purposes of bringing them into compliance with the applicable provisions of Section 409A of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations and interpretive guidance issued thereunder. The specific amounts the NEOs would receive under the employment agreements are described in the 2008 Potential Payments Upon Termination or Change in Control section below. The Committee believes the employment agreements are an essential component of the executive compensation program and are necessary to attract and retain executive talent in a competitive market. The Committee periodically reviews the benefits provided under the employment agreements to ensure they serve Kforce s interests in retaining these key executives, are consistent with market practice and are reasonable.

Perquisites and Other Personal Benefits

Prior to 2008, Kforce provided each NEO an allowance of up to $50,000 for perquisites, which the NEO may use in his discretion for reimbursement of healthcare costs, financial planning fees, automobile allowance or any other appropriate perquisite. Since the $50,000 perquisite may be spent in the NEO s discretion, we included this amount in the salary column in the Summary Compensation Table below for 2007 and 2006. During 2008, the $50,000 perquisite allowance was eliminated.

Table of Contents

SUMMARY COMPENSATION TABLE

For Fiscal Years Ended December 31, 2008, 2007 and 2006

Name and Principal Position (a)	Year (b)	Salary (1) (c)	Bonus (d)	Stock Awards (2) (e)	Option Awards (3) (f)	Non-Equity Incentive Plan Compensation (4) (g)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (5)(6) (h)	All Other Compensation (i)	Total (j)
David Dunkel,	2008	$ 750,000	$ 0	$ 4,431,954	$ 852,317	$ 655,865	$ 460,875	$ 0	$ 7,151,011
CEO	2007	$ 675,000	$ 235,094	$ 597,037	$ 1,082,183	$ 1,800,000	$ 477,625	$ 0	$ 4,866,939
	2006	$ 625,000	$ 0	$ 940,878	$ 0	$ 325,000	$ 806	$ 0	$ 1,891,684
William Sanders,	2008	$ 600,000	$ 0	$ 1,298,314	$ 1,725,588	$ 472,223	$ 1,150,519	$ 0	$ 5,246,644
President	2007	$ 540,000	$ 153,873	$ 367,909	$ 594,079	$ 1,270,080	$ 1,128,579	$ 0	$ 4,054,520
	2006	$ 540,000	$ 0	$ 561,254	$ 0	$ 450,000	$ 2,001	$ 0	$ 1,553,255
Joseph Liberatore,	2008	$ 450,000	$ 0	$ 899,557	$ 645,938	$ 314,815	$ 13,946	$ 0	$ 2,324,256
Chief Financial	2007	$ 400,000	$ 92,858	$ 267,334	$ 222,381	$ 806,400	$ 167,676	$ 0	$ 1,956,649
Officer	2006	$ 400,000	$ 0	$ 314,988	$ 0	$ 290,000	$ 155	$ 0	$ 1,005,143
Michael Ettore,	2008	$ 335,000	$ 0	$ 524,013	$ 125,662	$ 200,625	$ 123,706	$ 0	$ 1,309,006
Chief Services	2007	$ 300,000	$ 93,750	$ 141,675	$ 43,262	$ 341,250	$ 165,536	$ 0	$ 1,085,473
Officer	2006	$ 300,000	$ 0	$ 131,477	$ 0	$ 165,000	$ 169	$ 0	$ 596,646
Stephen McMahan,	2008	$ 335,000	$ 0	$ 281,808	$ 48,643	$ 125,625	$ (170,245)	$ 0	$ 620,831
Chief Sales	2007	$ 300,000	$ 93,750	$ 138,630	$ 43,262	$ 333,750	$ 190,514	$ 0	$ 1,099,906
Officer	2006	$ 300,000	$ 0	$ 140,243	$ 0	$ 150,000	$ 238	$ 0	$ 590,481

(1) Represents each NEO s salary earned during the respective year. For 2007 and 2006, each NEO s salary included an annual perquisite allowance of $50,000 for each NEO, which the NEO could use in his discretion for reimbursement of healthcare costs, financial planning fees, automobile allowance or any other appropriate perquisite. In 2008, the perquisite allowance was eliminated.

(2) The amounts reported reflect the dollar amount recognized as compensation expense for financial statement reporting purposes during each of 2008, 2007, and 2006 in accordance with SFAS 123R. For a discussion of the assumptions used in the 2008 fair value calculation of the equity-based awards, see Note 13, *Stock Incentive Plans*, and for the liability-based awards, see Note 12, *Employee Benefit Plans*, to Kforce s consolidated financial statements, included in our Annual Report on Form 10-K for fiscal 2008. The amount reported for Mr. McMahan in 2008 includes a reduction in compensation expense of $238,510 as a result of his termination in January 2009. No other estimates of forfeitures were taken into account.

The significant increase in the reported compensation expense in this Stock Awards column for 2008 is primarily related to the Compensation Committee s approval of the acceleration of the vesting of the PARS granted in 2008 as a result of the sale of Kforce s Scientific and per-diem Nursing businesses and, as a result, the previously unrecognized compensation expense associated with these awards was fully recognized in 2008. The incremental compensation expense recognized in 2008 related to the acceleration as a result of the sale of these businesses for Messrs. Dunkel, Sanders, Liberatore was $2,988,968, $591,070, $331,879, respectively, and was $193,693 for Messrs. Ettore and McMahan.

(3) The amounts reported reflect the dollar amount recognized as compensation expense for financial statement reporting purposes during each of 2008, 2007, and 2006 in accordance with SFAS 123R for the SARs granted during 2008 and 2007. For a discussion of the assumptions used in the 2008 fair value calculation of the SARs, see Note 13, *Stock Incentive Plans* to Kforce s consolidated financial statements included in our Annual Report on Form 10-K for fiscal 2008. The amount reported for Mr. McMahan in 2008 includes a reduction in compensation expense of $77,019 as a result of his termination in January

2009. No other estimates of forfeitures were taken into account.

The significant increase in the reported compensation expense for 2008 in this Option Awards column is related to the Compensation Committee s approval of the acceleration of the vesting of the SARs granted in 2008 as a result of the sale of Kforce s Scientific and per-diem Nursing businesses and, as a result, the previously unrecognized compensation expense associated with these awards was fully recognized in 2008. The incremental compensation expense recognized in 2008 related to the acceleration as a result of the sale of these businesses for Messrs. Sanders and Liberatore was $677,316 and $253,222, respectively, and was $49,409 for Messrs. Ettore and McMahan. Mr. Dunkel was not awarded SARs on January 2, 2008.

Table of Contents

(4) Represents annual incentive compensation (including both the Incentive Bonuses and Individual Bonuses) earned by the NEOs during each of 2008, 2007, and 2006.

(5) This includes the aggregate change in the accumulated benefit obligation for the SERP and SERHP using the same measurement dates used for financial reporting purposes with respect to Kforce s consolidated financial statements for fiscal 2008. See the Pension Benefits table below for more detail and discussion.

The negative amount in 2008 for Mr. McMahan is related to his termination of employment in early 2008 as he was not entitled to a previously accrued benefit at the time of his termination.

(6) Of the NEOs, Messrs. Dunkel and Sanders are the only participants in Kforce s nonqualified deferred compensation plans. There were no above-market or preferential earnings generated during 2008, 2007 or 2006, thus, there are no amounts included in column (h). See the Nonqualified Deferred Compensation table below for more detail on the activity during 2008 and balances maintained as of December 31, 2008.

GRANTS OF PLAN-BASED AWARDS

for Fiscal Year Ended December 31, 2008

Name (a)	Type of Award (b)	Grant Date (c)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards Threshold (d)	Target (e)	Maximum (f)	All Other Stock Awards Number of Shares of Stock or Units (g)	All Other Option Awards: Number of Securities Underlying Options (h)	Exercise or Base Price of Option Awards ($/Sh) (i)	Grant Date Fair Value (j)
David Dunkel	Annual Incentive Award (1)	3/11/2008; 12/31/2008		$ 750,000	$ 2,250,000				
	Performance Units (2)	1/2/2008				400,000			$ 3,576,000
	Restricted Stock (4)	2/15/2008				74,166			$ 600,003
William Sanders	Annual Incentive Award (1)	3/11/2008; 12/31/2008		$ 540,000	$ 1,800,000				
	Performance Units (2)	1/2/2008				79,100			$ 707,154
	Stock Appreciation Rights (3)	1/2/2008					237,301	$ 8.94	$ 1,257,695
	Restricted Stock (4)	2/15/2008				53,399			$ 431,998
Joseph Liberatore	Annual Incentive Award (1)	3/11/2008; 12/31/2008		$ 360,000	$ 1,350,000				
	Performance Units (2)	1/2/2008				44,414			$ 397,061
	Stock Appreciation Rights (3)	1/2/2008					88,829	$ 8.94	$ 470,794
	Restricted Stock (4)	1/2/2008				44,414			$ 397,061
	Restricted	2/15/2008				35,600			$ 288,004

	Stock (4)							
Michael Ettore	Annual Incentive Award (1)	3/11/2008; 12/31/2008	$ 251,250	$ 1,005,000				
	Performance Units (2)	1/2/2008			25,921			$ 231,734
	Stock Appreciation Rights (3)	1/2/2008				17,281	$ 8.94	$ 91,589
	Restricted Stock (4)	1/2/2008			43,202			$ 386,226
	Restricted Stock (4)	2/15/2008			15,528			$ 125,622

Table of Contents

Name (a)	Type of Award (b)	Grant Date (c)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards Threshold (d)	Target (e)	Maximum (f)	All Other Stock Awards Number of Shares of Stock or Units (g)	All Other Option Awards: Number of Securities Underlying Options (h)	Exercise or Base Price of Option Awards ($/Sh) (i)	Grant Date Fair Value (j)
Stephen McMahan	Annual Incentive Award (1)	3/11/2008; 12/31/2008		$ 251,250	$ 1,005,000				
	Performance Units (2)	1/2/2008				25,921			$ 231,734
	Stock Appreciation Rights (3)	1/2/2008					17,281	$ 8.94	$ 91,589
	Restricted Stock (4)	1/2/2008				43,202			$ 386,226
	Restricted Stock (4)	2/15/2008				15,528			$ 125,622

(1) These amounts represent the estimated future payouts under the 2008 Incentive Bonus and 2008 Individual Bonus, collectively. The threshold, as defined in Item 402(d) of Regulation S-K, represents the minimum amount payable upon attaining minimum performance thresholds established by the Compensation Committee each year. If the minimum performance thresholds are not attained, there would be no payout under the 2005 Annual Performance Bonus Plan. The maximum future payout under the 2005 Annual Performance Bonus Plan is 300% of the NEO s salary, which is disclosed in column (f). Actual payments for bonuses earned during 2008 are listed in column (g) of the Summary Compensation Table.

(2) Performance units are grants of PARS under the 2006 Stock Incentive Plan. PARS have a six-year vesting period; however, vesting is accelerated if the price of Kforce s Common Stock exceeds the stock price at the date of grant by 50% for a period of 10 trading days or certain performance conditions are met that relate to the disposition of a portion of the business at a sufficient gain, which is subject to the discretion of the Compensation Committee of the Board. The stock price and grant date fair value for the January 2, 2008 awards was $8.94. See Note 13*, Stock Incentive Plans,* to Kforce s consolidated financial statements included in our Annual Report on Form 10-K for fiscal 2008 for the assumptions made in determining fair value in accordance with SFAS 123R. Compensation expense recognized in accordance with SFAS 123R is included within the amounts presented in column (e) of the Summary Compensation Table.

During 2008, the Compensation Committee approved the acceleration of the vesting of the PARS as a result of the sale of Kforce s Scientific and per-diem Nursing businesses.

(3) SARs granted under the 2006 Stock Incentive Plan are fully vested three years from the date of grant. However, vesting is accelerated if the price of Kforce s Common Stock exceeds the stock price at the date of grant by 30% for a period of 10 trading days or certain performance conditions are met that relate to the disposition of a portion of the business at a sufficient gain, which is subject to the discretion of the Compensation Committee of the Board. The grant date fair value for the January 2, 2008 awards was $5.30. See Note 13*, Stock Incentive Plans,* to Kforce s consolidated financial statements included in our Annual Report on Form 10-K for fiscal 2008 for the assumptions made in determining fair value in accordance with SFAS 123R. Compensation expense recognized in accordance with SFAS 123R is included in column (f) of the Summary Compensation Table.

During 2008, the Compensation Committee approved the acceleration of the vesting of the SARs as a result of the sale of Kforce s Scientific and per-diem Nursing businesses.

(4)

The restricted stock granted under the 2006 Stock Incentive Plan on January 2, 2008 and February 15, 2008 has a six-year and one-year vesting period, respectively. The stock price and grant date fair value for the January 2, 2008 and February 15, 2008 awards was $8.94 and $8.09, respectively. See Note 13, *Stock Incentive Plans,* to Kforce s consolidated financial statements included in our Annual Report on Form 10-K for fiscal 2008 for the assumptions made in determining fair value in accordance with SFAS 123R. Compensation expense recognized in accordance with SFAS 123R is included within the amounts presented in column (e) of the Summary Compensation Table.

Table of Contents

OUTSTANDING EQUITY AWARDS

at Fiscal Year Ended December 31, 2008

	Option Awards				Stock Awards	
Name (a)	**Number of Securities Underlying Unexercised Options Exercisable (b)**	**Number of Securities Underlying Unexercised Options Unexercisable (c)**	**Option Exercise Price (d)**	**Option Expiration Date (e)**	**Number of Shares or Units of Stock That Have Not Vested (f)**	**Market Value of Shares or Units of Stock That Have Not Vested (g)**
David Dunkel	192,559(1)		$ 13.438	1/1/2010		
	200,000(1)		$ 15.25	2/3/2010		
	206,782(1)		$ 5.30	1/17/2012		
	153,300(1)		$ 9.35	1/1/2014		
	187,200(1)		$ 10.95	12/21/2014		
		255,723(7)	$ 12.66	1/3/2017		
					65,570(8)	$ 503,578
					30,000(9)	$ 230,400
					74,166(12)	$ 569,595
William Sanders	100,000(2)		$ 8.6875	4/1/2009		
	158,621(2)		$ 7.25	9/2/2009		
	92,559(2)		$ 13.438	1/1/2010		
	98,000(2)		$ 15.25	2/3/2010		
	74,700(2)		$ 9.35	1/1/2014		
	107,985(2)		$ 10.95	12/21/2014		
		140,383(7)	$ 12.66	1/3/2017		
	237,301(6)		$ 8.94	1/2/2018		
					35,995(8)	$ 276,442
					25,000(9)	$ 192,000
					53,399(12)	$ 410,014
Joseph Liberatore	42,559(3)		$ 13.438	1/1/2010		
	68,200(3)		$ 15.25	2/3/2010		
	43,400(3)		$ 9.35	1/1/2014		
	56,597(3)		$ 10.95	12/21/2014		
		52,549(7)	$ 12.66	1/3/2017		
	88,829(6)		$ 8.94	1/2/2018		
					20,211(8)	$ 155,220
					20,000(9)	$ 153,600
					20,211(10)	$ 155,220
					44,414(11)	$ 341,100
					35,600(12)	$ 273,408
Michael Ettore	2,500(4)		$ 9.9375	4/23/2009		
	25,000(4)		$ 7.25	9/2/2009		
	6,511(4)		$ 15.25	2/3/2010		
	25,000(4)		$ 3.4925	1/26/2011		
	25,000(4)		$ 5.30	1/17/2012		
	20,000(4)		$ 9.35	1/1/2014		
	32,011(4)		$ 10.95	12/21/2014		
		10,223(7)	$ 12.66	1/3/2017		
	17,281(6)		$ 8.94	1/2/2018		
					11,796(8)	$ 90,593
					10,000(9)	$ 76,800
					19,660(10)	$ 150,989
					43,202(11)	$ 331,791
					15,528(12)	$ 119,255

Stephen McMahan	36,948(5)		$ 5.30	1/17/2012		
	20,000(5)		$ 9.35	1/1/2014		
	20,000(5)		$ 10.95	12/21/2014		
		10,223(7)	$ 12.66	1/3/2017		
	17,281(6)		$ 8.94	1/2/2018		
					11,796(8)	$ 90,593
					9,000(9)	$ 69,120
					19,660(10)	$ 150,989
					43,202(11)	$ 331,791
					15,528(12)	$ 119,255

Table of Contents

(1) With respect to the options granted to Mr. Dunkel, the following are the vesting dates for each of the options listed above: (a) the grant of 192,559 options vested as follows: 40,000 vested on 1/1/2001; 60,000 on 1/1/2002; and 92,559 on 1/1/2003, (b) the grant of 200,000 options vested as follows: 40,000 on 2/3/2001; 60,000 on 2/3/2002; and 100,000 on 2/3/2003; (c) the grant of 206,782 options vested as follows: 57,200 on 1/17/2003; 85,800 on 1/17/2004; and 124,133 on 9/09/2004; (d) the grant of 153,300 options vested on 12/30/2004; and (e) the grant of 187,200 options vested on June 30, 2005.

(2) With respect to the options granted to Mr. Sanders, the following are the vesting dates for each of the options listed above: (a) the grant of 100,000 options vested as follows: 20,000 on 4/1/2000; 30,000 on 4/1/2001; and 50,000 on 4/1/2002; (b) the grant of 158,621 options vested as follows: 31,724 on 9/2/2000; 47,586 on 9/2/2001; 79,311 on 9/2/2002; (c) the grant of 92,559 options vested as follows: 20,000 on 1/1/2001; 30,000 on 1/1/2002; and 42,559 on 1/1/2003; (d) the grant of 98,000 options vested as follows: 19,600 on 2/3/2001; 29,400 on 2/3/2002; and 49,000 on 2/3/2003; (e) the grant of 74,700 options vested on December 30, 2004; and (f) the grant of 107,985 options vested on June 30, 2005.

(3) With respect to the options granted to Mr. Liberatore, the following are the vesting dates for each of the options listed above: (a) the grant of 42,559 options vested as follows: 10,000 on 1/1/2001; 15,000 on 1/1/2002; and 17,559 on 1/1/2003; (b) the grant of 68,200 options vested as follows: 13,640 on 2/3/2001; 20,460 on 2/3/2002; and 34,100 on 2/3/2003; (c) the grant of 43,400 options vested on December 30, 2004; and (d) the grant of 56,597 options vested on June 30, 2005.

(4) With respect to the options granted to Mr. Ettore, the following are the vesting dates for each of the options listed above: (a) the grant of 2,500 options vested as follows: 500 on 4/23/2000; 750 on 4/23/2001; and 1,250 on 4/23/2002; (b) the grant of 25,000 options vested as follows: 5,000 on 9/2/2000; 7,500 on 9/2/2001; and 12,500 on 9/2/2002; (c) the grant of 6,511 options vested as follows: 1,302 on 2/3/2001; 1,953 on 2/3/2002; and 3,256 on 2/3/2003; (d) the grant of 25,000 options vested as follows: 8,334 on 1/26/2002; 8,333 on 1/26/2003; and 8,333 on 1/26/2004; (e) the grant of 25,000 options vested as follows: 5,000 on 1/17/2003; 7,500 on 1/17/2004; and 12,500 on 1/17/2005; (f) the grant of 20,000 options vested on 12/30/2004; and (g) the grant of 32,011 options vested on 6/30/2005.

(5) With respect to the options granted to Mr. McMahan, the following are the vesting dates for each of the options listed above: (a) the grant of 36,948 options vested as follows: 12,316 on 1/17/2003; 12,316 on 1/17/2004; and 12,316 on 9/09/2004; (b) the grant of 20,000 options vested on 12/31/2004; and (c) the grant of 20,000 options vested on 06/30/2005.

(6) With respect to the SARs granted to Messrs. Sanders, Liberatore, Ettore and McMahan on January 2, 2008, cliff vesting was to occur on January 2, 2011. Also, vesting was to be accelerated if Kforce s stock price exceeds the stock price at the date of grant by 30% for a period of ten trading days. In addition, the SARs contained a performance-based acceleration feature that related to the disposition of a portion of Kforce s business at a sufficient gain, which was subject to Compensation Committee approval. On June 30, 2008, the Compensation Committee approved the acceleration of the vesting of the SARs that were granted on January 2, 2008 as a result of the sale of Kforce s Scientific and per-diem Nursing businesses.

(7) With respect to the SARs granted to Messrs. Dunkel, Sanders, Liberatore, Ettore and McMahan on January 3, 2007, cliff vesting occurs on January 3, 2010. Vesting is accelerated if Kforce s stock price exceeds the stock price at the date of grant by 30%, or $16.46, for a period of ten trading days.

(8) With respect to the PARS granted to Messrs. Dunkel, Sanders, Liberatore, Ettore and McMahan on January 3, 2007, 25% of the total units granted vest on each of January 3, 2010, January 3, 2011, January 3, 2012 and January 3, 2013. Vesting is accelerated if Kforce s stock price exceeds the stock price at the date of grant by 50%, or $18.99, for a period of ten trading days.

(9) With respect to the PARS granted to Messrs. Dunkel, Sanders, Liberatore, Ettore and McMahan on February 15, 2007, 25% of the total units granted vest on each of February 15, 2010, February 15, 2011, February 15, 2012 and February 15, 2013. Vesting is accelerated if Kforce s stock price exceeds the stock price at the date of grant by 50%, or $20.88, for a period of ten trading days.

(10) With respect to the restricted stock granted to Messrs. Liberatore, Ettore and McMahan on January 3, 2007, 20% of the total units granted vest on each of January 3, 2009, January 3, 2010, January 3, 2011, January 2, 2012 and January 3, 2013.

(11) With respect to the restricted stock granted to Messrs. Liberatore, Ettore and McMahan on January 2, 2008, 20% of the total units granted vest on each of January 2, 2010, January 2, 2011, January 2, 2012, January 2, 2013 and January 2, 2014.

(12) With respect to the restricted stock granted to Messrs. Dunkel, Sanders, Liberatore, Ettore and McMahan on February 15, 2008, 100% of the total units granted vested on February 15, 2009.

OPTION EXERCISES AND STOCK VESTED

for Fiscal Year Ended December 31, 2008

	Option Awards		Stock Awards	
Name (a)	Number of Shares Acquired on Exercise (b)	Value Realized Upon Exercise (1) (c)	Number of Shares Acquired on Vesting (2) (d)	Value Realized On Vesting (3) (e)
David Dunkel	299,707	$ 1,199,704	400,000	$ 3,396,000
William Sanders			79,100	$ 671,559
Joseph Liberatore	31,673	$ 117,507	44,414	$ 377,075
Michael Ettore			25,921	$ 220,069
Stephen McMahan			25,921	$ 220,069

31

Table of Contents

(1) Value realized represents the market value of Kforce s Common Stock at the time of exercise, minus the exercise price and multiplied by the number of options exercised.
(2) The shares acquired on vesting in 2008 relate to the acceleration that occurred as a result of the sale of Kforce s Scientific and per-diem Nursing businesses.
(3) Value realized represents the market value of Kforce s Common Stock at the time of vesting multiplied by the number of shares vested.

PENSION BENEFITS

for Fiscal Year Ended December 31, 2008

Name (a)	Plan Name (b)	Number of Years Credited Service (1) (c)	Present Value of Accumulated Benefit (2) (d)	Payments During Last Fiscal Year (e)
David Dunkel	Supplemental Executive Retirement Plan	2	$ 608,426	
	Supplemental Executive Retirement Health Plan	2	$ 261,370	
William Sanders	Supplemental Executive Retirement Plan	2	$ 1,940,297	
	Supplemental Executive Retirement Health Plan	2	$ 224,617	
Joseph Liberatore	Supplemental Executive Retirement Plan	2	$ 111,301	
	Supplemental Executive Retirement Health Plan	2	$ 42,578	
Michael Ettore	Supplemental Executive Retirement Plan	2	$ 161,243	
	Supplemental Executive Retirement Health Plan	2	$ 109,023	
Stephen McMahan (3)	Supplemental Executive Retirement Plan	2	$ 0	
	Supplemental Executive Retirement Health Plan	2	$ 0	

(1) The NEOs were not credited with any years of service prior to December 31, 2006, the effective date of the plans. On each anniversary of the effective date, each NEO is credited with a year of service.
(2) Actuarial present value of accumulated benefit computed as of the same pension plan measurement date used for financial reporting purposes with respect to Kforce s consolidated financial statements for fiscal 2008, using 65, which is the earliest retirement age at which the executive could retire under the plan without benefits being reduced. For a discussion of the assumptions used, see Note 12, *Employee Benefit Plans*, to Kforce s consolidated financial statements, included in our Annual Report on Form 10-K for fiscal 2008.
(3) The actuarial present value of the accumulated benefit for Mr. McMahan is $0 for the supplemental executive retirement plan and the supplemental executive retirement health plan as of December 31, 2008 as Kforce deemed it to be probable that Mr. McMahan s employment would be terminated. Thus, this specific turnover assumption was taken into account when measuring the benefit obligation as of December 31, 2008.

NONQUALIFIED DEFERRED COMPENSATION

for Fiscal Year Ended December 31, 2008

Name (a)	Executive Contributions in Last FY (b)	Registrant Contributions in Last FY (c)	Aggregate Earnings in Last FY (2) (d)	Aggregate Withdrawals/ Distributions (d)	Aggregate Balance at Last FYE (e)
David Dunkel			$ (41,073)		$ 56,810
William Sanders			$ (9,405)		$ 11,322
Joseph Liberatore (1)					
Michael Ettore (1)					
Stephen McMahan (1)					

(1) Messrs. Liberatore, Ettore and McMahan do not participate in Kforce s nonqualified deferred compensation plan.
(2) The aggregate earnings for 2008 represents appreciation or depreciation in the market value of the respective accounts holdings and interest and dividends generated thereon. These amounts were not reported in column (h) of the Summary Compensation Table for 2008 as there were no above-market or preferential earnings generated.

Table of Contents

2008 POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

This section provides information on amounts that would have been payable to each NEO assuming a termination of employment on December 31, 2008. The amounts that actually would be payable if any such event occurs in the future would be different than those set forth below, which are calculated under the assumption that the event occurred on December 31, 2008 and based on the closing price of Kforce s stock on the last trading day of the year. We note that such payments are contingent upon various factors in place at the time of the occurrence of the assumed event, including, but not limited to:

(1) each executive s current salary rate, annual performance bonus awards, and annual long-term incentive awards;

(2) the amount and type of unvested equity and other incentive awards held by the executive;

(3) the trading price of Kforce s stock;

(4) the cost of providing employee benefits;

(5) the executive s elections of employee benefits;

(6) the executive s age or years of service with Kforce;

(7) the date of termination;

(8) the circumstances of the termination; and

(9) the executive s historical salary, performance bonus awards, and long-term incentive awards.

The following tables describe potential payments to the NEOs upon termination or a change in control (CIC) pursuant to their respective employment agreements, which were approved by the Compensation Committee. As mentioned above, these amounts assume that each NEO terminated employment on December 31, 2008. The footnotes referenced in each of the tables follow the last table and relate to all tables.

Pursuant to the age and service provisions of Kforce s SERP, none of the NEOs were eligible for early or normal retirement as of December 31, 2008. Upon retirement, and subject to the provisions of the SERP, the NEOs would be eligible to receive all accrued salary, bonus and employee benefits such as paid-time-off as of December 31, 2008 and would also have the ability to exercise, if necessary, all plan-based awards that were vested as of December 31, 2008. As a result of the above, these columns have been omitted from the tables below.

David Dunkel

Payments and Benefits Upon Termination (a)	By Employer Without Cause or By Employee For Good Reason	By Employee Without Good Reason (c)	By Employer For Cause Termination (d)	By Employer Without Cause or By Employee For Good Reason Within 1 Year	Death (f)	Disability (g)

	(b)			Following CIC (e)		
Compensation:						
Severance payment (1)	$ 5,282,427	$	$	$ 11,218,598	$	$
Equity-based compensation (2)				$ 1,795,714		
Benefits and Perquisites:						
Continuation of base salary (3)					$ 2,078,350	$ 2,078,350
Continuation of health care benefits (4)						
Retirement benefit SERP (5)				$ 4,613,105		
Retirement health benefit SERHP (6)				$ 261,370	$ 261,370	$ 261,370
Outplacement services				$ 20,000		
	$ 5,282,427	$	$	$ 17,908,787	$ 2,339,720	$ 2,339,720

33

Table of Contents

William Sanders

Payments and Benefits Upon Termination (a)	By Employer Without Cause or By Employee For Good Reason (b)	By Employee Without Good Reason (c)	By Employer For Cause Termination (d)	By Employer Without Cause or By Employee For Good Reason Within 1 Year Following CIC (e)	Death (f)	Disability (g)
Compensation:						
Severance payment (1)	$ 3,096,176	$	$	$ 8,463,525	$	$
Equity-based compensation (2)				$ 946,753		
Benefits and Perquisites:						
Continuation of base salary (3)					$ 1,662,680	$ 1,398,456
Continuation of health care benefits (4)						
Retirement benefit SERP (5)				$ 5,935,488	$ 1,378,339	$ 4,683,582
Retirement health benefit SERHP (6)				$ 224,617	$ 224,617	$ 224,617
Outplacement services				$ 20,000		
	$ 3,096,176	$	$	$ 15,590,383	$ 3,265,636	$ 6,306,655

Joseph Liberatore

Payments and Benefits Upon Termination (a)	By Employer Without Cause or By Employee For Good Reason (b)	By Employee Without Good Reason (c)	By Employer For Cause Termination (d)	By Employer Without Cause or By Employee For Good Reason Within 1 Year Following CIC (e)	Death (f)	Disability (g)
Compensation:						
Severance payment (1)	$ 2,114,073	$	$	$ 5,707,018	$	$
Equity-based compensation (2)				$ 1,078,548		
Benefits and Perquisites:						
Continuation of base salary (3)					$ 1,247,010	$ 1,247,010
Continuation of health care benefits (4)						
Retirement benefit SERP (5)						
Retirement health benefit SERHP (6)				$ 42,578	$ 42,578	$ 42,578
Outplacement services				$ 20,000		
	$ 2,114,073	$	$	$ 6,848,144	$ 1,289,588	$ 1,289,588

Michael Ettore

Payments and Benefits Upon Termination (a)	By Employer Without Cause or By Employee For Good Reason (b)	By Employee Without Good Reason (c)	By Employer For Cause Termination (d)	By Employer Without Cause or By Employee For Good Reason Within 1 Year Following CIC (e)	Death (f)	Disability (g)

Compensation:						
Severance payment (1)	$ 1,305,625	$	$	$ 2,728,597	$	$
Equity-based compensation (2)				$ 944,366		
Benefits and Perquisites:						
Continuation of base salary (3)					$ 635,299	$ 635,299
Continuation of health care benefits (4)						
Retirement benefit SERP (5)				$ 546,534		
Retirement health benefit SERHP (6)				$ 109,023	$ 109,023	$ 109,023
Outplacement services				$ 20,000		
	$ 1,305,625	$	$	$ 4,348,520	$ 744,322	$ 744,322

(1) The severance payment amount depends upon the type of termination. Under column (b), the NEOs are entitled to a severance payment calculated as a factor (ranging from 2.00 to 2.99) of the sum of their salary on the date of termination plus the average of their cash bonuses over a period of time (ranging from two to three years), as specified in their respective employment agreement. Under column (e), the severance payment would include cash bonuses and the value of stock options, restricted stock, PARS, SARs and the ALTI in the calculation of the bonus whereas column (b) only includes cash bonuses. The factors used in the calculation of the severance payment described above are as follows for each of the NEOs: Mr. Dunkel 2.99, Mr. Sanders 2.00 under column (b) and 2.99 under column (e), Mr. Liberatore 2.00 under column (b) and 2.99 under column (e), and Mr. Ettore 2.00. The severance payment would be paid to the NEO within 30 days of termination. No severance payment would occur under the following: (i) termination by employee without good reason (column (c)); (ii) termination by employer for cause (column (d)); (iii) death (column (f)) or (iv) disability (column (g)).

(2) Equity-based compensation, including stock options, restricted stock, PARS and SARs, is treated differently depending on the type of termination, as follows:

Under columns (b), (c) and (d), the NEO has the ability to exercise, if necessary, all awards that were granted and vested at the date of termination. No vesting acceleration occurs as a result of termination under columns (b), (c) or (d).

Under column (e), all stock options, restricted stock, PARS and SARs, as reflected in the tables above, would immediately vest on a CIC event. The amounts included in column (e) represent the payout that would be received upon a CIC and is based on Kforce s closing stock price on December 31, 2008.

Under column (f), upon death of the NEO, all restricted stock, PARS and SARs, as reflected in the tables above, would immediately vest. All stock options and other equity awards must be exercised, if necessary, within 90 days of the NEO s death by their beneficiary. The amount of compensation expense that would be recognized upon the immediate vesting of equity awards has not been provided as it would not constitute a potential cash payment.

Under column (g), upon disability of the NEO, continuation of vesting would occur in accordance with the original vesting conditions for a period of 30 days after a termination notice is received (the Disability Effective Date). However, if the NEO dies within 2.99 years after the Disability Effective Date, except for Mr. Ettore for which the period is two years, or if a CIC occurs prior to the Disability Effective Date, all restricted stock, PARS and SARs would immediately vest. The amount of compensation expense that would be recognized in the event immediate vesting occurred has not been provided as it would not constitute a potential cash payment.

(3) Upon termination due to the death of the NEO, salaries would be continued to their beneficiary for a period of 2.99 years except for Mr. Ettore for which the period is two years. Upon termination due to disability of the NEO, salaries would be continued until the earlier of (i) death, (ii) the NEOs 65th birthday or (iii) 2.99 years except for Mr. Ettore for which the term is 2 years. For purposes of this disclosure, Kforce has used 2.99 years for Messrs. Dunkel and Liberatore, 2.50 years for Mr. Sanders due to the age limitation, and two years for Mr. Ettore as these are deemed to be the most probable outcomes if a disability occurred on December 31, 2008, given their current ages. The annual payment amounts have been discounted at a rate of 5.50%, which is the lump sum conversion amount that was utilized for the SERP benefit at December 31, 2008.

(4) Although each of the NEOs employment agreements specifies continuation of health care benefits upon CIC, death and disability, no amounts have been included in columns (e), (f) and (g) as each of the NEOs would be entitled to a benefit under the SERHP.

(5) Upon termination due to disability, each NEO would be entitled to a continuation of crediting of additional years of cumulative service for a period of 2.99 years, except Mr. Ettore which period would be 2.00 years. In addition, the NEOs are credited with up to 10 years of additional cumulative years of service under the SERP upon a CIC. The amount included in columns (e), (f) and (g) is the lump sum present value of the future monthly vested benefit, as determined pursuant to the SERP document, using a lump sum conversion rate that was consistent with the assumptions used in our Annual Report on Form 10-K for fiscal 2008. Upon death or disability, the NEOs are entitled to continuation of base salary pursuant to their employment agreements. If this benefit is less than the benefit otherwise payable under the SERP, the SERP benefit disclosed in columns (f) and (g) is net of the related benefit under their employment agreements.

(6) Upon termination due to death or disability or upon the occurrence of a CIC, each NEO would be entitled to a benefit under the SERHP. The amount included in columns (e), (f) and (g) is the accumulated postretirement benefit obligation, as determined using the assumptions used in our Annual Report on Form 10-K for fiscal 2008.

Stephen McMahan

On January 5, 2009, Mr. McMahan declined to accept a modified role within Kforce and, with an effective date of February 15, 2009, left Kforce s service. In conjunction with such termination, Mr. McMahan and Kforce executed a Separation and Release Agreement (the Agreement), effective January 21, 2009. Pursuant to the Agreement, in exchange for certain releases, Mr. McMahan received a severance payment of $623,750. As a result of Mr. McMahan s termination, the tables provided above for the other NEOs have been omitted for Mr. McMahan in order to reduce confusion given the certainty that existed relative to Mr. McMahan s benefit upon termination pursuant to his employment agreement.

Table of Contents

Gross-Up Payments

In the event the amount payable to an NEO when termination occurs by the employer without cause or by the employee for good reason following a CIC (amounts under column (e)) is subject to an excise tax under Section 4999 of the Code, Kforce is required to pay the NEO an additional amount (the Gross-up Payment) sufficient to leave the NEO in the same after-tax position as if no excise tax had been incurred. Based upon the requirements of Section 4999 of the Code and the structure of Kforce s employment agreements with its NEOs, Kforce does not currently believe that it would be required to pay the Gross-up Payment to the NEOs.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During 2008, Kforce had no interlocking relationships in which (1) an executive officer of Kforce served as a member of the compensation committee of another entity, one of whose executive officers served on the Compensation Committee of Kforce; (2) an executive officer of Kforce served as a director of another entity, one of whose executive officers served on the Compensation Committee of Kforce; or (3) an executive officer of Kforce served as a member of the compensation committee of another entity, one of whose executive officers served as a director of Kforce.

During 2008, the Compensation Committee consisted of W.R. Carey, Jr., Mark F. Furlong, Elaine D. Rosen (Chair) and Ralph E. Struzziero. Mr. Struzziero served as the Chairman (1990-1994) and President (1980-1994) of Romac & Associates, Inc., a company we acquired in 1994. None of the other members of the Compensation Committee is currently or was formerly an officer or an employee of Kforce or its subsidiaries and none had any relationship with Kforce requiring disclosure in this proxy statement under Item 404 of Regulation S-K.

COMPENSATION COMMITTEE REPORT

The Compensation Committee of Kforce has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated into Kforce s Annual Report on Form 10-K for the year ended December 31, 2008.

Submitted by the Compensation Committee

Elaine D. Rosen (Chair)

W.R. Carey, Jr.

Mark F. Furlong

Ralph E. Struzziero

The information contained in the above Compensation Committee Report shall not be deemed soliciting material or filed with the SEC, or subject to the liabilities of Section 18 of the Exchange Act, except to the extent that we specifically incorporate it by reference into such filings.

Table of Contents

PROPOSAL 3. APPROVAL OF AN AMENDMENT TO THE

KFORCE INC. 2006 STOCK INCENTIVE PLAN

General

Since the completion of its Initial Public Offering in August 1995, Kforce has had in effect key employee equity incentive plans, consisting of the Kforce Inc. Employee Incentive Stock Option Plan (the 1995 Plan), which expired in 2005, and the Kforce Inc. 2006 Stock Incentive Plan (the Stock Incentive Plan). These plans were designed to provide an additional incentive to and for the retention of executives, employees and directors that we believe are key to the success of Kforce, especially given that we are a provider of professional and technical specialty staffing services and solutions in which there are few tangible assets and in which our great people represent the true assets of Kforce. The Board believes these plans have been highly effective in providing such incentive and retention benefits. The Board also believes that for Kforce to continue to attract and retain outstanding individuals, it must continue to have incentive plans of these types in place.

The Board adopted the Stock Incentive Plan in April 2006 and our shareholders approved the Stock Incentive Plan in June 2006. The Stock Incentive Plan authorized 3,000,000 shares of Common Stock to be reserved for issuance pursuant to the terms of the Stock Incentive Plan. Eligible participants in the Stock Incentive Plan include our employees, consultants and nonemployee directors. The Stock Incentive Plan provides for the granting of both incentive stock options as defined in Section 422 of the Internal Revenue Code (the Code) and nonqualified stock options, as well as restricted stock, stock appreciation rights and other stock-based awards.

Since adoption of the Stock Incentive Plan, almost all of the 3,000,000 shares initially reserved under the Stock Incentive Plan have been granted to executives and directors. As of March 31, 2009, 38,245,027 shares of Kforce s Common Stock were issued and outstanding, and the number of shares outstanding and available, under the Stock Incentive Plan and the 1995 Plan, is as follows:

	As of March 31, 2009	
Award Type	**Shares Outstanding**	**Shares Available**
Stock Options/SARs (1)	3,825,965	89,943
Full Value Awards	1,180,696	37,821
Total	5,006,661	127,764

(1) The weighted average exercise price of outstanding stock options and SARs is $10.48 and the weighted average remaining contractual term is 4.13 as of March 31, 2009.

Proposal

In April 2009, the Board adopted an amendment to the Stock Incentive Plan, subject to shareholder approval. The amendment to the Stock Incentive Plan includes the following:

- Increase the maximum aggregate number of shares of Common Stock that may be subject to future awards under the Stock Incentive Plan by 2,100,000, to a maximum of 5,100,000 shares.

- Implement a fungible share pool structure whereby each option or SAR shall be counted against the share limit as one share; and whereby each full value award (restricted stock award, performance share or performance unit) shall be counted against the share limit as 1.39 shares.

Increase the maximum number of options, stock appreciation rights and restricted stock that can be awarded to any single employee or consultant in any calendar year from 400,000 shares to 1,000,000 shares.

Expand the performance criteria applicable to performance-based restricted stock grants, which Kforce believes provides it with additional flexibility in selecting the most appropriate criteria in determining the extent to which performance-based restricted stock may be granted and are intended to qualify under the performance based compensation provisions of Code Section 162(m).

The Board of Directors adopted this amendment, subject to shareholder approval. Therefore, this amendment will not become effective if the shareholders do not approve it.

Table of Contents

Recommendation of the Board of Directors

The Board believes that it is in Kforce s and our shareholders best interests to amend the Stock Incentive Plan to provide for: (i) a 2,100,000 share increase in the aggregate number of shares of Kforce s Common Stock that may be used for future awards under the Stock Incentive Plan; (ii) an increase in the maximum number of stock appreciation rights and restricted stock that can be awarded to any single employee or consultant in any calendar year to 1,000,000 shares; and (iii) an expansion to the performance criteria applicable to performance-based restricted stock grants. The Board believes that the proposed increase in the total number of shares available for awards under the Stock Incentive Plan is necessary to ensure that a sufficient number of shares will be available to fund our compensation programs. Further, the Board believes that, unless our shareholders approve this amendment, the shares available for awards under the Stock Incentive Plan will be insufficient to satisfy our equity compensation needs for 2009 and beyond. Therefore, if our shareholders do not approve this amendment, we will experience a shortfall of shares available for issuance under the Stock Incentive Plan that we believe may adversely affect our ability to attract, retain and reward associates who contribute to our long-term success.

Kforce believes that the repurchase of Common Stock in the open market is an effective use of its operating cash flow that is also aligned with our shareholders interests by increasing their respective equity ownership percentage in Kforce. During 2008, Kforce repurchased 4,395,630 in the open market at a total cost of $36,712,068.

As a result of the shortfall of shares available for issuance under the Stock Incentive Plan that will be experienced if our shareholders do not approve the amendment, it will be necessary to design and implement alternative long-term incentive (ALTI) plans for our NEOs similar to what was done for the January 2, 2009 ALTI plan, as discussed previously in the CD&A. Although the use of ALTI plans is a method to attract, retain and reward our NEOs, it is not preferred as their use results in a significant use of Kforce s cash resources, thereby reducing the availability under our Credit Facility that can be better utilized for activities including share repurchases, strategic acquisitions and working capital requirements. ALTI plans also introduce a significant amount of earnings volatility due to the remeasurement of fair value over the requisite service period.

THE BOARD UNANIMOUSLY RECOMMENDS A VOTE *FOR* THE AMENDMENT TO THE KFORCE INC. 2006 STOCK INCENTIVE PLAN.

Summary of the Stock Incentive Plan, as Amended, Subject to Shareholder Approval

The following summary of the Stock Incentive Plan is qualified in its entirety by the terms of the Stock Incentive Plan, a copy of which reflecting the amendment referenced herein is attached to this proxy as Appendix A.

Purpose

The purposes of the Stock Incentive Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to motivate employees and consultants of Kforce and to promote the success of Kforce s business.

Awards

The Stock Incentive Plan provides for awards of incentive stock options, nonqualified stock options, restricted stock awards, performance units, performance shares and stock appreciation rights.

Stock Subject to the Stock Incentive Plan

The aggregate number of shares of Common Stock that may be subject to awards under the Stock Incentive Plan, subject to adjustment upon a change in capitalization, shall not exceed 5,100,000 shares. Each option or stock appreciation right granted and exercised shall reduce the share reserve by one share; and each full value share (restricted stock award, performance share or performance unit) shall reduce the share reserve by 1.39 shares. Such shares of Common Stock may be authorized, but unissued, or reacquired shares of Common Stock. Shares of Common Stock that were subject to Stock Incentive Plan awards that expire or become unexercisable without having been exercised in full shall become available for future awards under the Stock Incentive Plan.

Administration

The Stock Incentive Plan shall be administered by Kforce s Compensation Committee. Subject to the other provisions of the Stock Incentive Plan, the Compensation Committee has the power to determine the terms of each award granted, including the exercise price, the number of shares subject to the award and the exercisability thereof.

Eligibility

The Stock Incentive Plan provides that the Compensation Committee may grant awards to employees and consultants, including non-employee directors. The Compensation Committee may grant incentive stock options only to employees. A grantee who has received a grant of an award may, if he is otherwise eligible, receive additional award grants. The Compensation Committee selects the grantees and determines the number of shares of Common Stock to be subject to each award. In making such determination, the Compensation Committee shall take into account the duties and responsibilities of the employee or consultant, the value of his services, his potential contribution to the success of Kforce, the anticipated number of years of future service and other relevant factors. The Compensation Committee shall not grant to any employee, in any fiscal year of Kforce, incentive stock options, nonqualified stock options, restricted stock awards, performance units, performance shares or stock appreciation rights representing more than 1,000,000 shares of Common Stock.

Maximum Term and General Terms and Conditions of Awards

With respect to any grantee who beneficially owns stock possessing 10% or more of the voting power of all classes of stock of Kforce (a 10% Shareholder), the maximum term of any incentive stock option granted to such optionee must not exceed five years. The term of all other awards, as defined, granted under the Stock Incentive Plan may not exceed 10 years.

Each award granted under the Stock Incentive Plan is evidenced by a written agreement between the grantee and Kforce and is subject to the following general terms and conditions unless otherwise provided in the award agreement:

(a) Termination of Employment. If a grantee s continuous status as an employee or consultant terminates for any reason (other than upon the grantee s death or disability), the grantee may exercise his unexercised option or stock appreciation right, but only within such period of time as is determined by the Compensation Committee (with such determination being made at the time of grant and not exceeding 3 months in the case of an incentive stock option) and only to the extent that the grantee was entitled to exercise it at the date of such termination (but in no event may the option or stock appreciation right be exercised later than the expiration of the term of such award as set forth in the award agreement). A grantee s stock award shall be forfeited, to the extent it is forfeitable immediately before the date of such termination, or settled by delivery of the appropriate number of unrestricted shares, to the extent it is nonforfeitable. A grantee s performance shares or performance units with respect to which the performance period has not ended as of the date of such termination shall terminate.

(b) Disability. If a grantee s continuous status as an employee or consultant terminates as a result of permanent and total disability (as defined in Section 22(e)(3) of the Code), the grantee may exercise his unexercised option or stock appreciation right, but only within 90 days from the date of such termination, and only to the extent that the optionee was entitled to exercise it at the date of such termination (but in no event may the option or stock appreciation right be exercised later than the expiration of the term of such award as set forth in the award agreement). A grantee s stock award shall be forfeited, to the extent it is forfeitable immediately before the date of such termination, or settled by delivery of the appropriate number of unrestricted shares, to the extent it is nonforfeitable. A grantee s performance shares or performance units with respect to which the performance period has not ended as of the date of such termination shall terminate.

(c) Death. In the event of a grantee s death, the grantee s estate or a person who acquired the right to exercise the deceased grantee s option or stock appreciation right by bequest or inheritance may exercise the option or stock appreciation right, but only within 90 days following the date of death, and only to the extent that the grantee was entitled to exercise it at the date of death (but in no event may the option or stock appreciation right be exercised later than the expiration of the term of such award as set forth in the award agreement). A grantee s stock award shall be forfeited, to the extent it is forfeitable immediately before the date of such termination, or settled by delivery of the appropriate number of unrestricted shares, to the extent it is nonforfeitable. A grantee s performance shares or performance units with respect to which the performance period has not ended as of the date of such termination shall terminate.

(d) Nontransferability of Awards. Except as described below, an award granted under the Stock Incentive Plan is not transferable by the grantee, other than by will or the laws of descent and distribution, and is exercisable during the grantee s lifetime only by the grantee. In the event of the grantee s death, an option or stock appreciation right may be exercised by a person who acquires the right to exercise the award by bequest or inheritance. To the extent and in the manner permitted by applicable law and the Compensation Committee, a grantee may transfer an award to certain family members and other individuals and entities.

Terms and Conditions of Options

Each option granted under the Stock Incentive Plan is subject to the following terms and conditions:

(a) Exercise Price. The Compensation Committee determines the exercise price of options to purchase shares of Common Stock at the time the options are granted. As a general rule, the exercise price of an option must be no less than 100% (110% for an incentive stock option granted to a 10% Shareholder) of the fair market value of the Common Stock on the date the option is granted. The Stock Incentive Plan provides exceptions for certain options granted in connection with an acquisition by Kforce of another corporation or granted as inducements to an individual s commencing employment with Kforce. The Stock Incentive Plan prohibits modification of any outstanding option so as to specify a lower exercise price, or acceptance of the surrender of an outstanding option and the granting of a new option with a lower exercise price in substitution for such surrendered option without prior shareholder approval.

(b) Exercise of the Option. Each award agreement specifies the term of the option and the date when the option is to become exercisable. The terms of such vesting are determined by the Compensation Committee. An option is exercised by giving written notice of exercise to Kforce, specifying the number of full shares of Common Stock to be purchased and by tendering full payment of the purchase price to Kforce.

(c) Form of Consideration. The consideration to be paid for the shares of Common Stock issued upon exercise of an option is determined by the Compensation Committee and set forth in the award agreement. Such form of consideration may vary for each option, and may consist entirely of cash, check, other shares of Kforce s Common Stock, any combination thereof, or any other legally permissible form of consideration as may be provided in the Stock Incentive Plan and the award agreement.

(d) Value Limitation. If the aggregate fair market value of all shares of Common Stock subject to a grantee s incentive stock option which are exercisable for the first time during any calendar year exceeds $100,000, the excess options shall be treated as nonqualified options.

(e) Other Provisions. The award agreement may contain such other terms, provisions and conditions not inconsistent with the Stock Incentive Plan as may be determined by the Compensation Committee. Shares of

Common Stock covered by options which have terminated and which were not exercised prior to termination will be returned to the Stock Incentive Plan.

Stock Appreciation Rights

The Compensation Committee may grant stock appreciation rights in tandem with an option or alone and unrelated to an option. Tandem stock appreciation rights shall expire no later than the expiration of the related option. Stock appreciation rights may be exercised by the delivery to Kforce of a written notice of exercise. The initial value of a stock appreciation right will be the fair market value of a share of Common Stock on the date of grant. The exercise of a stock appreciation right will entitle the grantee to receive the excess of the percentage stated in the award agreement of the fair market value of a share of Common Stock at the time of grant over the exercise price for each share of Common Stock with respect to which the stock appreciation right is exercised. Payment upon exercise of a stock appreciation right will be in shares of Common Stock.

Restricted Stock Awards

The Compensation Committee may grant awards of restricted shares of Common Stock in such amount and upon such terms and conditions as the Compensation Committee specifies in the award agreement. The Compensation Committee may grant awards of performance-based restricted stock or restricted stock awards other than performance-based restricted stock.

Restricted Stock Other Than Performance-Based Restricted Stock

Restricted stock other than performance-based restricted stock may be granted to employees and consultants and may be subject to one or more contractual restrictions applicable generally or to a grantee in particular, as established at the time of grant and as set forth in the related restricted stock agreement. The restricted stock agreement sets forth the conditions, if any, which will need to be satisfied before the grant will be effective and the conditions, if any, under which the grantee s interest in the restricted shares will be forfeited. As soon as practicable after a grant has become effective, the shares are registered to or for the benefit of the grantee, but subject to any forfeiture conditions established by the Compensation Committee. The restricted stock agreement states whether the grantee has the right to receive any cash dividends paid with respect to the restricted shares. If the grantee has no right to receive cash dividends, the agreement may give the grantee the right to receive a cash payment in the future in lieu of the dividend payments, provided certain conditions are met. Common share dividends declared on the restricted shares after grant but before the shares are forfeited or become nonforfeitable are treated as part of the grant of the related restricted shares. A grantee has the right to vote the restricted shares after grant until they are forfeited or become nonforfeitable.

Restricted shares may vest in installments or in lump sum amounts upon satisfaction of the stipulated conditions. If the restrictions are not satisfied, the shares are forfeited and again become available under the plan.

In the case of restricted stock grants which vest only on the satisfaction of performance objectives, the Compensation Committee determines the performance objectives to be used in connection with restricted stock awards and the extent to which such objectives have been met. Performance objectives may vary from participant to participant and between groups of participants and shall be based upon such performance factors and criteria as the Compensation Committee in its sole discretion selects.

Performance-Based Restricted Stock

The Compensation Committee may make grants of performance-based restricted stock to employees and consultants. The Compensation Committee has absolute discretion to establish the performance criteria that will be applicable to each grant and to determine the percentage of shares that will be granted upon various levels of attainment of the performance criteria. To comply with Section 162(m) of the Code, the establishment of the performance criteria and the determination of the grant formula must be made at the time of grant, but in no event later than 90 days after the commencement of the performance measurement period. The Compensation Committee can select the performance criteria that will be applicable to a grant of performance-based restricted shares from the following list:

- Common Stock price;
- shareholder value or shareholder return;
- earnings per share or earnings per share growth;
- market value or market value growth;
- pre-tax net income, after-tax net income, net income margin or net income growth;
- return on assets or return on net assets;
- return on shareholders equity;
- return on capital employed (ROCE);
- return on invested capital (ROIC);
- cash flow, cash flow margins or cash flow growth;
- operating profit, operating margins or operating profit growth;
- revenue or revenue growth;
- EBIT (earnings before interest and taxes) or EBIT growth;
- EBITDA (earnings before interest, taxes, depreciation, and amortization) or EBITDA growth;
- Earnings before Equity-Based Compensation Expense, net;

operating expenses;

gross profit, gross profit percentage or gross profit growth;

working capital;

revenue levels;

cost goals;

budget goals;

business expansion goals;