KFORCE INC
Form DEF 14A
March 14, 2014
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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.
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(3) Filing Party:

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held April 10, 2014

Dear Shareholder:

On Friday, April 10, 2014, Kforce Inc. will hold its 2014 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 three Class II directors to hold office for a three-year term expiring in 2017;

2. Ratify the appointment of Deloitte & Touche LLP as Kforce s independent registered public accountants for the fiscal year ending December 31, 2014;

3. Approve Kforce s executive compensation; and

4. Attend to other business properly presented at the meeting.

Kforce s Board of Directors has selected February 28, 2014 as the record date for determining shareholders entitled to vote at the meeting.

The proxy statement, proxy card and Kforce s 2013 Annual Report to Shareholders are being mailed on or about March 14, 2014. Whether or not you plan to attend the annual meeting, we encourage you to vote your shares. 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. Thank you for your continuing support.

BY ORDER OF THE BOARD OF DIRECTORS

David M. Kelly
Corporate Secretary

Tampa, Florida

March 14, 2014

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be Held on April 10, 2014

This proxy statement and our 2013 Annual Report to Stockholders are available at

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

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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 2014 Annual Meeting of Shareholders (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 (the 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 Friday, April 10, 2014, 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:

To elect three Class II directors to hold office for a three-year term expiring in 2017;

To ratify the appointment of Deloitte & Touche LLP as Kforce s independent registered public accountants for the fiscal year ending December 31, 2014; and

To approve Kforce s executive compensation.

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

A: The Board recommends a vote: (1) **FOR** the election of three Class II directors to hold office for a three-year term expiring in 2017; (2) **FOR** the ratification of the appointment of Deloitte & Touche LLP as Kforce s independent registered public accountants for the fiscal year ending December 31, 2014 and (3) **FOR** the approval of Kforce s executive compensation.

Q: Who is entitled to vote?

A: Only those who owned Kforce common stock (the Common Stock) at the close of business on February 28, 2014 (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 encourage 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, signing and dating 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 consistent with the Board s recommendations listed above.

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, David M. Kelly, in writing at the address listed below that you have revoked your proxy;

(2) Voting in person;

(3) Returning a later-dated proxy card;

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

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

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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.

Q: How many shares can vote?

A: As of the Record Date, 33,984,113 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. 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.

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

A: Our Bylaws provide that the election of our directors in uncontested elections is based on a majority voting standard. In contested director elections, the plurality standard will apply. Because we did not receive advance notice under our Bylaws of any shareholder nominees for directors, Proposal 1 is an uncontested election. To be elected in an uncontested election, the votes for a director must exceed 50% of the votes actually cast with respect to the director s election. Votes actually cast include votes where the authority to cast a vote for the director s election is explicitly withheld and exclude abstentions with respect to that director s election, so abstentions and any broker non-votes will have no effect on the election of directors. If one of the Class II director nominees is not elected and no successor has been elected at the meeting, he shall promptly tender his conditional resignation following certification of the shareholder vote. The Nomination Committee shall consider the resignation offer and recommend to the Board whether to accept it. The Board will endeavor to act on the recommendation within 90 days following the recommendation.

In order to pass Proposals 2 and 3, 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 and, for these purposes, as cast on the 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. Proposal 3 is a non-binding advisory vote.

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 David M. Kelly, Kforce s Senior Vice President, Chief Financial Officer and Corporate Secretary and Michael Blackman, Kforce s Chief Corporate Development Officer, 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: (1) **FOR** the election of each of the nominees for director; (2) **FOR** the ratification of the appointment of Deloitte & Touche LLP as Kforce s independent registered accountants for the fiscal year ending December 31, 2014; (3) **FOR** the approval of Kforce s executive compensation and (4) in the discretion of the persons named as proxies on all other matters that may be brought before the meeting.

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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/KFRC. The voter will be required to provide the Control Number 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 April 9, 2014.

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 April 9, 2014.

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: Who will count the vote?

A: A representative of Computershare, an independent tabulator, will count the vote and act as the inspector of election.

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 David M. Kelly, Corporate Secretary, Kforce Inc., 1001 East Palm Avenue, Tampa, Florida 33605, by November 14, 2014. In addition, the proxy solicited by the Board for the 2015 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 January 28, 2015.

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. In addition, we have engaged Georgeson, Inc. to assist in the solicitation of proxies. We anticipate that the costs associated with this engagement will be approximately $12,500 plus costs and expenses incurred by Georgeson, Inc. 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: How can I find the results of the Annual Meeting?

A: Preliminary results will be announced at the Annual Meeting and final results will be filed with the SEC on a Current Report on Form 8-K within four business days after the Annual Meeting. The Form 8-K will be available on the SEC s website at *www.sec.gov* as well as our own website, *www.kforce.com* under the Investor Relations section of our website.

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PROPOSAL 1. ELECTION OF DIRECTORS

The Board has nine directors who are divided into three classes serving staggered three-year terms. The classes relate to each 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 Annual Meeting, you and the other shareholders will vote for the election of three individuals, who are identified below, to serve as Class II directors for a three-year term expiring at the 2017 Annual Meeting of Shareholders. All of the nominees are currently directors of Kforce, previously elected by the shareholders.

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 Messrs. Allred and Tunstall are independent while Mr. Cocchiaro is 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. Each of the director nominees is willing and able to stand for election at the Annual Meeting, and we know of no reason why any of the nominees would be unable to serve as a director. However, 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.

The biographies of each of the nominees and continuing directors below contain information regarding the person s service as a director, business experience, director positions held currently or at any time during the last five years, information regarding involvement in certain legal or administrative proceedings, if applicable, and the experiences, qualifications, attributes or skills that caused the Nomination Committee and the Board to determine that the person should serve as a director of Kforce.

Nominees for Election, Class II Directors

Terms Expire in 2017

John N. Allred, 67, 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).

Mr. Allred has extensive experience in the staffing industry. He is particularly knowledgeable in the area of healthcare, which is an important part of Kforce s business. His staffing industry experience (other than his directorship in Kforce) is with companies other than Kforce, which allows him to address operational issues with a different perspective.

Richard M. Cocchiaro, 59, has served as a director of Kforce since its formation in August 1994. Mr. Cocchiaro has served as a Vice Chairman since 2004, oversees our Customer First Customer Loyalty Program and serves on both Kforce s internal executive committee and innovation council. Previously, Mr. Cocchiaro served as Vice President of Strategic Accounts for Kforce (2000 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).

Mr. Cocchiaro has extensive experience in Kforce s field operations on a national basis, bringing an important perspective to the Board. He has served in numerous leadership roles within Kforce including, among others, the financial services group, leading the Chicago market, the emerging technologies group, strategic alliances, national accounts and most recently leading the Customer First Customer Loyalty Program.

A. Gordon Tunstall, 69, has served as a director of Kforce since October 1995. He is the founder, and for more than 30 years has served as President of Tunstall Consulting, Inc., a provider of strategic consulting and financial planning services. Mr. Tunstall has also served as a director of CareKinesis, Inc., a privately-held medication management and distribution pharmacy, since March 2012. Mr. Tunstall previously served as a director for JLM Industries, Inc., Orthodontics Center of America, Inc., Discount Auto Parts, Inc., Advanced Lighting Technologies Inc., Health Insurance Innovations, Horizon Medical Products Inc., and L.A.T. Sportswear.

Mr. Tunstall provides the Board a unique point of view regarding strategy, given his background as a successful strategic consultant for over 30 years advising a large number of companies in a variety of industries. He also qualifies as an Audit Committee financial expert and stands willing to assume this role if for any reason the current Audit Committee financial expert ceases to serve on the Board.

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Continuing Directors, Class III Directors

Terms Expire in 2015

W. R. Carey, Jr., 66, 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 formed in 1981 and assists some of America s largest firms in design, development, and implementation of strategic and tactical product marketing. Mr. Carey is the National Chairman of the Council of Growing Companies. Mr. Carey previously served on the Board of Directors of Lime Energy Corp. from March 2006 to January 2012 and Outback Steakhouse, Inc. from 1992 to June 2007. Mr. Carey served in the U.S. Navy for seven years as an aviator.

Mr. Carey has had valuable experience on several significant boards and is a noted author and speaker. He also has a nationally recognized expertise in sustainability, a subject of significant importance to Kforce, its clients and to the market generally.

David L. Dunkel, 60, 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. In addition to the significant value that Mr. Dunkel brings to Kforce, we believe it is customary for the Chief Executive Officer to be a member of the Board of Directors.

Mark F. Furlong, 56, has served as a director of Kforce since July 2001. He has served as the President and Chief Executive Officer of BMO Harris Bank, N.A. since July 2011. Mr. Furlong has served as a director of BMO Harris Bank, N.A. and BMO Financial Corporation since July 2011. Prior to its acquisition by BMO Harris Bank, N.A. in 2011, he served as Chairman of Marshall & Ilsley Corporation since October 2010, Chief Executive Officer since April 2007 and as President 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.

Mr. Furlong is the President and Chief Executive Officer of BMO Harris Bank, N.A., former Chairman, President and Chief Executive Officer of Marshall & Ilsley Corporation, a former audit partner with Deloitte & Touche LLP and the Audit Committee financial expert. Kforce believes his considerable expertise brings unique insight to the Board concerning banking issues, in addition to his overall management and financial expertise.

Nominees for Election, Class I Directors

Terms Expire in 2016

Elaine D. Rosen, 61, 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 and became non-executive Chair of the Board in November 2010. 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, is the immediate past Chair of the Board of Preble Street, a homeless collaborative in Portland, Maine and is a trustee of the Foundation for Maine s Community Colleges since 2008. Ms. Rosen was a director of the Elmina B. Sewall Foundation from 2008 to 2012 and Downeast Energy Corp., a privately-held company that provides heating products and building supplies, from 2003 until its sale in April 2012. From 1975 to March 2001, Ms. Rosen held a number of positions with Unum Life Insurance Company of America, including President.

Ms. Rosen has extensive experience as a senior executive in the insurance industry and as a director of companies, as well as substantial experience with charitable organizations, particularly as the Chair of the Board of one of the largest private foundations in the country. Through this background, as well as her experience as Chair of the Compensation Committee of Kforce and her experience on the Board of Assurant Inc., where she currently serves as the non-executive Chair and previously served on the compensation committee, she has considerable expertise in, among other things, executive compensation, a subject matter that is undergoing dynamic change.

Howard W. Sutter, 65, 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).

Mr. Sutter has led Kforce s merger, acquisition, and divestiture efforts for the past 18 years and, over this time, has led the effort on a significant number of acquisitions, including those of two public companies, and divestitures. The Board believes that Mr. Sutter s knowledge of the staffing industry, and more specifically the mergers and acquisition market, brings an important expertise to the Board. Mr. Sutter also has extensive experience in staffing operations.

Ralph E. Struzziero, 69, has served as a director of Kforce since October 2000. Mr. Struzziero currently serves as a director of Prism Medical Ltd., a publicly traded corporation on the TSX Venture Exchange in Canada, and a manufacturer and distributor of

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moving and handling equipment for the mobility challenged (since July 2011). 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 Auto Club Enterprise, a holding company of the two aforementioned companies. Mr. Struzziero previously served on the Board of Directors of Downeast Energy Corp, a provider of heating products and building supplies, from January 2001 until its sale in April 2012.

Mr. Struzziero has extensive experience in the staffing industry generally and, in particular, with predecessors to Kforce. The Board believes this gives Mr. Struzziero, in his capacity as lead independent director, a unique insight among the non-employee directors relating to Kforce s business and operations.

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

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CORPORATE GOVERNANCE

Our Board believes that sound corporate governance is fundamental to the overall success of Kforce and believes that it has adopted corporate governance practices that are aligned with the interests of our shareholders, our corporate business strategy and the opinions expressed by recognized corporate governance authorities. Our Board regularly reviews our corporate governance practices for compliance with applicable rules, listing standards and regulations, as well as best practices suggested by recognized governance authorities, and modifies our practices as warranted.

Corporate Governance Guidelines

The Corporate Governance Guidelines, which were adopted by our Board, along with the charters for the standing committees of the Board and our Code of Ethics and Business Conduct Policy serve to guide the operation and direction of the Board and its committees. These documents are published under Corporate Governance in the Investor Relations section of our website at www.kforce.com.

The Board of Directors

The Board s primary functions are to:

- Oversee management performance on behalf of our shareholders;
- Advocate on behalf of the long-term interests of our shareholders;
- Monitor adherence to Kforce s established procedures, standards and policies;
- Be actively involved in the oversight of risk that could affect Kforce;
- Promote the exercise of sound corporate governance; and
- Carry out other duties and responsibilities as may be required by state and federal laws, as well as the NASDAQ Rules.

Board Meetings

During 2013, the Board held seven meetings and committees of the Board held a total of 35 meetings. Each director attended a minimum of 91% of the aggregate of the total number of meetings of the Board and the total number of meetings held by all Committees of the Board on which each director served.

Board Leadership Structure

The Board believes that Mr. Dunkel s service as both Chairman of the Board and CEO is in the best interests of Kforce and its shareholders. In his capacity as CEO, Mr. Dunkel frequently meets with current and prospective shareholders to understand their perspectives and insights, which Mr. Dunkel is able to bring back to the full Board. Given Mr. Dunkel s experience and understanding of the professional staffing industry, as one of Kforce s founders and significant investors, and the issues, opportunities and challenges facing Kforce and its businesses, the Board believes Mr. Dunkel is best positioned to develop agendas that ensure that the Board s time and attention are focused on the most critical matters. The Board believes that Mr. Dunkel is a strong and effective leader and that Kforce has been well served by the combination of the two roles since its initial public offering in 1994. Additionally, Mr. Dunkel beneficially owns greater than 5% of Kforce s outstanding common stock which the Board believes closely aligns Mr. Dunkel s interest with those of our other shareholders. The Board believes the grant of this dual role signals its confidence in the leadership abilities of Mr. Dunkel, enhances information flow, enhances Kforce s culture, ensures clear accountability and promotes efficient decision making, all of which we believe are essential to effective governance. The Board believes Mr. Dunkel s CEO duties and in-depth knowledge of Kforce s business and industry, operations and challenges places him in the best position to both guide and implement the Board s direction. We also believe that the combined role allows for more productive Board meetings.

The Board also believes that any perceived negative aspects of Mr. Dunkel s dual role are mitigated by the role of Mr. Struzziero as Chair of the Corporate Governance Committee and lead independent director. Mr. Struzziero serves as a key additional communication point for the independent directors with Mr. Dunkel relating to any concerns raised in the meetings of the independent directors (which occur no less frequently than once a calendar quarter). He also addresses agenda items with Mr. Dunkel. The Board considers Mr. Struzziero to be very effective in this role.

Board s Role in Risk Management

The Board takes an active role with respect to risk management activities of Kforce and believes that it is effective in its role. This oversight is conducted primarily through committees of the Board, as disclosed in the descriptions of each of the committees below and in the charters of each of the committees, but the full Board has retained responsibility for general oversight of risks. The Board accumulates and assesses information regarding risk management on a regular basis.

The Board carries out this responsibility through committee reports as well as through regular reports directly from officers of Kforce who are responsible for oversight of the various risks within Kforce. Materials regularly provided at each Board meeting include: (i) an executive summary that includes, among other items, a risk factors section; (ii) Kforce s financial and operational status; (iii) management s assessment of the current state of the capital markets and macro-economic environment; (iv) management s analysis on the current state of the staffing industry; (v) corporate development activities; (vi) a claims and litigation summary; and (vii) reports on other matters that may arise from time to time, which require reporting to the Board.

Also at each regularly-scheduled quarterly meeting of the Board, updates are provided by each of the Audit Committee, Compensation Committee, Nomination Committee and Corporate Governance Committee. The committee reports are meant to summarize committee activities and bring any necessary items to the attention of the full Board. In addition, Kforce s Business Process and Assurance Services (BPAS) team, which reports to the Audit Committee, sets forth a comprehensive internal audit plan, which is approved on an annual basis by the Audit Committee. This plan is formulated based on BPAS s assessment of risk within Kforce, which is partly based on discussions with Kforce s officers, directors and other key personnel as well as the results of their previous operational and financial audits.

In addition, on a monthly basis, the Board receives a financial update from management along with a description of certain significant events and risk factors that have occurred in each period as well as any other necessary items requiring the attention of the full Board.

Board Diversity

Kforce believes the backgrounds and experiences of its directors are diverse and enable it to achieve a healthy mix of different perspectives on the Board. Although Kforce has not adopted any formal diversity policy, it believes its Nomination Committee has been successful in crafting a desirable mix of skill sets and backgrounds on the Board. Various Board members have significant expertise in fields such as banking, executive compensation, healthcare, investment banking/strategic advisory, insurance, and sustainability, as well as staffing. Kforce has at least two individuals who qualify as audit committee financial experts, bringing important points of view and skills to the Board. The Nomination Committee periodically reviews the composition of the Board and examines its functionality, in order to ensure the Board has a well functioning mix of diverse backgrounds and expertise.

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 is available on the Investor Relations section of our website at *www.kforce.com*.

Minimum Director Stock Ownership

To strengthen the alignment of interests between directors and shareholders, our Board has adopted formal ownership guidelines, which require directors to hold the lesser of three times retainer or 5,000 shares of Common Stock. As of the Record Date, all of our directors were in compliance with the policy. The stock ownership policy is incorporated into the Corporate Governance Guidelines, which is available on the Investor Relations section of our website at *www.kforce.com*.

Minimum Executive Stock Ownership

To further align the interests between executives and shareholders, our Board has adopted formal ownership guidelines. For its named executive officers (NEOs), the following minimum stock ownership guidelines are required by position:

CEO the lesser of five times base salary or 200,000 shares of Common Stock;

President the lesser of three times base salary or 100,000 shares of Common Stock;

- CFO the lesser of three times base salary or 100,000 shares of Common Stock; and

- All other NEOs the lesser of two times base salary or 50,000 shares of Common Stock.

Additionally, the formal ownership guidelines requires all other members of its internal executive committee (a total of 9 members in addition to its 5 NEOs, or an aggregate of 14 members) to hold a minimum of 15,000 shares of Common Stock. As of the Record Date, all NEOs and other members of its executive committee were in compliance with the policy. The executive stock

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ownership policy is incorporated into the Corporate Governance Guidelines, which is available on the Investor Relations section of our website at *www.kforce.com*.

Clawback Policy

In order to continually enhance the alignment of our corporate governance practices with the interests of our shareholders, the Board amended the Corporate Governance Guidelines in March 2012 to include a clawback policy. Accordingly, in the event of a restatement of our financial statements as a result of the material noncompliance with any financial reporting requirements under the federal securities laws, the Board will, if it determines appropriate (in its sole discretion and to the extent permitted or required by governing law), recover from current executives any incentive-based compensation for any relevant performance periods beginning after March 30, 2012.

Insider Trading, Anti-Pledging and Anti-Hedging

In February 2013, the Board adopted the Kforce Inc. Amended and Restated Insider Trading and Disclosure Policy, which superseded the previous insider trading policy. This Policy governs the trading in Firm securities by directors, officers and employees, their family members, other members of their household, entities controlled by a person covered by the policy, and designated outsiders who have or may have access to the Firm s material, nonpublic information (collectively referred to as Insiders). In addition to other prohibited activities identified within the Policy, the Policy states that (i) no employee, including Insiders, may trade in Kforce securities while in the possession of material, nonpublic information concerning the Firm, (ii) no Insider may trade in Kforce securities during designated black-out periods, (iii) certain Insiders are required to obtain pre-approval to trade in Kforce securities, (iv) no Insider may margin, make any offer to margin, hold any Kforce securities in a margin account or otherwise pledge any of the Firm s securities as collateral in any way and (v) no Insider may engage in any hedging transaction relating to Kforce securities (including, without limitation, prepaid variable forwards, equity swaps, collars and exchange funds) or otherwise trade in any interest or position relating to the future price of Kforce securities, such as a put, call or short sale.

Communications with the Board

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

Director Attendance at Annual Meetings

Pursuant to its Corporate Governance Guidelines, all directors are invited to attend the Annual Meeting of Shareholders. Mr. Dunkel, Chairman, attended Kforce s 2013 Annual Meeting of Shareholders and the other directors did not.

Majority Voting for Directors

Our directors are elected in uncontested elections by a majority vote. In contested director elections, the plurality standard will apply, which means the nominees receiving the greatest numbers of votes will be elected to serve as directors. The election of directors at this year s Annual Meeting is an uncontested election and thus the majority voting standard applies.

To be elected in an uncontested election, the votes for a director must exceed 50% of the votes actually cast with respect to the director s election. Votes actually cast include votes where the authority to cast a vote for the director s election is explicitly withheld and exclude abstentions with respect to that director s election, so abstentions and any broker non-votes will have no effect on the election of directors. If an incumbent director is not elected and no successor has been elected at the meeting, he or she shall promptly tender his or her conditional resignation following certification of the vote. The Nomination Committee shall consider the resignation offer and recommend to the Board whether to accept such offer. The Board will endeavor to act on the recommendation within 90 days following the recommendation. Thereafter, the Board will promptly disclose its decision whether to accept the director s resignation offer (and the reasons for rejecting the offer, if applicable) in a Current Report on Form 8-K or by a press release. If the Board accepts the resignation, then the Board, in its sole discretion, may, pursuant to Kforce s bylaws, fill any resulting vacancy or may decrease the size of the Board.

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Committees of the Board

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, Corporate Governance Committee and Nomination Committee are available on the Investor Relations section of our website at *www.kforce.com*.

The following table describes the current members of each of the committees and the number of meetings held during 2013.

	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		
Elaine D. Rosen *		Chair	X	X	
Ralph E. Struzziero *		X	Chair		
Howard W. Sutter **					X
A. Gordon Tunstall *			X		X
Number of Meetings	**22**	**7**	**4**	**2**	**0**

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

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

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.

Other responsibilities of the Audit Committee include: (1) reviewing with the internal auditors and the independent auditors their respective annual audit plans, staffing, reports, and the results of their audits; (2) reviewing with management and the independent auditors Kforce s annual and quarterly financial results, financial statements and results of the independent auditors audits and reviews, as applicable, of such financial information; (3) 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; (4) conferring with the independent auditors with regard to the adequacy of internal controls; and (5) reviewing with the independent auditors (i) all critical accounting policies and practices, (ii) all alternative treatments of financial accounting and disclosures within accounting principles generally accepted in the United States (GAAP) 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 (iii) 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 with the Audit Committee.

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 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.

To the extent the Audit Committee deems it necessary in fulfilling its objectives, it meets in executive session (excluding the Chief Executive Officer, members of management and all other directors that are not committee members).

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, performance incentive plans or stock purchase plans; approves any new or amended employment agreements for executive management and grants or awards to executive management under any long-term incentive program; and prepares an annual report on our executive compensation policies and practices as required by SEC Rules. See the Compensation Discussion and Analysis section for a description of the role of executive officers in determining or recommending the amount or form of executive and director compensation. 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 has the sole authority to approve the consultant s fees and other retention terms. The Compensation Committee has retained Pearl Meyer & Partners (PM&P), an independent executive compensation consultant annually to review the Compensation Discussion & Analysis contained in the Proxy Statement, to advise on setting the NEO compensation framework, to regularly provide independent advice on current trends in compensation design and, as needed, to assist with certain other compensation arrangement matters for the NEOs. Additionally, the Compensation Committee considers information gathered by Georgeson, Inc., a strategic shareholder consulting firm, who was engaged by management for shareholder communications on executive compensation and to gather data on shareholder voting methodology and patterns with respect to executive compensation. In accordance with the requirements of Item 407(e)(3)(iv) of Regulation S-K, the Firm has determined that no conflicts of interest exist between the Firm and PM&P (or any individuals working on the Firm s account on PM&P s behalf).

To the extent the Compensation Committee deems it necessary in fulfilling its objectives, it meets in executive session (excluding the Chief Executive Officer, members of management and all non-independent directors).

Each member of the Compensation Committee is independent within the meaning of NASDAQ Rules and SEC Rules. The Compensation Committee s responsibilities are more fully set forth in its written charter.

Corporate Governance Committee

The purposes of the Corporate Governance Committee are to: (i) encourage and enhance communication among independent directors; (ii) provide a forum for independent directors to meet separately from management; (iii) provide leadership and oversight related to ethical standards; and (iv) provide a channel for communication with the CEO. Each member of the Corporate Governance Committee is independent within the meaning of 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 5605(b)(2) (i.e., through the meetings of this committee, our independent directors (as determined under the NASDAQ Rules) meet at least once annually in executive session without any of our management present). The Corporate Governance Committee meets on a quarterly basis. The Chair of the Corporate Governance Committee serves as the lead independent director.

The Corporate Governance Committee s responsibilities are more fully set forth in its written charter.

Nomination Committee

The Nomination Committee makes recommendations to the Board regarding the size and composition of the Board. The Nomination Committee also establishes procedures for the nomination process, recommends candidates for election to our Board and nominates officers for election by the Board. To the extent the Nomination Committee deems it necessary in fulfilling its objectives; it meets in executive session (excluding the Chief Executive Officer, members of management and all non-independent directors).

As set forth in the general guidelines established pursuant to its charter, the Nomination Committee strives to identify directors who will: (i) bring to the Board a variety of experience and backgrounds; (ii) bring substantial senior management experience, financial expertise and such other skills that would enhance the Board s effectiveness; and (iii) 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,

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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 David M. Kelly, 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.

Directors Compensation

The following table shows the annual compensation of our directors, except Mr. Dunkel, for the fiscal year ended December 31, 2013, which consisted of the following components:

Name (a)	**Year** (b)	**Fees Earned or Paid In Cash (1)** (c)	**Stock Awards (2)** (d)	**All Other Compensation** (e)	**Total** (f)
John N. Allred	2013	$ 90,000	$ 73,300	$ 0	$ 163,300
W.R. Carey, Jr.	2013	$ 114,000	$ 73,300	$ 0	$ 187,300
Richard M. Cocchiaro	2013			$ 403,220 (3)	$ 403,220
Mark F. Furlong	2013	$ 115,000	$ 73,300	$ 0	$ 188,300
Patrick D. Moneymaker (4)	2013	$ 40,000	$ 73,300	$ 42,752 (5)	$ 156,052
Elaine D. Rosen	2013	$ 75,000	$ 73,300	$ 0	$ 148,300
Ralph E. Struzziero	2013	$ 71,000	$ 73,300	$ 0	$ 144,300
Howard W. Sutter	2013			$ 686,137 (6)	$ 686,137
A. Gordon Tunstall	2013	$ 42,000	$ 73,300	$ 0	$ 115,300

(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: $15,000 paid to Mark F. Furlong for his service as Audit Committee Chair, $15,000 paid to Elaine D. Rosen for her service as Compensation Committee Chair, $10,000 paid to W.R. Carey, Jr. for his service as Nominating Committee Chair and $15,000 paid to Ralph E. Struzziero for his service as Corporate 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 2013.

(2) During the year ended December 31, 2013, Kforce granted 5,000 shares of restricted stock as a long-term incentive to each member of the Board except for Messrs. Cocchiaro and Sutter. The closing stock price on the date of grant was $14.66. The amounts in this column represent the aggregate grant date fair value.

(3) Mr. Cocchiaro is employed by us and his compensation in 2013 consisted of the following items: $175,000 in base salary, $175,000 in bonus, $31,599 in matching contributions made by Kforce for 2013 attributable to defined contribution plans and $21,621 of aggregate change in the accumulated benefit obligation for the Supplemental Executive Retirement Health Plan (SERHP) using the same measurement dates used for financial reporting purposes with respect to Kforce s consolidated financial statements for fiscal 2013. Mr. Cocchiaro is not compensated for his service on the Board.

(4) On January 8, 2014, Mr. Moneymaker notified Kforce of his decision to resign from the Kforce Inc. Board of Directors and related committees. In connection with his resignation, Mr. Moneymaker accepted the position of Chairman and CEO of Kforce Government Solutions (KGS), a wholly-owned subsidiary of Kforce. Both Mr. Moneymaker s resignation and position acceptance were effective immediately. Mr. Moneymaker was a member of the Kforce Inc. Board of Directors during fiscal year 2013.

(5) In addition to being a director of Kforce during 2013, Mr. Moneymaker provided limited consulting services and is the Chair of the Board of Directors of KGS. His 2013 compensation for consulting services and being a director of KGS was $11,752 and $31,000, respectively.

(6) Mr. Sutter is employed by us and his compensation in 2013 consisted of the following items: $300,000 in base salary, $300,000 in bonus, $8,189 in matching contributions made by Kforce for 2013 attributable to defined contribution plans and $77,948 of aggregate change in the accumulated benefit obligation for the SERHP using the same measurement dates used for financial reporting purposes with respect to Kforce s consolidated financial statements for fiscal 2013. Mr. Sutter is not compensated for his service on the Board.

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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, 2013:

Name	Aggregate Number of Stock Awards Held (1)	Aggregate Number of Unexercised Options Held (1)
John N. Allred	7,725	10,000
W.R. Carey, Jr.	7,725	24,464
Mark F. Furlong	7,725	10,000
Patrick D. Moneymaker	7,725	10,000
Elaine D. Rosen	7,725	15,000
Ralph E. Struzziero	7,725	15,000
A. Gordon Tunstall	7,725	7,768

(1) 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.

TRANSACTIONS WITH RELATED PERSONS

During 2013, 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 $359,064. These payments covered customary charges such as flight and fuel charges, and landing fees. 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 has been renewed for additional 12-month periods. Pursuant to the agreement with ExecuJet, Kforce receives the maximum discount allowable under applicable Federal Aviation Administration regulations for each hour of flight time, which Kforce believes is at below-market rates for the charter of similar aircraft.

During 2013, Mr. Struzziero s son was employed by KGS. Mr. Struzziero s son was hired by KGS leadership in a non-executive business development role based on his extensive experience and knowledge of sales within the government contracting industry. Mr. Struzziero s son has no involvement in management decisions of KGS. Mr. Struzziero had no influence in the hiring of his son nor does Mr. Struzziero have any involvement in the ongoing compensation and performance-related decisions for his son. Total remuneration paid to Mr. Struzziero s son was approximately $184,400, which consists of base salary and incentive-based compensation. The Nomination Committee specifically considered the employment of Mr. Struzziero s son by KGS when determining whether to renominate Mr. Struzziero. It concluded that his son s employment would not impair Mr. Struzziero s independence.

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 that it believes to be significant, and all potential related party transactions that it believes to be significant, that could possibly be required to be disclosed in accordance with Item 404 of Regulation S-K.

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PROPOSAL 2. RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

Our consolidated financial statements for the year ended December 31, 2013, have been audited by Deloitte & Touche LLP, independent auditors. The Audit Committee of the Board has selected Deloitte & Touche LLP, subject to ratification by shareholders, to audit our consolidated financial statements for the fiscal year ending December 31, 2014, 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, 2014.

Independent Registered Public Accountants Fee Information

Audit Fees

Fees for audit services totaled $1,079,110 in 2013 and $1,145,078 in 2012, 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 $108,495 in 2013 and $18,250 in 2012. 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 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 dispositions.

Tax Fees

Fees for tax services, including tax compliance, tax advice and tax planning, to Deloitte & Touche LLP totaled $3,095 in 2013 and $48,069 in 2012.

All Other Fees

Fees for an annual subscription to a Deloitte & Touche LLP research database totaled $2,000 for 2013 and $0 for 2012.

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, 2013, 100% of services were pre-approved by the Audit Committee in accordance with this policy.

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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 GAAP 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. 61, as amended (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, 2013, 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, 2014, and to provide review services for each of the quarters in the year ending December 31, 2014.

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.

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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)	Percent of Class
John N. Allred	35,413	*
W.R. Carey, Jr.	59,875	*
Richard M. Cocchiaro	1,870,246	5.50%
David L. Dunkel	2,075,846	6.11%
Michael L. Ettore	0	*
Mark F. Furlong	52,511	*
David M. Kelly	49,658	*
Joseph J. Liberatore	322,003	*
Randal Marmon	51,028	*
Kye L. Mitchell	45,714	*
Jeffrey T. Neal	59,523	*
Elaine D. Rosen	41,411	*
Ralph E. Struzziero	67,392	*
Howard W. Sutter	1,515,480	4.46%
A. Gordon Tunstall	7,725	*
All directors and executive officers as a group (18 persons)	6,421,101	18.85%

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

(1) Includes the number of shares subject to purchase pursuant to currently exercisable options, as follows: Mr. Carey, 24,464; Mr. Furlong, 10,000; Ms. Rosen, 15,000; Mr. Struzziero, 15,000; and Ms. Mitchell, 10,000.

(2) Includes 14,250 shares as to which beneficial ownership is disclaimed by Mr. Cocchiaro (shares held by spouse). Also includes 2,137,585 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, 2,000 (shares held by mother), 3,437 (shares held by sons), 42,963 (shares held by Cocchiaro Family Foundation) and 493,647 (shares held by the David L. Dunkel Irrevocable Children s Trust of which Mr. Cocchiaro is the sole trustee); Mr. Dunkel, 90,859 (shares held by the David L. Dunkel 2011 Irrevocable Trust over which Mr. Dunkel has shared dispositive power); Mr. Struzziero, 1,987 (shares held by spouse); and Mr. Sutter, 5,000 (shares held by spouse), 1,348,516 (shares held by Sutter Investments Ltd. of which H.S. Investments, Inc. is the sole general partner) and 149,176 (shares held by the Dunkel Family Receptacle Trust of which Mr. Sutter is the sole trustee).

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Owners of More Than 5%

The following table shows the number of common shares held by persons known to Kforce, in addition to Messrs. Dunkel, Cocchiaro and Sutter (whose business address is c/o Kforce Inc., 1001 East Palm Avenue, Tampa, Florida 33605), 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
T. Rowe Price Associates, Inc. (1) 100 E. Pratt Street Baltimore, Maryland 21202	3,893,066	11.46%
BlackRock, Inc. (2) 40 East 52nd Street New York, New York 10022	3,089,515	9.09%

(1) Based on Amendment No. 6 to Schedule 13G dated February 14, 2014 in which T. Rowe Price Associates, Inc. (Price Associates) reported that, as of December 31, 2013, it had sole voting power over 711,540 of the shares and sole dispositive power over all 3,893,066 shares. These securities are owned by various individual and institutional investors which Price Associates serves as an investment adviser with power to direct investments and/or sole power to vote the securities. For the purposes of the reporting requirements of the Securities and Exchange Act of 1934, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities.

(2) Based on Amendment No. 4 to Schedule 13G dated January 17, 2014 in which BlackRock, Inc. reported that, as of December 31, 2013, it had sole voting power over 3,014,801 of the shares and sole dispositive power over all 3,089,515 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 for all transactions that occurred during our most recent fiscal year except that Ms. Rosen had one Form 4 filing (related to two transactions) filed late by Kforce due to an administrative error.

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EXECUTIVE OFFICERS

Peter M. Alonso, 52, has served as Chief Talent Officer since January 2009. Prior to his appointment as Chief Talent Officer, Mr. Alonso served as President of Health & Life Sciences and President of Technology Staffing, subsidiaries of Kforce, since 2000 and has held several other positions of increasing responsibility within Kforce since 1985. Prior to joining Kforce, Mr. Alonso held positions at Zenith Electronics Corporation.

Michael R. Blackman, 59, has served as Kforce s Chief Corporate Development Officer since December 2009. Prior to his appointment as Chief Corporate Development Officer, Mr. Blackman served as Senior Vice President of Investor Relations from 1999 to 2009 and Director of Selection and Senior Consultant in the healthcare services specialty from 1992 to 1999.

David L. Dunkel, 60, 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.

David M. Kelly, 48, has served as Kforce s Senior Vice President and Chief Financial Officer since January 2013 and Corporate Secretary since February 2013. Mr. Kelly joined Kforce in 2000 and has served as Senior Vice President, Finance and Accounting from February 2009 to December 2012, Corporate Assistant Secretary from October 2010 to February 2013, Vice President, Finance from January 2005 to February 2009, 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 with different companies that included treasury director, vice president, and controller.

Joseph J. Liberatore, 51, has served as Kforce s President since January 2013 and served as Corporate Secretary from February 2007 to February 2013. Prior to his appointment as President, Mr. Liberatore served as Chief Financial Officer from October 2004 to December 2012, Executive Vice President from July 2008 to December 2012, Senior Vice President from 2000 to July 2008, Chief Talent Officer from 2001 to 2004 and Chief Sales Officer from September 2000 to August 2001. Mr. Liberatore has served in various other roles in Kforce (and its predecessors) since 1988.

Kye L. Mitchell, 44, has served as Chief Operations Officer for the East Region since January 2013. Prior to her appointment as Chief Operations Officer, Ms. Mitchell served as a Field President from January 2009 through December 2012, Market President from February 2006 to December 2008, and Market Vice President from February 2005 through January 2006. Ms. Mitchell joined Kforce in 2005 through the acquisition of VistaRMS for which she served as President.

Jeffrey T. Neal, 46, has served as Chief Operations Officer for the West Region since January 2013. Prior to his appointment as Chief Operations Officer, Mr. Neal served as Field President from January 2006 through December 2012, and Group President from June 2004 through December 2006. Mr. Neal joined Kforce through its merger with Hall Kinion (in 2004) where he served as Senior Vice President of National Accounts and the Central Region. Prior to joining Hall Kinion in 1994, he began his staffing industry career with Oxford and Associates in the Silicon Valley and held management positions at a consumer sales and marketing firm.

Sara. R. Nichols, 41, has served as Chief Accounting Officer and Principal Accounting Officer since September 2013. Prior to her appointment as Chief Accounting Officer, Ms. Nichols served as the Vice President, Finance from February 2009 to September 2013, Chief Accounting Officer from August 2007 to February 2009 and Director of Business Process Management from May 2005 to August 2007. Prior to joining Kforce, Ms. Nichols held positions with Arthur Andersen, LLP, TMP Worldwide s eResourcing division and Cox Target Media, Inc.

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COMPENSATION DISCUSSION AND ANALYSIS

The Compensation Discussion and Analysis (CD&A) provides a detailed description of our executive compensation philosophy, our overall objectives, each element of our executive compensation and the underlying compensation framework. The CD&A contains forward-looking statements that are based on our current plans, considerations, expectations and determinations regarding future compensation programs, which could differ materially based on actual results.

The CD&A primarily focuses on the compensation of our named executive officers (NEOs) for the fiscal year ended December 31, 2013. For purposes of this discussion, Kforce s Active NEOs for the year ended December 31, 2013 were: David L. Dunkel, Joseph J. Liberatore, David M. Kelly, Kye L. Mitchell and Jeffrey T. Neal. Additionally, Michael Ettore and Randal Marmon have been included in the CD&A as Inactive NEOs because the employment for both terminated effective November 1, 2013 in connection with a realignment of the Firm s leadership and support-related structure.

The Compensation Committee (Committee) employs the following compensation philosophies and governance policies in establishing and determining executive compensation targets and outcomes. Additional detail and discussion regarding the philosophies and policies are included in the CD&A below.

Compensation Philosophy	Corporate Governance Policies
Total annual NEO compensation should be targeted at the market median within the broader market for similarly sized companies	Clawback Policy
NEO compensation should reflect a high percentage of performance-based compensation as compared with fixed compensation to maximize the alignment of performance and shareholder value	Minimum Executive Stock Ownership
Pay opportunities and compensation program design should be competitive with the market	Insider Trading, Anti-Pledging and Anti-Hedging Policy
Share ownership should be promoted	
Tax deductibility of executive compensation should be considered	

Executive Summary

At the Annual Meeting of Shareholders held on April 5, 2013, Kforce s say-on-pay proposal received substantial shareholder support with more than 97% of the votes (excluding broker non-votes) being cast for Kforces s executive compensation. The Committee believes this vote reflects our shareholders strong support of the significant changes to 2012 executive compensation through the use of its discretion as a one-time bridge event to the newly redesigned NEO compensation framework for fiscal years 2013 to 2015. The changes to 2012 executive compensation and the redesigned NEO compensation framework were in response to a majority of shareholders voting against Say on Pay at the 2012 Annual Meeting of Shareholders held on June 19, 2012 and reflected the feedback received from an extensive shareholder outreach program during 2012 and 2013 to understand shareholders perspective related to Kforce s executive compensation. This outreach program in 2012 included a direct role from the Chairwoman of the Committee.

The redesigned NEO compensation framework for fiscal years 2013 to 2015 significantly reduced NEO compensation, further aligned NEO compensation with Kforce s performance using longer-term measurement periods and targeted NEO compensation at the market median of similar positions within similarly sized companies. The significant adjustments to the 2013 to 2015 NEO compensation plan framework include the following:

- NEO compensation was targeted at the industry market median in the 2013 to 2015 NEO compensation plan framework as compared to pay and performance levels being targeted between the 50th percentile and the 75th percentile of the industry average under the 2012 NEO compensation plan;

- Targeted payouts of the NEO annual incentive plan was reduced to a range of 19% to 25% of base salary from 143% to 240% of base salary;

Maximum amounts that can be earned by each NEO in the annual incentive plan was reduced to 200% of base salary from 400% of base salary;

Eliminated the alternative relative revenue performance measure from the annual incentive compensation calculation;

Added an annual cash-based performance bonus plan for the CEO in lieu of an equity-based long-term incentive (LTI), with a maximum payout of $1 million, based upon Kforce s three-year total shareholder return (TSR) relative to our

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industry peer group. Additionally, for the CEO to receive any payout under this plan, Kforce s relative three-year TSR must be at or above the 70^{th} percentile of a separately designated peer group, which is selected annually by the Committee in consultation with PM&P and will be representative of the broader market;

Added an equity-based LTI awards for its NEOs, excluding the CEO, based upon a pre-defined dollar amount (a number of equity shares, if available, will be awarded equal to the pre-defined dollar amount divided by the share price on the date of grant) not to exceed the lesser of 2% of market capitalization or $9 million. The dollar amount of the LTI pool is to be based upon the three-year TSR performance of Kforce s common stock relative to its industry peer group. The LTI pool is distributed as follows: (i) 33% of the LTI pool will be awarded to the NEOs, excluding the CEO; (ii) 45% is awarded to other non-NEO members of executive management; and (iii) the remaining portion of 22% will be reserved for potential grants to other employees. Previously, LTI grants were awarded using varying percentages (from 2% to 4%) of common shares outstanding based upon the annual performance of Kforce s common stock relative to its industry peer group;

Ultimate awards earned for the CEO s annual cash-based performance bonus and the LTI award for all other NEOs was changed such that they are to be determined based upon the three-year performance of Kforce s common stock relative to its industry peer group or, where indicated above, a separately designated peer group that is representative of the broader market. Previously, LTI awards were based on a one-year TSR; and

CEO base salary for 2013 was increased from $750,000 to $800,000, which was the first increase in more than 5 years.

2013 Pay and Performance Alignment

The compensation components and results as they relate to the 2013 Active NEOs reflect the significant changes made by the Committee in designing the 2013 to 2015 compensation framework, which targets total annual NEO compensation at the median of Kforce s 2013 Industry Peer Group (as defined below) and the 2013 Separately Designated Peer Group (as defined below) used to measure the performance of the CEO Cash-Based Three-Year TSR Bonus (as defined below). The compensation components include base salary, annual incentive compensation, discretionary bonuses, performance-based LTI and CEO Cash-Based Three-Year TSR Bonus. The following is a summary of the performance measurements and resulting pay for the Active NEOs:

Base salaries for Messrs. Dunkel, Liberatore, Kelly, Neal and Ms. Mitchell were set at $800,000, $600,000, $300,000, $300,000 and $300,000, respectively.

Annual incentive compensation was based on the measurement of three pre-established performance components including: (i) adjusted earnings per share (EPS); (ii) total firm revenue; and (iii) individual performance in the context of the achievement of management business objectives (MBOs) related to operational and business unit achievements.

The Firm achieved 2013 total annual revenues of $1,151.9 million, resulting in a payout of 39% for Messrs. Dunkel, Liberatore and Kelly and a payout of 30% for Ms. Mitchell and Mr. Neal.

Excluding goodwill impairment and realignment-related charges, Firm EPS of $0.84 for 2013 was below target and resulted in no payout.

MBO payout for Ms. Mitchell of 168% was achieved based on business unit performance.

No Individual Bonus (as defined below) was earned by Messrs. Dunkel, Liberatore, Kelly or Neal.

Total annual incentive bonus earned for 2013 for Messrs. Dunkel, Liberatore, Kelly and Neal and Ms. Mitchell was $124,800, $84,240, $35,100, $23,250 and $526,821, respectively.

Kforce's three-year TSR performance ending on December 31, 2013 of 37.3% ranked 6th and achieved a percentile ranking of 37.5% versus our 2013 Industry Peer Group, which resulted in a formulaic equity grant pool of $4,000,000 for the performance-based LTI. The award related to the 2013 performance period and was granted in the form of equity in January 2014.

The grant date fair value of the equity awards for Messrs. Liberatore, Kelly and Neal and Ms. Mitchell was $480,003, $280,010, $280,010 and $280,010, respectively.

Mr. Dunkel received no performance-based LTI.

The CEO Cash-Based Three-Year TSR Bonus for Mr. Dunkel resulted in no payout as Kforce's three-year TSR as compared to the 2013 Separately Designated Peer Group failed to achieve a 70th percentile ranking as required by the plan.

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Additionally, the Committee concluded in December of 2013 that considerable importance should be placed on the following key operational and financial achievements, which were determined by the Committee to be above and beyond the pre-established targets:

- During October 2013, the Firm commenced a plan to streamline and realign its leadership and support-related structure to better align a higher percentage of personnel in roles that are closest to the customer. The new organization is intended to provide improved accountability and deliver better results for our clients, consultants and core personnel. Additionally, the Firm believes the new organization will help the Firm achieve, and potentially surpass, prior peak operating margins of 7.4% from 2007 through operating leverage growth which will ultimately drive increased value to our shareholders.

- The Firm successfully implemented a plan designed to accelerate revenue growth. Beginning in the fourth quarter of 2012 and continuing throughout 2013, management made significant investments in the hiring of associates responsible for generating revenue in its staffing business to capture the current and expected future demand in the marketplace for the services provided by Kforce. Revenue generator headcount increased 10.3% in the fourth quarter of 2013 as compared to the fourth quarter of 2012. This increase in headcount resulted in total Firm revenue growth in our staffing business, including our Tech business (which represents approximately 64% of our total net service revenues) which grew 17.9% during the fourth quarter of 2013 as compared to the fourth quarter of 2012. We believe the investment strategy will continue to benefit the Firm as newer associates continue to increase their productivity over time, which will result in revenue growing faster than investments in headcount. Going forward, the Firm expects to continue to hire additional revenue generators in those lines of business, geographies and industries we believe present the greatest opportunity for growth. As a result of this investment strategy, management expects to increase revenues at levels near the best in industry.

- During the past five years, Kforce s TSR increased 187.8%, ranking it 3rd among the 2013 Industry Peer Group. Kforce s one-year TSR increased 42.7%.

- Net service revenues increased 6.4% to $1.15 billion in 2013 from $1.08 billion in 2012.

- During 2013, the Firm effectively managed and used cash flows to return value to the shareholders. Management initiated a quarterly dividend program during the fourth quarter of 2013 of $0.10 per share resulting in a return to shareholders of $3.3 million (based on the closing stock price on the date the dividend was declared of $19.25, the quarterly dividend is expected to have an annualized yield of 2.1%) and repurchased 1.8 million shares of common stock on the open market at a total cost of approximately $27.3 million.

- The CEO conducted and implemented what the Committee considers a transformational succession plan for the Firm with the following attributes: (i) all of the realigned executive leadership came from within the Firm indicating continuous strong development of existing leaders and (ii) the succession plan and organizational realignment was carefully planned and executed, resulting in limited business interruptions and minimal impact to employee morale. The Committee considered the succession planning as an addition to the accomplishments noted above.

With consideration of ensuring continued alignment of executive compensation with the Firm s performance results, particularly with regard to the points above and most notably the realignment, the Committee approved a discretionary bonus for 2013 for each of the NEOs, including the CEO. The Committee believed the discretionary bonus was a result of factors that were not part of the formulaic component, but still within the general construct, of the annual incentive plan and deserving of financial recognition. For Messrs. Dunkel, Liberatore, Kelly and Neal and Ms. Mitchell, the discretionary bonuses were $1,075,000, $600,000, $300,000, $276,750 and $100,000, respectively.

2014 Executive Compensation Modifications

The Committee has continued to monitor the progress and results of the 2013 to 2015 NEO Compensation Framework to ensure continued alignment with its stated compensation philosophy and gave particular attention this year in light of the significance of the changes made in 2013. As previously mentioned, the 2013 to 2015 NEO Compensation Framework eliminated the CEO s participation in the equity-based LTI plan because the Committee believed the annual performance-based cash award would have a greater motivational value than an equity-based compensation plan as the CEO beneficially owned greater than 5% of Kforce s outstanding common stock. After review of the executive compensation and performance results for 2013, the Committee determined that certain pay practices included in the 2013 to 2015 NEO Compensation Framework were unfairly penalizing the CEO and, therefore, not consistent with all of the compensation philosophies outlined above. Specifically, the Committee determined that the CEO Cash-Based Three-Year TSR Bonus was not resulting in the appropriate level of compensation commensurate with the Firm s performance results and the Committee s compensation philosophy. The Committee thought it was necessary to consider a rebalancing of the 2013 to 2015 NEO Compensation Framework to ensure performance-based compensation was being appropriately

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allocated based on position. Additionally, the Committee reconsidered whether the CEO Cash-Based Three-Year TSR Bonus was maximizing the alignment of CEO compensation and shareholder value. The following factors were considered while contemplating a redesign of this program:

- Management s outreach to the top 15 institutional shareholders during December 2013 and January 2014 to get their perspective on the 2013 to 2015 NEO Compensation Framework for the CEO and whether a cash-based plan or equity plan is preferred. Based on the outreach, it was noted that, based on the CEO s current significant equity holdings, most shareholders were generally indifferent about the form of compensation (cash versus equity) while a few shareholders preferred equity compensation.

- The alignment of the CEO s compensation with shareholder value.

- The perceived greater motivational impact of equity versus cash.

- The 2013 parameters to earn a bonus appeared to have been unfairly penalizing the CEO given the operational and financial achievements.

As a result of the actions and considerations above, the Committee resolved to eliminate the CEO Cash-Based Three-Year TSR Bonus and replace it with a modified long-term incentive. The modified long-term incentive will allocate 15% of the LTI pool to the CEO, which the LTI pool can range from $0 to $9 million based on the three-year percentile ranking of Kforce versus the industry peer group, and will include a performance multiplier (0 to 150%) based on the three-year percentile ranking of Kforce versus a separately designated peer group representing the broader market. Amounts up to a performance multiplier of 100% of the outcome compared to the industry peer group will be paid in equity while any amounts resulting from a performance multiplier of greater than 100% will be paid in cash. Inclusive of this change, the target and maximum 2014 Earned Compensation (which excludes the changes in pension value and nonqualified deferred compensation earnings and normalizes executive compensation for the misalignment between the performance period and grant date) is $2,500,000 and $4,425,000, respectively, which is consistent with the overarching compensation philosophy to target compensation at the market median within the broader market for similarly sized companies. The Committee believes these changes will: (i) effectively reward the CEO; (ii) strengthen the alignment between pay and performance; (iii) adjust the CEO s pay program to be more consistent with the intent of the 2013 to 2015 Compensation Framework and the other NEOs; and (iv) be more consistent with our compensation philosophies as noted above. This modification was implemented in 2014 for the 2014 performance period, and therefore it did not affect the 2013 compensation shown below in the Summary Compensation Table (SCT) for the CEO. The Committee believes this adjustment to the compensation framework will continue to hold the CEO to a very high standard of performance and will enhance the alignment of CEO compensation with shareholder value.

Compensation Committee Roles and Responsibilities

The Committee is responsible for setting Kforce s compensation principles to guide the design of its executive compensation framework. The Committee is also responsible for determining the annual compensation of the CEO and the other executive officers, including the other NEOs. The practice of the Committee has been to develop a three-year NEO compensation framework, which was most recently performed during 2012 for the 2013 through 2015 period. In determining the NEO compensation framework, the Committee engaged an independent third party compensation consultant, PM&P, who assists in benchmarking Kforce s NEO compensation framework against Kforce s industry peer group as well as other peer groups using companies reasonably similar to Kforce and considered other shareholder information gathered by Georgeson, Inc. On an annual basis, compensation paid under the three-year NEO compensation framework is reviewed for: (i) compliance with the framework and alignment with performance; (ii) effectiveness of the compensation framework; and (iii) competitiveness of our executive compensation (including base salary and annual and long-term incentives) within our industry peer group and companies within a similar industry group using publicly available market data.

The Committee makes every effort to maintain its independence and objectivity. The Committee meets in executive session on a quarterly basis for discussions or decisions regarding executive compensation. While the Committee receives input from the CEO, President and the Chief Financial Officer and discusses compensation with them, the ultimate determination regarding the annual compensation of the CEO and other executive officers, including the NEOs, is in the Committee s sole and absolute discretion. The Committee is committed to: (i) staying informed of current issues and emerging trends; (ii) ensuring Kforce s executive compensation program remains aligned with best practices and are in the best interest of the shareholders; and (iii) establishing and maintaining our pay-for-performance executive compensation program consistent with our shareholders interests while providing appropriate incentives to our executives.

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Executive Compensation Philosophy and Other Practices

Executive Compensation Philosophy

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 Committee, the Board and management. Those principles include:

a) NEO compensation should reflect a high percentage of performance-based compensation as compared fixed compensation to maximize the alignment of performance and shareholder value;

b) pay opportunities and compensation program design should be competitive with the market;

c) share ownership should be promoted; and

d) tax deductibility of executive compensation should be considered.

Alignment of Compensation with Performance

The Committee believes executive compensation should be aligned with Kforce s performance and total shareholder returns. The Committee emphasizes the use of variable performance-based compensation over fixed compensation, such as base salaries, to effectively motivate our NEOs to drive operational performance without encouraging unreasonable risk. The Committee also recognizes, and considers in determining compensation levels, that disparities may arise between Kforce s performance and shareholder returns at certain times due to, among other factors, market and economic conditions. As a result, in the 2013 to 2015 NEO compensation framework the Committee uses different performance measurements in its annual incentive, long-term incentive programs and CEO Cash-Based Three-Year TSR Bonus (or, in future years, a modified long-term incentive). Our annual incentive plan uses a combination of EPS and revenue metrics as performance measurements in addition to evaluating individual performance in the context of the achievement of MBOs. Both the LTI and CEO Cash-Based TSR bonus use a three-year TSR as compared to the industry peer group. For determining whether a bonus was not paid for 2013 under the CEO Cash-Based Three-Year TSR Bonus, the Firm compared its three-year TSR to the 2013 Separately Designated Peer Group.

The Committee believes the amount of performance-based compensation, or compensation at risk, that can be earned by its NEOs should align with the interests of our shareholders and is an integral part of Kforce s business strategies.

The charts below show fixed compensation (represented by base salary) and performance-based compensation (including any earned bonus, annual incentive compensation and LTI compensation) as a percentage of total direct compensation (TDC) for the CEO and the other Active NEOs in the aggregate for 2013. Grants of restricted stock are made pursuant to the achievement of pre-established performance criteria and we include them in performance-based compensation for this reason. For purposes of the charts below, we have used TDC. We define TDC as the amount of total compensation in the SCT less the amounts included in: (i) changes in pension value and nonqualified deferred compensation earnings column of the SCT (column (h)); and (ii) all other compensation column of the SCT (column (i)). We exclude these two columns because the figures are neither fixed (the value will fluctuate will over time) nor performance-based (changes are driven by factors other than performance, such as long-term interest rates).

(1) Performance-based compensation above includes the discretionary bonus approved by the Committee as a result of the key operational and financial achievements which were determined by the Committee to be above and beyond the pre-established targets.

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Compensation and Plan Design should be Competitive with the Market

The Committee believes Kforce s compensation programs should provide significant cash and equity incentives for superior performance, which also results in significant relative shareholder value, to attract, motivate and retain executive officers and to adequately compete with public and private company competitors. The Committee believes the 2013 to 2015 NEO compensation framework achieves this result with the exception of the CEO LTI design noted above. 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 able to drive our long-term profitable growth. The Committee further believes it is important to be knowledgeable concerning best practices and how comparable organizations compensate their executives. The Committee has historically retained PM&P to assist in executive compensation arrangement matters.

The Committee also takes into account Kforce s complex operating model, where we compete for executive talent in an industry populated by many single-service private firms owned by entrepreneurial individuals and firms financed by private-equity firms, which represent our most effective competition in many markets. Large financial rewards are frequently generated for owners of these private companies, and knowledge gained from Kforce s past acquisitions has led to a desire to take into account such philosophies of superior pay for superior performance in order for our executive compensation program to remain competitive with the programs of these private companies.

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. For the 2013 compensation program, total pay levels for our NEOs were targeted at the 50^{th} percentile while payouts for superior performance may exceed this level. The Committee believes targeting our executive compensation at the median provides adequate retention of our NEOs and provides a significant incentive to our NEOs to exceed targeted performance.

Share Ownership should be Promoted

The Committee believes Kforce s executives should have a personal financial stake directly aligned with the interests of our shareholders. As a result, long-term equity incentives, including stock options, stock appreciation rights (SARs) and full-value awards such as restricted stock, are included in Kforce s executive compensation program. In addition, all employees, including the NEOs, are eligible to purchase stock through the Kforce Inc. 2009 Employee Stock Purchase Plan.

During March 2012, the Committee adopted more stringent executive share ownership guidelines and also expanded these guidelines applicability to include all members of the internal executive committee (a total of 14 executives, including the 5 NEOs). The previous share ownership guidelines required each NEO to hold the number of shares equal to two times their base salary divided by the stock price on the later of the date of election or April 4, 2006. The share ownership guidelines adopted in March of 2012 require a minimum level of share ownership, as follows:

- For the Chief Executive Officer, the lesser of five times (5x) base salary or two hundred thousand (200,000) shares;
- For the President and the Chief Financial Officer, the lesser of three times (3x) base salary or one hundred thousand (100,000) shares;
- For the other NEOs, the lesser of two times (2x) base salary or fifty thousand (50,000) shares; and
- For the other members of its internal executive committee (9 executives), fifteen thousand (15,000) shares.

As of the Record Date, all of our NEOs and other members of our internal executive committee were in compliance with this policy. The stock ownership policy is incorporated into the Corporate Governance Guidelines which is available on the Investor Relations section of our website at *www.kforce.com*.

Kforce Considers the Tax Deductibility of Executive Compensation

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 Kforce s control. In addition, 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 does 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.

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We have structured the 2006 Stock Incentive Plan, and its subsequent amendments, as well as the 2013 Stock Incentive Plan, such 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 (rather than performance-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.

Other Compensation Practices

Elimination of Excise Tax Gross Up

In 2009, the Committee resolved to not enter into any new employment agreements, or materially amend any existing employment agreements with its executives that contain excise-tax gross-up provisions going forward. Since the Committee s resolution, there have been 12 new or amended executive employment agreements, all of which have excluded excise-tax gross-up provisions.

Financial and Operational Summary

The Committee believes Kforce has an outstanding management team, which has produced strong financial results and shareholder returns in comparison to its industry peer group. The following are what the Committee believes to be the significant operational and financial achievements of Kforce from continuing operations, unless stated otherwise, and our management team over the last several years:

During the past five years, Kforce s TSR increased 187.8%, ranking it 3rd among the 2013 Industry Peer Group. Kforce s one-year TSR increased of 42.7%.

Net service revenues increased 6.4% to $1.15 billion in 2013 from $1.08 billion in 2012 and increased 7.7% in 2012 from $1.00 billion in 2011. Flex revenues increased 6.6% to $1.10 billion in 2013 from $1.03 billion in 2012. Search revenues increased 2.5% to $48.9 million in 2013 from $47.7 million in 2012.

The Firm successfully implemented a plan to accelerate revenue growth. Beginning in the fourth quarter of 2012 and continuing throughout 2013, management made significant investments in the hiring of associates responsible for generating revenue in its staffing business to capture the current and expected future demand in the marketplace for the services provided by Kforce. Revenue generator headcount increased 10.3% in the fourth quarter of 2013 as compared to the fourth quarter of 2012. This increase in headcount resulted in total Firm revenue growth in our staffing business, including our Tech business (which represents approximately 64% of our total net service revenues) which grew 17.9% during the fourth quarter of 2013 as compared to the fourth quarter of 2012. We believe the investment strategy will continue to benefit the Firm as newer associates continue increase their productivity over time, which will result in revenue growing faster than investments in headcount. Going forward, the Firm expects to continue to hire additional revenue generators in those lines of business, geographies and industries we believe present the greatest opportunity for growth. As a result of this investment strategy, management expects to increase revenues at levels near the best in industry.

During October 2013, the Firm commenced a plan to streamline its leadership and support-related structure to better align a higher percentage of personnel in roles closest to the customer through an organizational realignment. The new organizational design is intended to provide improved accountability and deliver better results for our clients, consultants and core personnel. Additionally, the Firm believes this organizational realignment will help the Firm achieve and potentially surpass prior peak operating margins of 7.4% from 2007. Management believes the organizational realignment along with the significant investments in revenue generator headcount made in late 2012 and throughout 2013 has set the stage for further revenue acceleration and operating leverage growth which will ultimately drive increased value to our shareholders.

Net income for 2013 of $28.2 million, which excludes a goodwill impairment and realignment-related charge, decreased 8.5% to $30.8 million for 2012, excluding a goodwill impairment charge. EPS of $0.84 for 2013, excluding a goodwill impairment and realignment-related charge, decreased 1.2% from $0.85 for 2012, excluding a goodwill impairment charge. Management believes both the investment in revenue generators and the organizational realignment, as discussed above, provide the Firm significant opportunity for net income and EPS expansion through accelerated revenue growth at or near the best in industry and the improvement of operating margins to prior peak levels.

During 2013, the Firm effectively managed and used cash flows to return value to the shareholders. Management initiated a quarterly dividend program during the fourth quarter of 2013 of $0.10 per share resulting in a return to shareholders of $3.3 million (based on the closing stock price on the date the dividend was declared of $19.25, the quarterly dividend is expected to have an annualized yield of 2.1%) and repurchased 1.8 million shares of common stock on the open market at a total cost of approximately $27.3 million.

Industry Peer Group and Benchmarking

The industry peer group is one of the building blocks of the executive compensation program because 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 criteria for peer group selection includes peer company customers, revenue footprint (i.e., revenues derived from different industries as a percentage of total revenues), geographical presence, talent, capital, size (i.e., total revenues, market capitalization and domestic presence), complexity of operating model and companies with which we compete for executive level talent. FY 2013 revenues and market capitalization for Kforce was $1.15 billion and $690.1 million, respectively, which compares to the median FY 2013 revenues and market capitalization of the 2013 Industry Peer Group of $982.6 million and $809.3 million, respectively.

2013 Industry Peer Group:

CDI Corporation	On Assignment, Inc.
CIBER, Inc.	Robert Half International Inc.
TrueBlue Inc.	Resources Connection, Inc.
Manpower Inc.	Computer Task Group Inc.

There was no change in the industry peer group between 2012 and 2013.

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Kforce Stock Price Performance Graph

The following graph is a comparison of the cumulative total returns for Kforce common stock as compared with the cumulative total return for the 2013 Industry Peer Group and the NASDAQ Stock Market (U.S.) Index. Kforce s cumulative return was computed by dividing the difference between the price of Kforce common stock at the end of each year and the beginning of the measurement period (December 31, 2008 to December 31, 2013) by the price of Kforce common stock at the beginning of the measurement period. Cumulative total returns for Kforce, the 2013 Industry Peer Group and the NASDAQ include dividends in the calculation of total return and are based on an assumed $100 investment on December 31, 2008, 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 common stock. For purposes of the TSR graph below, Kforce has been excluded from the 2013 Industry Peer Group. During the past five years, Kforce s TSR increased 187.8%, ranking it 3rd among the 2013 Industry Peer Group.

	2008	2009	2010	2011	2012	2013
Kforce Inc.	100.0	162.9	210.8	160.6	201.7	287.8
NASDAQ Stock Market (Composite)	100.0	143.9	168.2	165.2	191.5	264.8
2013 Industry Peer Group	100.0	141.0	163.2	125.4	149.9	234.8

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2013 NEO Compensation Components and Results

The section below discusses the compensation components and results as it relates to the 2013 NEOs. The components and results reflect the significant changes made by the Committee in designing the 2013 to 2015 compensation framework.

Base Salaries

Base salaries for the NEOs for 2013 are targeted at the median of Kforce s 2013 Industry Peer Group and the 2013 Separately Designated Peer Group. The 2013 base salary of $300,000 for each Messrs. Kelly and Neal and Ms. Mitchell, which were excluded from the table below as each became a NEO in 2013, were based upon: (i) their promotion to Chief Financial Officer, Chief Operations Officer West and Chief Operations Officer East, respectively; (ii) the base salary for similar positions for comparable sized companies within the broader market; and (iii) the individual performance of each during 2012. Additionally, a significant portion of the increase to Mr. Liberatore s base salary was driven by his promotion from Chief Financial Officer to President in 2013. The following table provides the salary growth rate for each NEO from 2008 to 2013.

Name (a)	Beginning Base Salary (1) (b)	2013 Base Salary (c)	Compounded Growth in Base Salary (d)
David Dunkel, CEO	$ 750,000	$ 800,000	1.3%
Joseph Liberatore, President	$ 450,000	$ 600,000	5.9%
Michael Ettore, Chief Services Officer	$ 335,000	$ 350,000	3.1%
Randal Marmon, Chief Customer Officer	$ 300,000	$ 350,000	3.9%

(1) The beginning base salary for each NEO in the table above except Mr. Marmon is that which was earned in 2008. For Mr. Marmon, the beginning base salary is that which was earned in 2009, which was the first year in which he became a NEO.

Annual Incentive Compensation

Annual incentive compensation for 2013 is targeted at the median of Kforce s 2013 Industry Peer Group and the 2013 Separately Designated Peer Group, at the time the compensation plan is approved. Actual incentive awards can be at, above or below target levels based on actual performance, with no payments made if performance does not meet a minimum threshold level. We believe the annual incentive effectively motivates our NEOs to drive operational performance without encouraging unreasonable risk. Each award for the NEOs is subject to the discretion of the Committee. Our annual incentive plan uses a combination of EPS and revenue metrics as performance measurements in addition to evaluating individual performance in the context of the achievement of MBOs. The Committee believes the achievement of predetermined objectives related to these measures will result in profitable growth and, ultimately, to increases in long-term shareholder value.

The annual incentive compensation for our NEOs is calculated under a financial targets plan which has two components:

i. an incentive based on the Kforce Inc. Amended and Restated Performance Incentive Plan, which was previously approved by Kforce shareholders and which is primarily based on achieving certain annual performance metrics (the Incentive Bonus); and

ii. an objectives-based bonus based on individual accomplishments and business unit performance (the Individual Bonus).

More specifically, the Incentive Bonus is composed of amounts tied to EPS and annual revenues (although each of these numbers can be adjusted from their GAAP counterparts after the commencement of the performance period to more accurately reflect, in the Committee s opinion, the results achieved by Kforce), and the Individual Bonus is composed of amounts tied to individual performance and the achievement of individual MBOs. The Committee believes the annual incentive compensation plan drives internal performance factors that we believe to be linked to the achievement of shareholder returns.

The 2013 annual incentive awards were based on the following:

Name	Percentage of Annual Incentive Bonus based on: Earnings Per Share	Total Annual Revenues	Individual Performance and Achievement of Individual MBOs
David Dunkel	40%	40%	20%
Joseph Liberatore	40%	40%	20%
David Kelly	40%	40%	20%
Kye Mitchell	25%	25%	50%
Jeffrey Neal	25%	25%	50%
Michael Ettore	25%	25%	50%
Randal Marmon	25%	25%	50%

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The target base salary multiplier used to calculate the 2013 annual incentive awards for each component of the Annual Incentive Bonus for the NEOs as a percentage of their respective 2013 base salaries were:

	Target Multiplier as a Percentage of Base Salary for Each Component:		
Name	Earnings Per Share	Total Annual Revenues	Individual Performance and Achievement of Individual MBOs
David Dunkel	100%	100%	100%
Joseph Liberatore	90%	90%	90%
David Kelly	75%	75%	75%
Kye Mitchell (1)	100%	100%	200%
Jeffrey Neal (1)	100%	100%	200%
Michael Ettore	75%	75%	75%
Randal Marmon	75%	75%	75%

(1) The target multiplier as a percentage of base salary for Ms. Mitchell and Mr. Neal for their respective Individual Bonus is based on 100% of their base salary (or 50% of 200% as shown above).

For the 2013 annual incentive compensation, the potential payout incentives for Messrs. Dunkel, Liberatore, Kelly, Ettore and Marmon are separate and distinct from that of Ms. Mitchell and Mr. Neal as detailed below. The following table provides the potential incentive payouts, expressed as a percentage of target incentives, relative to the achievement of both revenue and EPS for Messrs. Dunkel, Liberatore, Kelly, Ettore and Marmon (collectively, NEO Group A) and Ms. Mitchell and Mr. Neal (collectively, NEO Group B), which are as follows:

Total Revenue (in millions)	Payout % of Target for NEO Group A	Payout % of Target for NEO Group B	EPS	Payout % of Target for NEO Group A	Payout % of Target for NEO Group B
$1,145	25%	25%	$0.94	25%	25%
$1,148	39%	30%	$0.95	45%	33%
$1,152	54%	36%	$0.96	65%	41%
$1,155	68%	42%	$0.97	85%	49%
$1,159	82%	48%	$0.98	105%	57%
$1,163	96%	54%	$0.99	125%	65%
$1,166	111%	60%	$1.00	140%	72%
$1,170	125%	65%	$1.01	155%	79%
$1,174	136%	70%	$1.02	170%	86%
$1,177	146%	75%	$1.03	185%	93%
$1,181	157%	80%	$1.04	200%	100%
$1,185	168%	85%			
$1,189	179%	90%			
$1,193	189%	95%			
$1,197	200%	100%			

For purposes of the calculation of the Incentive Bonus, we achieved total annual revenues of $1,151.9 million and EPS of $0.84, excluding a goodwill impairment charge and realignment-related expenses. The payout percentages of target for total annual revenues for NEO Group A and Group B was 39% and 30%, respectively, whereas there were no payouts related to EPS for either NEO Group A or Group B.

For purposes of the calculation of the Individual Bonus, the Committee considered each individual s accomplishments, business unit performance and the overall performance of the Firm. Specifically for Ms. Mitchell and Mr. Neal, Kforce does not publicly disclose the business unit-specific performance goals that are used to calculate the Individual Bonuses. Our business unit plans are highly confidential and the disclosure of this information would likely provide third-parties and competitors with confidential insights into our internal planning processes, which would cause competitive harm to us. To illustrate the difficulty of meeting the performance goals for business unit revenue, only Ms. Mitchell of the NEO Group B members met her revenue target in 2013. Our business unit performance goals are based on two metrics: total annual business unit revenue and the maintenance of specific operating margins. As with the other annual incentive goals, the Compensation Committee strives to set the business unit performance goals for NEO Group B members Individual Bonuses at levels intended to effectively motivate our NEOs to superior operational performance without encouraging unreasonable risk. We believe our performance goals in recent years have been, and will continue to be, challenging.

No Individual Bonus was earned by Messrs. Dunkel, Liberatore, Kelly, Neal, Ettore or Marmon. Ms. Mitchell received a payout percentage of 168% based on her business unit performance.

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The following table provides a summary of the annual incentive compensation earned for fiscal year 2013:

Name		Annual Incentive Compensation Earned
David Dunkel, CEO	$	124,800
Joseph Liberatore, President	$	84,240
David Kelly, Chief Financial Officer	$	35,100
Kye Mitchell, Chief Operations Officer East	$	526,821
Jeffrey Neal, Chief Operations Officer West	$	23,250
Michael Ettore (1)	$	0
Randal Marmon (1)	$	0
	$	794,211

(1) Messrs. Ettore and Marmon received no annual incentive compensation as a result of their termination in November 2013.

Each component of the Annual Incentive Bonus is calculated as follows: [(Base Salary) x (Target Multiplier for the Component) x (Percentage of Annual Incentive Bonus Allocated to the Component) x (Payout Percentage of Target for the Component)]. The 2013 annual incentive awards for Messrs. Dunkel, Liberatore, Kelly, Mitchell and Neal as a percentage of their respective 2013 base salaries were 16%, 14%, 12%, 176% and 8%, respectively.

Discretionary Bonus

As noted previously within the *Executive Summary* section above, to ensure continued alignment of executive compensation with the Firm s performance results and as a result of the organizational realignment and other significant operational and financial achievements in 2013, the Committee approved a discretionary bonus for the Active NEOs for 2013.

The following table provides a summary of the discretionary bonus and the bonus as a percentage of base salary by NEO for FY 2013:

Name		Discretionary Bonus	% of Base Salary
David Dunkel, CEO	$	1,075,000	134%
Joseph Liberatore, President	$	600,000	100%
David Kelly, Chief Financial Officer	$	300,000	100%
Kye Mitchell, Chief Operations Officer East	$	100,000	33%
Jeffrey Neal, Chief Operations Officer West	$	276,750	