

KFORCE INC
Form DEF 14A
March 08, 2013
[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant ☒
Check the appropriate box:

Filed by a party other than the Registrant ☐

☐ Preliminary Proxy Statement

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

☒ Definitive Proxy Statement

☐ Definitive Additional Materials

☐ Soliciting Material Pursuant to Rule 14a-12

KFORCE INC.

(Name of Registrant as Specified In Its Charter)

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☒ No fee required

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Table of Contents

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held April 5, 2013

Dear Shareholder:

On Friday, April 5, 2013, Kforce Inc. will hold its 2013 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 I directors to hold office for a three-year term expiring in 2016;
2. Ratify the appointment of Deloitte & Touche LLP as Kforce's independent registered public accountants for the fiscal year ending December 31, 2013;
3. Approve Kforce's executive compensation;
4. Approve the Kforce Inc. 2013 Stock Incentive Plan; and
5. Attend to other business properly presented at the meeting.

Kforce's Board of Directors has selected February 22, 2013 as the record date for determining shareholders entitled to vote at the meeting.

The proxy statement, proxy card and Kforce's 2012 Annual Report to Shareholders are being mailed on or about March 8, 2013. 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 8, 2013

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be Held on April 5, 2013

This proxy statement and our 2012 Annual Report to Stockholders are available at

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

Table of Contents

TABLE OF CONTENTS

<u>Questions and Answers</u>	3
<u>Proposal 1. Election of Directors</u>	6
<u>Corporate Governance</u>	9
<u>Corporate Governance Guidelines</u>	9
<u>The Board of Directors</u>	9
<u>Board Meetings</u>	9
<u>Board Leadership Structure</u>	9
<u>Board's Role in Risk Management</u>	10
<u>Board Diversity</u>	10
<u>Code of Ethics and Business Conduct</u>	10
<u>Minimum Director Stock Ownership</u>	10
<u>Minimum Executive Stock Ownership</u>	11
<u>Clawback Policy</u>	11
<u>Insider Trading, Anti-Pledging and Anti-Hedging</u>	11
<u>Communications with the Board</u>	11
<u>Director Attendance at Annual Meetings</u>	11
<u>Committees of the Board</u>	12
<u>Directors' Compensation</u>	14
<u>Transactions with Related Persons</u>	15
<u>Review, Approval, or Ratification of Transactions with Related Persons</u>	15
<u>Proposal 2. Ratification of Appointment of Independent Registered Public Accountants</u>	16
<u>Audit Committee Report</u>	17
<u>Beneficial Ownership of Common Shares</u>	18
<u>Directors and Named Executive Officers</u>	18
<u>Owners of More Than 5%</u>	19
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	19
<u>Executive Officers</u>	20
<u>Compensation Discussion and Analysis</u>	21
<u>Executive Summary</u>	21
<u>Compensation Committee Roles and Responsibilities</u>	26
<u>Executive Compensation Philosophy and Other Practices</u>	26
<u>Financial and Operational Summary</u>	29
<u>2012 NEO Compensation Components and Results</u>	31
<u>Earned Compensation for Corresponding Year of Performance</u>	37
<u>2013 to 2015 NEO Compensation Framework</u>	38
<u>2010 Burn Rate Commitment</u>	43
<u>Other Factors Affecting Compensation</u>	43
<u>Summary</u>	45
<u>Summary Compensation Table</u>	46
<u>Grants of Plan-Based Awards</u>	47
<u>Option Exercises and Stock Vested</u>	48
<u>Pension Benefits</u>	48
<u>Nonqualified Deferred Compensation</u>	49
<u>2012 Potential Payments Upon Termination or Change in Control</u>	50
<u>Risks Resulting from Compensation Policies and Practices</u>	53
<u>Compensation Committee Interlocks and Insider Participation</u>	53
<u>Compensation Committee Report</u>	53
<u>Proposal 3. Approval of Kforce's executive compensation</u>	54
<u>Proposal 4. Approval of the Kforce Inc. 2013 Stock Incentive Plan</u>	55
<u>Securities Authorized for Issuance Under Equity Compensation Plans</u>	63
<u>Shareholder Proposals</u>	63
<u>Other Matters</u>	64

Table of Contents

QUESTIONS AND ANSWERS

Q: Why did you send me this proxy statement?

A: We sent you this proxy statement and the enclosed proxy card because Kforce's Board of Directors (the "Board") is soliciting your proxy on behalf of Kforce to vote your shares at the 2013 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 5, 2013, 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 I directors to hold office for a three-year term expiring in 2016;
- To ratify the appointment of Deloitte & Touche LLP as Kforce's independent registered public accountants for the fiscal year ending December 31, 2013;
- To approve Kforce's executive compensation; and
- To approve the Kforce Inc. 2013 Stock Incentive Plan.

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 I directors to hold office for a three-year term expiring in 2016; (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, 2013; (3) **FOR** the approval of Kforce's executive compensation and (4) **FOR** the approval of the Kforce Inc. 2013 Stock Incentive Plan.

Q: Who is entitled to vote?

A:

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Only those who owned Kforce common stock (the Common Stock) at the close of business on February 22, 2013 (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.

Table of Contents

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, 34,961,660 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:

Proposal 1: In order to pass, this proposal must receive a plurality of the votes cast at a meeting.
Proposals 2, 3 and 4: In order to pass, each of these proposals must receive the affirmative vote of a majority of the shares entitled to vote on the matter. In addition, Proposal 4 requires the affirmative vote of a majority of the total votes cast on the proposal. An abstention is considered as present and entitled to vote and, for these purposes, as cast on the proposal. Because each of Proposals 2, 3 and 4 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, 3 and 4. 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, 3 and 4. 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

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Deloitte & Touche LLP as Kforce's independent registered accountants for the fiscal year ending December 31, 2013; (3) **FOR** the approval of Kforce's executive compensation; (4) **FOR** the approval of the Kforce Inc. 2013 Stock Incentive Plan and (5) in the discretion of the persons named as proxies on all other matters that may be brought before the meeting.

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 4, 2013.

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 4, 2013.

Table of Contents

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 8, 2013. In addition, the proxy solicited by the Board for the 2014 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 22, 2014.

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.

Table of Contents

PROPOSAL 1. ELECTION OF DIRECTORS

The Board has ten directors who are divided into three classes serving staggered three-year terms. The classes relate to 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 I directors for a three-year term expiring at the 2016 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 Ms. Rosen and Mr. Struzziero are independent while Mr. Sutter 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 I Directors

Terms Expire in 2013

Elaine D. Rosen, 60, 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 serving as the non-executive Chair and a compensation committee member of Assurant, Inc., she has considerable expertise in, among other things, executive compensation, a subject matter that is undergoing dynamic change.

Ralph E. Struzziero, 68, 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 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.

Table of Contents

Howard W. Sutter, 64, 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.

Continuing Directors, Class II Directors

Terms Expire in 2014

John N. Allred, 66, 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, 58, 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 our 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, 68, 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 and Health Insurance Innovations, a health insurance marketing and administrative company, since February 2013. Mr. Tunstall previously served as a director for JLM Industries, Inc., Orthodontics Center of America, Inc., Discount Auto Parts, Inc., Advanced Lighting Technologies Inc., 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.

Nominees for Election, Class III Directors

Terms Expire in 2015

W. R. Carey, Jr., 65, 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.

Table of Contents

David L. Dunkel, 59, 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, 55, 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.

Patrick D. Moneymaker, 66, has served as a director of Kforce since July 2008 and as a director of, and a consultant to, Kforce Government Solutions, Inc. (KGS), a wholly-owned subsidiary of Kforce Inc., since April 2011. Mr. Moneymaker previously served as President of Mission Solutions Group, a subsidiary of Epsilon Systems Solutions, Inc., a privately held, San Diego, California-based diversified professional and technical services company from September 2011 to January 2013 and President and CEO of Proxy Aviation Systems from July 2008 to August 2010. He served as the CEO of Kforce Government Holdings, Inc. (KGH), a wholly-owned subsidiary of Kforce Inc., from September 2006 to July 2008, and also served as a director of Kforce from June 2005 to September 2006. Prior to his role as CEO of KGH, Mr. Moneymaker served as the CEO, Operating Officer and President of Ocean Systems Engineering Corporation (OSEC), a privately-held company from October 1998 until OSEC's sale in May 2006. From 1968-1998, Mr. Moneymaker was an officer in the United States Navy, ultimately achieving the rank of Rear Admiral. During his naval career, Mr. Moneymaker served as Navy Director of Space and Information Warfare and with the U.S. Strategic Command and as commander at the Naval Space Command.

Mr. Moneymaker brings extensive governmental expertise to the Board and Kforce, an area that Kforce has targeted as a growth area. Kforce believes that his experience in the United States Navy is important in understanding the military culture, given that many of its executives at all levels are former military officers and that Kforce actively recruits military officers for its operations.

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

Table of Contents

CORPORATE GOVERNANCE

Our Board believes that sound corporate governance is fundamental to the overall success of Kforce. Our Board 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](http://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.

Board Meetings

During 2012, the Board held seven meetings and committees of the Board held a total of 20 meetings. Each director attended 100% of both the meetings of the Board and the meetings held by all committees of the Board on which such 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

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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.

Table of Contents

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, government contracting, investment banking/strategic advisory, insurance, and sustainability, as well as staffing. Kforce has at least two individuals who qualify as audit committee financial experts, as well as two individuals with extensive military experience, 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.

Table of Contents

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 12 members in addition to its 5 NEOs, or an aggregate of 17 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 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 2012 Annual Meeting of Shareholders.

Table of Contents

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 2012.

	AUDIT	COMPENSATION	CORPORATE GOVERNANCE	NOMINATION	EXECUTIVE
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