The Right People

The Right Match

The Right Way

Kforce Professional Staffing

Kforce, a leading provider of both traditional and Web-enabled staffing solutions, has combined nearly four decades of customer relationships built on personal respect with the most advanced Internet technology to create an exciting new business model. But advanced technology is only one of the many tools our recruiting specialists use to provide superior personal service. Every day, through thousands of one-on-one contacts, **Kforce** is gaining the trust of clients in the fields of information technology, finance and accounting, human resources, health care, pharmaceutical, legal, engineering, and scientific.

Our unique process – the combination of nearly 2,000 staffing specialists operating in over 100 offices in 45 markets – enables **Kforce** to provide the right people at the right time to make the right match between job seekers and employers. Using the latest technology enables our staffing professionals to do a better job than ever before, and allows **Kforce** to bridge the gap between the Internet and traditional recruiting models.

To the employees, clients and shareholders of **Kforce**:

Over the last two years, **Kforce** has faced the wrenching change of several distinct business challenges: the Romac International/Source Services post-merger integration, the post-Y2k decline in IT sector demand growth, and the rapid progression and subsequent adjustments of the Web revolution. Each of these alone would be challenging. Together, they taxed our resources and tested the cultural fabric of the Company. However, our heritage and the pride of our people saw **Kforce** through this volatile period and set the stage for success in 2001.

We have made great strides in bringing together the strengths of our legacy management with those of experienced leaders from outside the organization. Those blended strengths have resulted in a renewed commitment to our updated mission and values and in strategic and tactical operating models to manage our business, and have significantly enhanced administrative and financial systems, a Web-enabled technology platform, and a focus on the training and development of our leadership and recruiting staff. My goal in this process was to prepare Kforce for future growth by shaping an organization that was fast and efficient and one that delivered superior customer service.

At **Kforce**, we believe customer service is central to our culture. Our customers seek a staffing solutions partner that provides a superior level of customer service. While research clearly indicates that our industry is not known for excellence in customer service, we believe that **Kforce**'s ability to be the preferred partner of many leading organizations and provide excellent service is based upon four unique principles:

1. Disciplined Operating Processes – To support this focus we invested in several key tools designed to extend our market strength. Training improvements such as our "K-way" producer training program and our leadership development programs; updating and upgrades of our front and back office systems; implementation of a centralized marketing support system via our intranet and other process changes have had the added benefit of improving our cost efficiency. Currently, we are capturing and disseminating the intellectual capital and best practices of our company in our intranet-based KnowledgeBank repository.

2. Technology Enabled – Recognizing the rapidly growing influence of the Internet, we aggressively incorporated advanced technology into our business processes. While some components of our Web-based efforts perhaps preceded market acceptance, we believe that **Kforce** is, today, in a superior position to continue to lead the inevitable industry transition to a "bricks-and-clicks" model, which we label "high-tech, high-touch." The Web has changed the traditional model within

our business, and Kforce is committed to leading and reaping the benefits of this transition. To maintain our proactive Web strategy, **Kforce** has initiated the development of a Web-channel management group, which again has resulted in increased cost efficiencies and improved customer service by increasing the speed of the recruiting process.

3. Personal Respect – One of our distinct advantages is our level of customer service. **Kforce** has a national network of highly trained staffing specialists focused on a diversified staffing-service offering. Treating all customers – clients, candidates and fellow associates – with respect and professionalism is central to our brand and our training efforts.

4. Focus on the Right Match – The ultimate value we bring to our customers can be summed up in three words: The Right Match. Only four percent of job seekers who use online resources report that they landed their job via the Internet.[1] And just one-fifth of online job seekers report being satisfied with the quality of Internet job postings.[2] These statistics illustrate why **Kforce** combines the power of the Internet as a tool with nearly 2,000 highly qualified staffing professionals in 45 markets to make the right match and deliver success for our clients and candidates.

The Year In Review

In reviewing 2000, **Kforce** achieved several significant accomplishments. At the time of the Romac/Source merger, we indicated that we would develop a new brand and a strategy for rolling it out. After extensive research and consideration, we changed the name of the company to **kforce.com** in early 2000. The "K" in **Kforce** stands for knowledge, reflecting the specialty nature of the professional and technical skills in which we specialize. The "force" represents the knowledgeable team of people with a clear focus and commitment. The name **Kforce** (we have since decided to drop the ".com" suffix) describes not only the clients we serve, but also the team that serves them.

Early last year, our Web initiative was launched at scale with a national advertising strategy supporting our name change. We developed a rich and exciting vision for using the Web, which was aggressive and has positioned Kforce very well as we move forward. While the initiative was perhaps overly broad, we continued to refine and focus that vision as the year progressed. This culminated in the launch of our localization strategy in September. We believe that we are beginning to see positive results with our Web strategy and that we will be viewed as a leader in the staffing industry with our integrated business model.

[1]Greenfield Online [2]The Industry Standard Metrics Report

Also during 2000, our major and national accounts effort resulted in the expansion or extension of existin-grelationships with many Fortune 500 clients, as well as the addition of new customers for our Accounting andIT flex products. In order to improve our account penetration and gain more customer share, during the fourth quarter, we launched Preferred Client Servicing Teams (PCSTs) in various markets throughout the U.S. Preliminary results have been favorable, and we expect that this effort will continue to bear fruit in 2001.

Looking Forward

The market for staffing services grew rapidly in the late 1990s and appears to have stabilized in 2000. However, demand outpaced supply due to a lack of qualified candidates, especially in the IT sector. Beginning with the fourth quarter of 2000, we saw a definite change in the tone of our business, again particularly in IT. We believe the candidate market has now stabilized, as the dot-com impact has faded and rationality has returned. Our candidates now show a clear preference for stability and longer-term opportunity, versus the stock option mentality of a few short months ago. Due to market conditions and based upon historical precedents, we expect companies to take advantage of flexible staffing services as they navigate through a currently unpredictable economic landscape, making way for a potential return to flexible staffing growth for those business units at Kforce.

We believe we enter 2001 with a stronger field and corporate management team whose skills have been systematically built through selective hiring and training. At the same time, we have raised the performance standards for both our field and support staff. In addition to operational streamlining and the reduction of SG&A, we have continued our ongoing stock buy-back program intended to enhance shareholder value.

Looking forward, we believe short- and long-term growth prospects are good for Finance & Accounting and our Operating Specialties such as Pharmaceutical, Legal, Scientific, Engineering and HealthCare. Longer-term growth for IT should resume. As we enter 2001, we reflect on the growing sense of confidence and stability within our organization that we experienced as 2000 came to a close. Today, there is a real conviction that the challenges of the past will lead to great opportunities in the near future.

As the leader of Kforce, I have truly been inspired by the incredible commitment and relentless pursuit of success by the leadership team and each person at Kforce. I believe we are poised to continue building our brand, our company and, most importantly, value for our shareholders, clients and employees.

To achieve our goals, we must do three things very well:

- Remain focused on our core staffing capabilities,
- Continue to align costs with revenues,
- Pursue, with an unrelenting commitment, our business priorities outlined by our four key business principles.

In closing, we believe Kforce has established a unique and growing competitive position and is prepared to claim a leading role within our industry. We are committed to increasing shareholder value, in both the short and long term. To that end, I want to recognize the efforts of my executive team, our field leadership team, our support team and nearly 2,000 staffing professionals who have built strong relationships with our clients. These individuals, their expertise and their commitment to true client satisfaction are the foundation upon which our company will prosper. On behalf of the entire Kforce team, I look forward to 2001 and beyond.

David L. Dunkel

Chairman and Chief Executive Officer

Our Mission

To enrich the lives of our customers – both candidates and clients – by shaping enduring business relationships. We will do so by facilitating the match of the right people with the right jobs through a technology-enabled, disciplined process driven by personal respect.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of **kforce**.com, Inc.:

We have audited the accompanying consolidated balance sheets of **kforce.com**, Inc. and subsidiaries (the "Company"), formerly known as Romac International, Inc., as of December 31, 2000, and the related consolidated statements of operations and comprehensive income (loss), stockholders' equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of the Company as of December 31, 1999 and for the two years then ended were audited by other auditors whose report, dated February 8, 2000, expressed an unqualified opinion on those consolidated statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2000, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP
Certified Public Accountants

Tampa, Florida
January 30, 2001

Report of Independent Certified Public Accountants

To the Board of Directors and Stockholders of Romac International, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and comprehensive income, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Romac International, Inc. and its subsidiaries (the "Company") at December 31, 1999, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

Tampa, Florida
February 8, 2000

KFORCE.COM, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	DECEMBER 31 2000	DECEMBER 31 1999
	(IN 000's)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1,865	$ 7,919
Trade receivables, net of allowance for doubtful accounts of $6,649 and $4,417, respectively	125,931	112,545
Income tax refund receivables	–	23,038
Deferred tax asset	4,872	3,546
Prepaid expenses and other current assets	3,682	3,669
Total current assets	136,350	150,717
Receivables from officers and related parties	1,058	960
Furniture and equipment, net	23,115	27,758
Deferred tax asset, non-current	1,250	1,711
Other assets, net	23,481	19,349
Goodwill, net of accumulated amortization of $13,135 and $9,452, respectively	92,764	95,692
Total assets	$278,018	$296,187
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and other accrued liabilities	$ 17,464	$ 24,180
Accrued payroll costs	37,778	31,922
Bank overdrafts	8,083	5,824
Capital lease obligations	–	481
Notes payable to related parties	–	2,000
Income taxes payable	2,140	–
Total current liabilities	65,465	64,407
Long-term debt	45,000	–
Other long-term liabilities	12,516	13,575
Total liabilities	122,981	77,982
Commitments and contingencies (Note 11)		
Stockholders' Equity:		
Preferred stock, $0.01 par; 15,000 shares authorized, none issued and outstanding	–	–
Common stock, $0.01 par; 250,000 shares authorized, 46,959 and 46,687 issued, respectively	470	467
Additional paid-in capital	191,007	187,262
Accumulated other comprehensive (loss) income	(267)	(170)
Retained earnings	46,363	46,646
Less reacquired shares at cost; 14,802 and 2,613 shares, respectively	(82,536)	(16,000)
Total stockholders' equity	155,037	218,205
Total liabilities and stockholders' equity	$278,018	$296,187

The accompanying notes are an integral part of these consolidated financial statements.

KFORCE.COM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE INCOME (LOSS)

	YEARS ENDED DECEMBER 31 2000	1999	1998
	(IN 000's, EXCEPT PER SHARE DATA)		
Net service revenues	$794,997	$ 746,632	$680,086
Direct costs of services	433,441	424,001	388,505
Gross profit	361,556	322,631	291,581
Selling, general and administrative expenses	341,812	346,452	224,790
Merger, restructuring and integration expense	–	–	26,122
Depreciation and amortization	18,440	14,514	9,507
Other (income) expense:			
Dividend and interest income	(288)	(1,639)	(5,224)
Interest expense	734	423	216
Other (income) expense, net	(333)	274	23
Income (loss) before income taxes	1,191	(37,393)	36,147
(Provision) benefit for income taxes	(1,474)	13,877	(20,708)
Net (loss) income	$ (283)	$ (23,516)	$ 15,439
Other comprehensive (loss) income:			
Foreign currency translation	(97)	(191)	63
Comprehensive (loss) income	$ (380)	$ (23,707)	$ 15,502
Net (loss) income per share:			
Basic	$ (.01)	$ (.53)	$ .34
Diluted	$ (.01)	$ (.53)	$ .33
Weighted average shares:			
Basic	42,886	44,781	45,410
Diluted	42,886	44,781	47,318

The accompanying notes are an integral part of these consolidated financial statements.

KFORCE.COM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31, 2000	1999 (IN 000's)	1998
Cash flows from operating activities:			
Net (loss) income	$ (283)	$ (23,516)	$15,439
Adjustments to reconcile net (loss) income to cash provided by (used in) operating activities:			
Depreciation and amortization	18,440	14,514	9,507
Provision for fallouts and bad debts on accounts and notes receivable	7,106	9,768	4,049
Deferred income taxes	(865)	347	(2,742)
Loss on asset sales/disposals	830	419	1,604
(Increase) decrease in operating assets:			
Trade receivables, net	(20,491)	(8,169)	(33,464)
Prepaid expenses and other current assets	(13)	(43)	(1,108)
Other assets, net	(5,088)	(7,281)	(5,751)
Increase (decrease) in operating liabilities:			
Accounts payable and other accrued liabilities	(6,716)	14,920	1,229
Accrued payroll costs	8,016	(9,148)	12,932
Bank overdrafts	2,260	5,824	–
Accrued merger, restructuring and integration expense	–	(4,931)	4,931
Income tax refund (payable)	26,174	(26,129)	29
Other long-term liabilities	(1,059)	6,703	4,284
Cash provided by (used in) operating activities	28,311	(26,722)	10,939
Cash flows from investing activities:			
Capital expenditures, net	(6,408)	(16,603)	(11,820)
Acquisitions, net of cash acquired and including payment on earnout provisions	(1,221)	(6,039)	(23,593)
Proceeds from the sale of short-term investments	–	12,000	–
Premiums paid for cash surrender value of life insurance policies	(3,213)	(391)	(3,292)
Purchase of short-term investments	–	–	(10,047)
Cash used in investing activities	(10,842)	(11,033)	(48,752)
Cash flows from financing activities:			
Proceeds from bank line of credit	55,000	–	–
Repayments on bank line of credit	(10,000)	–	–
Payments on capital lease obligations	(481)	(723)	(787)
Payments on notes payable to related parties	(2,000)	(10,144)	–
Payments on (issuance of) notes receivable from related parties	–	1,143	(582)
Proceeds from exercise of stock options	2,513	1,843	6,271
Repurchases of treasury stock	(12,699)	(15,075)	–
Repurchase of treasury stock in tender offer transaction	(55,759)	–	–
Cash (used in) provided by financing activities	(23,426)	(22,956)	4,902
Increase (decrease) in cash and cash equivalents	(5,957)	(60,711)	(32,911)
Cumulative translation adjustment	(97)	(191)	63
Cash and cash equivalents at beginning of year	7,919	68,821	101,669
Cash and cash equivalents at end of year	$1,865	$ 7,919	$68,821

The accompanying notes are an integral part of these consolidated financial statements.

KFORCE.COM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998
(IN 000's)

	COMMON STOCK Shares	COMMON STOCK Amounts	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME
STOCKHOLDERS' EQUITY:				
Balance at December 31, 1997	45,475	$455	$178,493	$ (42)
Exercise of stock options	933	9	6,262	–
Tax benefit of employee stock options	–	–	545	–
Foreign currency translation adjustment	–	–	–	63
Net income	–	–	–	–
Balance at December 31, 1998	46,408	464	185,300	21
Exercise of stock options	279	3	1,840	–
Tax benefit of employee stock options	–	–	122	–
Foreign currency translation adjustment	–	–	–	(191)
Net loss	–	–	–	–
Repurchase of common stock	–	–	–	–
Balance at December 31, 1999	46,687	467	187,262	(170)
Exercise of stock options	272	3	2,510	–
Tax benefit of employee stock options	–	–	995	–
401(k) matching contribution	–	–	406	–
Employee stock purchase plan contribution	–	–	(166)	–
Foreign currency translation adjustment	–	–	–	(97)
Net loss	–	–	–	–
Repurchase of common stock	–	–	–	–
Balance at December 31, 2000	46,959	$470	$191,007	$(267)

The accompanying notes are an integral part of these consolidated financial statements.

KFORCE.COM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998 CONTINUED
(IN 000's)

	RETAINED EARNINGS	REACQUIRED STOCK		TOTAL
		Shares	Amounts	
STOCKHOLDERS' EQUITY:				
Balance at December 31, 1997	$54,723	677	$ (925)	$232,704
Exercise of stock options	–	–	–	6,271
Tax benefit of employee stock options	–	–	–	545
Foreign currency translation adjustment	–	–	–	63
Net income	15,439	–	–	15,439
Balance at December 31, 1998	70,162	677	(925)	255,022
Exercise of stock options	–	–	–	1,843
Tax benefit of employee stock options	–	–	–	122
Foreign currency translation adjustment	–	–	–	(191)
Net loss	(23,516)	–	–	(23,516)
Repurchase of common stock	–	1,936	(15,075)	(15,075)
Balance at December 31, 1999	46,646	2,613	(16,000)	218,205
Exercise of stock options	–	–	–	2,513
Tax benefit of employee stock options	–	–	–	995
401(k) matching contribution	–	(72)	479	885
Employee stock purchase plan contribution	–	(217)	1,443	1,277
Foreign currency translation adjustment	–	–	–	(97)
Net loss	(283)	–	–	(283)
Repurchase of common stock	–	12,478	(68,458)	(68,458)
Balance at December 31, 2000	$46,363	14,802	$(82,536)	$155,037

The accompanying notes are an integral part of these consolidated financial statements.

(All dollar figures referenced in remainder of document, except per share data, are represented in thousands.)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

kforce.com, Inc. and subsidiaries (the "Company") is a provider of professional and technical specialty staffing services in more than 97 locations in 45 markets in the United States and Canada. The Company provides its customers with staffing services in the following specialties: Information Technology, Finance and Accounting, Human Resources, and Operating Specialties. The Company provides flexible staffing services on both a professional temporary and contract basis and provides search services on both a contingency and retained basis. The Company principally serves Fortune 1000 clients.

On May 5, 2000, the Stockholders approved a name change from Romac International, Inc. ("Romac") to kforce.com, Inc.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of kforce.com, Inc. and its subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

The Company classifies all highly liquid investments with an original maturity of three months or less as cash equivalents.

FURNITURE AND EQUIPMENT

Furniture and equipment are carried at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over the terms of the related leases which range from three to seven years.

REVENUE RECOGNITION

Net service revenues consist of sales, net of credits and discounts. The Company recognizes flexible billings based on hours worked by assigned personnel on a weekly basis. Search fees are recognized in contingency search engagements upon the successful completion of the assignments. The Company's policy is to replace individuals who fail to continue employment for the period of time specified in the agreements for search assignments, generally 30 to 90 days. Revenue from search fees is shown on the Consolidated Statement of Operations net of a reserve for candidates not remaining in employment for the guarantee period.

In December 1999, the Securities and Exchange Commission released Staff Accounting Bulletin 101, "Revenue Recognition in Financial Statements." This pronouncement summarizes certain of the SEC staff's views on applying generally accepted accounting principles to revenue recognition. The Company is required to be in compliance with SAB 101 for its fiscal year ending December 31, 2000.The adherence to SAB 101 requirements did not have a material impact on its results of operations, financial position or cash flows.

INCOME TAXES

The Company accounts for income taxes under the principles of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"). SFAS 109 requires an asset-and-liability approach to the recognition of deferred tax assets and liabilities for the expected future tax consequences of differences between the carrying amounts and the tax bases of other assets and liabilities. The tax benefits of deductions attributable to employees' disqualifying dispositions of shares obtained from incentive stock options are reflected in additional paid-in capital.

STOCK-BASED COMPENSATION

The Company has elected to continue accounting for stock-based compensation under the intrinsic value method of accounting for stock-based compensation as provided under APB No. 25 and has disclosed pro forma net income and earnings (loss) per share amounts using the fair-value-based method prescribed by Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation" ("SFAS 123").

SELF-INSURANCE

The Company offered an employee benefit program for certain employees through September 30, 1998, and offers a program for all eligible employees effective October 1, 1998, for which it is self-insured for a portion of the cost. The Company is liable for claims up to $150 per employee and aggregate claims up to a defined yearly payment limit. All full-time employees and salaried consultants are eligible to participate in the program. Self-insurance costs are accrued using estimates to approximate the liability for reported claims and claims incurred but not reported.

OTHER COMPREHENSIVE INCOME

Other comprehensive income includes foreign currency translation adjustments which arise primarily from activities of the Company's Canadian operations. Results of operations are translated using the average exchange rates during the period, while assets and liabilities are translated into U.S. dollars using current or historical rates, depending upon the related assets. Resulting foreign currency translation adjustments are recorded in stockholders' equity.

EARNINGS PER SHARE

Under Financial Accounting Standards No. 128, "Earnings Per Share," basic earnings (loss) per share is computed as earnings divided by weighted average shares outstanding. Diluted earnings (loss) per share includes the dilutive effects of stock options and other potentially dilutive securities.

Options that were outstanding, but were antidilutive and therefore excluded from the computation of diluted shares, totaled 5,751, 5,289 and 1,207 shares of common stock for 2000, 1999 and 1998, respectively, at option prices per share ranging from $0.980 to $28.125, $0.980 to $30.063 and $24.125 to $30.063 in 2000, 1999 and 1998, respectively. The options, which expire on various dates ranging from January 2005 to October 2009, were still outstanding at December 31, 2000.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value of financial instruments has been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting data to develop the estimates of fair value. The fair values of the Company's financial instruments are estimated based on current market rates and instruments with the same risk and maturities. The fair values of cash and cash equivalents, accounts receivable, short-term investments, accounts payable, long-term debt, other non-current liabilities and payables to related parties approximate the carrying values of these financial instruments.

GOODWILL

Goodwill, net of accumulated depreciation, totaled $92,764 and $95,692 at December 31, 2000 and 1999, respectively. Goodwill is amortized on a straight-line basis over a 15- to 30-year period. Goodwill amortization expense was $4,231, $3,857 and $3,212 for the years ended December 31, 2000, 1999 and 1998, respectively.

IMPAIRMENT OF LONG-LIVED ASSETS

Management periodically reviews the carrying value of goodwill and other long-lived assets to determine if an impairment has occurred. Any impairment loss would have been recorded in the period identified. No such losses were recorded in the accompanying Consolidated Statements of Operations and Other Comprehensive Income (Loss).

CAPITALIZED SOFTWARE

During 1997, the Company began the development and implementation of new computer software to enhance performance of the accounting and operating systems. The Company accounts for direct internal and external costs subsequent to the preliminary stage of this project under the principles of SOP 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." Software development costs are being capitalized and classified as other assets and amortized over the estimated useful life of the software (typically three years) using the straight-line method. The Company continues development and enhancements to its accounting and operating systems computer software. Direct internal and external costs subsequent to the preliminary stage of each of these projects are being capitalized and classified as capitalized software, a component of other assets.

DEFERRED LOAN COSTS

Costs incurred to secure the Company's Credit Facilities have been capitalized and are being amortized over the terms of the related agreements.

NON-COMPETE AGREEMENTS

Payments made to enter into non-compete agreements have been capitalized and are being amortized on a straight-line basis over the terms of the related agreements.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In March 2000, FASB issued Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation," which further clarifies APB Opinion No. 25, "Accounting for Stock Issued to Employees." This interpretation did not have a material impact on the Company's financial position or its results of operations.

In June 1998, SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," was issued. SFAS No. 133, as amended by SFAS Nos. 137 and 138, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives), and for hedging activities. It also requires that all derivatives and hedging activities be recognized as either assets or liabilities in the Consolidated Balance Sheets and be measured at fair value. The accounting for changes in the fair value of the derivative (that is, gains and losses) depends upon the intended use of the derivative and resulting designation if used as a hedge. SFAS No. 133, as amended, is effective for all fiscal quarters of fiscal years beginning after June 15, 2000, and therefore will be effective during the quarter ended March 31, 2001. The Company has determined that this standard has no impact on its financial position or results of operations and is not currently expected to have a material impact in the future.

2. FURNITURE AND EQUIPMENT

Major classifications of furniture and equipment and related-asset lives are summarized as follows:

		DECEMBER 31,	
	USEFUL LIFE	2000	1999
Furniture and equipment	5–7 years	$17,679	$20,436
Computer equipment	3–5 years	20,834	24,342
Airplane	5 years	1,889	1,889
Leasehold improvements	lease term	4,997	2,746
Land		1,310	–
		46,709	49,413
Less accumulated depreciation		23,594	21,655
		$23,115	$27,758

In 2000, the Company purchased land in Tampa, FL. The Company subsequently sold the portion of this land on which its new headquarters facility will be built to a real estate developer. The Company will lease the facility for 15 years from the developer once construction is complete in late 2001. Leasehold improvements include approximately $1,865 in improvements related to the headquarters facility. Depreciation of the improvements will begin upon the commencement of the lease. Land consists of $1,310 for the remaining parcel of property not sold to the developer.

3. ACQUISITIONS

FOR THE YEAR ENDED DECEMBER 31, 2000

During 2000, the Company had no acquisitions. During 2000, the Company settled earnout provisions on certain prior acquisitions for approximately $1,221. These amounts have been recorded as purchase price consideration and are included in Goodwill.

FOR THE YEAR ENDED DECEMBER 31, 1999

In January 1999, the Company acquired substantially all of the assets of Network Training Solutions, Science Solutions, Inc. and Technology Consulting Group for an aggregate purchase price of approximately $5,100. During 1999, the Company also settled earnout provisions on certain prior acquisitions for approximately $1,300. These amounts have been recorded as purchase price consideration and are included in Goodwill.

FOR THE YEAR ENDED DECEMBER 31, 1998

The Company completed its merger with Source Services Corporation ("Source") on April 20, 1998, in a transaction accounted for as a pooling of interests. Accordingly, all historical results have been restated to reflect the combined results for the Company and Source for all periods presented. The common stock of Source was converted to shares of the Company using a 1.1351 ratio.

There were no purchase acquisitions by the Company during the year ended December 31, 1998. However, during 1998, approximately $23,593 of earnout provisions related to prior acquisitions was paid. These amounts have been recorded as additional purchase price consideration and are included in Goodwill.

The Company has accounted for all acquisitions, except for the Source transaction, using the purchase method of accounting. The results of these purchased companies' operations have been included with those of the Company from the dates of the respective acquisitions.

4. OTHER ASSETS

	DECEMBER 31 2000	1999
Cash surrender value of life insurance policies	$13,648	$10,435
Capitalized software, net of amortization	7,914	8,294
Deferred loan cost, net of amortization	1,431	–
Other	488	620
	$23,481	$19,349

Cash surrender value of life insurance policies relates to policies maintained by the Company that will be used to fund obligations in the Deferred Compensation Plan (Note 9) with cash surrender values of $13,648 and $10,435 at December 31, 2000 and 1999, respectively.

Amortization expense of capitalized software was $3,331 and $2,915, at December 31, 2000 and 1999, respectively.

Amortization expense of deferred loan costs was $659 at December 31, 2000.

The Company has included the value of non-compete agreements totaling $187 and $270 at December 31, 2000 and 1999, respectively, in Other. The non-compete agreements are being amortized on a straight-line basis over the lives of the related employment agreements. Amortization expense of non-compete agreements was $83 for each of the years ended December 31, 2000, 1999 and 1998.
In addition, Other includes $223 of prepaid software license costs.

5. LINE OF CREDIT AND CAPITAL LEASE OBLIGATION

	DECEMBER 31 2000	1999
Bank line of credit	$45,000	$ –
Obligation under capital lease with quarterly payments of principal and interest at 8.3% through June 2000	–	481
	45,000	481
Less current maturities	–	481
	$45,000	$ –

During 1999, the Company had an unsecured line of credit agreement in the amount of $30,000 ("Old Credit Facility") which matured on March 31, 2000. The interest rate on the Old Credit Facility was up to 1.5% above the average rate at which deposits in U.S. dollars were offered in the London Interbank Market. No amounts were outstanding under the Old Credit Facility at December 31, 1999.

On May 4, 2000, the Company entered into a $35 million Revolving Line of Credit Agreement with Bank of America, N.A. (the "Line of Credit"). The Line of Credit provided for a maximum revolving credit facility of $35 million (based on the Company's eligible receivables). Under its terms, prepayments on the Line of Credit were allowed at any time, with any remaining unpaid balance due two years from closing. Borrowings under the Line of Credit are secured by all of the assets of the Company and its subsidiaries. Interest rates on the outstanding balance are to be calculated based on: (i) the London Interbank Offered Rate ("LIBOR") plus (ii) from 1.75% to 3.00% based on certain financial ratios of the Company. Fees payable by the Company in connection with the Line of Credit also varied with these financial ratios. The terms of the Line of Credit also included certain financial covenants related to quarterly minimum requirements for EBITDA, fixed-charge coverage ratio and tangible net worth, and maximum requirements for leverage ratio. There were also certain limitations on investments and acquisitions, dividends and repurchases of the Company's stock.

The Company entered into an Amended and Restated Credit Agreement (the "Credit Facility") on November 3, 2000, with Bank of America, N.A. ("BA"). As of December 31, 2000, there was $45,000 outstanding on the Credit Facility. The Credit Facility provides for a maximum revolving credit facility of $90 million (not to exceed 85% of the Company's Eligible Receivables, as defined in the New Credit Facility). Under its terms, prepayments on the Credit Facility are allowed at any time, with any remaining unpaid balance due November 3, 2003. Borrowings under the Credit Facility are secured by all of the assets of the Company and its subsidiaries. Amounts borrowed under the Credit Facility will bear interest during the period beginning on November 3, 2000 until the bank's receipt of the Company's financial statements for the fiscal quarter ended March 31, 2001 at a rate per annum equal either to 0.50% plus BA's Prime Rate ("Prime") or to reserve-adjusted LIBOR (as defined in the Credit Facility) plus 2.70% adjusted monthly. Following delivery of the Company's financial statements for the fiscal quarter ended March 31, 2001, performance pricing will be available, ranging from Prime to Prime plus 0.75% and LIBOR plus 1.75% to LIBOR plus 3.25%, pursuant to certain financial performance targets as set forth in the Credit Facility. Pricing will thereafter be changed quarterly based on the previous four quarters' performance. The terms of the Credit Facility also include certain financial covenants only if the total amount borrowed under the Credit Facility exceeds specified amounts. These financial covenants relate to quarterly EBITDA as compared to the Company's EBITDA projections. There are also certain limitations on investments and acquisitions and repurchases of the Company's stock. Under the terms of this Agreement, the Company is prohibited from making any dividend distributions.

The Credit Facility contains a provision that limits the dollar amount of common stock the Company may repurchase subsequent to November 3, 2000 to $55 million. In February 2001, the Credit Facility was amended to increase the maximum amount of common stock the Company may repurchase to $72 million.

6. MERGER, RESTRUCTURING AND INTEGRATION EXPENSES

In connection with the 1998 Source merger, $26,122 of one-time merger, restructuring and integration-related expenses were identified and recorded in 1998. These charges included direct merger costs of approximately $8,265, which consisted of professional fees and other transaction costs associated with the merger, approximately $4,606 of severance and other termination-related costs to be incurred in connection with anticipated staff reductions, $5,885 in connection with consolidation of certain office facilities and related equipment, and approximately $7,366 in other merger and integration-related expenses.

At December 31, 1998, the remaining accrued expenses balance associated with the above charge was $4,931, of which approximately $2,744 related to severance and other termination-related costs, approximately $1,631 related to the consolidation of certain office facilities and related equipment and approximately $556 related to other merger and integration-related expenses.

7. INCOME TAXES

The benefit (provision) for income taxes consists of the following:

	YEARS ENDED DECEMBER 31,		
	2000	1999	1998
Current:			
Federal	$(2,025)	$13,252	$(19,156)
State	(314)	972	(4,294)
Deferred	865	(347)	2,742
	$(1,474)	$13,877	$(20,708)

The benefit (provision) for income taxes shown above varied from the statutory federal income tax rates for those periods as follows:

	YEARS ENDED DECEMBER 31,		
	2000	1999	1998
	%	%	%
Federal income tax rate	(34.0)	35.0	(35.0)
State income taxes, net of federal tax benefit	(3.3)	5.0	(5.0)
Non-deductible items	(56.6)	(1.8)	(16.1)
Goodwill amortization	(30.4)	(1.0)	(1.2)
Other	.6	(.1)	–
Effective tax rate	(123.7)	37.1	(57.3)

Nondeductible items consist primarily of the direct costs of the Source merger and the portion of meals and entertainment expenses which are not deductible for tax purposes.

Deferred income tax assets and liabilities shown on the balance sheet are comprised of the following:

	DECEMBER 31, 2000	1999
Deferred taxes, current:		
Assets		
Allowance for bad debts	$2,261	$1,426
Accrued liabilities	2,612	2,154
Charitable contribution deduction carryforward	32	–
	4,905	3,580
Liabilities		
Accrued liabilities	(33)	(33)
Net deferred tax asset	$4,872	$3,546

	DECEMBER 31, 2000	1999
Deferred taxes, non-current:		
Assets		
Deferred compensation	$5,057	$5,600
State net operating loss carryforward	718	968
	5,775	6,568
Liabilities		
Depreciation and amortization	(4,525)	(4,857)
Net deferred tax asset	$1,250	$1,711

A valuation allowance on the net deferred tax assets has not been recorded due to the presence of taxable income in years available for carryback and management's expectation that it is more likely than not that deferred tax assets will be realized in future periods.

At December 31, 2000, the Company had approximately a $6,700 state tax net operating loss which will be carried forward to be offset against future state taxable income. The amount of the state tax net operating loss carryforward expires in varying amounts through 2014.

8. RELATED PARTIES

RECEIVABLES FROM RELATED PARTIES

Receivables from officers and stockholders include non-interest-bearing receivables for premiums paid on split-dollar life insurance policies and other notes receivable. Repayment terms on the other notes receivable range from one to two years at rates of 6% to 8%.

NOTES PAYABLE TO RELATED PARTIES

As of December 31, 1999, the Company had $2,000 of notes payable outstanding to a related party relating to contingent purchase price adjustments on previous acquisitions (see Note 3). This obligation was retired in 2000.

RELATED PARTY TRANSACTIONS

Consulting services totaling $371 and $595 for 2000 and 1999, respectively, were provided to the Company by a company owned by the spouse of the Chairman of the Board. On July 1, 2000, the consulting contract was cancelled. In addition, an aircraft charter company owned 100% by the Chairman of the Board provided charter services to the Company in the amount of $125 in both 2000 and 1999. The Company billed the aircraft charter company $22 and $35 for the use of the Company's airplane in 2000 and 1999, respectively. Similar agreements for aircraft usage have been entered into for 2001. The Company has operating leases with related parties as discussed in Note 11.

9. EMPLOYEE BENEFIT PLANS

401(k) SAVINGS PLAN

The Company has a qualified defined contribution 401(k) plan covering substantially all full-time employees. The plan offers a savings feature and Company matching contributions. Employer matching contributions are discretionary and are funded annually as approved by the Board of Directors. The match has been made in the Company's stock for 1999 and 2000. Assets of this plan are held in trust for the sole benefit of employees.

Prior to the merger, Source merged its profit sharing plan and 401(k) plan ("Source Plan") effective October 1, 1997. The Source Plan covered all active participants who were participating in either the previous 401(k) plan or profit sharing plan or those employees who met the Source Plan's requirements for eligibility. The Source Plan was merged with the Company's 401(k) plan ("the Plan") effective July 1, 1998. At December 31, 2000, 1999 and 1998, the Plan held 1,615, 1,772 and 2,303 shares, respectively, of the Company's stock, representing approximately 5.0%, 4.0% and 5.0%, respectively, of the Company's outstanding shares. Employer contributions to the 401(k) plans totaled $1,165, $892 and $1,609 in 2000, 1999 and 1998, respectively.

EMPLOYEE STOCK PURCHASE PLAN

During 1996, Source enacted an Employee Stock Purchase Plan. This plan allowed employees to purchase stock at the current market price through payroll deductions without paying commissions on purchases. Only Source employees hired prior to April 20, 1998 were eligible to participate in the Employee Stock Purchase Plan. There was no waiting period for enrollment prior to April 20, 1998.

Effective January 1, 2000, the Company placed into effect a new Employee Stock Purchase Plan which had been approved during 1999 and which allows all employees to purchase stock at a 15% discount from market prices and without commissions on the purchases. Employees are eligible to participate in the plan as of the next plan enrollment date following their date of hire. This plan replaces the prior Source Employee Stock Purchase Plan. For the year ended December 31, 2000, the Company issued 632 shares of common stock at an average purchase price of $3.73 per share, pursuant to the Employee Stock Purchase Plan. These shares were transferred to the plan from the Company's treasury stock. Of the 632 shares issued, the Company issued 217 of the shares at an average price of $5.90 during the year and 415 shares at an average price of $2.60 subsequent to year-end.The shares issued subsequent to year-end related to employee contributions made during the year.

DEFERRED COMPENSATION PLAN

The Company has a non-qualified deferred compensation plan pursuant to which eligible officers and highly compensated key employees may elect to defer part of their compensation to later years. The Company accrues discretionary Company matching contributions. These amounts, which are classified as Other long-term liabilities, are payable upon retirement or termination of employment, and at December 31, 2000 and 1999, aggregated $12,966 and $14,001, respectively. The Company has insured the lives of the participants in the deferred compensation plan to assist in the funding of the deferred compensation liability. The cash surrender value of these Company-owned life insurance policies, $13,648 and $10,435 at December 31, 2000 and 1999, respectively, is included in Other assets. Compensation expense of $439, $1,938 and $825 was recognized for the plan for the years ended December 31, 2000, 1999 and 1998, respectively.

SPLIT-DOLLAR LIFE INSURANCE

In 1995, the Company entered into split-dollar and cross-purchase split-dollar life insurance agreements with several officers and their estates whereby the Company pays a portion of the life insurance premiums on behalf of the officers and their estates. The Company has been granted a security interest in the cash value and death benefit of each policy equal to the amount of the cumulative premium payments made by the Company. The intent of these agreements was, in the event of an officer's death, to provide liquidity to pay estate taxes and to provide surviving officers with the ability to purchase shares from a deceased officer's estate, minimizing the possibility of a large block of the Company's common shares being put on the open market to the potential detriment of the Company's market price and allowing the Company to maintain a concentration of voting power among its officers.

Premiums paid to date that have not been recovered from policy cancellations and that are included in related party receivables were $758 and $760 at December 31, 2000 and 1999, respectively.

10. STOCK OPTION PLANS

During 1994, the Company established an employee incentive stock option plan which authorized the issuance to employees of options to purchase common stock. During 1996, this plan was amended to increase the number of shares of common stock that may be issued under the plan to 6,000 to allow persons other than employees to participate in the plan; to allow incentives in the form of Nonqualified Stock Options, Stock Appreciation Rights and Restricted Stock to be awarded under the plan; and to effect a change in the plan name to the Romac International, Inc. Stock Incentive Plan. During 1997, the Plan was amended to increase the number of shares of common stock that may be issued under the Plan to 9,000. The Plan was again amended in 1999 to increase the number of shares authorized for issuance to 12,000.

During 1995, the Company established a non-employee director stock option plan which authorized the issuance to non-employee directors of options to purchase common stock. The maximum number of shares of common stock that can be issued under this plan is 400.

Prior to the merger, Source had an incentive stock option plan for eligible employees of Source and a non-employee director option plan. Effective with the merger, all stock options previously granted and outstanding under these plans were exchanged for approximately 638 of the Company's stock options.

A summary of the Company's stock option activity is as follows:

	EMPLOYEE INCENTIVE STOCK OPTION PLAN	NON-EMPLOYEE DIRECTOR STOCK OPTION PLAN	TOTAL	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE	WEIGHTED AVERAGE FAIR VALUE OF OPTIONS GRANTED
Outstanding as of Dec. 31, 1997	4,196	191	4,387	$ 9.36	
Granted	1,899	101	2,000	$25.71	$10.86
Exercised	(933)	–	(933)	$ 6.75	
Forfeited	(587)	–	(587)	$15.54	
Outstanding as of Dec. 31, 1998	4,575	292	4,867	$15.84	
Granted	2,353	60	2,413	$ 7.68	$ 7.73
Exercised	(342)	–	(342)	$ 5.26	
Forfeited	(1,522)	(127)	(1,649)	$19.19	
Outstanding as of Dec. 31, 1999	5,064	225	5,289	$11.76	
Granted	2,204	94	2,298	$10.77	$ 4.89
Exercised	(283)	–	(283)	$ 8.93	
Forfeited	(1,528)	(25)	(1,553)	$12.75	
Outstanding as of Dec. 31, 2000	5,457	294	5,751	$11.04	

	EMPLOYEE INCENTIVE STOCK OPTION PLAN	NON-EMPLOYEE DIRECTOR STOCK OPTION PLAN	TOTAL
Exercisable at December 31:			
2000	1,797	213	2,010
2001	1,356	62	1,418
2002	1,422	19	1,441
2003	876	–	876
2004	6	–	6

Options granted during each of the three years ended December 31, 2000 have vesting requirements ranging from three to four years. Options expire at the end of ten years from the date of grant.

The following table summarizes information about employee and director stock options:

	OPTIONS OUTSTANDING		
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AT DECEMBER 31, 2000 (SHARES)	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED AVERAGE EXERCISE PRICE ($)
\$ 0.980 – \$ 1.490	58	4.2	\$ 1.32
\$ 1.500 – \$ 8.6875	3,010	8.0	\$ 6.40
\$ 9.565 – \$12.180	526	5.9	\$ 11.34
\$12.181 – \$18.060	1,469	8.3	\$ 14.39
\$18.061 – \$24.375	374	6.9	\$ 22.31
\$24.376 – \$28.125	314	7.0	\$ 27.75
	5,751	7.7	\$ 11.04

RANGE OF EXERCISE PRICES	OPTIONS EXERCISABLE NUMBER EXERCISABLE AT DECEMBER 31, 2000 (SHARES)	WEIGHTED AVERAGE EXERCISE PRICE ($)
$ 0.980 – $ 1.490	58	$ 1.32
$ 1.500 – $ 8.6875	840	$ 6.74
$ 9.565 – $12.180	426	$ 11.44
$12.181 – $18.060	332	$ 14.16
$18.061 – $24.375	192	$ 22.24
$24.376 – $28.125	162	$ 27.76
	2,010	$ 11.98

Had compensation cost for the Company's option plans been determined based on the fair value at the grant dates, as prescribed by SFAS 123, the Company's net income (loss) and net income (loss) per share would have been as follows:

	YEARS ENDED DECEMBER 31, 2000	1999	1998
Net income (loss):			
As reported	$ (283)	$(23,516)	$15,439
Compensation expense per SFAS 123	(19,715)	(11,113)	(6,100)
Tax benefit, pro forma	363	890	532
	$(19,635)	$(33,739)	$ 9,871
Net income (loss) per share:			
Basic:			
As reported	$ (.01)	$ (.53)	$ .34
Pro forma	$ (.46)	$ (.75)	$ .22
Diluted:			
As reported	$ (.01)	$ (.53)	$ .33
Pro forma	$ (.46)	$ (.75)	$ .21

The fair value of each option is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used for grants during the applicable period: dividend yield of 0.0% for all three periods; risk-free interest rates of 5.66%–6.75% for options granted during the year ended December 31, 2000, 4.95%–5.74% for options granted during the year ended December 31, 1999 and 4.77%–5.71% for options granted during the year ended December 31, 1998; a weighted average expected option term of 4–7 years for 2000, 5–6 years for 1999 and 4–7 years for 1998; and a volatility factor of 50.00% for 2000, 45.59% for 1999 and 40.69% for 1998.

Tax benefits resulting from the disqualifying dispositions of shares acquired under the Company's employee incentive stock option plan reduced taxes currently payable by $828 and $122 in 2000 and 1999, respectively. These tax benefits are credited to additional paid-in capital.

11. COMMITMENTS AND CONTINGENCIES

OPERATING LEASES

During 2000, the office space the Company leases for use as its headquarters that was previously owned by a related party was sold to independent investors. Rent in the amount of $121, $312 and $286 was paid to the related party in 2000, 1999 and 1998, respectively. The Company leases space and various equipment under operating leases expiring at various dates with some leases cancelable upon 30 to 90 days' notice. The leases require payment of taxes, insurance and maintenance costs in addition to rental payments.

Future minimum lease payments under noncancelable operating leases are summarized as follows: 2001, $9,651; 2002, $6,946; 2003, $5,903; 2004, $3,285; 2005, $821; $1,066 thereafter.

Rental expense under all operating leases was $11,415, $12,187 and $10,226 for 2000, 1999 and 1998, respectively.

LITIGATION

In the ordinary course of its business, the Company is, from time to time, threatened with or named as a defendant in various lawsuits, including discrimination and harassment and other similar claims. The Company maintains insurance in such amounts and with such coverages and deductibles as management believes are reasonable. The principal risks that the Company insures against are workers' compensation, personal injury, bodily injury, property damage, professional malpractice, errors and omissions, employment practices liability and fidelity losses. The Company does not believe that it is involved in any litigation which would reasonably be expected to have a material adverse effect on its results of operation or financial condition.

EMPLOYMENT AGREEMENTS

The Company has entered into employment agreements with certain executive officers which provide for minimum compensation, salary and continuation of certain benefits for a one- to three-year period under certain circumstances. The agreements also provide for a payment of one to three times their annual salary and average annual bonus if a change in control (as defined) of the Company occurs and include a covenant against competition with the Company that extends for one year after termination for any reason. In addition, the Company has entered into employment agreements with certain key employees which provide for a payment of one to two times their annual salary and average annual bonus if a change in control (as defined) of the Company occurs and include a covenant against competition with the Company that extends for one year after termination for any reason. The Company's liability at December 31, 2000, would have been approximately $8,230 in the event of a change in control or $2,795 if all of the employees under contract were to be terminated by the Company without good cause (as defined) under these contracts.

NOTE PAYABLE GUARANTEE

In March 1999, the Company guaranteed a note payable by one of its former officers. At December 31, 2000 and 1999, the balance of this note was approximately $1,849 and $1,779, respectively. The note matured on December 31, 2000 and is currently unpaid.

12. SUPPLEMENTAL CASH FLOW INFORMATION

The Company's non-cash investing and financing activities and cash payments for interest and income taxes were as follows:

	YEARS ENDED DECEMBER 31, 2000	1999	1998
Notes payable issued in settlement of contingent purchase price of previous acquisitions	$ –	$ –	$11,100
Employer matching:			
Contribution of treasury stock to 401(k) Plan	$ 406	$ –	$ –
Contribution of treasury stock to Employee Stock Purchase Plan	$ 631	$ –	$ –
Cash paid during the year for:			
Interest	$ 508	$ 423	$ 216
Income taxes	$(23,083)	$12,027	$19,905

13. SEGMENT ANALYSIS

The Company discloses its business segments in accordance with Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of Enterprise and Related Information" ("SFAS 131"). The Company's internal information that is used by management for making operational decisions and addressing performance is the source of determining the Company's reportable segments. The Company has four functional service offerings, including: Information Technology, Finance and Accounting, Human Resources, and Operating Specialties.

The Company only generates information on sales and gross profit on a functional basis; as such, asset information by segment is not disclosed. Substantially all operations and long-lived assets are located in the U.S.

Information concerning operations in these segments of business is as follows:

	INFORMATION TECHNOLOGY	FINANCE & ACCOUNTING	HUMAN RESOURCES	OPERATING SPECIALTIES	TOTAL
2000					
Sales	$442,833	$226,737	$22,712	$102,715	$794,997
Gross Profit	182,993	132,023	7,700	38,840	361,556
1999					
Sales	$448,640	$205,646	$18,317	$ 74,029	$746,632
Gross Profit	175,117	114,321	6,191	27,002	322,631
1998					
Sales	$431,921	$191,086	$17,575	$ 39,504	$680,086
Gross Profit	169,429	104,765	5,672	11,715	291,581

14. QUARTERLY FINANCIAL DATA (UNAUDITED)

	QUARTER ENDED			
	MAR 31	JUN 30	SEPT 30	DEC 31
Fiscal 2000				
Net service revenues	$195,063	$197,661	$202,193	$200,080
Gross profit	88,201	91,618	93,627	88,110
Net income (loss)	(2,395)	1,807	295	10
Net income (loss) per share–basic	$ (.05)	$ .04	$ .01	$ .00
Net income (loss) per share–diluted	$ (.05)	$ .04	$ .01	$ .00
Fiscal 1999				
Net service revenues	$184,095	$189,390	$191,707	$ 181,440
Gross profit	78,832	81,208	82,215	80,376
Net income (loss)	9,128	332	904	(33,880)
Net income (loss) per share–basic	$ .20	$ .01	$ .02	$ (.77)
Net income (loss) per share–diluted	$ .20	$ .01	$ .02	$ (.77)

15. TENDER OFFER – STOCK REPURCHASE

On November 6, 2000, the Company announced a modified Dutch Auction tender offer, consisting of an offer to purchase up to 10,000 shares of its common stock at a purchase price between $5.50 and $4.75 per share net to the seller in cash, without interest.The tender offer concluded on December 5, 2000, whereby the Company purchased approximately 10,000 shares at $5.50 per share. This repurchase was funded by cash and approximately $55,000 of debt from existing bank lines of which $10,000 was repaid as of December 31, 2000. Costs incurred to effect the transaction were $759.

16. SUBSEQUENT EVENTS

The Company has announced that the management structure of kforce Consulting, its e-business consulting group, is being consolidated into the management structure of its existing Information Technology business unit. The financial results of kforce Consulting have previously been reported as a part of the Information Technology business segment. In 2000, kforce Consulting lost $7.9 million on $17.6 million in revenue.

Board of Directors

David L. Dunkel
Chairman, President
and Chief Executive Officer, **Kforce**

John Allred
President, A.R.G., Inc.

W.R. Carey, Jr.
Chief Executive Officer,
Corporate Resource Development

Richard M. Cocchiaro
Vice President,
National Accounts, **Kforce**

Todd Mansfield
Chief Executive Officer,
The Crosland Group, Inc.

Howard W. Sutter
Vice President, **Kforce**

Gordon Tunstall
President, Tunstall Consulting

Karl A. Vogeler
Former Partner,
Thompson, Coe, Cousins & Irons, LLP

Ralph E. Struzziero
Adjunct Professor,
University of Southern Maine

Executive and Senior Officers

David L. Dunkel
Chairman, President
and Chief Executive Officer

Joseph J. Liberatore
Chief Sales Officer

Ken W. Pierce
Chief Marketing Officer

William L. Sanders
Chief Financial Officer

Lawrence J. Stanczak
Chief Operations Officer

Dusty Williams
Chief Information Officer

Michael R. Blackman
Vice President, Investor Relations

Eileen Kelly
Treasurer

CORPORATE COUNSEL
Holland & Knight LLP
Tampa, Florida

INDEPENDENT ACCOUNTANTS
Deloitte & Touche
Tampa, Florida

Form 10k Available

A copy of the **Kforce** 10k, which includes financial information that supplements the material in this Annual Report, is available to any investor upon written request to our Corporate Headquarters.

Annual Meeting

The annual meeting of shareholders will be held on June 18, 2001 at 9:00 a.m. at the Wyndham Harbor Island Hotel in Tampa, Florida.

Website Information

For a comprehensive profile of **Kforce**, visit the company Website at www.**kforce**.com.

Kforce – more than 100 offices in the United States and Canada to serve you.
To find the location nearest you,visit our Website at www.**kforce**.com or call 1 (888) 663-3626.
Corporate Headquarters: 120 West Hyde Park Place, Tampa, Florida 33606