Papa Murphy's Holdings, Inc.
Form 10-K/A
April 30, 2019
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

Amendment No. 1

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission file number 001-36432

Papa Murphy s Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**27-2349094**
(State or Other Jurisdiction of Incorporation or Organization)	**(IRS Employer Identification No.)**

8000 NE Parkway Drive, Suite 350, Vancouver, WA	**98662**
(Address of principal executive offices)	**(Zip Code)**

(360) 260-7272
(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, $0.01 par value	**NASDAQ Global Select Market**
(Title of Each Class)	**(Name of Each Exchange on Which Registered)**

Securities registered pursuant to Section 12(g) of the Act:
NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of accelerated filer, large accelerated filer, smaller reporting company, and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes . No .

At July 2, 2018, the last business day of the registrant s most recently completed second fiscal quarter, the aggregate market value of the shares of voting and non-voting common stock of the Registrant held by non-affiliates was $42,453,882 based on the last sales price of the Registrant s common stock as reported by the NASDAQ Global Select Market on that day.

At April 25, 2019, there were 17,029,528 shares of the Registrant s common stock, $0.01 par value, outstanding.

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PART I

PART III

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EXPLANATORY NOTE

Papa Murphy s Holdings, Inc. (the Company) is filing this Amendment No. 1 to its Annual Report on Form 10-K (this Amendment No. 1) to amend and restate Part III of its previously filed Annual Report on Form 10-K for the fiscal year ended December 31, 2018, as filed with the Securities and Exchange Commission (SEC) on March 14, 2019 (the Original Form 10-K), in order to include information that had been omitted from the Original Form 10-K pursuant to general instruction G to Form 10-K.

This Amendment No. 1 should be read in conjunction with the Original Form 10-K, which continues to speak as of the date of the Original Form 10-K. Other than as specifically set forth herein, this Amendment No. 1 does not modify or update disclosures in the Original Form 10-K. Accordingly, this Amendment No. 1 does not reflect events occurring after the filing of the Original Form 10-K or modify or update any related or other disclosures.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

Board of Directors

Our business and affairs are managed under the direction of our Board. As of April 30, 2019, the Board is composed of ten (10) members. The Board is divided into three classes as follows:

Class I Directors: Jean M. Birch, Rob Weisberg, Alexander C. Matina and Noah A. Elbogen, whose current terms will expire at our annual meeting of stockholders to be held in 2021;

Class II Directors: Yoo Jin Kim, Benjamin Hochberg and Weldon Spangler, whose current terms will expire at our annual meeting of stockholders to be held in 2019; and

Class III Directors: Katherine L. Scherping, John Shafer and L. David Mounts, whose current terms will expire at our annual meeting of stockholders to be held in 2020.

Set forth below are the names and specified information about the members of our Board of Directors.

Directors	**Class**	**Age**	**Position**	**Director Since**	**Current Term Expires**
Jean M. Birch	I	59	Director	2015	2021
Rob Weisberg (2)(3)	I	47	Director	2015	2021
Alexander C. Matina (2)	I	42	Director	2017	2021
Noah A. Elbogen(1)	I	36	Director	2017	2021
Weldon Spangler	II	54	Director	2017	2019
Yoo Jin Kim	II	49	Director	2010	2019
Benjamin Hochberg	II	47	Director	2010	2019
Katherine L. Scherping (1)(3)	III	59	Director	2017	2020
John Shafer (1)(3)	III	75	Director	2006	2020
L. David Mounts (1)(2)	III	55	Director	2014	2020

(1) Member of our Audit Committee
(2) Member of our Compensation Committee
(3) Member of our Nominating and Corporate Governance Committee

Jean M. Birch has served as a member of our Board since April 2015, and has served as Chair of the Board since September 2016. Ms. Birch was appointed as our President and Chief Executive Officer effective December 29, 2016 and served in that position until July 2017. Ms. Birch is the Chief Executive Officer and President of Birch Company, LLC (Birch Company). Prior to that, from 2009 through 2012, Ms. Birch served as President of IHOP Restaurants, Inc., a division of DineEquity, Inc., where she repositioned and focused IHOP s brand and launched a new marketing campaign and innovative culinary strategy to include health and wellness. From 2007 to June 2009, Ms. Birch was an independent restaurant and hospitality consultant at Birch Company. Prior to that, Ms. Birch served as President of Romano s Macaroni Grill from January 2005 to August 2007 and President of Corner Bakery Café from August 2003 to December 2004, both divisions of Brinker International, Inc. From 1991 to 2003, Ms. Birch held various roles with YUM! Brands, Inc., a global quick service restaurant company, including VP, Operations for Taco Bell, Inc. and Senior Director, Concept Development for Pizza Hut, Inc. Ms. Birch currently serves on the board of directors of Forrester Research, a position she has held since February 2018. Ms. Birch also serves as an independent director of CorePoint Lodging, Inc., a position she has held since September 2018. She has also served on the board of directors of the Children s Miracle Network Hospitals since 2013. Ms. Birch brings more than 20 years of experience leading restaurant brands to our Board.

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Rob Weisberg has served as a member of our Board since April 2015. Mr. Weisberg is the Chief Executive Officer of Invaluable, the world s leading online live auction marketplace. Mr. Weisberg joined Invaluable in October 2012 as its Chief Operating Officer. Prior to that, Mr. Weisberg served for three years as Chief Marketing Officer at Zipcar, Inc., where he contributed to the company s membership growth and initial public offering. Before joining Zipcar, Mr. Weisberg served as Vice President of Multimedia Marketing at Domino s Pizza, Inc. for five years. Prior to his work for Domino s, Mr. Weisberg worked in account services at several advertising and public relations firms. Through his consumer marketing expertise and experience leading growth companies, as well as his knowledge of the limited service restaurant industry, Mr. Weisberg provides our Board with insights and guidance regarding our marketing and growth strategies.

Alexander C. Matina has served as a member of our Board since December 2017. Mr. Matina is the Vice President, Investments at MFP Investors LLC, the family office of Michael F. Price, which focuses on long-term, value investment opportunities. Mr. Matina also serves as Chairman of the board of Trinity Place Holdings, Inc., a publicly traded real estate company, focused on multi-family and retail investments. Mr. Matina has served on the board of Trinity Place since April 2013. In addition, he serves on the board of S&W Seed Company, a publicly traded agricultural company, with proprietary seeds targeting the alfalfa, sorghum, sunflower and stevia markets, a position he has held since May 2015. Mr. Matina also serves on the boards of Crowheart Energy LLC, a private energy company with assets in Wyoming, and Madava Financial, a private energy lender. In addition, Mr. Matina has worked in various investment and financial analyst roles at Altus Capital Partners and Salomon Smith Barney, among others. Mr. Matina brings a combination of financial expertise and public company board experience to our Board. Mr. Matina is a designee of MFP Partners, L.P. (collectively with its affiliates and associates, MFP) pursuant to our Cooperation Agreement dated December 21, 2017 (the Cooperation Agreement) with MFP, Misada Capital Holdings, LLC (collectively with its affiliates and associates, Misada), Mr. Matina and Noah A. Elbogen. A copy of the Cooperation Agreement is filed as Exhibit 10.29 to the Original Form 10-K for the year ended December 31, 2018.

Noah A. Elbogen has served as a member of our Board since December 2017. Mr. Elbogen currently serves as a Partner at Act III Holdings, LLC, a Boston-based investment fund. Mr. Elbogen has also served as Managing Member and Chief Executive Officer of Misada Capital Group LLC, a New Jersey-based investment manager, which he founded in August 2016. In addition, Mr. Elbogen has served as an independent director of BJ s Restaurants Inc., a publicly traded casual dining restaurant company, since June 2014. Previously, Mr. Elbogen served as an Investment Analyst at Luxor Capital Group, LP, a New York-based investment manager, where he focused primarily on the restaurant sector from July 2011 to July 2016. Prior to joining Luxor Capital Group, Mr. Elbogen served as a Research Analyst covering the consumer sector at S.A.C. Capital Management, LLC from August 2009 to June 2011, at Highbridge Capital Management, LLC from January 2007 to January 2009, and at Scout Capital Management LLC from August 2005 to January 2007. Mr. Elbogen began his investment career as an Equity Research Associate at Bear Stearns & Co. Inc. where he covered the Specialty Retail and Hardlines sectors. Mr. Elbogen provides our Board with financial expertise, public company board experience, and a broad perspective on the restaurant industry. Mr. Elbogen is a designee of Misada pursuant to our Cooperation Agreement.

Weldon Spangler currently serves, since June 2017, as our President and Chief Executive Officer and a member of our Board. Prior to his appointment as Chief Executive Officer, President and Director of the Company, Mr. Spangler served as Senior Vice President, Baskin-Robbins U.S., Canada and Puerto Rico, a division of Dunkin Brands Group, Inc., where he managed over 2,500 locations, from September 2015 to May 2017. Mr. Spangler joined Dunkin Brands in 2010, where he served as Vice President, Dunkin Donuts Operations U.S. and Canada until September 2015 and had operational and financial responsibility for more than 8,000 Dunkin Donuts restaurants and 1,200 Baskin-Robbins locations. Prior to joining Dunkin Brands, Mr. Spangler held various leadership positions with Starbucks Corporation. Mr. Spangler s experience operating under a franchise model provides the Board with strong leadership and operational insight.

Yoo Jin Kim has served as a member of our Board since May 2010. Mr. Kim is a Partner at Lee Equity Partners, LLC (Lee Equity). Prior to joining Lee Equity in 2005, Mr. Kim was with Bain Capital Partners, a global private equity investment firm, where he most recently held the position of Principal. Mr. Kim also serves on the board of directors of Paragon Industries, Inc., Cross MediaWorks, LLC, Aimbridge Hospitality, LLC, Prelude Holding Company, LLC and Interluxe Holdings, LLC. Mr. Kim brings a combination of financial expertise and experience with multi-unit concepts to our Board. Mr. Kim is a designee of Lee Equity pursuant to our stockholder s agreement with Lee Equity. A copy of our stockholder s agreement with Lee Equity is filed as Exhibit 10.2 to the Original Form 10-K for the year ended December 31, 2018.

Benjamin Hochberg has served as a member of our Board since May 2010. Mr. Hochberg is a Partner at Lee Equity. Prior to joining Lee Equity in May 2006, Mr. Hochberg was a Principal at Odyssey Investment Partners, LLC, a middle-market private equity investment firm. Prior to Odyssey, Mr. Hochberg worked at Bain Capital Partners, a global private equity investment firm. Mr. Hochberg also serves on the board of directors of Paragon Industries, Inc., Interluxe Holdings, LLC, Westfall Technik Holdings, LLC, and K-Mac Holdings, Corp. Mr. Hochberg s experience in private equity firms provides our Board with valuable insights related to capital markets and financial matters. Mr. Hochberg is a designee of Lee Equity pursuant to our stockholder s agreement with Lee Equity.

Katherine L. Scherping joined our Board in February 2017. Ms. Scherping currently serves as Chief Financial Officer of National CineMedia, which is the largest cinema advertising network in the United States. Prior to joining National CineMedia in August 2016, Ms. Scherping served as interim President and Chief Executive Officer of QCE LLC (Quiznos) from June 2016 through July 2016. She also served as Chief Financial Officer of Quiznos from December 2013 to June

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2016. Quiznos filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code on March 14, 2014 and emerged from Chapter 11 bankruptcy on June 30, 2014. Prior to Quiznos, she served as Chief Financial Officer of Red Robin International from June 2005 to July 2011. She has also held various accounting positions with companies in the oil and gas industry, security alarm monitoring, telecommunications, and technology industries. Ms. Scherping brings deep financial and restaurant industry experience to our Board.

John Shafer joined our Board in October 2006. Mr. Shafer was the Chief Executive Officer of Allied Domecq Retailing USA, the former controlling shareholder of Dunkin Donuts, Baskin-Robbins and Togo s Eateries, from 1999 until he retired in January 2003. Mr. Shafer also served on the board of directors of Mrs. Fields, Inc. from 2005 to 2008. Mr. Shafer s public company leadership experience and his experience with several other franchise concepts provides our Board with important perspective and guidance regarding our operations, growth strategies and corporate governance.

L. David Mounts joined our Board in July 2014. Mr. Mounts serves as Chairman and Chief Executive Officer for Inmar, a business services, analytics and consumer engagement company that operates intelligent commerce networks. Prior to joining Inmar in April 2010, he was Executive Vice President of Supply Chain for Domino s Pizza, Inc. He also served as Domino s Chief Financial Officer from 2005 to 2007. Prior to Domino s, Mr. Mounts held several positions during a nearly 23 year tenure at UPS, including Chief Financial Officer, UPS Supply Chain Solutions, and Vice President of Mergers and Acquisitions. He is past Chairman of the Wharton Alumni Executive Board, serves on the Graduate Board of the Wharton School and the Board of Visitors for the Wake Forest University Schools of Business and is a member of the board of directors for the Winston Salem Alliance and the Piedmont Triad Partnership. Mr. Mounts years of experience with public companies and international operations and financial management provide operational and financial expertise to our Board.

Executive Officers

The following table sets forth certain information with respect to the executive officers of the Company as of April 30, 2019.

Name	Age	Position
Weldon Spangler	54	President and Chief Executive Officer, Director
Nik Rupp	43	Chief Financial Officer
Victoria J. Tullett	51	Chief Legal Officer and Corporate Secretary

See Board of Directors for information about Weldon Spangler, who is both a director and executive officer of the Company.

Nik Rupp joined Papa Murphy s in April 2018 as Chief Financial Officer. Prior to joining Papa Murphy s, Mr. Rupp served as Chief Financial Officer of Specialized Bicycle Components, Inc. from March 2016 to February 2018 and as Global Controller of Specialized Bicycle Components, Inc. from January 2015 to March 2016. From August 2004 to January 2015, Mr. Rupp served in various roles for Nike, Inc., including as Finance Director Global IT and Operations, Investment Director Global Product Engines and Global Controller Nike Golf.

Victoria J. Tullett has been with Papa Murphy s for 18 years and has served as our Chief Legal Officer since November 2012. From November 2012 through September 2016, Ms. Tullett also served as Senior Vice President of

Talent. Ms. Tullett previously served as Senior Vice President and General Counsel from February 2007 to November 2012.

Director Nominating Procedures

There have been no material changes to the procedures by which security holders may recommend nominees to our Board described under Board of Directors and Corporate Governance Director Nominating Procedures in our Proxy Statement for our 2018 Annual Meeting of Stockholders.

Code of Business Ethics and Conduct

Our Board has adopted a written Code of Business Conduct and Ethics that applies to our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, and any persons performing similar functions. A current copy of the Code of Business Conduct is posted on our website at www.PapaMurphys.com in the Corporate Governance section of our Investor Relations webpage. Any amendments to our Code of Business Conduct and Ethics, or any waivers of its requirements for which disclosure is required, will be disclosed on our website promptly following the date of such amendment or waiver.

Audit Committee

Our Board of Directors has a standing Audit Committee. Our Audit Committee consists of L. David Mounts, John Shafer, Katherine L. Scherping and Noah A. Elbogen. Katherine L. Scherping is the chair of our Audit Committee. Our Board has affirmatively determined that each member of the Audit Committee meets the definition of an independent director for the purposes of serving on the Audit Committee under applicable Nasdaq rules and Rule 10A-3 under the Exchange Act, and that Katherine L. Scherping qualifies as an audit committee financial expert as such term has been defined by the SEC in Item 407(d)(5) of Regulation S-K.

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Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires that our executive officers and directors, and persons who own more than 10% of our Common Stock, file reports of ownership and changes of ownership with the SEC. These directors, executive officers and 10% stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file.

SEC regulations require us to identify in this report anyone who filed a required report late during the most recent fiscal year. Based on our review of forms we received, or written representations from reporting persons stating that they were not required to file these forms, we believe that during our fiscal year ended December 31, 2018, all Section 16(a) filing requirements were satisfied on a timely basis.

Item 11. Executive Compensation

2018 Summary Compensation Table

The following table provides information regarding the total compensation for services rendered in all capacities that was earned by each of our named executive officers (NEOs) during fiscal years 2018, which ended December 31, 2018, and 2017, which ended January 1, 2018.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards[1] ($)	Option Awards[2] ($)	Non-Equity Incentive Plan Compensation[3] ($)	All Other Compensation ($)	Total ($)
Weldon Spangler	2018	515,000				179,330	57,423 [4]	751,753
Chief Executive Officer	2017	229,769			325,001		138,454	693,224
Mark Hutchens[5]	2018	346,496	108,150		53,400	216,300	22,690 [6]	747,036
Former Chief Operating Officer and Executive Vice President	2017	360,500		37,582	285,118	17,029	8,303	708,532
Nik Rupp	2018	225,346	25,000		81,500		10,447[7]	342,293
Chief Financial Officer	2017							
Victoria J. Tullett	2018	268,178	65,700		44,500	131,400	23,001[8]	532,779
Chief Legal Officer and Corporate Secretary	2017	262,800			50,184	12,414	11,367	336,765

(1) The amounts reported in the Stock Awards column reflect the grant date fair value of restricted stock awards granted during the fiscal year for such person, calculated pursuant to Financial Accounting Standards Board Accounting Standards Codification Topic No. 718 (FASB ASC Topic 718). The assumptions made in determining the grant date fair values and other stock-based compensation information are disclosed in Note 15

of Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2018.

(2) The amounts reported in the Option Awards column do not reflect compensation actually received by the NEOs, but instead represent the grant date fair value of all option awards granted during the year for such person, calculated pursuant to FASB ASC Topic 718. The assumptions made in determining the grant date fair values and other stock-based compensation information are disclosed in Note 15 of Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2018.

(3) Amounts reported in the Non-Equity Incentive Plan Compensation column were paid based on the Company s achievement of certain financial and operating metrics, including targets with respect to the Company s (i) net income (loss) before interest expense, provision for (benefit from) income taxes and depreciation and amortization (EBITDA), (ii) comparable store sales growth, (iii) and targets tailored to each officer s role.

(4) Consists of a relocation payment of $30,381, 401(k) matching contributions in the amount of $16,217, health savings account matching contributions, accidental death and dismemberment insurance premiums and long-term disability insurance premiums received by all employees.

(5) Mr. Hutchens resigned from his position as Chief Operating Officer and Executive Vice President of the Company on October 2, 2018, effective on December 3, 2018.

(6) Consists of 401(k) matching contributions in the amount of $11,425, health savings account matching contributions, accidental death and dismemberment insurance premiums and long-term disability insurance premiums received by all employees.

(7) Consists of 401(k) matching contributions in the amount of $1,938, Company gift cards, accidental death and dismemberment insurance premiums and long-term disability insurance premiums received by all employees.

(8) Consists of 401(k) matching contributions in the amount of $11,604, health savings account matching contributions, company gift cards, accidental death and dismemberment insurance premiums and long-term disability insurance premiums received by all employees.

Employment Agreements

We have entered into an employment agreement with each of Weldon Spangler, our Chief Executive Officer and President, Nik Rupp, our Chief Financial Officer, and Victoria J. Tullett, our Chief Legal Officer and Corporate Secretary. Pursuant to the terms of their employment agreements, each of Mr. Spangler, Mr. Hutchens and Ms. Tullett receives a specified annual base salary, is eligible to receive an annual bonus and is entitled to participate in a benefits plan. We had entered into an employment agreement with Mark Hutchens, our former Executive Vice President, Chief Operating Officer and Chief Financial Officer. Our Board approved each of these agreements.

Weldon Spangler

Pursuant to the terms of his employment agreement, dated as of August 10, 2017 and amended as of November 20, 2018, Mr. Spangler is entitled to an annual base salary of $515,000, which is reviewed and may be increased by the Board on an annual basis. Mr. Spangler is eligible to receive an annual bonus of at least 75% of his base salary and equity-based compensation awards as determined by the Compensation Committee of the Board from time to time. Mr. Spangler is also eligible to participate in any benefit plans that are generally made available to our other senior executives.

Mr. Spangler may terminate his employment at any time upon 60 days prior written notice to us for any reason or on 31 days prior written notice to us for good reason. We may terminate Mr. Spangler s employment at any time with or without cause upon 90 days prior written notice. Mr. Spangler s employment will automatically terminate upon his death or the Board s determination of his total disability.

If Mr. Spangler is terminated due to total disability or death, he or his legal representatives will be entitled to (i) an amount equal to his base salary payable through the date of termination, (ii) a pro rata portion of his annual bonus, if any, for the applicable period of the year for which he was employed and (iii) any accrued and unpaid vacation pay or other benefits he may be owed. If Mr. Spangler is terminated without cause or he terminates his employment for good reason, he is entitled to (i) any accrued but unpaid base salary through the date of termination, (ii) base salary through the one-year anniversary of the termination date, (iii) a pro rata portion of his annual bonus for the applicable period of the calendar year for which he was employed, (iv) continuation of group health plan benefits for 12 months following termination, (v) acceleration of vesting with respect to certain equity awards that vest based on time, (vi) extension of the expiration date of certain equity awards that vest based on performance, and (vii) any accrued and unpaid vacation pay or other benefits owed. If Mr. Spangler is terminated for cause, terminates his employment without good reason or his employment terminates due to nonrenewal of his agreement, he will only be entitled to his base salary through the termination date and any accrued and unpaid vacation pay or other benefits owed.

If Mr. Spangler is terminated in connection with a change of control of the Company, or is terminated without cause or terminates his employment for good reason within one year after a change of control of the Company, he is entitled to (i) any accrued but unpaid base salary through the date of termination, (ii) an amount equal to the sum of his base salary and his target annual bonus for the year of termination, (iii) a pro rata portion of his target annual bonus for the applicable period of the calendar year for which he was employed, (iv) continuation of group health plan benefits for 12 months following termination, and (v) any accrued and unpaid vacation pay or other benefits owed. In the event of a change of control of the Company, and effective immediately prior to the change in control, Mr. Spangler is entitled to full acceleration of vesting with respect to all outstanding equity awards.

Mr. Spangler s employment agreement contains non-competition and non-solicitation of customers and employees provisions for the period of his employment and for one year thereafter, as well as confidentiality and proprietary rights provisions. Mr. Spangler s employment agreement is effective for a period ending April 1, 2020, and is automatically extended for additional 12 month periods thereafter, unless written notice is given by Mr. Spangler or by us not less than 90 days prior to the end of the then-current employment period.

Mark Hutchens

Pursuant to the terms of his amended and restated employment agreement, Mr. Hutchens was entitled to an annual base salary of $360,500, which was to be reviewed and could be increased by the Board on an annual basis. Mr. Hutchens was eligible to receive an annual bonus of at least 60% of his base salary and equity-based compensation awards as determined by the Compensation Committee of the Board from time to time. Mr. Hutchens was also eligible to participate in any benefit plans that were generally made available to our other senior executives.

The agreement provided that Mr. Hutchens could have terminated his employment at any time upon 60 days prior written notice to us for any reason or on 31 days prior written notice to us for good reason. We could terminate Mr. Hutchens employment at any time with or without cause upon 90 days prior written notice. Mr. Hutchens employment would have automatically terminated upon his death or the Board s determination of his total disability.

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If Mr. Hutchens had been terminated due to total disability or death, he or his legal representatives would have been entitled to (i) an amount equal to his base salary payable through the date of termination, (ii) a pro rata portion of his annual bonus, if any, for the applicable period of the year for which he was employed and (iii) any accrued and unpaid vacation pay or other benefits he may have been owed. If Mr. Hutchens had been terminated without cause or he had terminated his employment for good reason, he was entitled to (i) any accrued but unpaid base salary through the date of termination, (ii) base salary through the one-year anniversary of the termination date, (iii) a pro rata portion of his annual bonus for the applicable period of the calendar year for which he had been employed, (iv) continuation of group health plan benefits for 12 months following termination, (v) acceleration of vesting with respect to certain equity awards that vested based on time, (vi) extension of the expiration date of certain equity awards that vested based on performance, and (vii) any accrued and unpaid vacation pay or other benefits owed. If Mr. Hutchens had been terminated for cause, terminated his employment without good reason or his employment had been terminated due to nonrenewal of his agreement, he would have only been entitled to his base salary through the termination date and any accrued and unpaid vacation pay or other benefits owed.

If Mr. Hutchens had been terminated in connection with a change of control of the Company, or had been terminated without cause or had terminated his employment for good reason within one year after a change of control of the Company, he would have been entitled to (i) any accrued but unpaid base salary through the date of termination, (ii) an amount equal to the sum of his base salary and his target annual bonus for the year of termination, (iii) a pro rata portion of his target annual bonus for the applicable period of the calendar year for which he had been employed, (iv) continuation of group health plan benefits for 12 months following termination, (v) acceleration of vesting with respect to certain equity awards that vested based on time, (vi) extension of the expiration date of certain equity awards that vested based on performance, and (vii) any accrued and unpaid vacation pay or other benefits owed.

Mr. Hutchens amended and restated employment agreement contains non-competition and non-solicitation of customers and employees provisions for the period of his employment and for one year thereafter, as well as confidentiality and proprietary rights provisions.

Nik Rupp

Pursuant to the terms of his employment agreement, dated as of May 9, 2018 and amended as of November 19, 2018, Mr. Rupp is entitled to an annual base salary of $315,000, which is reviewed and may be increased by the Board on an annual basis. Mr. Rupp is eligible to receive an annual bonus of at least 50% of his base salary and equity-based compensation awards as determined by the Compensation Committee of the Board from time to time. Mr. Rupp is also eligible to participate in any benefit plans that are generally made available to our other senior executives.

Mr. Rupp may terminate his employment at any time upon 60 days prior written notice to us for any reason or on 31 days prior written notice to us for good reason. We may terminate Mr. Rupp s employment at any time with or without cause upon 90 days prior written notice. Mr. Rupp s employment will automatically terminate upon his death or the Board s determination of his total disability.

If Mr. Rupp is terminated due to total disability or death, he or his legal representatives will be entitled to (i) an amount equal to his base salary payable through the date of termination, (ii) a pro rata portion of his annual bonus, if any, for the applicable period of the year for which he was employed and (iii) any accrued and unpaid vacation pay or other benefits he may be owed. If Mr. Rupp is terminated without cause or he terminates his employment for good reason, he is entitled to (i) any accrued but unpaid base salary through the date of termination, (ii) base salary through the one-year anniversary of the termination date, (iii) a pro rata portion of his annual bonus for the applicable period of the calendar year for which he was employed, (iv) continuation of group health plan benefits for 12 months following termination, (v) acceleration of vesting with respect to certain equity awards that vest based on time,

(vi) extension of the expiration date of certain equity awards that vest based on performance, and (vii) any accrued and unpaid vacation pay or other benefits owed. If Mr. Rupp is terminated for cause, terminates his employment without good reason or his employment terminates due to nonrenewal of his agreement, he will only be entitled to his base salary through the termination date and any accrued and unpaid vacation pay or other benefits owed.

If Mr. Rupp is terminated in connection with a change of control of the Company, or is terminated without cause or terminates his employment for good reason within one year after a change of control of the Company, he is entitled to (i) any accrued but unpaid base salary through the date of termination, (ii) an amount equal to the sum of his base salary and his target annual bonus for the year of termination, (iii) a pro rata portion of his target annual bonus for the applicable period of the calendar year for which he was employed, (iv) continuation of group health plan benefits for 12 months following termination, and (v) any accrued and unpaid vacation pay or other benefits owed. In the event of a change of control of the Company, and effective immediately prior to the change in control, Mr. Rupp is entitled to full acceleration of vesting with respect to all outstanding equity awards.

Mr. Rupp s employment agreement contains non-competition and non-solicitation of customers and employees provisions for the period of his employment and for one year thereafter, as well as confidentiality and proprietary rights provisions. Mr. Rupp s employment agreement is effective for a period ending April 1, 2020, and is automatically extended for additional 12 month periods thereafter, unless written notice is given by Mr. Rupp or by us not less than 90 days prior to the end of the then-current employment period**.**

Victoria J. Tullett

Pursuant to the terms of her amended and restated employment agreement, dated as of July 27, 2016 and amended as of November 19, 2018, Ms. Tullett is entitled to an annual base salary of $262,800, which is reviewed and may be increased by the Board on an annual basis. Ms. Tullett is eligible to receive an annual bonus of at least 60% of her base salary and equity-based compensation awards as determined by the Compensation Committee of the Board from time to time. Ms. Tullett is also eligible to participate in any benefit plans that are generally made available to our other senior executives.

Ms. Tullett may terminate her employment at any time upon 60 days prior written notice to us for any reason or on 31 days prior written notice to us for good reason. We may terminate Ms. Tullett s employment at any time with or without cause upon 90 days prior written notice. Ms. Tullett s employment will automatically terminate upon her death or the Board s determination of her total disability.

If Ms. Tullett is terminated due to total disability or death, she or her legal representatives will be entitled to (i) an amount equal to her base salary payable through the date of termination, (ii) a pro rata portion of her annual bonus, if any, for the applicable period of the year for which she was employed and (iii) any accrued and unpaid vacation pay or other benefits she may be owed. If Ms. Tullett is terminated without cause or she terminates her employment for good reason, she is entitled to (i) any accrued but unpaid base salary through the date of termination, (ii) base salary through the one-year anniversary of the termination date, (iii) a pro rata portion of her annual bonus for the applicable period of the calendar year for which she was employed, (iv) continuation of group health plan benefits for 12 months following termination, (v) acceleration of vesting with respect to certain equity awards that vest based on time, (vi) extension of the expiration date of certain equity awards that vest based on performance, and (vii) any accrued and unpaid vacation pay or other benefits owed. If Ms. Tullett is terminated for cause, terminates her employment without good reason or her employment terminates due to nonrenewal of her agreement, she will only be entitled to her base salary through the termination date and any accrued and unpaid vacation pay or other benefits owed.

If Ms. Tullett is terminated in connection with a change of control of the Company, or is terminated without cause or terminates her employment for good reason within one year after a change of control of the Company, she is entitled to (i) any accrued but unpaid base salary through the date of termination, (ii) an amount equal to the sum of her base salary and her target annual bonus for the year of termination, (iii) a pro rata portion of her target annual bonus for the applicable period of the calendar year for which she was employed, (iv) continuation of group health plan benefits for 12 months following termination, and (v) any accrued and unpaid vacation pay or other benefits owed. In the event of a change of control of the Company, and effective immediately prior to the change in control, Ms. Tullett is entitled to full acceleration of vesting with respect to all outstanding equity awards.

Ms. Tullett s amended and restated employment agreement contains non-competition and non-solicitation of customers and employees provisions for the period of her employment and for one year thereafter, as well as confidentiality and proprietary rights provisions. Ms. Tullett s amended and restated employment agreement is effective for a period ending April 1, 2020, and is automatically extended for additional 12 month periods thereafter, unless written notice is given by Ms. Tullett or by us not less than 90 days prior to the end of the then-current employment period.

Potential Payments Upon Termination of Employment or Corporate Transactions/Change of Control

In addition to the payments or other benefits upon termination of employment or a change in control provided in the Employment Agreements section above, each of Mr. Spangler, Mr. Rupp and Ms. Tullett is party to a retention letter agreement with the Company, which retention letter agreements provide that each such NEO will be eligible to receive the following payments and benefits upon the closing of a change of control transaction:

a retention payment equal to 50% of such NEO s then-current annual base salary; and acceleration of vesting, deemed satisfaction of any performance requirements and termination of the Company s repurchase rights with respect to all outstanding equity awards held by such NEO.

Retirement Plans

The Company has a defined contribution benefit plan, qualified under Section 401(k) of the Internal Revenue Code, covering all eligible employees. In 2018, plan participants were eligible to receive a 100% Safe Harbor matching contribution with respect to the amount contributed to the plan up to the first 3% of salary, plus a 50% matching contribution with respect to the amount contributed to the plan in excess of the first 3% of salary, up to 5% of salary, and such matching contributions vest immediately.

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Outstanding Equity Awards at 2018 Fiscal Year End

The following table sets forth certain information about outstanding equity awards held by our NEOs as of December 31, 2018:

	Option Awards					Stock Awards			
e	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equ Ince Pl Awa Mar o Payout o Unea Shares or O Rig That Not V (S
don ngler	41,666	125,001		5.81	10/3/2027(1)				
			83,333	5.81	10/3/2027(2)				
oria llett	9,199			11.85	3/11/2024(3)				
	9,396			11.00	5/1/2024(4)			15,086(2)	71.
	4,650			11.00	5/1/2024(5)				
	9,682			11.00	5/1/2024(6)				
	15,000			11.00	5/1/2024(7)				
			11,863	11.00	5/1/2024(2)				
	13,575	4,525		13.45	3/10/2025(8)				
	7,815	7,815		10.90	3/3/2026(9)				
	9,225	27,675		3.97	3/9/2027(10)				
		25,000		4.95	4/24/2028(11)				

k ehens

&nbss New Roman" SIZE="2">The Internal Revenue Service has determined and informed KGH by a letter dated February 11, 2010, that the Plan and related trust were designed in accordance with the applicable regulations of the Code. The Plan has been amended since receiving the determination letter; however, KGH and the plan administrator believe that the Plan is currently designed and operated in compliance with the applicable requirements of the Code and the Plan and related trust continue to be tax-exempt. Therefore, no provision for income taxes has been included in the Plan s financial statements.

7. EXEMPT PARTY-IN-INTEREST TRANSACTIONS

Certain Plan investments include shares of mutual funds, pooled separate accounts, and an unallocated insurance contract managed by the Trustee and, therefore, these transactions qualify as exempt party-in-interest transactions. Fees paid by the Plan participants for the investment management services were included as a reduction of the return earned on each investment.

At December 31, 2009 and 2008, the Plan held 19,365 and 13,183 shares, respectively, of common stock of Kforce Inc., the parent company of the sponsoring employer.

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KFORCE GOVERNMENT PRACTICE PLAN

FORM 5500, SCHEDULE H, PART IV, LINE 4i SCHEDULE OF ASSETS (HELD AT END OF YEAR)

AS OF DECEMBER 31, 2009

Identity of Party Involved	Description of Investment	Current Value
Kforce Inc. *	Common Stock	$ 242,064
Jennison Small Company Fund*	Mutual Fund	299,271
Pimco Total Return Fund	Mutual Fund	1,345,280
Dryden Stock Index Fund	Mutual Fund	236,024
Van Kampen Equity and Income Fund	Mutual Fund	312,360
American Funds Growth Fund of America	Mutual Fund	1,561,070
Goldman Sachs Mid-Cap Value Fund	Mutual Fund	305,965
Thornburg International Value Fund	Mutual Fund	1,266,925
Columbia Small Cap Value Fund I A	Mutual Fund	559,829
BlackRock Inflation Protected Bond A	Mutual Fund	575
Mutual Global Discovery Fund A	Mutual Fund	5,569
Large Cap Value/LSV Asset Management Fund*	Pooled Separate Account	1,276,557
Mid Cap Growth/TimesSquare Fund*	Pooled Separate Account	609,106
Guaranteed Income Fund*	Unallocated Insurance Contract	2,465,753
Various Participants*	Participant Loans (maturing 2010 2014 at interest rates ranging from 4.25% to 9.25%)	211,206
		$ 10,697,554

* Indicates a party-in-interest to the Plan.

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SIGNATURE

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

	Kforce Government Practice Plan
June 24, 2010	/s/ David M. Kelly David M. Kelly Secretary of the Plan Administrator
	Senior Vice President, Finance and Accounting of Kforce Inc.

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EXHIBIT

Exhibit No.	**Description**
23	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm

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