

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2023

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File No. 0-18492

DLH HOLDINGS CORP.

(Exact name of registrant as specified in its charter)

New Jersey

(State or other jurisdiction of
incorporation or organization)

22-1899798

(I.R.S. Employer
Identification No.)

3565 Piedmont Road, Building 3, Suite 700

Atlanta, Georgia

(Address of principal executive offices)

30305

(Zip code)

(770) 554-3545

(Registrant's telephone number, including area code)

Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	DLHC	Nasdaq Capital Market

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 13,824,733 shares of Common Stock, par value \$0.001 per share, were outstanding as of May 3, 2023.

DLH HOLDINGS CORP.
FORM 10-Q

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PART I — FINANCIAL INFORMATION

ITEM I: FINANCIAL STATEMENTS

DLH HOLDINGS CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	(unaudited) Three Months Ended March 31,		(unaudited) Six Months Ended March 31,	
	2023	2022	2023	2022
Revenue	\$ 99,417	\$ 108,699	\$ 172,155	\$ 261,500
Cost of operations:				
Contract costs	78,238	88,831	135,494	221,517
General and administrative costs	10,693	7,733	18,117	14,644
Corporate development costs	—	—	1,735	—
Depreciation and amortization	4,535	1,881	6,937	3,866
Total operating costs	93,466	98,445	162,283	240,027
Income from operations	5,951	10,254	9,872	21,473
Interest expense	4,765	554	6,595	1,226
Income before provision for income taxes	1,186	9,700	3,277	20,247
Provision for income taxes	381	2,522	925	5,265
Net income	\$ 805	\$ 7,178	\$ 2,352	\$ 14,982
Net income per share - basic	\$ 0.06	\$ 0.56	\$ 0.17	\$ 1.17
Net income per share - diluted	\$ 0.06	\$ 0.50	\$ 0.16	\$ 1.04
Weighted average common stock outstanding				
Basic	13,759	12,778	13,530	12,763
Diluted	14,600	14,442	14,447	14,368

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

DLH HOLDINGS CORP.
CONSOLIDATED BALANCE SHEETS
(In thousands, except par value of shares)

	March 31, 2023 (unaudited)	September 30, 2022
ASSETS		
Current assets:		
Cash	\$ 137	\$ 228
Accounts receivable	67,021	40,496
Other current assets	3,513	2,878
Total current assets	70,671	43,602
Equipment and improvements, net	1,558	1,704
Operating lease right-of-use assets	18,754	16,851
Goodwill	138,301	65,643
Intangible assets, net	133,109	40,884
Other long-term assets	183	328
Total assets	\$ 362,576	\$ 169,012
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Operating lease liabilities - current	\$ 3,452	\$ 2,235
Accrued payroll	17,279	9,444
Debt obligations - current, net of deferred financing costs	33,267	—
Accounts payable and accrued liabilities	25,066	26,862
Total current liabilities	79,064	38,541
Long-term liabilities:		
Deferred taxes, net	1,203	1,534
Operating lease liabilities - long-term	17,337	16,461
Debt obligations - long-term, net of deferred financing costs	162,636	20,416
Other long-term liabilities	396	—
Total long-term liabilities	181,572	38,411
Total liabilities	260,636	76,952
Shareholders' equity:		
Common stock, \$0.001 par value; 40,000 shares authorized; 13,793 and 13,047 shares issued and outstanding at March 31, 2023 and September 30, 2022, respectively	14	13
Additional paid-in capital	98,584	91,057
Retained earnings	3,342	990
Total shareholders' equity	101,940	92,060
Total liabilities and shareholders' equity	\$ 362,576	\$ 169,012

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

DLH HOLDINGS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	(unaudited)	
	Six Months Ended March 31,	
	2023	2022
Operating activities		
Net income	\$ 2,352	\$ 14,982
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	6,937	3,866
Amortization of deferred financing costs charged to interest expense	904	319
Stock-based compensation expense	1,352	1,309
Changes in operating assets and liabilities:		
Accounts receivable	(1,057)	(28,705)
Other current assets	719	666
Accrued payroll	8	3,339
Deferred revenue	—	(22,273)
Accounts payable and accrued liabilities	(4,757)	11,600
Other long-term assets and liabilities	404	82
Net cash provided by (used in) operating activities	6,862	(14,815)
Investing activities		
Business acquisition, net of cash acquired	(180,711)	—
Purchase of equipment and improvements	(463)	(89)
Net cash used in investing activities	(181,174)	(89)
Financing activities		
Proceeds from revolving line of credit	32,594	13,500
Repayment of revolving line of credit	(11,264)	(13,500)
Proceeds from debt obligations	168,000	—
Repayments of debt obligations	(7,125)	(9,250)
Payments of deferred financing costs	(7,622)	—
Proceeds from issuance of common stock upon exercise of options and warrants	287	462
Payment of tax obligations resulting from net exercise of stock options	(649)	—
Net cash provided by (used in) financing activities	174,221	(8,788)
Net change in cash	(91)	(23,692)
Cash - beginning of period	228	24,051
Cash - end of period	\$ 137	\$ 359
Supplemental disclosure of cash flow information		
Cash paid during the period for interest	\$ 5,714	\$ 896
Cash paid during the period for income taxes	\$ 3,202	\$ 3,482
Supplemental disclosure of non-cash activity		
Common stock surrendered for the exercise of stock options	\$ 238	\$ —

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

DLH HOLDINGS CORP.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands)
(unaudited)

(unaudited)	Common Stock		Additional Paid-In Capital	Retained Earnings	Total Shareholders' Equity
	Shares	Amount			
Six Months Ended March 31, 2023					
Balance at September 30, 2022	13,047	\$ 13	\$ 91,057	\$ 990	\$ 92,060
Issuance and fair value adjustment of common stock in business combination	527	1	6,538	—	6,539
Expense related to director restricted stock units	—	—	359	—	359
Expense related to employee stock-based compensation	—	—	993	—	993
Exercise of stock options	286	—	287	—	287
Common stock surrendered for the exercise of stock options	(67)	—	(650)	—	(650)
Net income	—	—	—	2,352	2,352
Balance at March 31, 2023	13,793	\$ 14	\$ 98,584	\$ 3,342	\$ 101,940
Three Months Ended March 31, 2023					
Balance at December 31, 2022	13,757	\$ 14	\$ 97,958	\$ 2,537	\$ 100,509
Fair value adjustment related to the issuance of common stock in a business combination	—	—	(461)	—	(461)
Expense related to director restricted stock units	—	—	179	—	179
Expense related to employee stock-based compensation	—	—	621	—	621
Exercise of stock options	36	—	287	—	287
Net income	—	—	—	805	805
Balance at March 31, 2023	13,793	\$ 14	\$ 98,584	\$ 3,342	\$ 101,940

(unaudited)	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount			
Six Months Ended March 31, 2022					
Balance at September 30, 2021	12,714	\$ 13	\$ 87,893	\$ (22,298)	\$ 65,608
Expense related to director restricted stock units	—	—	324	—	324
Expense related to employee stock-based compensation	—	—	985	—	985
Exercise of stock options	26	—	262	—	262
Exercise of stock warrants	54	—	200	—	200
Net income	—	—	—	14,982	14,982
Balance at March 31, 2022	12,794	\$ 13	\$ 89,664	\$ (7,316)	\$ 82,361
Three Months Ended March 31, 2022					
Balance at December 31, 2021	12,768	\$ 13	\$ 88,593	\$ (14,494)	\$ 74,112
Expense related to director restricted stock units	—	—	162	—	162
Expense related to employee stock-based compensation	—	—	647	—	647
Exercise of stock options	26	—	262	—	262
Net income	—	—	—	7,178	7,178
Balance at March 31, 2022	12,794	\$ 13	\$ 89,664	\$ (7,316)	\$ 82,361

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

DLH HOLDINGS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2023

1. Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements include the accounts of DLH Holdings Corp. and its wholly-owned subsidiaries (together with its subsidiaries, "DLH" or the "Company" and also referred to as "we," "us" and "our"). All significant intercompany balances and transactions have been eliminated in consolidation. The accompanying financial statements have been prepared in accordance with United States generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Regulation S-X. Accordingly, these statements do not include all of the information and footnotes required by U.S. GAAP for complete financial statements.

In management's opinion, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the period ended March 31, 2023 are not necessarily indicative of the results that may be expected for the year ending September 30, 2023 or any future period. Amounts as of and for the three and six months ended March 31, 2023 and March 31, 2022 are unaudited. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended September 30, 2022 filed with the Securities and Exchange Commission on December 5, 2022.

2. Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. The most significant of these estimates and assumptions relate to estimating revenues and costs including overhead and its allocation, estimating progress toward the completion of performance obligations, assessing fair value of acquired assets and liabilities accounted for through business acquisitions, valuing and determining the amortization periods for long-lived intangible assets, interest rate swaps, stock-based compensation, right-of-use assets and leases liabilities, and loss development on workers' compensation claims. We evaluate these estimates and judgments on an ongoing basis and base our estimates on historical experience, current and expected future outcomes, third-party evaluations, and various other assumptions that we believe are reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets and liabilities as well as identifying and assessing the accounting treatment with respect to commitments and contingencies. We revise material accounting estimates if changes occur, such as more experience is acquired, additional information is obtained, or there is new information on which an estimate was or can be based. Actual results could differ from those estimates.

Revenue

The Company's revenues from contracts with customers are derived from offerings that include technology-enabled business process outsourcing, program management solutions, and public health research and analytics, substantially within the U.S. government and its agencies. The Company has various types of contracts including time-and-materials contracts, cost-reimbursable contracts, and firm-fixed-price contracts.

We consider a contract with a customer to exist when there is a commitment by both parties (customer and Company), payment terms are determinable, there is commercial substance, and collectability is probably in accordance with Accounting Standards Codification ("ASC") No. 606, Revenue from Contracts with Customers ("Topic 606").

We recognize revenue over time when there is a continuous transfer of control to our customer as performance obligations are satisfied. For our U.S. government contracts, this continuous transfer of control to the customer is transferred over time and revenue is recognized based on the extent of progress toward completion of the performance obligation. We consider control to transfer when we have a right to payment. In some instances, the Company commences providing services prior to formal approval to begin work from the customer. The Company considers these factors, the risks associated with commencing work, and legal enforceability in determining whether a contract exists under Topic 606.

Contract modification can occur throughout the life of the contract and can affect the transaction price, extend the period of performance, adjust funding, or create new performance obligations. We review each modification to assess the impact of these

contract changes to determine if it should be treated as part of the original performance obligation or as a separate contract. Contract modifications impact performance obligations when the modification either creates new or changes the existing enforceable rights and obligations. The effect of a contract modification on the transaction price and our measure of progress for the performance obligation to which it relates is recognized as an adjustment to revenue and profit cumulatively. Furthermore, a significant change in one or more estimates could affect the profitability of our contracts. We recognize adjustments in estimated profit on contracts in the period identified.

For service contracts, we satisfy our performance obligations as services are rendered. We use cost-based input and time-based output methods to measure progress based on the contract type.

- *Time and material* - We bill the customer per labor hour and per material, and revenue is recognized in the amount invoiced as the amount corresponds directly to the value of our performance to date. Revenue is recognized to the extent of billable rates times hours delivered plus materials and other reimbursable costs incurred.
- *Cost reimbursable* - We record reimbursable costs as incurred, including an estimated share of the contractual fee earned.
- *Firm fixed price* - We recognize revenue over time using a straight-line measure of progress

Contract costs generally include direct costs such as labor, materials, subcontract costs, and indirect costs identifiable with or allocable to a specific contract. Costs are expensed as incurred and include an estimate of the contractual fees earned. Contract costs incurred for U.S. government contracts, including indirect costs, are subject to audit and adjustment by various government audit agencies. Historically, our adjustments have not been material.

Contract assets - Amounts are invoiced as work progresses in accordance with agreed-upon contractual terms. In part, revenue recognition occurs before we have the right to bill, resulting in contract assets. These contract assets are reported within Accounts receivable, net on our consolidated balance sheets and are invoiced in accordance with payment terms defined in each contract. Period end balances will vary from period to period due to agreed-upon contractual terms.

Contract liabilities - Amounts are a result of billings in excess of costs incurred or prepayment for services to be rendered.

Fair Value of Financial Instruments

The carrying amounts of the Company's cash and cash equivalents, accounts receivable, contract assets, contract liabilities, accrued expenses, and accounts payable approximate fair value due to the short-term nature of these instruments. The fair values of the Company's debt instruments approximate fair value because the underlying interest rates approximate market rates that the Company could obtain for similar instruments at the balance sheet dates.

Long-lived Assets

Our long-lived assets include equipment and improvements, intangible assets, right-of-use assets, and goodwill. The Company continues to review long-lived assets for possible impairment or loss of value at least annually, or more frequently upon the occurrence of an event or when circumstances indicate that a reporting unit's carrying amount is greater than its fair value.

Equipment and improvements are recorded at cost. Depreciation and amortization are provided using the straight-line method over the estimated useful asset lives (3 to 7 years) and the shorter of the initial lease term or estimated useful life for leasehold improvements. Maintenance and repair costs are expensed as incurred. Intangible assets (other than goodwill) are originally recorded at fair value and are amortized on a straight-line basis over their estimated useful lives of 10 years. Maintenance and repair costs are expensed as incurred.

Right-of-use assets are measured at the present value of future minimum lease payments, including all probable renewals, plus lease payments made to the lessor before or at lease commencement and indirect costs paid, less incentives received. Our right-of-use assets include long-term leases for facilities and equipment and are amortized over their respective lease terms.

Lease Liabilities

The Company has leases for facilities and office equipment. Our lease liabilities are recognized as the present value of the future minimum lease payments over the lease term. Our lease payments consist of fixed and in-substance fixed amounts attributable to the use of the underlying asset over the lease term. Variable lease payments that do not depend on an index rate or are not in-substance fixed payments are excluded in the measurement of right-of-use assets and lease liabilities and are expensed in the period incurred. The incremental borrowing rate on our secured term loan is used in determining the present value of future minimum lease payments. Some of our lease agreements include options to extend the lease term or terminate the lease. These options are accounted for in our right-of-use assets and lease liabilities when it is reasonably certain that the Company will extend the lease term or terminate the lease. The Company does not have any finance leases.

Goodwill

The Company reviews goodwill for impairment on an annual basis and on a quarterly basis the company assesses the impact of any macroeconomic changes that may impact the business conditions to determine if these changes have any adverse impact to goodwill. Notwithstanding this evaluation, factors including non-renewal of a major contract or other substantial changes in business conditions could have a material adverse effect on the valuation of goodwill in future periods and the resulting charge could be material to future periods' results of operations. The Company determined that no change in business conditions occurred which would have a material adverse effect on the valuation of goodwill.

Provision for Income Taxes

The Company accounts for income taxes in accordance with the asset and liability method, whereby deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are reflected on the consolidated balance sheets when it is determined that it is more likely than not that the asset will be realized. This guidance also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some or all of the deferred tax asset will not be realized. We account for uncertain tax positions by recognizing the financial statement effects of a tax position only when, based upon the technical merits, it is more-likely-than-not that the position will be sustained upon examination. We had no uncertain tax positions at either March 31, 2023 or September 30, 2022. We report interest and penalties as a component of provision for income taxes. During the three and six months ended March 31, 2023 and March 31, 2022, we recognized no interest and no penalties related to income taxes.

Stock-based Compensation

The Company uses the fair value-based method for stock-based compensation. Options issued are designated as either an incentive stock option or a non-statutory stock option. No option may be granted with a term of more than 10 years from the date of grant. Option awards may depend on achievement of certain performance measures determined by the Compensation Committee of our Board. Shares issued upon option exercise are newly issued common shares. All awards to employees and non-employees are recorded at fair value on the date of the grant and expensed over the period of vesting. The Company uses a Monte Carlo method to estimate the fair value of each stock option at the date of grant. Any consideration paid by the option holders to purchase shares is credited to common stock.

Compensation expense for the portion of equity awards for which the requisite service has not been rendered is recognized as the requisite service is rendered. The compensation expense for that portion of awards has been based on the grant-date fair value of those awards as calculated for recognition purposes under applicable guidance. For options that vest based on the Company's common stock achieving and maintaining defined market prices, the Company values the awards with a Monte Carlo method that utilizes various probability factors and other criterion in establishing fair value of the grant. The related compensation expense is recognized over the service period.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. We maintain cash balances at financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000.

Accounts Receivable

Receivables include amounts billed and currently due from customers where the right to consideration is unconditional and amounts unbilled. Both billed and unbilled amounts are non-interest bearing, unsecured, and recognized at an estimated realizable value that includes costs and fees, and are generally expected to be billed and received within a single year. We evaluate our receivables on a quarterly basis and determine whether an allowance is appropriate based on specific collection issues. No allowance for doubtful accounts was deemed necessary at either March 31, 2023 or September 30, 2022.

Earnings Per Share

Basic earnings per share is calculated by dividing income available to common shareholders by the weighted average number of common stock outstanding and restricted stock grants that vested or are likely to vest during the period. Diluted earnings per share is calculated by dividing income available to common shareholders by the weighted average number of basic common shares outstanding, adjusted to reflect potentially dilutive securities. Diluted earnings per share is calculated using the treasury stock method.

Treasury Stock

The Company periodically purchases its own common stock that is traded on public markets as part of announced stock repurchase programs. The repurchased common stock is classified as treasury stock on the consolidated balance sheets and held at cost. As of March 31, 2023 and September 30, 2022, the Company did not hold any treasury stock.

Preferred Stock

Our certificate of incorporation authorizes the issuance of "blank check" preferred stock with designations, rights and preferences as may be determined from time to time by our board of directors up to an aggregate of 5,000,000 shares of preferred stock. As of March 31, 2023 and September 30, 2022, the Company has not issued any preferred stock.

Interest Rate Swap

The Company uses derivative financial instruments to manage interest rate risk associated with its variable debt. The Company's objective in using these interest rate derivatives is to manage its exposure to interest rate movements and reduce volatility of interest expense. The gains and losses due to changes in the fair value of the interest rate swap agreements completely offset changes in the fair value of the hedged portion of the underlying debt. Offsetting changes in fair value of both the interest rate swaps and the hedged portion of the underlying debt are recognized in interest expense in the consolidated statements of operations. The Company does not hold or issue any derivative instruments for trading or speculative purposes.

Risks & Uncertainties

Management evaluates the impact of global markets and economic factors on our industry and the potential for adverse effects on the Company's consolidated financial position and its operations. As of the date of these consolidated financial statements, there was no indication of any global or economic impacts to our industry.

3. New Accounting Pronouncements

In March 2020 and January 2021, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting" and ASU No. 2021-01, "Reference Rate Reform (Topic 848): Scope," respectively (collectively, "Topic 848"). Topic 848 provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions that reference the London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform. In December 2022, FASB issued ASU 2022-06 "Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848" which defers the end date for electing the relief provided in Topic 848 from

December 31, 2022 to December 31, 2024. In the first quarter of fiscal 2023, the Company adopted the optional expedients and exceptions provided in Topic 848. The adoption did not have a material impact on the Company's consolidated financial statements.

4. Business Combination

Acquisition of Grove Resource Solutions, LLC

On December 8, 2022, the Company acquired 100% of the equity interests of Grove Resource Solution, LLC ("GRSi") for a purchase price of \$188.0 million, inclusive of the working capital adjustment completed and paid during this fiscal quarter. The acquisition was financed through a combination of:

- borrowings of \$181.5 million under the Company's amended and restated credit facility; and
- common stock issued of approximately 0.5 million shares, which were valued at \$6.5 million in the aggregate, based on the shares issued to the previous owners as determined by the equity purchase agreement and the stock price on the acquisition date.

The acquisition of GRSi was consistent with the Company's growth strategy, as it provided contract diversification, addition of key capabilities and increased presence in the military health market. The estimated goodwill derived from this transaction is primarily due to these attributes.

The Company has used the acquisition method of accounting for this transaction, whereby the assets acquired and liabilities assumed are recognized based upon their estimated fair values at the acquisition date.

The purchase price for GRSi was \$188.0 million adjusted to reflect acquired cash, assumed liabilities and net working capital adjustments.

The Purchase Agreement contains customary representations, warranties and covenants by the parties. Subject to certain limitations and conditions, the seller and the equity holders of the seller do not have indemnity obligation for damages resulting from breaches or inaccuracies of the representations, warranties, and covenants of the seller, GRSi and the equity holders as set forth in the Purchase Agreement. The Purchase Agreement also provided for the establishment of an escrow account in order to satisfy (i) any downward adjustment of the purchase price based on GRSi's net working capital at the closing and (ii) certain specified indemnification obligations of the seller and equity holders that may arise following the closing. The escrow account is funded by an aggregate amount of approximately \$4.3 million and the stock consideration. A representations and warranties insurance policy has been purchased by the Company in connection with the Purchase Agreement, under which the Company may seek recourse for breaches of the representations and warranties of the seller, GRSi and the equity holders. The representations and warranties insurance policy is subject to certain customary exclusions and a deductible.

In accordance with ASU 2017-01, the Company evaluated the transaction as an acquisition of a business. The Company has assessed the acquisition price to the fair value of the assets and liabilities of GRSi at the acquisition date. Based on the unaudited financial statements of GRSi on December 8, 2022, we accounted for the total acquisition consideration and allocation of fair value of the related assets and liabilities as follows (in thousands):

Purchase price for GRSi	\$ 187,997
Purchase price allocation:	
Cash	747
Accounts receivable	25,468
Other current assets	1,354
Accounts payable and accrued expenses	(2,449)
Payroll liabilities	(7,826)
Other current liabilities	(325)
Equipment and improvements, net	463
Other long-term assets and liabilities	(781)
Intangible assets	98,688
Total identifiable net assets acquired	115,339
Goodwill	\$ 72,658

All operating units are aggregated into a single reportable segment. The acquisition of GRSi did not create an additional reportable segment as all operations report to a single Chief Operating Decision Maker (CODM), serve a similar customer base, and provide similar services within a common regulatory environment. The goodwill represents intellectual capital and the acquired workforce, of which both do not qualify as a separate intangible asset.

During the three months ended March 31, 2023, following the completion of the acquisition, GRSi contributed approximately \$32.6 million of revenue and \$2.0 million of income from operations.

The following table presents certain results for the three and six months ended March 31, 2023 and 2022 as though the acquisition of GRSi had occurred on October 1, 2021. The unaudited pro forma information is presented for informational purposes only and is not necessarily indicative of our results if the acquisition had taken place on that date. The pro forma information was prepared by combining our reported historical results with the historical results of GRSi for the pre-acquisition periods. In addition, the reported historical amounts were adjusted for the following items, net of associated tax effects:

- The impact of recording GRSi's intangible asset amortization.
- The impact of interest expense for the new credit facility.
- The removal of legacy GRSi director's fees.
- The removal of transaction costs for the acquisition incurred by GRSi.

Pro forma results	(in thousands)		(in thousands)	
	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	2023	2022	2023	2022
Revenue	\$ 99,417	\$ 134,615	\$ 199,240	\$ 313,469
Net income (loss)	805	4,001	2,945	10,852
Number of shares outstanding - basic	13,759	12,778	13,530	12,763
Number of shares outstanding - diluted	14,600	14,442	14,447	14,368
Basic earnings per share (loss)	\$0.06	\$0.31	\$0.22	\$0.85
Diluted earnings per share (loss)	\$0.06	\$0.28	\$0.20	\$0.76

5. Revenue Recognition

The following table summarizes the contract balances recognized on the Company's consolidated balance sheets as follows (in thousands):

	March 31, 2023	September 30, 2022
Contract assets	\$ 19,907	\$ 7,682

Contract assets are included presented as part of the accounts receivables on the consolidated balances sheets. Contract liabilities are presented as deferred revenue, which had a \$0 balance for the as of March 31, 2023 and September 30, 2022.

Disaggregation of Revenue from Contracts with Customers

We disaggregate our revenue from contracts with customers by customer, contract type, as well as whether the Company acts as prime contractor or subcontractor. We believe these categories best depict how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors. The following series of tables present our revenue disaggregated by these categories:

Revenue by customer for the three and six months ended March 31, 2023 and 2022 as follows (in thousands):

	Three Months Ended March 31,		Six Months Ended March 31,	
	2023	2022	2023	2022
Department of Veterans Affairs	\$ 34,883	\$ 30,733	\$ 68,591	\$ 58,926
Department of Health and Human Services	38,204	27,584	65,509	50,710
Department of Defense	18,972	8,460	29,235	16,955
Department of Homeland Security	126	39,978	293	131,306
Other	7,232	1,944	8,527	3,603
Total	\$ 99,417	\$ 108,699	\$ 172,155	\$ 261,500

Revenue by contract type for the three and six months ended March 31, 2023 and 2022 as follows (in thousands):

	Three Months Ended March 31,		Six Months Ended March 31,	
	2023	2022	2023	2022
Time and Materials	\$ 53,803	\$ 85,860	\$ 102,794	\$ 218,400
Cost Reimbursable	17,260	12,275	29,840	22,385
Firm Fixed Price	28,354	10,564	39,521	20,715
Total	\$ 99,417	\$ 108,699	\$ 172,155	\$ 261,500

Revenue by whether the Company acts as a prime contractor or a subcontractor for the three and six months ended March 31, 2023 and 2022 as follows (in thousands):

	Three Months Ended March 31,		Six Months Ended March 31,	
	2023	2022	2023	2022
Prime Contractor	\$ 93,826	\$ 100,012	\$ 161,807	\$ 246,119
Subcontractor	5,591	8,687	10,348	15,381
Total	\$ 99,417	\$ 108,699	\$ 172,155	\$ 261,500

6. Leases

The following table summarizes lease balances presented on our consolidated balance sheets as follows (in thousands):

	March 31, 2023	September 30, 2022
Operating lease right-of-use assets	\$ 18,754	\$ 16,851
Operating lease liabilities, current	\$ 3,452	\$ 2,235
Operating lease liabilities - long-term	17,337	16,461
Total operating lease liabilities	\$ 20,789	\$ 18,696

As of March 31, 2023, operating leases for facilities and equipment have remaining lease terms of less than 1 to 7.9 years.

For the three and six months ended March 31, 2023 and 2022, total lease costs for our operating leases as follows (in thousands):

	Three Months Ended March 31,		Six Months Ended March 31,	
	2023	2022	2023	2022
Operating	\$ 1,098	\$ 863	\$ 2,045	\$ 1,815
Short-term	27	25	70	52
Variable	32	27	63	45
Sublease income (a)	(71)	(50)	(142)	(119)
Total lease costs	\$ 1,086	\$ 865	\$ 2,036	\$ 1,793

(a) The Company subleases a portion of one of its leased facilities. The sublease is classified as an operating lease with respect to the underlying asset. The sublease term is 5 years and includes two additional 1-year term extension options.

The Company's future minimum lease payments as of March 31, 2023 as follows (in thousands):

For the Fiscal Year Ending September 30,

2023 (remaining)	\$ 2,324
2024	4,611
2025	3,928
2026	3,700
2027	2,627
Thereafter	8,672
Total future lease payments	25,862
Less: imputed interest	(5,073)
Present value of future minimum lease payments	20,789
Less: current portion of operating lease liabilities	(3,452)
Long-term operating lease liabilities	\$ 17,337

At March 31, 2023, the weighted-average remaining lease term and weighted-average discount rate are 6.4 years and 6.4% respectively. The calculation of the weighted-average discount rate was determined based on borrowing terms from our secured term loan.

Other information related to our leases for the six months ended March 31, 2023 and 2022 as follows (in thousands):

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities	2,171	\$ 1,729
Lease liabilities arising from obtaining right-of-use assets	3,541	\$ —

7. Supporting Financial Information

Accounts receivable

The following table summarizes accounts receivable presented on our consolidated balance sheets as follows (in thousands):

	March 31, 2023	September 30, 2022
Billed receivables	\$ 47,114	\$ 32,814
Contract assets	19,907	7,682
Allowance for doubtful accounts	—	—
Accounts receivable	\$ 67,021	\$ 40,496

Other current assets

The following table summarizes other current assets presented on our consolidated balance sheets as follows (in thousands):

	March 31, 2023	September 30, 2022
Prepaid insurance and benefits	\$ 2,060	\$ 737
Prepaid licenses and other expenses	297	1,196
Other receivables	1,156	945
Other current assets	\$ 3,513	\$ 2,878

Equipment and improvements, net

The following table summarizes equipment and improvements, net presented on our consolidated balance sheets as follows (in thousands):

	March 31, 2023	September 30, 2022
Furniture and equipment	\$ 877	\$ 893
Computer equipment	5,006	2,316
Computer software	1,733	4,407
Leasehold improvements	1,880	1,614
Total equipment and improvements	9,496	9,230
Less: accumulated depreciation and amortization	(7,938)	(7,526)
Equipment and improvements, net	\$ 1,558	\$ 1,704

Depreciation expense was \$0.2 million and \$0.2 million for the three months ended March 31, 2023 and 2022, respectively. Depreciation expense was \$0.4 million and \$0.6 million for the six months ended March 31, 2023 and 2022, respectively.

Intangible assets

The following table summarizes intangible assets, net presented on our consolidated balance sheets as follows (in thousands):

	March 31, 2023	September 30, 2022
Intangible assets		
Customer contracts and related customer relationships	\$ 113,622	\$ 47,044
Covenants not to compete	637	522
Trade name	13,034	3,051
Backlog	37,249	15,237
Total intangible assets	164,542	65,854
Less: accumulated amortization		
Customer contracts and related customer relationships	(24,186)	(19,731)
Covenants not to compete	(346)	(316)
Trade name	(1,525)	(1,048)
Backlog	(5,376)	(3,875)
Total accumulated amortization	(31,433)	(24,970)
Intangible assets, net	\$ 133,109	\$ 40,884

Amortization expense was \$4.3 million and \$1.6 million for the three months ended March 31, 2023 and 2022, respectively. Amortization expense was \$6.5 million and \$3.3 million for the six months ended March 31, 2023 and 2022, respectively.

As of March 31, 2023, the estimated amortization expense per fiscal year as follows (in thousands):

2023 (remaining)	\$ 8,193
2024	16,386
2025	16,386
2026	15,652
2027	14,624
Thereafter	61,868
Total amortization expense	\$ 133,109

Goodwill

The change in the carrying amount of goodwill as follows presented on our consolidated balance sheets as follows (in thousands):

Balance at September 30, 2022	\$ 65,643
Increase from GRSi acquisition (a)	72,658
Balance at March 31, 2023	\$ 138,301

Ref (a) The Company has completed its valuation assessment of the GRSi acquisition. Please refer to [Note 4](#) for more information.

Accounts payable and accrued liabilities

The following table summarizes accounts payable and accrued liabilities presented on our consolidated balance sheets as follows (in thousands):

	March 31, 2023	September 30, 2022
Accounts payable	\$ 14,182	\$ 11,886
Accrued benefits	4,341	3,857
Accrued bonus and incentive compensation	1,897	3,625
Accrued workers' compensation insurance	2,602	4,880
Other accrued expenses	2,044	2,614
Accounts payable and accrued liabilities	\$ 25,066	\$ 26,862

Debt obligations

The following table summarizes debt obligations presented on our consolidated balance sheets as follows (in thousands):

	March 31, 2023	September 30, 2022
Secured revolving line of credit	\$ 21,330	\$ —
Secured term loan	182,875	22,000
Less: unamortized deferred financing costs	(8,302)	(1,584)
Net bank debt obligations	195,903	20,416
Less: current portion of debt obligations, net of deferred financing costs	(33,267)	—
Long-term portion of debt obligations, net of deferred financing costs	\$ 162,636	\$ 20,416

Interest expense

The following table summarizes interest expense presented on our consolidated statements of operations for the three and six months ended March 31, 2023 and 2022 as follows (in thousands):

	Three Months Ended March 31,		Six Months Ended March 31,	
	2023	2022	2023	2022
Interest expense (a)	\$ 4,160	\$ 386	\$ 5,714	\$ 907
Amortization of deferred financing costs (b)	605	168	881	319
Interest expense	\$ 4,765	\$ 554	\$ 6,595	\$ 1,226

(a) Interest expense on borrowing.

(b) Amortization of expenses related to secured term loan and secured revolving line of credit.

8. Credit Facilities

A summary of our credit facilities as of March 31, 2023 and September 30, 2022 is as follows (in millions):

March 31, 2023			September 30, 2022		
Arrangement	Loan Balance	Interest	Arrangement	Loan Balance	Interest
Secured term loan (a) due December 8, 2027	\$ 182.9	SOFR* + 4.2%	Secured term loan due September 30, 2025	\$ 22.0	LIBOR + 2.5%
Secured revolving line of credit (b) due December 8, 2027	\$ 21.3	SOFR* + 4.2%	Secured Revolving line of Credit due September 20, 2025	\$ —	LIBOR + 2.5%

*Secured Overnight Financing Rate ("SOFR") as of March 31, 2023 was 4.81%.

On September 30, 2019, we executed a floating-to-fixed interest rate swap with First National Bank ("FNB") as counter-party. The notional amount in the floating-to-fixed interest rate swap as of March 31, 2023 is \$16.2 million, matures in 2024, and the fixed rate is 1.61%. On January 31, 2023, we executed an additional floating-to-fixed interest rate swap with FNB; the notional amount as of March 31, 2023 is \$96.0 million, it matures in January 2026, and the fixed rate is 4.1%. The total floating-to-fixed swap balance as of March 31, 2023 is \$112.2 million. As a result of entering these agreements, for the six months ended March 31, 2023, interest expense has been decreased by approximately \$0.3 million.

(a) Represents the principal amounts payable on our term loan, which is secured by liens on substantially all of the assets of the Company. The principal of the term loan is payable in quarterly installments with the remaining balance due on December 8, 2027.

The Credit Agreement requires compliance with a number of financial covenants and contains restrictions on our ability to engage in certain transactions. Among other matters, we must comply with limitations on the following: granting liens; incurring other indebtedness; maintenance of assets; investments in other entities and extensions of credit; mergers and consolidations; and changes in nature of business. The loan agreement also requires us to comply with certain quarterly financial covenants including: (i) a minimum fixed charge coverage ratio of at least 1.25 to 1.00, and (ii) a total leverage ratio not exceeding the ratio of 4.50:1.0 to 2.00:1.0 through maturity. The total leverage ratio is calculated by dividing the Company's total interest-bearing debt by net income adjusted to exclude (i) interest and other expenses, (ii) provision for or benefit from income taxes, if any, (iii) depreciation and amortization, and (iv) non-cash charges, losses or expenses, including stock-based compensation, and (v) non-recurring charges, losses or expenses to include transaction and non-cash equity expense. We are in compliance with all loan covenants and restrictions.

We are required to pay quarterly amortization payments, which commenced in December 2022. The annual amortization amounts are \$14.3 million each for fiscal years 2023 and 2024, \$19.0 million each for fiscal years 2025 and 2026, and \$23.8 million for fiscal year 2027, with the remaining unpaid loan balance due at maturity in December 2027. The quarterly payments are equal installments. The Company made a mandatory prepayment of \$3.6 million during the quarter ended March 31, 2023 bringing the outstanding principal balance on the secured term loan to \$182.9 million. We have satisfied mandatory principal amortization until March 31, 2023.

In addition to quarterly payments of the outstanding indebtedness, the loan agreement also requires annual payments of a percentage of excess cash flow, as defined in the loan agreement. The loan agreement states that an excess cash flow recapture payment must be made equal to (a) 75% of the excess cash flow for the immediately preceding fiscal year in which the total leverage ratio is greater than or equal to 2.50:1.0; (b) 50% of the excess cash flow for the immediately preceding fiscal year in which the total leverage ratio is less than 2.50:1.0 but greater than or equal to 1.5:1.0; or (c) 0% of the excess cash flow for the immediately preceding fiscal year in which the total leverage ratio is less than 1.5:1.0. In addition, the Company must make additional mandatory prepayment of amounts outstanding based on proceeds received from asset sales and sales of certain indebtedness. For additional information regarding the schedule of future payment obligations, please refer to [Note 11. Commitments and Contingencies](#).

(b) The secured revolving line of credit has a ceiling of up to \$70.0 million; as of March 31, 2023 we had unused borrowing capacity of \$27.3 million, which is net of outstanding letters of credit. Borrowing on the line of credit is secured by liens on substantially all of the assets of the Company. The Company accessed funds from the revolving credit facility during the quarter, but had an outstanding balance at March 31, 2023 of \$21.3 million

The Company's total borrowing availability, based on eligible accounts receivable at March 31, 2023, was \$70.0 million. As part of the revolving credit facility, the lenders agreed to a sublimit of \$10.0 million for letters of credit for the account of the Company, subject to applicable procedures.

The revolving line of credit has a maturity date of December 8, 2027 and is subject to loan covenants as described above. The Company is fully compliant with those covenants.

9. Stock-Based Compensation and Equity Grants

Stock-based compensation expense

Options issued under equity incentive plans were designated as either incentive stock or non-statutory stock options. No option is granted with a term of more than 10 years from the date of grant. Exercisability of option awards may depend on achievement of certain performance measures determined by the Compensation Committee of our Board. Shares issued upon option exercise are newly issued shares. As of March 31, 2023, there were 0.8 million shares available for grant under the 2016 Omnibus Equity Incentive Plan.

Stock-based compensation expense, shown in the table below, is recorded in general and administrative expenses included in our consolidated statements of operations for the three and six months ended March 31, 2023 and 2022 as follows (in thousands):

	(in thousands)		(in thousands)	
	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	2023	2022	2023	2022
DLH employees (a)	\$ 621	\$ 647	\$ 993	\$ 985
Non-employee directors (b)	179	162	359	324
Total stock option expense	\$ 800	\$ 809	\$ 1,352	\$ 1,309

(a) Included in this amount are equity grants of restricted stock units ("RSU") to Executive Officers, which were issued in accordance with the DLH long-term incentive compensation policy in this fiscal year, and stock option grants to employees during prior fiscal years. The RSUs totaled 337,578 and 161,485 issued and outstanding at March 31, 2023 and 2022, respectively. During the three months ended March 31, 2023, 197,174 RSUs were granted to Executive Officers. Of the RSUs granted, 141,892 have performance-based vesting criteria and the remaining 55,282 have service-based vesting criteria. Utilizing a volatility of 50% along with assumptions of a 3-year term and the performance vesting criteria results in an indicated range of value, the RSUs granted during the quarter ended March 31, 2023, as follows using the Monte Carlo Method.

Grant Date	Performance Vesting Base	Performance Vesting Criteria	(Years)	Volatility	Calculated Fair Value
				50%	
January 27, 2023	Revenue	Revenue increase at the end of the performance period as compared to the year ended September 30, 2022	3	\$	3.51
January 27, 2023	Stock price	Stock price is at least \$33.21 per share average for the 30 days prior to the end of the performance period	3	\$	2.92

Notes:

Results based on 100,000 simulations

(b) Equity grants of RSUs were made in accordance with DLH compensation policy for non-employee directors and a total of 50,367 and 53,510 restricted stock units were issued and outstanding at March 31, 2023 and 2022, respectively. These grants have service-based vesting criteria and vest at the end of this fiscal year.

Unrecognized stock-based compensation expense

Unrecognized stock-based compensation expense is presented in the table below for the three months ended March 31, 2023 and 2022 as follows (in thousands):

	2023	2022
Unrecognized expense for DLH employees (a)	\$ 8,575	\$ 5,982
Unrecognized expense for non-employee directors	359	324
Total unrecognized expense	\$ 8,934	\$ 6,306

(a) On a weighted average basis, the unrecognized expense for the three months ended March 31, 2023 is expected to be recognized within the next 4.1 years.

Stock option activity for the six months ended March 31, 2023

The aggregate intrinsic value in the table below represents the total pretax intrinsic value (i.e., the difference between the Company's closing stock price on the last trading day of the period and the exercise price, times the number of shares) that would have been received by the option holders had all option holders exercised their in the money options on those dates. This amount will change based on the fair market value of the Company's stock.

	(in thousands) Number of Shares	Weighted Average Exercise Price	(in years) Weighted Average Remaining Contractual Term	(in thousands) Aggregate Intrinsic Value
Options outstanding, September 30, 2022	2,392	\$ 7.05	5.40	\$ 13,566
Granted (a)	400	11.66	—	—
Exercised	(286)	1.84	—	—
Cancelled	(40)	10.12	—	—
Options outstanding, March 31, 2023	2,466	\$ 8.35	6.20	\$ 9,071

Ref (a): Utilizing a volatility of 50% along with assumptions of a 10-year term and the aforementioned 10-day stock price threshold results in an indicated range of value of the Options granted during the quarter ended March 31, 2023, as follows using the Monte Carlo Method.

Grant Date	Strike Price	Stock Price	Vesting Threshold Price	Expected Term (Years)	Volatility	
					50%	Calculated Fair Value
January 26, 2023	\$ 11.66	\$ 11.66	15.00	10	\$	7.41

Notes:

Results based on 100,000 simulations

Stock options shares outstanding, vested and unvested for the periods ended as follows (shares in thousands):

	March 31, 2023	September 30, 2022
Vested and exercisable (a)	1,841	2,117
Unvested (b)	625	275
Options outstanding	2,466	2,392

(a) The weighted average exercise price of vested and exercisable shares was \$6.67 and \$5.86 at March 31, 2023 and September 30, 2022, respectively. Aggregate intrinsic value was approximately \$9.1 million and \$13.6 million at March 31, 2023 and September 30, 2022, respectively. The weighted average contractual term remaining was 5.1 years and 4.9 years at March 31, 2023 and September 30, 2022, respectively.

(b) Certain awards vest upon satisfaction of certain performance criteria.

10. Earnings Per Share

Basic earnings per share is calculated by dividing income available to common shareholders by the weighted average number of common shares outstanding and restricted stock grants that vested or are likely to vest during the period. Diluted earnings per share is calculated by dividing income available to common shareholders by the weighted average number of basic common shares outstanding, adjusted to reflect potentially dilutive securities. Diluted earnings per share is calculated using the treasury stock method.

Earnings per share information is presented in the table below for the three and six months ended March 31, 2023 and 2022 as follows (in thousands except for per share amounts):

	(In thousands)			
	Three Months Ended March 31,		Six Months Ended March 31,	
	2023	2022	2023	2022
Numerator:				
Net income	\$ 805	\$ 7,178	\$ 2,352	\$ 14,982
Denominator:				
Denominator for basic net income per share - weighted-average outstanding shares	13,759	12,778	13,530	12,763
Effect of dilutive securities:				
Stock options and restricted stock	841	1,664	917	1,605
Denominator for diluted net income per share - weighted-average outstanding shares	14,600	14,442	14,447	14,368
Net income per share - basic	\$ 0.06	\$ 0.56	\$ 0.17	\$ 1.17
Net income per share - diluted	\$ 0.06	\$ 0.50	\$ 0.16	\$ 1.04

11. Commitments and Contingencies

Contractual obligations as of March 31, 2023 are as follows (in thousands):

	Total	Payments Due Per Fiscal Year					Thereafter
		(Remaining) 2023	2024	2025	2026	2027	
Debt obligations	\$ 204,205	\$ 17,804	\$ 24,901	\$ 19,000	\$ 19,000	\$ 23,750	\$ 99,750
Facility operating leases	25,770	2,283	4,560	3,928	3,700	2,627	8,672
Equipment operating leases	92	42	50	—	—	—	—
Total contractual obligations	\$ 230,067	\$ 20,129	\$ 29,511	\$ 22,928	\$ 22,700	\$ 26,377	\$ 108,422

Workers' Compensation

We accrue workers' compensation expense based on claims submitted, applying actuarial loss development factors to estimate the costs incurred but not yet recorded. Our accrued liability for claims development as of March 31, 2023 and September 30, 2022 was \$2.6 million and \$4.9 million, respectively.

Legal Proceedings

As a commercial enterprise and employer, the Company is subject to various claims and legal actions in the ordinary course of business. These matters can include professional liability, workers' compensation, tax, payroll and employee-related matters, other commercial disputes arising in the course of its business, and inquiries and investigations by governmental agencies

regarding our employment practices or other matters. The Company is not aware of any pending or threatened litigation that it believes is reasonably likely to have a material adverse effect on its results of operations, financial position, or cash flows.

12. Related Party Transactions

The Company has determined that for the three and six months ended March 31, 2023 there were no significant related party transactions that have occurred which require disclosure through the date that these consolidated financial statements were issued.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking and Cautionary Statements

You should read the following discussion in conjunction with the Consolidated Financial Statements and the notes to those statements included elsewhere in this Quarterly Report on Form 10-Q, as well as our Annual Report on Form 10-K for the year ended September 30, 2022, and in other reports we have subsequently filed with the SEC. This Quarterly Report on Form 10-Q contains certain statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. Certain statements contained in this Management's Discussion and Analysis are forward-looking statements that involve risks and uncertainties. Any statements that refer to expectations, projections or other characterizations of future events or circumstances or that are not statements of historical fact (including without limitation statements to the effect that the Company or its management "believes", "expects", "anticipates", "plans", "intends" and similar expressions) should be considered forward-looking statements that involve risks and uncertainties which could cause actual events or DLH's actual results to differ materially from those indicated by the forward-looking statements. Forward-looking statements in this report include, among others, statements regarding benefits of the acquisition, estimates of future revenues, operating income, earnings, earnings per share, backlog, and cash flows. These statements reflect our belief and assumptions as to future events that may not prove to be accurate. Our actual results may differ materially from such forward-looking statements made in this report due to a variety of factors, including: the continuation of the novel coronavirus ("COVID-19"), including the measures to reduce its spread, and its impact on the economy and demand for our services, which are uncertain, cannot be predicted, and may precipitate or exacerbate other risks and uncertainties; the failure to achieve the anticipated benefits of our acquisition of GRSi or any future acquisition (including anticipated future financial operating performance and results); the diversion of management's attention from normal daily operations of the business and the challenges of managing larger and more widespread operations resulting from our recent acquisition; the inability to retain employees and customers; contract awards in connection with re-competes for present business and/or competition for new business; our ability to manage our increased debt obligations; compliance with bank financial and other covenants; changes in client budgetary priorities; government contract procurement (such as bid and award protests, small business set asides, loss of work due to organizational conflicts of interest, etc.) and termination risks; the ability to successfully integrate the operations of GRSi or any future acquisitions; the impact of inflation and higher interest rates; and other risks described in our SEC filings. For a discussion of such risks and uncertainties which could cause actual results to differ from those contained in the forward-looking statements, see "Risk Factors" in the Company's periodic reports filed with the SEC, including our Annual Report on Form 10-K for the fiscal year ended September 30, 2022, as well as interim quarterly filings thereafter. The forward-looking statements contained herein are not historical facts, but rather are based on current expectations, estimates, assumptions and projections about our industry and business. Such forward-looking statements are made as of the date hereof and may become outdated over time. The Company does not assume any responsibility for updating forward-looking statements.

Business and Markets Overview

DLH enhances public health and national security readiness missions through science, technology, cyber, and engineering solutions and services. We are primarily focused on improving and better deploying large-scale federal health and human service initiatives. The Company derives 99% of its revenue from agencies of the Federal government, providing services to several agencies including the Department of Veteran Affairs ("VA"), Department of Health and Human Services ("HHS"), Department of Defense ("DoD"), and Department of Homeland Security, ("DHS"). The following table summarizes revenue by customer for the three months ended March 31, 2023 and 2022 as follows (in thousands and percent):

	2023		2022	
	Revenue	Percent of total revenue	Revenue	Percent of total revenue
Department of Veterans Affairs	\$ 34,883	35.1 %	\$ 30,733	28.3 %
Department of Health and Human Services	38,204	38.4 %	27,584	25.4 %
Department of Defense	18,972	19.1 %	8,460	7.8 %
Department of Homeland Security	126	0.1 %	39,978	36.8 %
Other customers with less than 10% share of total revenue	7,232	7.3 %	1,944	1.7 %
Total revenue	\$ 99,417	100.0 %	\$ 108,699	100.0 %

We provide solutions to three market focus areas: Defense and Veteran Health Solutions, Human Solutions and Services, and Public Health and Life Sciences. We deliver domain-specific expertise, industry best-practices and innovations to customers across these markets leveraging seven core competencies: secure data analytics, clinical trials and laboratory services, case management, performance evaluation, system modernization, operational logistics and readiness, and strategic digital communications. The Company manages its operations from its principal executive office in Atlanta, Georgia, and we have a complementary headquarters office in Silver Spring, Maryland. The Company employs over 3,200 skilled employees working throughout the United States and one location overseas.

Acquisitions

On December 8, 2022, we acquired Grove Resource Solutions, LLC. ("GRSi") to increase future organic growth, diversify our customer base, and to expand into adjacent markets. GRSi provides research and development, systems engineering and integration, and digital transformations solutions to federal agencies, notably the National Institutes of Health ("NIH"), U.S. Navy and U.S. Marine Corps. For further information, refer to [Note 4](#) of the accompanying notes to our consolidated financial statements contained elsewhere in this report.

Major Contracts

We operate primarily through prime contracts awarded by the government through competitive bidding processes. We have a diverse mix of contract vehicles with various agencies of the United States government, which supports our overall corporate growth strategy. Our Federal contract schedules are renewed on a recurring basis for multi-year periods.

The revenue attributable to the VA was derived from 16 separate contracts covering the Company's performance of pharmacy and logistics services in support of the VA's Consolidated Mail Outpatient Pharmacy ("CMOP") program.

- Nine contracts for pharmacy services, which represent revenues of approximately \$39.4 million and \$32.7 million for the six months ended March 31, 2023 and 2022, respectively, are currently operating under a bridge contract through October 2023.
- Seven contracts for logistics services, which represent approximately \$29.2 million and \$26.2 million of revenues for the six months ended March 31, 2023 and 2022, respectively, are currently operating under a bridge contract through November 2023.

The VA has issued a request for proposal for healthcare logistics and pharmacy services for each CMOP location. The procurement was set-aside for a service-disabled veteran owned small business ("SDVOSB") to be solicited as the prime contractor. DLH maintains relationships with SDVOSB partners. Should the new contracts for performance of these services be awarded to a partner of DLH, the Company expects to continue to perform a significant amount of the contract's volume of business as a subcontractor. Should the VA conclude that an award to an SDVOSB prime contractor is not in the best interest of the government, they may reissue a solicitation in an unrestricted competition. DLH believes that its service excellence over many years on the program would provide an advantage in an unrestricted competition.

The Company's contract with HHS in support of its Head Start program generated \$17.6 million and \$15.7 million of its revenue for the six months ended March 31, 2023 and 2022, respectively. This contract has a period of performance through April 2025.

We remain dependent upon the continuation of our relationships with the VA and HHS. Our results of operations, cash flows, and financial condition would be materially adversely affected if we were unable to continue our relationship with either of

these customers, if we were to lose any of our material current contracts, or if the amount of services we provide to them was to be materially reduced.

Backlog

At March 31, 2023, our backlog was approximately \$940.6 million, of which \$132.0 million was funded backlog. At September 30, 2022, our backlog was approximately \$482.5 million, of which \$98.9 million was funded backlog.

We define backlog as our estimate of remaining future revenue from existing signed contracts, assuming the exercise of all options relating to such contracts and including executed task orders issued under Indefinite Quantity/Indefinite Delivery ("IDIQ") contracts or if the contract is a single award IDIQ contract.

We define funded backlog as the portion of backlog for which funding is appropriated and allocated to the contract by the customer and authorized for payment by the customer, once specified work is completed. Funded backlog does not include the full contract value as Congress often appropriates funding for contracts on a yearly or quarterly basis.

Circumstances and events may cause changes in the amount of our backlog and funded backlog, including the execution of new contracts, extension of existing contracts, non-renewal or completion of current contracts, early termination, and adjustments to estimates. Changes in funded backlog may be affected by the funding cycles of the government. While no assurances can be given that existing contracts will result in earned revenue in any future period, or at all, our major customers have historically exercised their contractual renewal options.

Backlog value is quantified from management's judgment and assumptions about the volume of services based on past volume trends and current planning developed with customers.

Forward-Looking Business Trends

Our mission is to expand our position as a trusted provider of technology-enabled healthcare and public health services, medical logistics, and readiness enhancement services to active duty personnel, veterans, and civilian populations and communities. Our primary focus within the defense agency markets include military service members' and veterans' requirements for telehealth services, behavioral healthcare, medication therapy management, process management, clinical systems support, and healthcare delivery. Our primary focus within the civilian agency markets includes healthcare and social programs delivery and readiness. These include compliance monitoring on large scale programs, technology-enabled program management, consulting, and digital communications solutions ensuring that education, health, and social standards are being achieved within underserved and at-risk populations. We believe these business development priorities will position the Company to expand within top national priority programs and funded areas.

COVID-19 impact

We are exposed to and impacted by macroeconomic factors and U.S. government policies. While impacts due to the COVID-19 virus have notably decreased and general economic conditions have improved, we continue to monitor COVID-19 matters and continue to work with our stakeholders to assess further possible implications to our business. We intend to continue with appropriate employee safety measures when warranted to ensure that we can continue our operations and take other actions where appropriate to mitigate other adverse consequences. Although we cannot currently predict the future course or overall impact of COVID-19, the longer the duration of the event, the more likely it is that it could have an adverse effect on our business, financial position, results of operations, billable expenses, and/or cash flows. However, we have seen continued demand for the services we provide under our current contract portfolio as the services we provide are largely deemed essential. For the three months ended March 31, 2023, the COVID-19 pandemic did not have a material impact to revenues and operating income.

Further, due to our ability to continue to perform on our contract portfolio and generate cash flow, we do not presently expect nor have experienced liquidity constraints related to COVID-19. We are presently in compliance with all covenants in our secured term loan and have access to a secured revolving line of credit to meet any short-term cash needs that cannot be funded by operations. As such, mandatory demands on our cash flow remain low. Further, we have not observed any material impairments of our assets or a significant change in the fair value of our assets due to the COVID-19 pandemic.

Federal budget outlook for 2024

On March 9, 2023, President Biden's administration released its budget request for fiscal year 2024. The administration's budget had several focus areas:

- Lowering health care costs and expand access to healthcare
- Expanding access to affordable, high-quality early child care and learning
- Investing in cutting edge technologies
- Improving our global security posture

Over the coming months, the administration will work with Congressional leaders to develop legislation that will fund the federal government's fiscal 2024 operations. We believe that the services and capabilities we provide are key to the federal government executing its missions and meeting its strategic missions and goals.

While appropriations measures passed in December 2022 provide full funding for the federal government through the end of government fiscal year 2023, it is uncertain when in any particular government fiscal year that appropriations bills will be passed. In addition, in January 2023, the Federal debt ceiling was reached and the U.S. Department of the Treasury is currently operating under "extraordinary measures."

Adverse changes in fiscal and economic conditions could materially impact our business. Some changes that could have an adverse impact on our business include the implementation of future spending reductions (including sequestration), delayed passage of appropriations bills resulting in temporary or full-year continuing resolutions, extreme inflationary increases adversely impacting fixed-price contracts, inability to increase or suspend the Federal debt ceiling, and potential government shutdowns.

Industry consolidation among federal government contractors

There has been active consolidation and a strong increase in merger and acquisition activity among federal government contractors over the past few years that we expect to continue, fueled by public companies leveraging strong balance sheets. Companies often look to acquisitions that augment core capabilities, contracts, customers, market differentiators, stability, cost synergies, and higher margin and revenue streams.

Potential impact of Federal Contractual set-aside Laws and Regulations:

The Federal government has an overall goal of 23% of prime contracts flowing through small businesses. As previously reported, various agencies within the federal government have policies that support small business goals, including the adoption of the "Rule of Two" by the VA, which provides that the agency shall award contracts by restricting competition for the contract to service-disabled or other veteran owned businesses. To restrict competition pursuant to this rule, the contracting officer must reasonably expect that at least two of these businesses, which are capable of delivering the services, will submit offers and that the award can be made at a fair and reasonable price that offers best value to the United States. When two qualifying small businesses cannot be identified, the VA may proceed to award contracts following a full and open bid process.

The Company believes that its past performance in this market and track record of success provide a competitive advantage. However, the effect of set-aside provisions may limit our ability to compete for prime contractor positions on programs that we re-compete or that we have targeted for growth. In these cases, the Company may elect to join a team with an eligible contractor as prime in support of such small businesses for specific pursuits that align with our core markets and corporate growth strategy.

Results of Operations

For the Three Months Ended March 31, 2023 as Compared to the Three Months Ended March 31, 2022

The following table summarizes, for the periods indicated, consolidated statements of operations data expressed in dollars in thousands except for per share amounts, and as a percentage of revenue as follows (in thousands and percent):

Consolidated Statements of Operations:	Three Months Ended						
	March 31, 2023		March 31, 2022		Change		
Revenue	\$	99,417	100.0 %	\$	108,699	100.0 %	\$ (9,282)
Cost of operations:							
Contract costs		78,238	78.7 %		88,831	81.8 %	(10,593)
General and administrative costs		10,693	10.8 %		7,733	7.1 %	2,960
Depreciation and amortization		4,535	4.5 %		1,881	1.7 %	2,654
Total operating costs		93,466	94.0 %		98,445	90.6 %	(4,979)
Income from operations		5,951	6.0 %		10,254	9.4 %	(4,303)
Interest expense		4,765	4.8 %		554	0.5 %	4,211
Income before provision for income taxes		1,186	1.2 %		9,700	8.9 %	(8,514)
Provision for income taxes		381	0.4 %		2,522	2.3 %	(2,141)
Net income	\$	805	0.8 %	\$	7,178	6.6 %	\$ (6,373)
Net income per share - basic	\$	0.06		\$	0.56		\$ (0.50)
Net income per share - diluted	\$	0.06		\$	0.50		\$ (0.44)

The following factors have affected our operating results for the second quarter of fiscal year 2023 as compared to the second quarter of our 2022 fiscal year:

- During the quarter ended December 31, 2022, we acquired GRSi. From the date of this acquisition, we have received the benefit of additional revenue, as well as incurred additional operating costs. In addition, we amended and restated our credit facility to fund the acquisition of GRSi and the cost of servicing this debt has resulted in an increase in our interest expense.
- Our results of operations for the quarter ended March 31, 2022 included revenues of approximately \$39.8 million derived from the two task orders awarded under a FEMA contract to support the State of Alaska in its response to the COVID-19 pandemic. These task orders were completed during the quarter ended March 31, 2022 and there was no comparable revenue contribution from this work during the 2023 period.

Due to these developments, in the "Non-GAAP Financial Measures" section below, we have included a discussion of our adjusted financial performance to present our financial performance for the quarters ended March 31, 2023 and 2022 without the impact of the FEMA task orders.

Revenue

Revenue for the three months ended March 31, 2023 was \$99.4 million, a decrease of \$9.3 million. The decrease in revenue is primarily due to the \$39.8 million revenue contribution in the quarter ended March 31, 2022 from two task orders awarded under a FEMA contract to support Alaska with its response to COVID-19 in the first quarter of fiscal 2022. These tasks orders were completed during the quarter ended March 31, 2022. Included in revenue for this quarter is \$32.6 million contribution from the acquisition of GRSi.

Cost of Operations

Contract costs primarily include the costs associated with providing services to our customers. These costs are generally comprised of direct labor and associated fringe benefit costs, subcontract cost, other direct costs, and the related management and infrastructure costs. For the three months ended March 31, 2023, contract costs decreased by approximately \$10.6 million, principally due to the direct costs incurred during the prior year period associated with the two task orders awarded under a FEMA contract to support Alaska with its response to COVID-19 in the first quarter of fiscal 2021.

General and administrative costs are for those employees not directly providing services to our customers, to include but not limited to executive management, bid and proposal, accounting, and human resources. These costs increased as compared to the prior fiscal year period by \$3.0 million, primarily due to the inclusion of GRSi.

For the three months ended March 31, 2023, depreciation and amortization costs were approximately \$0.2 million and \$4.3 million, respectively, as compared to approximately \$0.2 million and \$1.6 million for the prior fiscal year period, respectively. The increase in amortization of \$2.7million was principally due to the acquired definite-lived intangible assets of GRSi.

Interest Expense

Interest expense includes items such as interest expense and amortization of deferred financing costs on debt obligations.

For the three months ended March 31, 2023 and 2022, interest expense was approximately \$4.8 million and \$0.6 million, respectively. The increase in interest expense was primarily due to the borrowing required to finance the GRSi acquisition.

Provision for Income Taxes

For the three months ended March 31, 2023 and 2022, DLH recorded a \$0.4 million and \$2.5 million provision for tax expense, respectively. The effective tax rate for the three months ended March 31, 2023 and 2022 was 26% and 26%, respectively.

Results of Operations for the Six Months Ended March 31, 2023 and 2022

The following table summarizes, for the periods indicated, consolidated statements of operations data expressed in dollars in thousands except for per share amounts, and as a percentage of revenue:

Consolidated Statements of Operations:	Six Months Ended				Change \$
	March 31, 2023		March 31, 2022		
Revenue	\$ 172,155	100.0 %	\$ 261,500	100.0 %	\$ (89,345)
Cost of operations:					
Contract costs	135,494	78.7 %	221,517	84.7 %	(86,023)
General and administrative costs	18,117	10.5 %	14,644	5.6 %	3,473
Corporate development costs	1,735	1.0 %	—	— %	1,735
Depreciation and amortization	6,937	4.0 %	3,866	1.5 %	3,071
Total operating costs	162,283	94.2 %	240,027	91.8 %	(77,744)
Income from operations	9,872	5.7 %	21,473	8.2 %	(11,601)
Interest expense	6,595	3.8 %	1,226	0.5 %	5,369
Income before provision for income taxes	3,277	1.9 %	20,247	7.7 %	(16,970)
Provision for income taxes	925	0.5 %	5,265	2.0 %	(4,340)
Net income	\$ 2,352	1.4 %	\$ 14,982	5.7 %	\$ (12,630)
Net income per share - basic	\$ 0.17		\$ 1.17		\$ (1.00)
Net income per share - diluted	\$ 0.16		\$ 1.04		\$ (0.88)

The following factors have affected our operating results for the six months ended March 31, 2023 as compared to the same period in the 2022 fiscal year:

- During the quarter ended December 31, 2022, we acquired GRSi. From the date of this acquisition, we have received the benefit of additional revenue, as well as incurred additional operating costs. In addition, we amended and restated our credit facility to fund the acquisition of GRSi and the cost of servicing this debt has resulted in an increase in our interest expense.
- Our results of operations for the six months ended March 31, 2022 included revenues of approximately \$130.9 million derived from the two task orders awarded under a FEMA contact to support the State of Alaska in its response to the

COVID-19 pandemic. These task orders were completed during the quarter ended March 31, 2022 and there was no comparable revenue contribution from this work during the 2023 period.

Due to these developments, in the “Non-GAAP Financial Measures” section below, we have included a discussion of our adjusted financial performance to present our financial performance for the six months ended March 31, 2023 and 2022 without the impacts of the FEMA task orders and including the corporate development costs associated with the GRSi acquisition

Revenue

Revenue for the six months ended March 31, 2023 was \$172.2 million, a decrease of \$89.3 million over the prior year period. The decrease in revenue is due primarily to the completion of two task orders awarded under a FEMA contract to support Alaska with its response to COVID-19. The revenue contribution from those task orders was \$130.9 million. The decrease in revenue was partially offset by the contribution from GRSi of \$39.5 million

Cost of Operations

Contract costs primarily include the costs associated with providing services to our customers. These costs are generally comprised of direct labor and associated fringe benefit costs, subcontract cost, other direct costs, and the related management and infrastructure costs. For the six months ended March 31, 2023, contract costs decreased by approximately \$86.0 million principally due to the completion of two task orders awarded under a FEMA contract to support Alaska with its response to COVID-19.

General and administrative costs are for those employees not directly providing services to our customers, to include but not limited to executive management, bid and proposal, accounting, and human resources. These costs increased by approximately \$3.5 million from the same period in the prior fiscal year. The increase was principally due to the inclusion of GRSi.

For the six months ended March 31, 2023, depreciation and amortization costs were approximately \$0.4 million and \$6.5 million, respectively, as compared to approximately \$0.6 million and \$3.3 million for the prior fiscal year period, respectively.

Interest Expense, net

Interest expense, net, includes interest expense on the Company's term loan and amortization of deferred financing costs on debt obligations. For the six months ended March 31, 2023 and 2022, interest expense, net was approximately \$6.6 million and \$1.2 million, respectively. The increase in interest expense was primarily due to the borrowing required to finance the GRSi acquisition.

Income Tax Expense

For the six months ended March 31, 2023 and 2022, DLH recorded a \$0.9 million and \$5.3 million provision for tax expense, respectively. The effective tax rate for the six months ended March 31, 2023 and 2022 was 26% and 29%, respectively.

Non-GAAP Financial Measures

The Company uses EBITDA and EBITDA Margin on Revenue as supplemental non-GAAP measures of performance. We define EBITDA as net income excluding (i) interest expense, (ii) provision for or benefit from income taxes and (iii) depreciation and amortization. EBITDA Margin on Revenue is EBITDA for the measurement period divided by revenue for the same period.

The Company is presenting additional non-GAAP measures regarding its financial performance for the three and six months ended March 31, 2023. The measures presented are Adjusted Revenue, Adjusted Operating Income, Adjusted EBITDA, and Adjusted EBITDA Margin on Adjusted Revenue. In calculating these measures, we have added the corporate development costs associated with completing the GRSi acquisition to our results for fiscal year 2023 and we have removed the contribution from the FEMA task orders from the results for fiscal year 2022. These resulting measures present the quarterly financial performance compared to results delivered in the prior year period. Definitions of these additional non-GAAP measures are set forth below.

We have prepared these additional non-GAAP measures to eliminate the impact of items that we do not consider indicative of ongoing operating performance due to their inherent unusual or extraordinary nature. These non-GAAP measures of

performance are used by management to conduct and evaluate its business during its review of operating results for the periods presented. Management and the Company's Board utilize these non-GAAP measures to make decisions about the use of the Company's resources, analyze performance between periods, develop internal projections and measure management performance. We believe that these non-GAAP measures are useful to investors in evaluating the Company's ongoing operating and financial results and understanding how such results compare with the Company's historical performance.

These supplemental performance measurements may vary from and may not be comparable to similarly titled measures by other companies in our industry. Further, the additional non-GAAP financial measures we presented for the first quarter of fiscal 2023 excluded the contribution from GRSi due to the truncated consolidation period. Since GRSi was part of the consolidated financial performance for the full second quarter, we have included their results in both the three and six month periods ended March 31, 2023. Adjusted Revenue, Adjusted Operating Income, EBITDA, Adjusted EBITDA, EBITDA Margin on Revenue, and Adjusted EBITDA Margin on Adjusted Revenue are not recognized measurements under accounting principles generally accepted in the United States, or GAAP, and when analyzing our performance investors should (i) evaluate each adjustment in our reconciliation to the nearest GAAP financial measures and (ii) use the aforementioned non-GAAP measures in addition to, and not as an alternative to, revenue, operating income, net income or diluted EPS, as measures of operating results, each as defined under GAAP. We have defined these non-GAAP measures as follows:

“Adjusted Revenue” represents revenue less the contribution to revenue from the short-term FEMA task orders

“Adjusted Operating Income” represents operating income plus the corporate development costs associated with completing the GRSi acquisition incurred in fiscal 2023 less the contribution from the FEMA task orders, which occurred in fiscal 2022.

“Adjusted EBITDA” represents net income before income taxes, interest, depreciation and amortization and the corporate costs associated with completing the acquisition, less the contribution from FEMA task orders. “Adjusted EBITDA Margin on Adjusted Revenue” is calculated as Adjusted EBITDA divided by Adjusted Revenue.

Below is a reconciliation of Adjusted Revenue, Adjusted Operating Income, EBITDA, Adjusted EBITDA, EBITDA Margin on Revenue and Adjusted EBITDA Margin on Adjusted Revenue reported for the three and six months ended March 31, 2023 and 2022 compared to the most directly comparable financial measure calculated and presented in accordance with GAAP as follows (in thousands except for per share amounts):

	Three Months Ended March 31,			Six Months Ended March 31,		
	2023	2022	Change	2023	2022	Change
Adjusted Revenue						
Revenue	\$ 99,417	\$ 108,699	\$ (9,282)	\$ 172,155	\$ 261,500	\$ (89,345)
Less: FEMA task orders to support Alaska (a)	—	39,764	(39,764)	—	130,889	(130,889)
Adjusted Revenue	<u>\$ 99,417</u>	<u>\$ 68,935</u>	<u>\$ 30,482</u>	<u>\$ 172,155</u>	<u>\$ 130,611</u>	<u>\$ 41,544</u>
Adjusted Operating Income						
Operating Income	\$ 5,951	\$ 10,254	\$ (4,303)	\$ 9,872	\$ 21,473	\$ (11,601)
Corporate development costs (b)	—	—	—	1,735	—	1,735
Less: FEMA task orders to support Alaska (c)	—	5,525	(5,525)	—	11,871	(11,871)
Adjusted Operating Income	<u>\$ 5,951</u>	<u>\$ 4,729</u>	<u>\$ 1,222</u>	<u>\$ 11,607</u>	<u>\$ 9,602</u>	<u>\$ 2,005</u>
EBITDA, Adjusted EBITDA, EBITDA Margin on Revenue & Adjusted EBITDA Margin on Adjusted Revenue						
Net Income	\$ 805	\$ 7,178	\$ (6,373)	\$ 2,352	\$ 14,982	\$ (12,630)
Depreciation and amortization	4,535	1,881	2,654	6,937	3,866	3,071
Interest expense	4,765	554	4,211	6,595	1,226	5,369
Provision for income taxes	381	2,522	(2,141)	925	5,265	(4,340)
EBITDA	<u>\$ 10,486</u>	<u>\$ 12,135</u>	<u>\$ (1,649)</u>	<u>\$ 16,808</u>	<u>\$ 25,339</u>	<u>\$ (8,531)</u>
Corporate development costs (b)	—	—	—	1,735	—	1,735
Less: FEMA task order to support Alaska (c)	—	5,525	(5,525)	—	11,871	(11,871)
Adjusted EBITDA	<u>\$ 10,486</u>	<u>\$ 6,610</u>	<u>\$ 3,876</u>	<u>\$ 18,543</u>	<u>\$ 13,468</u>	<u>\$ 5,075</u>
Net income margin on Revenue	0.8%	6.6%		1.4%	5.7%	
EBITDA Margin on Revenue	10.5%	11.2%		9.8%	9.7%	
Adjusted EBITDA Margin on Adjusted Revenue	10.5%	9.6%		10.8%	10.3%	

(a): Represents revenue adjusted to exclude revenue from the short-term FEMA task orders during the three and six months ended March 31, 2022.

(b): Represents corporate development costs we incurred to complete the GRSi transaction. These costs primarily include legal counsel, financial due diligence, customer market analysis and representation and warranty insurance premiums.

(c): Adjusted operating income represents the Company's consolidated operating income, determined in accordance with GAAP, adjusted to add the corporate development costs associated with the GRSi acquisition for fiscal year 2023 and adjusted to exclude the operating income derived from the FEMA task orders. Operating income for the FEMA task orders is derived by subtracting from the revenue attributable to such task orders during the three months ended March 31, 2022 of \$39.8 million the following amounts associated with such task orders: contract costs of \$33.7 million and general & administrative costs of \$0.6 million. Similarly, for the six months ended March 31, 2022 operating income for the FEMA task orders is derived by subtracting from the revenue attributable to the tasks orders of \$130.9 million the following amounts associated with such task orders: contract costs \$117.9 million and general & administrative costs of \$1.1 million.

Liquidity and capital management

As of March 31, 2023, the Company's immediate sources of liquidity include cash generated from operations, accounts receivable, and access to its secured revolving line of credit facility. This credit facility provides us with access of up to \$70.0 million, subject to certain conditions including eligible accounts receivable. As of March 31, 2023, we have \$27.3 million of available borrowing capacity on the revolving line of credit and have an outstanding balance of \$21.3 million.

The Company's present operating liabilities are largely predictable and consist of vendor and payroll related obligations. We maintain cash balances at financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. Deposits held with financial institutions may exceed the \$250,000 limit. DLH has not experienced any loss or denied any access to funds as a result of holding amounts in our bank accounts in excess to the FDIC limit. Our current investment and financing obligations are adequately satisfied by cash generated from operations and through access to our credit facility. Cash provided by operating activities is expected to be sufficient to support the Company's capital requirements and debt reduction goals.

A summary of the change in cash is presented below for the six months ended March 31, 2023 and 2022 as follows (in thousands):

	<u>2023</u>	<u>2022</u>
Net cash provided by (used in) operating activities	\$ 6,862	\$ (14,815)
Net cash used in investing activities	(181,174)	(89)
Net cash provided by (used in) financing activities	174,221	(8,788)
Net change in cash	\$ (91)	\$ (23,692)

The cash used in investing activities was primarily due to the acquisition of GRSi and the purchase of capital assets purchased during the six months ended March 31, 2023. Cash provided by financing activities was \$174.2 million during the six months ended March 31, 2023 and were deployed to finance the GRSi acquisition. We intend to continue using cash to make debt prepayments in future quarters subject to available cash.

Sources of cash

As of March 31, 2023, our immediate sources of liquidity include cash of approximately \$0.1 million, accounts receivable, and access to our secured revolving line of credit facility. This credit facility provides us with access of up to \$70.0 million, subject to certain conditions including eligible accounts receivable. As of March 31, 2023, we had unused borrowing capacity of \$27.3 million, which is net of outstanding letters of credit. The Company's present operating liabilities are largely predictable and consist of vendor and payroll related obligations. We believe that our current investment and financing obligations are adequately covered by cash generated from profitable operations and that planned operating cash flow should be sufficient to support our operations for twelve months from the date of issuance of these consolidated financial statements.

Credit Facilities

A summary of our credit facilities for the period ended March 31, 2023 is as follows (in millions):

<u>Arrangement</u>	<u>Loan Balance</u>	<u>Interest*</u>	<u>Maturity Date</u>
Secured term loan (a) due December 8, 2027	\$ 182.9	SOFR* + 4.2%	December 8, 2027
Secured revolving line of credit (b) due December 8, 2027	\$ 21.3	SOFR* + 4.2%	December 8, 2027

*SOFR as of March 31, 2023 was 4.81%.

On September 30, 2019, we executed a floating-to-fixed interest rate swap with First National Bank ("FNB") as counter-party. The notional amount in the floating-to-fixed interest rate swap as of March 31, 2023 is \$16.2 million, matures in 2024, and the fixed rate is 1.61%. On January 31, 2023, we executed an additional floating-to-fixed interest rate swap with FNB; the notional amount as of March 31, 2023 is \$96.0 million, it matures in January 2026, and the fixed rate is 4.1%. The total floating-to-fixed swap balance as of March 31, 2023 is \$112.2 million.

(a) Represents the principal amounts payable on our term loan, which is secured by liens on substantially all of the assets of the Company. The principal of the term loan is payable in quarterly installments with the remaining balance due on December 8, 2027.

(b) The secured revolving line of credit has a ceiling of up to \$70.0 million and a maturity date of December 8, 2027. The Company has accessed funds from the revolving credit facility during the quarter and has a balance outstanding at March 31, 2023 of \$21.3 million.

The secured term loan and secured revolving line of credit are secured by liens on substantially all of the assets of the Company. The provisions of our credit facilities are fully described in [Note 8](#) to the consolidated financial statements.

Contractual Obligations as of March 31, 2023

(in thousands)	Total	Payments Due by Period			
		Next 12 Months	2-3 Years	4-5 Years	More than 5 Years
Debt obligations	\$ 204,205	\$ 35,580	\$ 35,625	\$ 133,000	\$ —
Facility operating leases	25,770	4,637	7,962	5,668	7,503
Equipment operating leases	92	83	9		
Total contractual obligations	\$ 230,067	\$ 40,300	\$ 43,596	\$ 138,668	\$ 7,503

Critical Accounting Policies and Estimates

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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. Significant estimates include valuation of goodwill and intangible assets, stock-based compensation, and measurement of loss development on workers' compensation claims. In addition, the Company estimates overhead charges and allocates such charges throughout the year. Actual results could differ from those estimates. For a detailed discussion on the application of these and other accounting policies, you should review the discussion under the caption [Significant Accounting Policies in Note 2](#) of the notes to our consolidated financial statements contained elsewhere in this report.

Revenue Recognition

We recognize revenue over time when there is a continuous transfer of control to our customer. For our U.S. government contracts, this continuous transfer of control to the customer is supported by clauses in the contract that allow the U.S. government to unilaterally terminate the contract for convenience, pay us for costs incurred plus a reasonable profit, and take control of any work in process. When control is transferred over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. For services contracts, we satisfy our performance obligations as services are rendered. We use cost-based input and time-based output methods to measure progress.

For time and materials contracts, revenue is recognized to the extent of billable rates times hours delivered plus materials and other reimbursable costs incurred. Revenue for cost reimbursable contracts is recorded as reimbursable costs are incurred, including an estimated share of the applicable contractual fees earned. For firm fixed price contracts, the consideration received for our performance is set at a predetermined price. Revenue for our firm fixed price contracts is recognized over time using a straight-line measure of progress. Contract costs are expensed as incurred. Estimated losses are recognized when identified.

Refer to [Note 5](#) of the accompanying notes to our consolidated financial statements contained elsewhere in this report.

Long-lived Assets

Our long-lived assets include equipment and improvements, right-of-use assets, intangible assets, and goodwill. The Company continues to review its long-lived assets for possible impairment or loss of value at least annually or more frequently upon the occurrence of an event or when circumstances indicate that a reporting unit's carrying amount is greater than its fair value.

Equipment and improvements are stated at cost. Depreciation and amortization are provided using the straight-line method over the estimated useful asset lives (3 to 7 years) and the shorter of the initial lease term or estimated useful life for leasehold improvements.

Costs incurred to place the asset in service are capitalized and costs incurred after implementation are expensed. Amortization expense is recorded when the software is placed in service on a straight-line basis over the estimated useful life of the software.

Right-of-use assets are measured at the present value of future minimum lease payments, including all probable renewals, plus lease payments made to the lessor before or at lease commencement and indirect costs, less incentives received. Our right-of-use assets include long-term leases for facilities and equipment and are amortized over their respective lease terms.

Intangible assets are originally recorded at fair value and amortized on a straight-line basis over their assessed useful lives. The assessed useful lives of the assets are 10 years.

Goodwill

The Company continues to review its goodwill for possible impairment or loss of value at least annually or more frequently upon the occurrence of an event or when circumstances indicate that a reporting unit's carrying amount is greater than its fair value. Based on the results of the work performed, the Company has concluded that no impairment loss was warranted, as no change in business conditions occurred which would have a material adverse effect on the valuation of goodwill.

Our assessment incorporated effects of the COVID-19 pandemic, which did not have a meaningful impact on our financial results. Notwithstanding this evaluation, factors including non-renewal of a major contract or other substantial changes in business conditions could have a material adverse effect on the valuation of goodwill in future periods and the resulting charge could be material to future periods' results of operations.

Provision for Income Taxes

The Company accounts for income taxes in accordance with the liability method, whereby deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are reflected on the consolidated balance sheet when it is determined that it is more likely than not that the asset will be realized. This guidance also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some or all of the deferred tax asset will not be realized. The Company has fully utilized its net operating loss carryforwards.

Stock-based Equity Compensation

The Company uses the fair value-based method for stock-based compensation. Options issued are designated as either an incentive stock or a non-statutory stock option. No option may be granted with a term of more than 10 years from the date of grant. Option awards may depend on achievement of certain performance measures determined by the Compensation Committee of our Board. Shares issued upon option exercise are newly issued common shares. All awards to employees and non-employees are recorded at fair value on the date of the grant and expensed over the period of vesting. The Company uses a Monte Carlo method to estimate the fair value of each stock option at the date of grant. Any consideration paid by the option holders to purchase shares is credited to capital stock.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Except as described elsewhere in this report, the Company has not engaged in trading practices in securities or other financial instruments and therefore does not have any material exposure to interest rate risk, foreign currency exchange rate risk, commodity price risk or other similar risks, which might otherwise result from such practices. The Company has limited foreign operations and therefore is not materially subject to fluctuations in foreign exchange rates, commodity prices or other market rates or prices from market sensitive instruments. On September 30, 2019, we executed a floating-to-fixed interest rate swap

with FNB as counter-party. The notional amount in the floating-to-fixed interest rate swap is \$16.2 million for the current quarter and the remaining outstanding balance of our secured term loan is subject to interest rate fluctuations. On January 31, 2023, we executed an additional floating-to-fixed interest rate swap with FNB; the notional amount as of March 31, 2023 is \$96.0 million, it matures in January 2026, and the fixed rate is 4.1%. The total notional amount for all the interest rate swaps is currently \$112.2 million with the remaining balance of debt subject to floating interest rates.

We have determined that a 1.0% increase to SOFR would impact our interest expense by approximately \$0.9 million per year. As of March 31, 2023, the interest rate on the floating interest rate debt was 9.01%.

ITEM 4: CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our CEO and President and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based on the evaluation of these controls and procedures, our disclosure controls and procedures were effective at the reasonable assurance level to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 (i) is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and (ii) that such information is accumulated and communicated to our management, including our CEO and President and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Our management, including our CEO and President and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. Our management, however, believes our disclosure controls and procedures are in fact effective to provide reasonable assurance that the objectives of the control system are met.

Changes in Internal Control over Financial Reporting

With the exception of the matter described below there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) identified in connection with the evaluation of our internal controls that occurred during the fiscal quarter ended March 31, 2023, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

In December 2022, we acquired Grove Resource Solutions, LLC and are in the process of integrating this business into our existing control environment.

PART II — OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

As a commercial enterprise and employer, the Company is subject to various claims and legal actions in the ordinary course of business. These matters can include professional liability, workers' compensation, tax, payroll and employee-related matters, other commercial disputes arising in the course of its business, and inquiries and investigations by governmental agencies regarding our employment practices or other matters. The Company is not aware of any pending or threatened litigation that it believes is reasonably likely to have a material adverse effect on its results of operations, financial position or cash flows.

ITEM 1A: RISK FACTORS

Our operating results and financial condition have varied in the past and may in the future vary significantly depending on a number of factors. In addition to the other information set forth in this report, you should carefully consider the factors discussed in the “Risk Factors” section in our Annual Report on Form 10-K for the year ended September 30, 2022, in our Quarterly Report on Form 10-Q for the quarter ended December 31, 2022, and in our other reports filed with the SEC concerning the risks associated with our business, financial condition and results of operations. These factors, among others, could materially and adversely affect our business, results of operations, financial condition or liquidity and cause our actual results to differ materially from those contained in statements made in this report and presented elsewhere by management from time to time. The risks we have identified in our reports are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently believe are immaterial may also materially adversely affect our business, results of operations, financial condition or liquidity. See Item 1A, Risk Factors, in our Annual Report on Form 10-K for the fiscal year ended September 30, 2022. We believe that there have been no material changes from the risk factors described in our Annual Report on Form 10-K for the fiscal year ended September 30, 2022 and our Quarterly Report on Form 10-Q for the quarter ended December 31, 2022.

ITEM 2: UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the period covered by this report, the Company did not issue any securities that were not registered under the Securities Act of 1933, as amended, except as has been reported in previous filings with the SEC or as set forth elsewhere herein.

ITEM 3: DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4: MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5: OTHER INFORMATION

None.

ITEM 6: EXHIBITS

Exhibits to this report which have previously been filed with the Commission are incorporated by reference to the document referenced in the following table. The exhibits designated with a number sign (#) indicate a management contract or compensation plan or arrangement.

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Dated	Exhibit	
10.1	# Form of performance-based restricted stock unit award granted January 27, 2023				X
10.2	# Form of time-based restricted stock unit award granted January 27, 2023				X
31.1	Certification of Chief Executive Officer pursuant to Section 17 CFR 240.13a-14(a) or 17 CFR 240.15d-14(a)				X
31.2	Certification of Chief Financial Officer pursuant to Section 17 CFR 240.13a-14(a) or 17 CFR 240.15d-14(a)				X
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 17 CFR 240.13a-14(b) or 17 CFR 240.15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code				X
101.0	The following financial information from the DLH Holdings Corp. Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2023, formatted in iXBRL (Inline eXtensible Business Reporting Language) and filed electronically herewith: (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Cash Flows; and, (iv) the Notes to the Consolidated Financial Statements.				X
104.0	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)				

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

DLH HOLDINGS CORP.

By: /s/ Kathryn M. JohnBull
Kathryn M. JohnBull
Chief Financial Officer
(On behalf of the registrant and as Principal Financial and
Accounting Officer)

Date: May 3, 2023

Performance RSU No.

DLH HOLDINGS CORP.

PERFORMANCE-BASED RESTRICTED STOCK UNIT AWARD AGREEMENT

This Performance-Based Restricted Stock Unit Award Agreement (the “**Agreement**”), dated as of the Grant Date specified in the table below, is between DLH Holdings Corp. (the “**Company**”) and the grantee named in the table below (the “**Grantee**”). The Grantee has been granted an award of Performance-Based Restricted Stock Units (the “**Performance RSUs**” or the “**Performance Award**”) pursuant to the DLH Holdings Corp. 2016 Omnibus Equity Incentive Plan, as amended from time to time (the “**Plan**”), representing the right to receive on the settlement date (described below) shares of common stock of DLH Holdings Corp., par value \$0.001 per share, subject to the terms and conditions of this Agreement. The Performance Award and this Agreement shall in all respects be subject to the terms and conditions of the Plan, the provisions of which are incorporated herein by reference.

Grantee: _____

Grant Date: _____

Total Target Number of Performance RSUs: _____ Performance RSUs, subject to adjustment as provided in this Agreement.

Performance Period: October 1, 2022 through September 30, 2025

Performance Goals:

- i. Revenue Growth Target: As provided in Section 3(c)
- ii. Stock Price Target: As provided in Section 3(c)

1. DEFINITIONS.

The following definitions apply under this Agreement:

(a) “**Cause**” shall have the meaning ascribed to such term as set forth in Grantee’s written Compensation Agreement (as defined below); provided, however, that if such term is not defined in such Compensation Agreement, then the term “Cause” shall have the meaning ascribed to such term as is set forth in the Plan.

(b) “**Change in Control**” shall have the meaning ascribed to such term as set forth in a Compensation Agreement between the Company and Grantee; provided, however, that if such term is not defined in such Compensation Agreement, then the term “Change in Control” shall have the meaning ascribed to such term in the Plan.

(c) “**Compensation Agreement**” shall mean a written employment agreement, severance agreement, offer letter or similar compensatory agreement between the Grantee and the Company.

(d) “**Fiscal Year**” means the fiscal year of the Company, which is currently October 1 through September 30.

(e) “**Good Reason**” shall have the meaning ascribed to such term as set forth in Grantee’s written Compensation Agreement; provided, however, that if such term is not defined in such Compensation Agreement, then the term “Good Reason” shall have the meaning ascribed to such term as is set forth in Section 5(e) of this Agreement. Notwithstanding the foregoing, however, to the extent that Grantee’s Compensation Agreement includes a definition of “Good Reason” that permits the Grantee to

terminate his or her employment in connection with a Change in Control, the Grantee hereby agrees that such definition is modified to provide that Grantee can only exercise such right if, without Grantee's consent, either (i) the Grantee ceases to be an "executive officer" (as such term is defined by the Securities Exchange Act of 1934, as amended); or (ii) the failure by any successor to the Company to expressly assume all obligations of the Company under such Compensation Agreement.

(f) **"Involuntary Termination Without Cause"** means a Termination of Service due to the termination of Grantee's employment by the Company without Cause.

(g) **"Performance Period"** shall have the meaning ascribed to such term as set forth in Section 3(b) of this Agreement.

(h) **"Performance Goals"** shall mean the Revenue Growth Target and Stock Price Target as detailed in Section 3(c) of this Agreement.

(i) **"Service Requirement"** means that the Grantee must have been in the continuous employment of the Company (or a subsidiary or Affiliate of the Company) from the Grant Date through the end of the Performance Period without incurring a Termination of Service.

(j) **"Termination of Service"** means a Termination of Service, as defined in the Plan, of the Grantee from the Company (or a subsidiary or Affiliate of the Company).

Any capitalized term used herein that is not expressly defined in this Agreement shall have the meaning that such term has under the Plan unless otherwise provided herein.

2. INTERPRETATION AND APPLICABILITY OF PERFORMANCE AWARD.

This Agreement sets forth the terms and conditions of your Performance Award under the Plan, as determined by the Committee. Additional terms and conditions of this Agreement are contained in the Plan, which is hereby incorporated into and made a part of this Agreement. All questions of interpretation concerning this Agreement and the Plan shall be determined by the Management Resources and Compensation Committee of the Board of Directors of the Company (the "**Committee**") or the Board of Directors of the Company (the "**Board**"). In its absolute discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan and this Agreement. Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

3. PERFORMANCE AWARD.

(a) **Grant of Performance RSUs.** Subject to the terms of this Agreement and the Plan, the Company hereby grants to the Grantee, an award of Performance RSUs, subject to the Performance Goals and other terms and conditions set forth in this Agreement. The Performance RSUs represent the right to receive the number of shares of Common Stock of the Company (the "**Shares**") as determined in accordance with the terms and conditions of this Agreement. The actual number of Shares that the Grantee will receive under this Agreement, if any, will be based on the Company's achievement of the Performance Goals during the Performance Period, subject to forfeiture and the other terms and conditions of this Agreement and the Plan. Subject to the terms and conditions of this Performance Award, the Grantee may be entitled to a payment in Shares based on the "Total Target Number of Shares" set forth above, with each Performance RSU representing one Share (the "**Target Award**"). The actual number of Shares that the Grantee may

receive, if any, will be determined by the Committee in accordance with Section 3 and Section 4 hereof, and may be greater than, equal to, or less than the Target Award, based on the Company's performance during the Performance Period. Notwithstanding the foregoing and any other provision of this Performance Award, however, in no event shall the total number of Shares issued to the Grantee hereunder exceed the individual award limitation set forth in the Plan. Except as provided below, the Grantee shall not have any rights to any Shares pursuant to this Performance Award until the Committee has determined that the Performance Goals have been achieved and Grantee has fulfilled the Service Requirement.

(b) **Performance Period.** Provided that one or more of the Performance Goals specified herein are achieved during the three-year performance period commencing October 1, 2022 and ending September 30, 2025 (the "**Performance Period**"), the Performance Award shall vest, in part or in full, following the conclusion of the Performance Period, upon the determination of the Committee.

(c) **Performance Goals.** The Performance Award shall initially be 100% unvested and subject to forfeiture. Subject to Section 5 of this Agreement, the Performance Award shall vest, only upon and to the extent of, the satisfaction of the Performance Goals as of the end of the Performance Period and the fulfillment of the Grantee's Service Requirement. The determination of whether one or more Performance Goals have been satisfied, and whether the Grantee is entitled to receive Shares hereunder, will be made by the Committee as soon as practicable following the conclusion of the Performance Period. Of the Target Award, the relative weighting of each of the Performance Goals is as follows: (1) fifty percent (50%) of the Target Award is subject to vesting based on the achievement of the revenue growth target as of the end of the Performance Period, as set forth below (the "**Revenue Growth Target**") and (2) fifty percent (50%) of the Target Award is subject to vesting based on the achievement of the stock price growth target as of the end of the Performance Period, as set forth below (the "**Stock Price Target**"). The actual amount of this Performance Award that may vest shall range from 0% to 125% of the Target Award, based on actual performance during the Performance Period. The Performance Goals are as set forth below:

Revenue Growth Performance Goal¹: The Revenue Growth Target for the Performance Period will be achieved at the target level if the revenue recognized by the Company for the Performance Period represents growth at a level of 30% above the revenue recognized by the Company for the 2022 Fiscal Year of \$395,173,000.

Stock Price Performance Goal²: The Stock Price Target for the Performance Period will be achieved at the target level if the average closing price per share of Common

¹ Revenue Growth means the increase in total revenue recognized by the Company (audited) for the three fiscal year Performance Period ending September 30, 2025, as compared with the audited revenues recognized by the Company for its 2022 fiscal year, (i) in accordance with GAAP and (ii) excluding the value of revenues generated from the Company's consummation of acquisitions after the Grant Date and ending coterminous with the Performance Period, provided that such excluded revenues are valued as of the closing date of any acquisition.

² The determination of the whether the Stock Price Goal is achieved shall be based on the following criteria. For the purpose of determining the closing price of the Company's Common Stock, the closing price of a share of the Company's Common Stock shall mean (A) if the Common Stock is traded on a national securities exchange, including on any tier of the Nasdaq Stock Market ("Nasdaq"), the per share closing price of the Common Stock shall be the reported closing price the on principal securities exchange on which such shares are listed on the date of determination (or if there is no closing price for such date of determination, then the last preceding business day on which there was a closing price); or (B) if the Common Stock is traded in the over-the-counter market but bid quotations are not published on Nasdaq, the per share closing price of the Common Stock shall be the closing bid price per share for the Common Stock as furnished by a broker-dealer which regularly furnishes price quotations for the Common Stock on the date of determination (or if there is no closing price for such date of determination, then the last preceding business day on which there was a closing price). All calculations of the Company's common stock price shall include any

Stock of the Company, measured over a thirty (30) trading-day period during the last twelve months of the Performance Period, is at least \$33.21 per share.

(d) **Performance Matrix.** The achievement level for each Performance Goal during the Performance Period will be determined according to the matrix set forth below. For example, (A) if all Performance Goals for the Performance Period are achieved at the “Target” level (as indicated in the table below), the Grantee would earn 100% of the potential Target Award and (B) the maximum amount that Grantee may earn for achieving a Performance Goal is as stated as the “Maximum” level in the table below. The baseline performance level is established at the “Threshold” level set forth below. Accordingly, the number of Shares that are eligible to vest in respect of the Revenue Growth Target and the Stock Price Target during the Performance Period shall be forfeited and no amounts will be earned if the performance achieved for the Revenue Growth Target or the Stock Price Target, as applicable, is below the “Threshold” level. If the Company achieves either or both of the Revenue Growth Target or the Stock Price Target in amounts between the levels listed in the table below (i.e. between “Threshold” and “Target” or between “Target” and “Maximum”), the percentage of the Revenue Growth Target or Stock Price Target, as applicable, that will become earned and vested will be interpolated on a straight-line basis between the closest two percentages in the table below.

Performance	Percentage Achievement of Performance Goal	% of Target Number of Shares Eligible to be Earned
Below Threshold	<80%	0%
Threshold	80%	80%
Target	100%	100%
Maximum	125%	125%

4. DETERMINATION AND PAYOUT OF PERFORMANCE AWARDS.

(a) **Certification.** As soon as practicable following the end of the Performance Period, but in any event within two and one-half (2½) months following the end of the Performance Period, (a) the Committee will review and certify in writing (i) whether, and to what extent, the Performance Goals for the Performance Period have been achieved, and (ii) the total payout that the Grantee has earned and that is to be delivered by the Company to the Grantee; and (b) the Company shall cause to be issued and delivered to the Grantee the total number of Shares, if any, in the amount certified by the Committee, as earned by the Grantee pursuant to the terms and conditions of this Agreement. Such written certification of the Committee shall be final, conclusive and binding on the Grantee, and on all other persons, to the maximum extent permitted by law.

(b) **Vesting.** All vested amounts shall be paid by the Company in whole Shares in accordance with the provisions of this Agreement. In addition to achievement of the Performance Goals, vesting of this Performance Award is subject to satisfaction of the Service Requirement, except as specified herein upon certain events resulting in termination of employment of the Grantee prior to the end of the Performance Period. Except as specified herein, continued employment will not entitle the Grantee to any proportionate vesting or avoid or mitigate a termination of rights or benefits in connection with the end of the Performance Period to the extent the related performance condition(s) are not satisfied.

adjustments as may be necessary to give effect to any stock splits, reverse stock splits, stock dividends, recapitalizations and other similar transactions as specified in the Plan that occur after the Grant Date.

(c) **Calculation and Payment.** Individual payouts will be calculated and paid to each Grantee who remains employed with the Company as of the end of the Performance Period (subject to Section 5 below) as soon as practicable following the Committee's certification of performance for the Performance Period and in accordance with the following provisions:

(i) At the conclusion of the Performance Period, the Company's performance against the Performance Goals will be measured pursuant to the terms of Sections 3(c) and 3(d).

(ii) The total number of Shares which may be issued to the Grantee for the Performance Period, if any, will be determined for each Performance Goal in accordance with Section 3 and Section 4 of this Agreement by (A) multiplying (w) the total Target Number of Shares by (x) the respective weight assigned to such Performance Goal and then (B) for each Performance Goal, multiplying (y) the product resulting from the foregoing calculation by (z) the applicable Percentage of the Target Number of Shares eligible to be earned for such Performance Goal (as determined in accordance with Section 3(d)). The product resulting from the calculation for each Performance Goal will then be summed to determine the total number of Shares, if any, to be issued to the Grantee.

(d) **Issuance of Shares.** Delivery of vested Shares (if any) is anticipated to be made within 2½ months after the end of the Performance Period. The date of any transfer of Shares hereunder shall be the settlement date for purposes of this Agreement. No Shares will be delivered pursuant to this Performance Award unless and until all legal requirements applicable to the issuance or transfer of such Shares have been complied with to the satisfaction of the Company. Shares issued in settlement of the Performance RSUs shall be made, in the sole discretion of the Committee (or its designees), either through the issuance to the Grantee (or to the executors or administrators of Grantee's estate in the event of the Grantee's death) of a stock certificate or evidence such Shares have been registered in book entry form in the name of the Grantee with the Company's stock transfer agent. The Shares issued upon the settlement of the Performance RSUs shall not be subject to any restriction on transfer other than any such restriction as may be required pursuant to this Agreement, the Company's insider trading policies, any federal, state or foreign law, or any contractual obligation to which the Grantee is subject (such as a "lock-up" or "market stand-off" agreement). The Company shall not be required to issue fractional Shares upon the settlement of the Performance RSUs and the Committee shall, in its discretion, determine an equivalent benefit for any fractional shares that might be created upon settlement.

5. TREATMENT FOLLOWING TERMINATION OF SERVICE.

(a) **Continuous Employment Requirement; Forfeiture.** Except as provided in Sections 5(b) through 5(d), or otherwise determined by the Committee, in order to become vested in (i.e., have the right to receive payment of) Performance Awards under the terms of this Agreement, the Grantee must have been in the continuous employment of the Company (or a subsidiary or Affiliate of the Company) from the Grant Date through the close of business on the last day of the Performance Period (or such earlier date on which the Performance Awards become vested under Sections 5(b) through 5(d)). The Grantee shall not be deemed to be employed by the Company (or a subsidiary or Affiliate of the Company) if the Grantee's employment has been terminated, even if the Grantee is receiving severance in the form of salary continuation through the regular payroll system. If the Grantee's employment with the Company (or a subsidiary or Affiliate of the Company) is terminated prior to the end of the Performance Period for any reason other than as specified in either Sections 5(b) through 5(d) of this Agreement, the Grantee shall forfeit any Performance Awards granted under this Agreement.

(b) **Disability or Death.** Notwithstanding any contrary provision in any Compensation Agreement between the Company and Grantee, in the event that the Grantee's employment with the Company is terminated due the Grantee's death or Disability (as defined in the Grantee's Compensation

Agreement, or if not defined therein, then in the Plan), the Grantee (or its estate) shall vest in a portion of the Performance Award based on a fraction, the numerator of which is the number of days during the Performance Period during which the Grantee was employed by the Company (or a subsidiary or Affiliate of the Company) and the denominator of which is the total number of days of the Performance Period. In the event of Grantee's death, the Performance Award shall immediately vest as of the date of death to the extent of the proration formula and be payable to the Grantee's estate at the Target Award level as promptly as practicable. In the event of Grantee's Disability, the prorated amount of the Performance Award will vest at the Target Award level and payment therefor shall be made to the Grantee (or its legal representative) in accordance with the terms of this Agreement following the end of the Performance Period.

(c) **Involuntary Termination Without Cause or for Good Reason.** Except in connection with a Change in Control, if the Grantee's employment terminates at least six months after the Grant Date due to (A) an Involuntary Termination without Cause or (B) termination for Good Reason, a prorated portion of any unearned Performance RSUs shall become earned and vested in accordance with this Section. Any such vested Performance RSUs shall not be paid until the determination date as provided for in Section 4. Such prorated vesting shall be determined as follows: the total target number of Performance RSUs granted (based on the Target Award level) shall be multiplied by a fraction, the numerator of which is the number of days from the first day of the Performance Period through the date of Involuntary Termination without Cause or termination for Good Reason, and the denominator or which is the total number of days in the Performance Period. Any such vesting under this Section shall be subject to the following additional requirements: (x) the Grantee must execute, deliver and not revoke, no later than sixty (60) days following the termination of employment, a general release of claims if requested by, and in a form satisfactory to, the Company, and (y) the Grantee complies with the requirements of any restrictive covenants contained in its Compensation Agreement. The payment of the amounts which are earned or vest in accordance with this provision shall be made when payment would otherwise have been made following the end of the Performance Period. This Section shall supersede any conflicting provisions that may be set forth in Grantee's Compensation Agreement.

(d) **Change in Control.** Notwithstanding anything in this Agreement to the contrary, if (A) a Change in Control occurs after the first anniversary date of the Grant Date and (B) the Grantee has a Change in Control Termination, then any unearned Performance RSUs shall become immediately earned and vested as of the date of such Change in Control Termination at the greater of (y) Target Award level or (z) the actual level of performance (determined in accordance with Section 3(d) of this Agreement) determined as if the Performance Period had ended as of the Company's fiscal quarter end preceding the date of the consummation of the Change in Control. Any such vesting under this Section shall be subject to the following additional requirements: (x) the Grantee must execute, deliver and not revoke, no later than sixty (60) days following the termination of employment, a general release of claims if requested by, and in a form satisfactory to, the Company, and (y) the Grantee complies with the requirements of any restrictive covenants contained in its Compensation Agreement. As used herein, a "Change in Control Termination" means that the termination of the Grantee's employment on or within a period of one hundred and eighty (180) days of a Change in Control if such termination is either (i) an Involuntarily Termination Without Cause or (ii) the Grantee terminates its employment relationship with the Company (or a subsidiary or Affiliate of the Company) for Good Reason.

(e) **Good Reason.** Subject to Section 1(e) of this Agreement, the term "Good Reason" shall mean without the written consent of the Grantee: (a) a material breach of any provision of the Grantee's Compensation Agreement by the Company; (b) failure by the Company to pay when due a material portion of compensation to the Grantee; (c) a material reduction in the Grantee's base salary, as determined in its Compensation Agreement; (d) failure by the Company to maintain the Grantee in the positions referred to its Compensation Agreement; (e) assignment to the Grantee of any duties materially and adversely inconsistent with its positions, authority, duties, responsibilities, powers, functions, reporting relationship

or any other action by the Company that results in a material diminution of such positions, authority, duties, responsibilities, powers, functions, or reporting relationship; or (f) within 180 days of the date on which a Change of Control event is legally consummated, either of the following events occurs without the written consent of the Employee: (A) the Grantee ceases to serve as an “executive officer” of the Company (as such term is defined by the Securities Exchange Act of 1934) or (B) any successor to the Company does not expressly assume all obligations of the Company under this Agreement. Notwithstanding the foregoing, however, before the Grantee may resign for Good Reason, the Grantee must either (A) comply with any notice and cure procedures specified in its Compensation Agreement or (B) if such Compensation Agreement does not provide for any notice and cure procedures relating to a termination for Good Reason, then Grantee must provide written notice to the Company identifying the applicable event or condition within 120 days of the occurrence of the event or the initial existence of the condition, (ii) the Company fails to remedy the event or condition within a period of 30 days following such notice, and (iii) the Grantee’s termination for Good Reason occurs within 90 days after the date the Company fails to remedy the event or condition.

(f) **Beneficiary.** The Grantee may, from time to time, designate a beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under this Agreement is to be paid in case of the Grantee’s death before the Grantee has received all benefits to which the Grantee would have been entitled under this Agreement. Each beneficiary designation shall revoke all prior designations by the Grantee, shall be in a form prescribed by the Committee, and will be effective only when received in writing by the Committee. The last valid beneficiary designation received shall be controlling; provided, however, that no beneficiary designation, or change or revocation thereof, shall be effective unless received prior to the Grantee’s death. If no valid and effective beneficiary designation exists at the time of the Grantee’s death, or if no designated beneficiary survives the Grantee, or if the Grantee’s beneficiary designation is invalid under law, any benefit payable hereunder shall be made to the Grantee’s surviving spouse, if any, or if there is no such surviving spouse, to the executor or administrator of the Grantee’s estate. If the Committee is in doubt as to the right of any person to receive payment of any benefit hereunder, the Committee may direct that the amount of such benefit be paid into a court of competent jurisdiction in an interpleader action, and such payment into court shall fully and completely discharge any liability or obligation of the Company, the Committee, or the Board under this Agreement.

6. RESTRICTIONS AND ACKNOWLEDGMENTS.

(a) **Restrictions on Grant and Issuance of Shares.** The grant of the Performance Award and issuance of Shares upon settlement of the Performance RSUs shall be subject to compliance with all applicable requirements of federal, state or foreign law with respect to such securities. If the issuance of Shares upon settlement of the Performance RSUs would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Shares may then be listed, then no such Shares may be issued unless and until all such laws, regulations and stock exchange requirements have been satisfied. As a condition to the settlement of the Performance Award, the Company may require the Grantee to satisfy any qualifications that may be necessary or appropriate to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company. To the extent applicable, transactions under the Plan are intended to comply with all applicable conditions of Rule 16b-3 under the U. S. Securities and Exchange Act of 1934. Any ambiguities or inconsistencies in the construction of this Agreement or the Plan shall be interpreted to give effect to such intention. However, to the extent any provision of the Plan or action by the Committee fails to so comply, it shall be deemed null and void to the extent permitted by law and deemed advisable by the Committee in its discretion. Transfer of Shares shall be subject to the Company’s trading policies and any applicable securities laws or regulations governing transferability of shares of the Company. Notwithstanding any other provision of this Agreement, the Grantee may not sell the Shares acquired upon settlement of the RSUs unless such shares

are registered under the Securities Act of 1933, as amended (the “Securities Act”), or, if such shares are not then so registered, such sale would be exempt from the registration requirements of the Securities Act. The sale of such Shares must also comply with other applicable laws and regulations governing the Shares and Grantee may not sell the shares of Company Common Stock if the Company determines that such sale would not be in material compliance with such laws and regulations.

(b) **Adjustments for Changes in Capital Structure.** Subject to any required action by the stockholders of the Company and the requirements of Section 409A of the Code to the extent applicable, in the event of any change in the Shares effected by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of Shares, exchange of Shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Shares (excepting normal cash dividends) that has a material effect on the fair market value of Shares, appropriate and proportionate adjustments shall be made in the number of Performance RSUs subject to the Performance Award and/or the number and kind of shares to be issued in settlement of the Performance RSUs, in order to prevent dilution or enlargement of the Grantee’s rights under the Performance Award. Any fractional share resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number. Such adjustments shall be determined by the Committee as contemplated by the Plan, and its determination shall be final, binding and conclusive.

(c) **Rights as a Stockholder.** The Grantee shall have no rights as a stockholder with respect to any Shares which may be issued in settlement of the Performance RSUs until the date of the issuance of such Shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). Performance RSUs constitute an unfunded and unsecured right to require the Company to deliver to the Grantee the number of Shares, as provided in, and subject to the terms and conditions of, the Plan and this Agreement. Upon issuance of Shares in connection with the settlement of vested Performance RSUs, the Grantee shall be the record owner of such Shares unless and until such Shares are sold or otherwise disposed of. No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such certificate is issued, except as provided in Section 6(b) of this Agreement and you shall receive no benefit with respect to any cash dividend, stock dividend or other distribution that does not result from an adjustment as provided in Section 6(b).

(d) **Legends.** The Company may at any time determine to issue certificates representing the Shares issued pursuant to this Agreement rather than issue uncertificated Shares and the Company may at any time place legends referencing any applicable restrictions under federal, state or foreign securities law or required under any contractual obligations (as contemplated above) on all certificates representing Shares issued pursuant to this Agreement. The Grantee shall, at the request of the Company, promptly present to the Company any and all certificates representing Shares acquired pursuant to settlement of the Performance RSUs in the possession of the Grantee in order to carry out the provisions of this section.

7. FORFEITURE OF AWARD AND RIGHT TO PAYMENTS.

(a) **Forfeiture of Award and Right to Payments.** Payments under this Agreement are subject to recovery by the Company to the extent required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and the Sarbanes-Oxley Act of 2002, and any regulations promulgated thereunder, including, without limitation, in the following circumstances:

(i) **Forfeiture for Financial Reporting Misconduct.** If the Company is required to prepare an accounting restatement due to material noncompliance by the Company with any financial reporting requirement under the securities laws, (x) with respect to any Grantee who either knowingly or grossly negligently engaged in the misconduct or knowingly or grossly negligently failed to prevent the

misconduct as determined by the Committee or is one of the individuals subject to automatic forfeiture under Section 304 of the Sarbanes-Oxley Act of 2002, such Grantee shall forfeit and disgorge to the Company any award amounts (A) received during the twelve (12)-month period following the filing of the financial document embodying such financial reporting requirement or (B) earned based on the materially non-complying financial reporting, and (y) with respect to any Grantee who is a current or former executive officer of the Company (as defined under the Securities Exchange Act of 1934) who received incentive compensation under the Plan during the three-year period preceding the date on which the Company is required to prepare such accounting restatement, based on erroneous data, in excess of what would have been awarded or paid to such Grantee under such accounting restatement, such Grantee shall forfeit and disgorge to the Company such excess incentive compensation.

(ii) **Forfeiture for Other Misconduct.** In addition, in the event that the employment of the Grantee is terminated for Cause, including a breach by the Grantee of any of the restrictive covenants contained in such Grantee's Compensation Agreement, then, in such event, the Grantee shall forfeit all rights to the Performance Award and shall repay to the Company all amounts received by the Grantee with respect to such Performance Awards granted or paid any time after the date of the act giving rise to the Grantee's termination for Cause. In the event that, following the Grantee's termination of employment the Company discovers that, during the course of his employment with the Company, the Grantee committed an act that would have given rise to a termination for Cause, then, in such event, the Grantee shall forfeit all remaining rights to the Performance Award.

(iii) **Other.** Notwithstanding any other provisions in this Agreement to the contrary, the Grantee agrees and acknowledges that any amounts paid or payable to it pursuant to this Agreement which is subject to recoupment or clawback under any applicable law, government regulation, or stock exchange listing requirement, including without limitation, the Dodd-Frank Wall Street Reform and Consumer Protection Act and such regulations as may be promulgated thereunder by the Securities and Exchange Commission, shall be subject to such deductions and clawback (recovery) as may be required to be made pursuant to applicable law, government regulation, stock exchange listing requirement or any policy of the Company adopted pursuant to any such law, government regulation, or stock exchange listing requirement.

8. MISCELLANEOUS.

(a) **No Restriction on Company Authority.** The grant of the Performance Award to the Grantee pursuant to this Agreement shall not affect in any way the right or power of the Company or its stockholders to make or authorize (i) any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, (ii) any merger or consolidation of the Company, (iii) any issue of bonds, debentures, common stock, preferred stock or securities convertible into or exercisable for shares of the Company's common stock or preferred stock, (iv) the dissolution or liquidation of the Company, (v) any sale or transfer of all or any part of its assets or business, or (vi) any other corporate act or proceeding, whether of a similar character or otherwise.

(b) **No Guaranty of Future Awards.** By entering into this Agreement and accepting this Performance Award, the Grantee acknowledges that: (i) the Plan is discretionary in nature and may be suspended or terminated by the Company at any time, (ii) the Performance Award does not create any contractual or other right to receive future awards of any type under the Plan or otherwise; (iii) the Committee (or Board) retains the sole discretion as to whether to grant future awards under the Plan and with respect to any terms and conditions of awards which it may elect to grant; (iv) the Grantee's participation in the Plan is voluntary; (v) grants of Performance Awards are not to be used for calculating any severance, resignation, end of service payments, bonuses, retirement benefits, compensation, earnings or for the purposes of any other benefit plan offered by the Company; and (vi) the future value of the underlying Shares is unknown and cannot be predicted with certainty.

(c) **Obligation Unfunded.** The obligation of the Company with respect to the Performance Award granted hereunder shall be interpreted solely as an unfunded contractual obligation to make payments in the manner and under the conditions prescribed under this Agreement. Any assets set aside with respect to amounts payable under this Agreement shall be subject to the claims of the Company's general creditors, and no person other than the Company shall, by virtue of the provisions of the Plan or this Agreement, have any interest in such assets. Neither the Grantee nor any other person shall have any interest in any particular assets of the Company by reason of the right to receive a benefit under this Agreement, and the Grantee or any such other person shall have only the rights of a general unsecured creditor of the Company with respect to any rights under the Plan or this Agreement. The Grantee acknowledges that neither the Plan nor any Performance Award thereunder is intended to be subject to the Employee Retirement Income and Security Act of 1974, as amended.

(d) **Committee Authority.** The Committee or the Board reserves the right to terminate, amend, or modify the Plan in its sole discretion. This Agreement and the rights of the Grantee hereunder are subject to such rules and regulations as the Committee may adopt for administration of the Plan. It is expressly understood that the Committee (or the Board) is authorized to administer, construe, and make all determinations necessary or appropriate to the administration of the Plan and this Agreement, all of which shall be binding upon the Grantee and all persons having an interest in the Performance Award.

(e) **Tax Consequences.** Regardless of any action the Company takes with respect to any or all federal, state, or local income tax, social insurance, payroll tax, payment on account or other tax-related withholding regarding the Performance Award ("**Tax-Related Items**"), Grantee acknowledges and understands that it is responsible for its own tax liabilities that may arise as a result of the transactions contemplated by this Performance Award. Grantee hereby authorizes the Company to withhold all applicable Tax-Related Items legally payable by Grantee from its wages or other cash compensation paid to Grantee by the Company, or from payment otherwise owed to Grantee under this Performance Award. The Grantee may elect, subject to any procedural rules adopted by the Committee, to satisfy the withholding requirement, in whole or in part, by having the Company withhold Shares having an aggregate Fair Market Value on the date the tax is to be determined, equal to the minimum amount required by law to be withheld. Further, Grantee shall pay to the Company any amount of Tax-Related Items that the Company may be required to withhold as a result of Grantee's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to deliver any Shares if Grantee fails to comply with its obligations in connection with the Tax-Related Items as described in this section. The Grantee acknowledges that the Company has not advised the Grantee regarding the Grantee's income tax liability in connection with the grant or vesting of the Performance RSUs and the delivery of Shares in connection therewith. The Grantee has reviewed with the Grantee's own tax advisors the federal, state, and local and tax consequences of the grant and vesting of the Performance RSUs and the delivery of Shares in connection therewith as contemplated by this Agreement. The Grantee is relying solely on such advisors and not on any statements or representations of the Company or any of its agents.

(f) **Compliance with Section 409A.** To the extent applicable, it is intended that the Plan and the Agreement comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "**Code**"), if applicable, or an exception thereto, and any related regulations or other guidance promulgated with respect to such section by the U.S. Department of the Treasury or the Internal Revenue Service. Accordingly, to the maximum extent permitted, this Agreement shall be interpreted and administered to comply therewith. In no event shall the Grantee, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything contained herein to the contrary, to the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A, Grantee shall not be considered to have terminated employment with the Company for purposes of this Agreement until Grantee would be considered to have incurred a "separation from service" from the Company within the meaning of Section 409A. For purposes of this Agreement, each amount to be paid or benefit to be provided

shall be construed as a separate identified payment for purposes of Section 409A. To the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to this Agreement during the six-month period immediately following Grantee's separation from service shall instead be paid on the first business day after the date that is six months following Grantee's separation from service (or death, if earlier). This Agreement may be amended without the consent of the Grantee in any respect deemed in good-faith by the Board or the Committee to be necessary in order to preserve compliance with Section 409A of the Code.

(g) **No Right to Continued Employment.** Nothing in the Plan or this Agreement shall be construed as a contract of employment between the Company (or a subsidiary or Affiliate of the Company) and the Grantee, or as a contractual right of the Grantee to continue in the employ of the Company (or a subsidiary or Affiliate of the Company), or as a limitation of the right of the Company (or a subsidiary or Affiliate of the Company) to discharge the Grantee at any time.

(h) **Governing Law; Arbitration.** This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of New Jersey. Any dispute between the parties hereto arising under or relating to this Agreement shall be resolved in accordance with the procedures of the American Arbitration Association. Any resulting hearing shall be held in the Atlanta, Georgia metropolitan area. The resolution of any dispute achieved through such arbitration shall be binding and enforceable by a court of competent jurisdiction.

(i) **Restrictions on Transfer.** Prior to the issuance of Shares on the applicable settlement date, neither this Agreement, the Performance Award, any Performance RSUs subject to the Performance Award, nor any Shares issuable upon settlement, shall be subject in any manner to alienation, sale, exchange, transfer, assignment, pledge, hypothecation, encumbrance, or levy or garnishment by creditors of the Grantee or the Grantee's beneficiaries, except transfer by will or by the laws of descent and distribution. All rights with respect to the Award shall be exercisable during the Grantee's lifetime only by the Grantee or the Grantee's guardian or legal representative.

(j) **Binding Effect.** This Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer set forth herein, be binding upon the Grantee and the Grantee's heirs, executors, administrators, successors and permitted assigns. This Plan shall be assignable by the Company to any corporation, partnership or other entity resulting from the reorganization, merger or consolidation of the Company with any other corporation, partnership or other entity, or any corporation, partnership, or other entity to or with which all or any portion of the Company's business or assets may be sold, exchanged or transferred.

(k) **Headings.** Headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this agreement.

(l) **Notices.** All notices and other communications made or given pursuant to the Agreement shall be in writing and shall be sufficiently made or given if hand delivered or mailed by first class or certified mail, addressed to the Grantee at the address contained in the records of the Company, or addressed to the Committee, care of the Company for the attention of its Secretary at its principal office or, transmitted and received via facsimile or such other electronic transmission mechanism as may be available to the parties. The Grantee agrees that the Plan documents and this Agreement may be delivered to it electronically, including by means of a link to a Company intranet or the Internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company. The Grantee acknowledges that the Grantee has read this section and consents to the electronic delivery of the Plan documents and this Agreement. The Grantee acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no

cost to the Grantee by contacting the Company in writing. The Grantee further acknowledges that the Grantee will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. The Grantee may revoke his or her consent to the electronic delivery of documents or may change the electronic mail address to which such documents are to be delivered (if Grantee has provided an electronic mail address) at any time by notifying the Company in writing of such revoked consent or revised e-mail address. Finally, the Grantee understands that he or she is not required to consent to electronic delivery of documents.

(m) **Entire Agreement; Modification and Waiver.** This Agreement, together with its exhibits and the Plan, embodies the complete agreement and understanding between the parties with respect to the subject matter hereof and supersedes and preempts any prior written or oral understandings, agreements or representations by or among any of the parties that may relate to the subject matter hereof. This Agreement may be amended at any time by the Committee, provided that no amendment may, without the consent of the Grantee, materially impair the Grantee's rights with respect to the Performance Award. The failure of the Company to enforce at any time any provision of this Agreement will in no way be construed to be a waiver of such provision or of any other provision hereof.

(n) **Conformity with Plan.** This Agreement is intended to conform in all respects with, and is subject to all applicable provisions of, the Plan, which is incorporated herein by reference. Acceptance of this Agreement constitutes your consent to any action taken under the Plan consistent with its terms with respect to this Performance Award and your agreement to be bound by the restrictions contained herein and the terms and conditions of the Plan. Inconsistencies between this Agreement and the Plan shall be resolved in accordance with the terms of the Plan. In the event of any ambiguity in the Agreement or any matters as to which the Agreement is silent, the Plan shall govern including, without limitation, the provisions thereof pursuant to which the Committee has the power, among others, to (i) interpret the Plan and agreements related thereto, (ii) prescribe, amend and rescind rules and regulations relating to the Plan, and (iii) make all other determinations deemed necessary or advisable for the administration of the Plan. The Grantee acknowledges by signing this Agreement that such Grantee has reviewed a copy of the Plan, any prospectus for the Plan, and this Award Agreement and that it accepts this Performance Award subject to all of its terms and conditions.

(o) **Conflict Between Agreements.** In the event of any conflict or inconsistency between this Agreement and any terms or conditions set forth in any Compensation Agreement between the Grantee and the Company, the terms and conditions set forth in this Agreement shall prevail unless such Compensation Agreement expressly provides that the terms therein shall take precedence over any conflicting provisions in this Agreement.

(p) **Bankruptcy; Dissolution.** Performance Awards granted under this Agreement shall be of no further force or effect and forfeited in the event that the Company is placed under the jurisdiction of a bankruptcy court, or is dissolved or liquidated.

(q) **Severability.** Should any provision of this Agreement be held by a court of competent jurisdiction to be unenforceable or invalid for any reason, the remaining provisions of this Agreement shall not be affected by such holding and shall continue in full force in accordance with their terms.

(r) **Execution; Counterparts.** This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party, it being understood that both parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding

obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or “.pdf” signature page was an original thereof.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the Company has caused this Performance Award Agreement to be executed by its duly authorized officer, and the Grantee has hereunto set his or her hand, on the date(s) written below.

DLH HOLDINGS CORP.

Name: Frances M. Murphy
Title: Chair, Management Resources and Compensation Committee
Date: January 27, 2023

GRANTEE

Name:
Date:

Attachment: 2016 Omnibus Equity Incentive Plan, as amended.

DLH HOLDINGS CORP.
RESTRICTED STOCK UNIT AWARD AGREEMENT

This Restricted Stock Unit Award Agreement (the “**Agreement**”), dated as of the Grant Date specified in the table below, is between DLH Holdings Corp. (the “**Company**”) and the grantee named in the table below (the “**Grantee**”). The Grantee has been granted an award of Restricted Stock Units (the “**RSUs**” or the “**Award**”) pursuant to the DLH Holdings Corp. 2016 Omnibus Equity Incentive Plan, as amended from time to time (the “**Plan**”), representing the right to receive on the settlement date (described below) shares of common stock of DLH Holdings Corp., par value \$0.001 per share, subject to the terms and conditions of this Agreement. The Award and this Agreement shall in all respects be subject to the terms and conditions of the Plan, the provisions of which are incorporated herein by reference.

Grantee: _____

Grant Date:

Total Number of RSUs: _____ RSUs, subject to adjustment as provided in this Agreement.

1. DEFINITIONS.

The following definitions apply under this Agreement:

(a) “**Cause**” shall have the meaning ascribed to such term as set forth in Grantee’s written Compensation Agreement (as defined below); provided, however, that if such term is not defined in such Compensation Agreement, then the term “Cause” shall have the meaning ascribed to such term as is set forth in the Plan.

(b) “**Change in Control**” shall have the meaning ascribed to such term as set forth in a Compensation Agreement between the Company and Grantee; provided, however, that if such term is not defined in such Compensation Agreement, then the term “Change in Control” shall have the meaning ascribed to such term in the Plan.

(c) “**Compensation Agreement**” shall mean a written employment agreement, severance agreement, offer letter or similar compensatory agreement between the Grantee and the Company.

(d) “**Fiscal Year**” means the fiscal year of the Company, which is currently October 1 through September 30.

(e) “**Good Reason**” shall have the meaning ascribed to such term as set forth in Grantee’s written Compensation Agreement; provided, however, that if such term is not defined in such Compensation Agreement, then the term “Good Reason” shall have the meaning ascribed to such term as is set forth in Section 5(e) of this Agreement. Notwithstanding the foregoing, however, to the extent that Grantee’s Compensation Agreement includes a definition of “Good Reason” that permits the Grantee to terminate his or her employment in connection with a Change in Control, the Grantee hereby agrees that such definition is modified to provide that Grantee can only exercise such right if, without Grantee’s consent, either (i) the Grantee ceases to be an “executive officer” (as such term is defined by the Securities Exchange Act of 1934, as amended); or (ii) the failure by any successor to the Company to expressly assume all obligations of the Company under such Compensation Agreement.

(f) **“Involuntary Termination Without Cause”** means a Termination of Service due to the termination of Grantee’s employment by the Company without Cause.

(g) **“Service Requirement”** means that the Grantee must have been in the continuous employment of the Company (or a subsidiary or Affiliate of the Company) from the Grant Date through each applicable Vesting Date without incurring a Termination of Service.

(h) **“Termination of Service”** means a Termination of Service, as defined in the Plan, of the Grantee from the Company (or a subsidiary or Affiliate of the Company).

(i) **“Vesting Date”** means each date on which a portion of the RSUs become vested in accordance with the Vesting Schedule.

(j) **“Vesting Schedule”** means the schedule set forth in Section 3 of this Agreement indicating the dates on which RSUs vest.

Any capitalized term used herein that is not expressly defined in this Agreement shall have the meaning that such term has under the Plan unless otherwise provided herein.

2. INTERPRETATION AND APPLICABILITY OF AWARD.

(a) This Agreement sets forth the terms and conditions of your RSU Award under the Plan, as determined by the Committee. Additional terms and conditions of this Agreement are contained in the Plan, which is hereby incorporated into and made a part of this Agreement. This Agreement and the rights of the Grantee hereunder are subject to such rules and regulations as the Committee may adopt for administration of the Plan. All questions of interpretation concerning this Agreement and the Plan shall be determined by the Management Resources and Compensation Committee of the Board of Directors of the Company (the **“Committee”**) or the Board of Directors of the Company (the **“Board”**) and the Committee (or Board) is authorized to administer, construe and make all determinations necessary or appropriate to the administration of the Plan and this Agreement, all of which shall be binding upon the Grantee and all persons having an interest in the Award. In its absolute discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan and this Agreement.

(b) Headings, captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term “or” is not intended to be exclusive, unless the context clearly requires otherwise.

3. GRANT AND VESTING OF RSUs.

(a) **Grant of RSUs.** Subject to the provisions of this Agreement and pursuant to the provisions of the Plan, the Company hereby grants to the Grantee on the Grant Date a total of 55,282 RSUs. The Grantee shall be entitled to receive one share of the Company’s Common Stock (the **“Shares”**) for each RSU that vests pursuant to the terms and conditions of this Agreement. The Grantee shall not have any rights as a stockholder including any voting, dividend or other rights or privileges as a stockholder of the Company with respect to any Shares corresponding to the RSUs granted hereby unless and until the Shares are issued to the Grantee in respect thereof. Subject to the terms of Sections 5 and 6, the RSUs granted hereunder are granted on the condition that the Grantee remains an Employee of the Company or its Subsidiaries from the Date of Grant through (and including) the applicable Vesting Date, as set forth in Section 3(b).

(b) **Vesting.** RSUs shall be initially unvested (the unvested RSUs are referred to in this Agreement as the “**Unvested RSUs**”) and, except as hereinafter provided, the RSUs shall vest in accordance with the Vesting Schedule, provided the Grantee has continued in the employment of the Company or its Subsidiaries through each Vesting Date set forth in the Vesting Schedule.

<u>Vesting Date</u>	<u>Percentage of RSUs Vesting</u>	<u>Cumulative Percentage of RSUs Vesting</u>
Third anniversary of Date of Grant	100%	100%

4. SETTLEMENT OF RSUs; TRANSFER RESTRICTIONS.

(a) **Settlement of Restricted Stock Units.** Subject to the terms of this Agreement, the Company shall deliver to the Grantee one (1) Share in settlement of each outstanding RSU that has vested as provided in Section 3(b) on the first to occur of (i) the Vesting Date (or within 30 days thereafter), (ii) in the event of a termination of employment or service due to death or Disability, as soon as practicable following the termination of Grantee’s employment or service by reason of death or Disability, (iii) subject to the terms of Section 5(c) of this Agreement and the terms of Grantee’s Compensation Agreement, in the event of a termination of employment or service that is either an Involuntary Termination without Cause or a termination for Good Reason; or (iv) subject to the terms of Section 5(d) and Grantee’s Compensation Agreement, in the event of a Change in Control Termination, within thirty (30) days following the effective date of the Grantee’s Change in Control Termination, in each case in Shares by either, (x) issuing one or more certificates evidencing the Company Common Stock to the Grantee or (y) registering the issuance of the Company Common Stock in the name of the Grantee through a book entry credit in the records of the Company’s transfer agent. Vested RSUs will be paid out solely in the form of Shares.

(b) **Transfer Restrictions.** Neither this Agreement, the RSUs granted hereby, nor any right or interest therein (including an interest in the Shares prior to issuance upon the settlement date) are assignable or transferable, in whole or in part, and may not, directly or indirectly, be offered, transferred, sold, pledged, assigned, alienated, hypothecated or otherwise disposed of or encumbered (including without limitation by gift, operation of law or otherwise) other than by will or by the laws of descent and distribution to the estate of the Grantee upon the Grantee’s death; provided that the deceased Grantee’s beneficiary or representative of the Grantee’s estate shall acknowledge and agree in writing, in a form reasonably acceptable to the Company, to be bound by the provisions of this Agreement and the Plan as if such beneficiary or the estate were the Grantee. All rights with respect to the Award shall be exercisable during the Grantee’s lifetime only by the Grantee or the Grantee’s guardian or legal representative.

(c) **Fractional Shares.** No fractional shares or scrip representing fractional shares of Stock shall be issued pursuant to this Agreement. If, upon the issuance of shares of Stock under this Agreement, the Grantee would be entitled to a fractional share of Stock, the number of shares to which the Grantee is entitled shall be rounded down to the next lower whole number.

(d) **Beneficiary.** The Grantee may, from time to time, designate a beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under this Agreement is to be paid in case of the Grantee’s death before the Grantee has received all benefits to which the Grantee would have been entitled under this Agreement. Each designation of beneficiary shall revoke all prior designations by the Grantee, shall be in a form prescribed by the Committee, and will be effective only when received in writing by the Committee. The last valid beneficiary designation received shall be controlling; provided, however, that no beneficiary designation, or change or revocation thereof, shall be effective unless received prior to the Grantee’s death. If no valid and effective beneficiary designation exists at the time of the

Grantee's death, or if no designated beneficiary survives the Grantee, or if the Grantee's beneficiary designation is invalid under the law, any benefit payable hereunder shall be made to the Grantee's surviving spouse, if any, or if there is no such surviving spouse, to the executor or administrator of the Grantee's estate. If the Committee is in doubt as to the right of any person to receive payment of any benefit hereunder, the Committee may direct that the amount of such benefit be paid into a court of competent jurisdiction in an interpleader action, and such payment into court shall fully and completely discharge any liability or obligation of the Company, the Committee, or the Board of Directors under this Agreement.

5. TREATMENT FOLLOWING TERMINATION OF SERVICE.

(a) **Continuous Employment Requirement; Forfeiture.** Except as provided in Sections 5(b) through 5(d), or otherwise determined by the Committee, in order to become vested in (i.e., have the right to receive payment of) RSUs under the terms of this Agreement, the Grantee must have been in the continuous employment of the Company (or a subsidiary or Affiliate of the Company) from the Grant Date through the close of business on the last day of each applicable Vesting Date (or such earlier date on which the RSUs become vested under Sections 5(b) through 5(d)). The Grantee shall not be deemed to be employed by the Company (or a subsidiary or Affiliate of the Company) if the Grantee's employment has been terminated, even if the Grantee is receiving severance in the form of salary continuation through the regular payroll system. If the Grantee's employment with the Company (or a subsidiary or Affiliate of the Company) is terminated prior to the end of the Vesting Period for any reason other than as specified in either Sections 5(b) through 5(d) of this Agreement (including if the Grantee terminates employment with the Company (or a Subsidiary of Affiliate) for any reason other than as set forth in Section 5(c)), the Grantee shall forfeit any RSUs granted under this Agreement that are not vested as of such date and such RSUs shall no longer be eligible to vest.

(b) **Disability or Death.** Notwithstanding any contrary provision in any Compensation Agreement between the Company and Grantee, in the event that the Grantee's employment with the Company is terminated due the Grantee's death or Disability (as defined in the Grantee's Compensation Agreement, or if not defined therein, then in the Plan), all unvested RSUs shall immediately vest.

(c) **Involuntary Termination Without Cause or for Good Reason.** Except in connection with a Change in Control, if the Grantee's employment terminates after the Grant Date due to (A) an Involuntary Termination without Cause or (B) termination for Good Reason, then such RSUs shall become immediately earned and vested as of the date of such termination; subject, however, to the following conditions: (x) the Grantee must execute, deliver and not revoke, no later than sixty (60) days following the termination of employment, a general release of claims if requested by, and in a form satisfactory to, the Company, and (y) the Grantee complies with the requirements of any restrictive covenants contained in its Compensation Agreement. The payment of the amounts which are earned or vest in accordance with this provision shall be made when payment would otherwise have been made following the end of the Vesting Period.

(d) **Change in Control.** Notwithstanding anything in this Agreement to the contrary, if (A) a Change in Control occurs after the first anniversary date of the Grant Date and (B) the Grantee has a Change in Control Termination, then any unvested RSUs shall become immediately earned and vested as of the date of such Change in Control Termination; subject, however, to the following conditions: (x) the Grantee must execute, deliver and not revoke, no later than sixty (60) days following the termination of employment, a general release of claims if requested by, and in a form satisfactory to, the Company, and (y) the Grantee complies with the requirements of any restrictive covenants contained in its Compensation Agreement. As used herein, a "Change in Control Termination" means that the termination of the Grantee's employment on or within a period of one hundred and eighty (180) days of a Change in Control if such

termination is either (i) an Involuntarily Termination Without Cause or (ii) the Grantee terminates its employment relationship with the Company (or a subsidiary or Affiliate of the Company) for Good Reason.

(e) **Good Reason.** Subject to Section 1(e) of this Agreement, the term “Good Reason” shall mean without the written consent of the Grantee: (a) a material breach of any provision of the Grantee’s Compensation Agreement by the Company; (b) failure by the Company to pay when due a material portion of compensation to the Grantee; (c) a material reduction in the Grantee’s base salary, as determined in its Compensation Agreement; (d) failure by the Company to maintain the Grantee in the positions referred to its Compensation Agreement; (e) assignment to the Grantee of any duties materially and adversely inconsistent with its positions, authority, duties, responsibilities, powers, functions, reporting relationship or any other action by the Company that results in a material diminution of such positions, authority, duties, responsibilities, powers, functions, or reporting relationship; or (f) within 180 days of the date on which a Change of Control event is legally consummated, either of the following events occurs without the written consent of the Employee: (A) the Grantee ceases to serve as an “executive officer” of the Company (as such term is defined by the Securities Exchange Act of 1934) or (B) any successor to the Company does not expressly assume all obligations of the Company under this Agreement. Notwithstanding the foregoing, however, before the Grantee may resign for Good Reason, the Grantee must either (A) comply with any notice and cure procedures specified in its Compensation Agreement or (B) if such Compensation Agreement does not provide for any notice and cure procedures relating to a termination for Good Reason, then Grantee must provide written notice to the Company identifying the applicable event or condition within 120 days of the occurrence of the event or the initial existence of the condition, (ii) the Company fails to remedy the event or condition within a period of 30 days following such notice, and (iii) the Grantee’s termination for Good Reason occurs within 90 days after the date the Company fails to remedy the event or condition.

6. RESTRICTIONS AND ACKNOWLEDGMENTS.

(a) **Restrictions on Issuance and Transfer of Shares; Securities Law Compliance.** The grant of the RSUs and issuance of Shares upon settlement of the RSUs shall be subject to compliance with all applicable requirements of federal, state or foreign law with respect to such securities and no Shares shall be issued hereunder until the Company has received all necessary stockholder and regulatory approvals. If the issuance of Shares upon settlement of the RSUs would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Shares may then be listed, then no such Shares may be issued unless and until all such laws, regulations and stock exchange requirements have been satisfied. As a condition to the settlement of the Award, the Company may require the Grantee to satisfy any qualifications that may be necessary or appropriate to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company. To the extent applicable, transactions under the Plan are intended to comply with all applicable conditions of Rule 16b-3 under the U. S. Securities and Exchange Act of 1934. Any ambiguities or inconsistencies in the construction of this Agreement or the Plan shall be interpreted to give effect to such intention. However, to the extent any provision of the Plan or action by the Committee fails to so comply, it shall be deemed null and void to the extent permitted by law and deemed advisable by the Committee in its discretion. Transfer of Shares shall be subject to the Company’s trading policies and any applicable securities laws or regulations governing transferability of shares of the Company. Notwithstanding any other provision of this Agreement, the Grantee may not sell the Shares acquired upon settlement of the RSUs unless such shares are registered under the Securities Act of 1933, as amended (the “Securities Act”), or, if such shares are not then so registered, such sale would be exempt from the registration requirements of the Securities Act. The sale of such Shares must also comply with other applicable laws and regulations governing the Shares and Grantee may not sell the shares of Company Common Stock if the Company determines that such sale would not be in material compliance with such laws and regulations.

(b) **Adjustments for Changes in Capital Structure.** Subject to any required action by the stockholders of the Company and the requirements of Section 409A of the Code to the extent applicable, in the event of any change in the Shares effected by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of Shares, exchange of Shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Shares (excepting normal cash dividends) that has a material effect on the fair market value of Shares, appropriate and proportionate adjustments shall be made in the number of RSUs subject to the Award and/or the number and kind of shares to be issued in settlement of the RSUs, in order to prevent dilution or enlargement of the Grantee's rights under the Award. Any fractional share resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number. Such adjustments shall be determined by the Committee as contemplated by the Plan, and its determination shall be final, binding and conclusive.

(c) **Rights as a Stockholder.** The Grantee shall have no rights as a stockholder with respect to any Shares which may be issued in settlement of the RSUs until the date of the issuance of such Shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). The RSUs constitute an unfunded and unsecured right to require the Company to deliver to the Grantee the number of Shares, as provided in, and subject to the terms and conditions of, the Plan and this Agreement. Upon issuance of Shares in connection with the settlement of vested RSUs, the Grantee shall be the record owner of such Shares unless and until such Shares are sold or otherwise disposed of. No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such certificate is issued, except as provided in Section 6(b) of this Agreement and you shall receive no benefit with respect to any cash dividend, stock dividend or other distribution that does not result from an adjustment as provided in Section 6(b).

(d) **Legends.** The Company may at any time determine to issue certificates representing the Shares issued pursuant to this Agreement rather than issue uncertificated Shares and the Company may at any time place legends referencing any applicable restrictions under federal, state or foreign securities law or required under any contractual obligations (as contemplated above) on all certificates representing Shares issued pursuant to this Agreement. The Grantee shall, at the request of the Company, promptly present to the Company any and all certificates representing Shares acquired pursuant to settlement of the RSUs in the possession of the Grantee in order to carry out the provisions of this section.

(e) **Representations of Grantee.** Grantee hereby represents that the execution and delivery by the Grantee of this Agreement, the consummation of the transactions contemplated hereby and the performance of the Grantee's obligations hereunder do not and will not (i) materially conflict with or result in a material violation or breach of any term or provision of any law applicable to either the Grantee or the RSUs or (ii) violate in any material respect, conflict with in any material respect or result in any material breach of, or constitute (with or without notice or lapse of time or both) a material default under, or require either the Grantee to obtain any consent, approval or action of, make any filing with or give any notice to any Person as a result or under the terms of, any contract, agreement, instrument, commitment, arrangement or understanding to which the Grantee is a party. If any Shares issued in respect of the RSUs are to be disposed of in accordance with Rule 144, the Grantee shall transmit to the Company an executed copy of Form 144 (if required by Rule 144) no later than the time such form is required to be transmitted to the Commission for filing and such other documentation as the Company may reasonably require to assure compliance with Rule 144 in connection with such disposition. The Grantee represents and warrants that, as of the date hereof, the Grantee is an officer, employee, director or Consultant of the Company or a Subsidiary.

7. **FORFEITURE OF AWARD AND RIGHT TO PAYMENTS.**

(a) **Forfeiture of Award and Right to Payments.** Payments under this Agreement are subject to recovery by the Company to the extent required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and the Sarbanes-Oxley Act of 2002, and any regulations promulgated thereunder, including, without limitation, in the following circumstances:

(i) **Forfeiture for Financial Reporting Misconduct.** If the Company is required to prepare an accounting restatement due to material noncompliance by the Company with any financial reporting requirement under the securities laws, (x) with respect to any Grantee who either knowingly or grossly negligently engaged in the misconduct or knowingly or grossly negligently failed to prevent the misconduct as determined by the Committee or is one of the individuals subject to automatic forfeiture under Section 304 of the Sarbanes-Oxley Act of 2002, such Grantee shall forfeit and disgorge to the Company any award amounts (A) received during the twelve (12)-month period following the filing of the financial document embodying such financial reporting requirement or (B) earned based on the materially non-complying financial reporting, and (y) with respect to any Grantee who is a current or former executive officer of the Company (as defined under the Securities Exchange Act of 1934) who received incentive compensation under the Plan during the three-year period preceding the date on which the Company is required to prepare such accounting restatement, based on erroneous data, in excess of what would have been awarded or paid to such Grantee under such accounting restatement, such Grantee shall forfeit and disgorge to the Company such excess incentive compensation.

(ii) **Forfeiture for Other Misconduct.** In addition, in the event that the employment of the Grantee is terminated for Cause, including a breach by the Grantee of any of the restrictive covenants contained in such Grantee's Compensation Agreement, then, in such event, the Grantee shall forfeit all rights to the Award and shall repay to the Company all amounts received by the Grantee with respect to such Awards granted or paid any time after the date of the act giving rise to the Grantee's termination for Cause. In the event that following the Grantee's termination of employment the Company discovers that, during the course of his employment with the Company, the Grantee committed an act that would have given rise to a termination for Cause, then, in such event, the Grantee shall forfeit all remaining rights to the Award.

(iii) **Other.** Notwithstanding any other provisions in this Agreement to the contrary, the Grantee agrees and acknowledges that any amounts paid or payable to it pursuant to this Agreement which is subject to recoupment or clawback under any applicable law, government regulation, or stock exchange listing requirement, including without limitation, the Dodd-Frank Wall Street Reform and Consumer Protection Act and such regulations as may be promulgated thereunder by the Securities and Exchange Commission, shall be subject to such deductions and clawback (recovery) as may be required to be made pursuant to applicable law, government regulation, stock exchange listing requirement or any policy of the Company adopted pursuant to any such law, government regulation, or stock exchange listing requirement.

8. MISCELLANEOUS.

(a) **No Restriction on Company Authority.** The grant of the Award to the Grantee pursuant to this Agreement shall not affect in any way the right or power of the Company or its stockholders to make or authorize (i) any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, (ii) any merger or consolidation of the Company, (iii) any issue of bonds, debentures, common stock, preferred stock or securities convertible into or exercisable for shares of the Company's common stock or preferred stock, (iv) the dissolution or liquidation of the Company, (v) any sale or transfer of all or any part of its assets or business, or (vi) any other corporate act or proceeding, whether of a similar character or otherwise.

(b) **No Guaranty of Future Awards.** By entering into this Agreement and accepting this Award, the Grantee acknowledges that: (i) the Plan is discretionary in nature and may be suspended or terminated by the Company at any time, (ii) the Award does not create any contractual or other right to receive future awards of RSU or any type of other awards under the Plan or otherwise; (iii) the Committee (or Board) retains the sole discretion as to whether to grant future awards under the Plan and with respect to any terms and conditions of awards which it may elect to grant; (iv) the Grantee's participation in the Plan is voluntary; (v) grants of Awards are not to be used for calculating any severance, resignation, end of service payments, bonuses, retirement benefits, compensation, earnings or for the purposes of any other benefit plan offered by the Company; and (vi) the future value of the underlying Shares is unknown and cannot be predicted with certainty.

(c) **Obligation Unfunded.** The obligation of the Company with respect to the Award granted hereunder shall be interpreted solely as an unfunded contractual obligation to make payments in the manner and under the conditions prescribed under this Agreement. Any assets set aside with respect to amounts payable under this Agreement shall be subject to the claims of the Company's general creditors, and no person other than the Company shall, by virtue of the provisions of the Plan or this Agreement, have any interest in such assets. Neither the Grantee nor any other person shall have any interest in any particular assets of the Company by reason of the right to receive a benefit under this Agreement, and the Grantee or any such other person shall have only the rights of a general unsecured creditor of the Company with respect to any rights under the Plan or this Agreement. The Grantee acknowledges that neither the Plan nor any Award thereunder is intended to be subject to the Employee Retirement Income and Security Act of 1974, as amended.

(d) **Tax Consequences.** Regardless of any action the Company takes with respect to any or all federal, state, or local income tax, social insurance, payroll tax, payment on account or other tax-related withholding regarding the Award ("**Tax-Related Items**"), Grantee acknowledges and understands that it is responsible for its own tax liabilities that may arise as a result of the transactions contemplated by this Award. Grantee hereby authorizes the Company to withhold all applicable Tax-Related Items legally payable by Grantee from its wages or other cash compensation paid to Grantee by the Company, or from payment otherwise owed to Grantee under this Award. The Grantee may elect, subject to any procedural rules adopted by the Committee, to satisfy the withholding requirement, in whole or in part, by having the Company withhold Shares having an aggregate Fair Market Value on the date the tax is to be determined, equal to the minimum amount required by law to be withheld. Further, Grantee shall pay to the Company any amount of Tax-Related Items that the Company may be required to withhold as a result of Grantee's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to deliver any Shares if Grantee fails to comply with its obligations in connection with the Tax-Related Items as described in this section. The Grantee acknowledges that the Company has not advised the Grantee regarding the Grantee's income tax liability in connection with the grant or vesting of the RSUs and the delivery of Shares in connection therewith. The Grantee has reviewed with the Grantee's own tax advisors the federal, state, and local and tax consequences of the grant and vesting of the RSUs and the delivery of Shares in connection therewith as contemplated by this Agreement. The Grantee is relying solely on such advisors and not on any statements or representations of the Company or any of its agents.

(e) **Compliance with Section 409A.** To the extent applicable, it is intended that the Plan and the Agreement comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "**Code**"), if applicable, or an exception thereto, and any related regulations or other guidance promulgated with respect to such section by the U.S. Department of the Treasury or the Internal Revenue Service. Accordingly, to the maximum extent permitted, this Agreement shall be interpreted and administered to comply therewith. In no event shall the Grantee, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything contained herein to the contrary, to the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A, Grantee shall not

be considered to have terminated employment with the Company for purposes of this Agreement until Grantee would be considered to have incurred a "separation from service" from the Company within the meaning of Section 409A. For purposes of this Agreement, each amount to be paid or benefit to be provided shall be construed as a separate identified payment for purposes of Section 409A. To the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to this Agreement during the six-month period immediately following Grantee's separation from service shall instead be paid on the first business day after the date that is six months following Grantee's separation from service (or death, if earlier). This Agreement may be amended without the consent of the Grantee in any respect deemed in good-faith by the Board or the Committee to be necessary in order to preserve compliance with Section 409A of the Code.

(f) **No Right to Continued Employment.** Nothing in the Plan or this Agreement shall be construed as a contract of employment between the Company (or a subsidiary or Affiliate of the Company) and the Grantee, or as a contractual right of the Grantee to continue in the employ of the Company (or a subsidiary or Affiliate of the Company), or as a limitation of the right of the Company (or a subsidiary or Affiliate of the Company) to discharge the Grantee at any time.

(g) **Governing Law; Arbitration.** This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of New Jersey. Any dispute between the parties hereto arising under or relating to this Agreement shall be resolved in accordance with the procedures of the American Arbitration Association. Any resulting hearing shall be held in the Atlanta, Georgia metropolitan area. The resolution of any dispute achieved through such arbitration shall be binding and enforceable by a court of competent jurisdiction.

(h) **Binding Effect.** This Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer set forth herein, be binding upon the Grantee and the Grantee's heirs, executors, administrators, successors and permitted assigns. This Agreement shall be assignable by the Company to any corporation, partnership or other entity resulting from the reorganization, merger or consolidation of the Company with any other corporation, partnership or other entity, or any corporation, partnership, or other entity to or with which all or any portion of the Company's business or assets may be sold, exchanged or transferred.

(i) **Notices.** All notices and other communications made or given pursuant to the Agreement shall be in writing and shall be sufficiently made or given if hand delivered or mailed by first class or certified mail, addressed to the Grantee at the address contained in the records of the Company, or addressed to the Committee, care of the Company for the attention of its Secretary at its principal office or, transmitted and received via facsimile or such other electronic transmission mechanism as may be available to the parties. The Grantee agrees that the Plan documents and this Agreement may be delivered to it electronically, including by means of a link to a Company intranet or the Internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company. The Grantee acknowledges that the Grantee has read this section and consents to the electronic delivery of the Plan documents and this Agreement. The Grantee acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Grantee by contacting the Company in writing. The Grantee further acknowledges that the Grantee will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. The Grantee may revoke his or her consent to the electronic delivery of documents or may change the electronic mail address to which such documents are to be delivered (if Grantee has provided an electronic mail address) at any time by notifying the Company in writing of such revoked consent or revised e-mail address. Finally, the Grantee understands that he or she is not required to consent to electronic delivery of documents.

(j) **Entire Agreement; Modification and Waiver.** This Agreement, together with its exhibits and the Plan, embodies the complete agreement and understanding between the parties with respect to the subject matter hereof and supersedes and preempts any prior written or oral understandings, agreements or representations by or among any of the parties that may relate to the subject matter hereof. This Agreement may be amended at any time by the Committee, provided that no amendment may, without the consent of the Grantee, materially impair the Grantee's rights with respect to the Award. The failure of the Company to enforce at any time any provision of this Agreement will in no way be construed to be a waiver of such provision or of any other provision hereof.

(k) **Conformity with Plan.** This Agreement is intended to conform in all respects with, and is subject to all applicable provisions of, the Plan, which is incorporated herein by reference. Acceptance of this Agreement constitutes your consent to any action taken under the Plan consistent with its terms with respect to this Award and Grantee's agreement to be bound by the restrictions contained herein and the terms and conditions of the Plan. Inconsistencies between this Agreement and the Plan shall be resolved in accordance with the terms of the Plan. In the event of any ambiguity in the Agreement or any matters as to which the Agreement is silent, the Plan shall govern including, without limitation, the provisions thereof pursuant to which the Committee has the power, among others, to (i) interpret the Plan and agreements related thereto, (ii) prescribe, amend and rescind rules and regulations relating to the Plan, and (iii) make all other determinations deemed necessary or advisable for the administration of the Plan. The Committee or the Board reserves the right to terminate, amend, or modify the Plan in its sole discretion. The Grantee acknowledges by signing this Agreement that it has reviewed a copy of the Plan, any prospectus for the Plan, and this Award Agreement and that it accepts this Award subject to all of its terms and conditions.

(l) **Conflict Between Agreements.** In the event of any conflict or inconsistency between this Agreement and any terms or conditions set forth in any Compensation Agreement between the Grantee and the Company, the terms and conditions set forth in this Agreement shall prevail unless such Compensation Agreement expressly provides that the terms therein shall take precedence over any conflicting provisions in this Agreement.

(m) **Bankruptcy; Dissolution.** Awards granted under this Agreement shall be of no further force or effect and forfeited in the event that the Company is placed under the jurisdiction of a bankruptcy court, or is dissolved or liquidated.

(n) **Severability.** Should any provision of this Agreement be held by a court of competent jurisdiction to be unenforceable or invalid for any reason, the remaining provisions of this Agreement shall not be affected by such decision and shall continue in full force in accordance with their terms.

(o) **Execution; Counterparts.** This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party, it being understood that both parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page was an original thereof.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer, and the Grantee has hereunto set his or her hand, on the date(s) written below.

DLH HOLDINGS CORP.

Name: Frances M. Murphy
Title: Chair, Management Resources and Compensation Committee
Date: January 27, 2023

GRANTEE

Name:
Date:

Attachment: 2016 Omnibus Equity Incentive Plan, as amended.

Certification

I, Zachary C. Parker, certify that:

1. I have reviewed this quarterly report on Form 10-Q of DLH Holdings Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2023

/s/ Zachary C. Parker
Zachary C. Parker
Chief Executive Officer (Principal Executive Officer)

Certification

I, Kathryn M. JohnBull, certify that:

1. I have reviewed this quarterly report on Form 10-Q of DLH Holdings Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2023

/s/ Kathryn M. JohnBull
Kathryn M. JohnBull
Chief Financial Officer (Principal Accounting Officer)

**Certification of Chief Executive Officer and Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of DLH Holdings Corp. (the "Company") on Form 10-Q for the period ended March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, being, Zachary C. Parker, Chief Executive Officer, and Kathryn M. JohnBull, Chief Financial Officer and Principal Accounting Officer, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: May 3, 2023

/s/ Zachary C. Parker
Zachary C. Parker
Chief Executive Officer
(Principal Executive Officer)

/s/ Kathryn M. JohnBull
Kathryn M. JohnBull
Chief Financial Officer
(Principal Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.
