

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

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

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED): **November 29, 2013**

DLH Holdings Corp.

(Exact name of registrant as specified in its charter)

COMMISSION FILE NUMBER: **0-18492**

New Jersey

(State or other jurisdiction of incorporation or organization)

22-1899798

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

1776 Peachtree Street, N.W.

Atlanta, GA 30309

(Address and zip code of principal executive offices)

(866) 952-1647

(Registrant's telephone number, including area code)

CHECK THE APPROPRIATE BOX BELOW IF THE FORM 8-K FILING IS INTENDED TO SIMULTANEOUSLY SATISFY THE FILING OBLIGATION OF THE REGISTRANT UNDER ANY OF THE FOLLOWING PROVISIONS:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

- (c) On November 29, 2013, DLH Holdings Corp. (the “Company” or “DLH”) entered into a new employment agreement with John F. Armstrong, who serves as the Company’s Executive Vice President. The new employment agreement with Mr. Armstrong is effective as of December 1, 2013 and will expire November 30, 2015. The following is a summary of the material terms of the Company’s agreement with Mr. Armstrong. The following description of the employment agreement is qualified in its entirety by reference to the full text of such agreement, which is filed as Exhibit 10.1 to this Current Report on Form 8-K.
- Mr. Armstrong will continue to serve as DLH’s Executive Vice President for business development of the Company. Under the employment agreement, Mr. Armstrong will receive a base salary of \$215,000 per annum. Mr. Armstrong will be entitled to a 5% increase in his base salary in the event that the Company achieves the business development-related performance condition specified in the agreement. Mr. Armstrong may receive an annual bonus of up to 50% of base salary based on performance targets and other key objectives established by the Management Resources and Compensation Committee of the board of directors. Target bonus will be adjusted by 2% of base salary for every 1% of variance between targets and actual results and no bonus will be awarded if results are less than 90% of target and no bonus will exceed 70% of base salary.
 - We granted Mr. Armstrong options to purchase 75,000 shares of common stock under our 2006 Long Term Incentive Plan (the “2006 Plan”). The options shall vest as follows: 37,500 options vest on the one year anniversary of the commencement date and 37,500 options shall vest if the closing price of the Company’s common stock equals or exceeds \$3.00 per share for ten consecutive trading days, provided Mr. Armstrong remains in the employment of the Company as of such vesting dates. The options, to the extent vested, shall be exercisable for a period of ten years at the per share exercise price equal to the fair market value of the Company’s common stock, as determined pursuant to the 2006 Plan, on the date his employment agreement was executed.
 - In the event of the termination of Mr. Armstrong’s employment by us without “cause” or by him for “good reason” he would be entitled to: (a) a severance payment of 12 months of base salary; (b) continued participation in our health and welfare plans for a period not to exceed 12 months from the termination date; and (c) all compensation accrued but not paid as of the termination date. In the event of the termination of his employment due to his death or disability, Mr. Armstrong or his estate, as the case may be, would be entitled to receive all compensation accrued but not paid as of the termination date and continued participation in our health and welfare plans for a period not to exceed 12 months from the termination date. If Mr. Armstrong’s employment is terminated by us for “cause” or by him without “good reason,” he is not entitled to any additional compensation or benefits other than his accrued and unpaid compensation. Upon termination of his employment after the expiration date, other than for cause, Mr. Armstrong will be entitled to the severance payment.
 - Mr. Armstrong will receive the following in the event that his employment is terminated in connection with a change of control of the Company: (i) his accrued compensation; (ii) continuation benefits; (iii) as severance, a payment of base salary for a period of twelve months; and (iv) all options granted to him which are vested shall remain exercisable in accordance with the 2006 Plan. If the payments due in the event of a change in control would constitute an “excess parachute payment” as defined in Section 280G of the Internal Revenue Code of 1986, as amended (the “Code”), the aggregate of such credits or payments under the employment agreement and other agreements shall be reduced to the largest amount as will result in no portion of such aggregate payments being subject to the excise tax imposed by Section 4999 of the Code.
 - Pursuant to the employment agreement, Mr. Armstrong is subject to customary confidentiality and non-compete obligations that survive the termination of such agreement.

Item 9.01 Financial Statements and Exhibits

	<u>Exhibit Number</u>	<u>Exhibit Title or Description</u>
(d)	10.1	Employment Agreement with John F. Armstrong

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

DLH Holdings Corp.

By: /s/ Zachary C. Parker

Name: Zachary C. Parker

Title: Chief Executive Officer

Date: December 3, 2013

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
10.1	Employment Agreement with John F. Armstrong

EMPLOYMENT AGREEMENT

THIS AGREEMENT is made on the 29th day of November, 2013 (the "Execution Date") by and between John F. Armstrong (the "Employee") and DLH HOLDINGS CORP., a New Jersey corporation (the "Company") and is effective as of the 1st day of December, 2013 (the "Effective Date"). Unless the context indicates otherwise, the "Company" shall include the Company's subsidiaries.

WITNESSETH:

WHEREAS, the Company and its subsidiaries are engaged in the business of providing professional and technical services; and

WHEREAS, the Employee is currently employed by the Company and the Company desires to continue the employment of the Employee and secure for the Company the experience, ability and services of the Employee; and

WHEREAS, the Employee desires to accept employment with the Company, pursuant to the terms and conditions herein set forth, superseding all prior oral and written employment agreements, and term sheets and letters between the Company, its subsidiaries and/or predecessors and Employee;

NOW, THEREFORE, it is mutually agreed by and between the parties hereto as follows:

ARTICLE I DEFINITIONS

1.1 *Accrued Compensation.* Accrued Compensation shall mean an amount which shall include all amounts earned or accrued through the "Termination Date" (as defined below) but not paid as of the Termination Date, including (i) Base Salary, (ii) reimbursement for business expenses incurred by the Employee on behalf of the Company, pursuant to the Company's expense reimbursement policy in effect at such time, (iii) vacation pay, and (iv) unpaid bonuses and incentive compensation earned and awarded prior to the Termination Date.

1.2 *Cause.* Cause shall mean:

(a) willful disobedience by the Employee of a material and lawful instruction of the Chief Executive Officer or the Board of Directors of the Company;

(b) formal charge, indictment or conviction of the Employee of any misdemeanor involving fraud or embezzlement or similar crime, or any felony;

(c) conduct amounting to fraud, dishonesty, gross negligence, willful misconduct or recurring insubordination; or

(d) excessive absences from work, other than for illness or Disability;

provided that the Company shall not have the right to terminate the employment of Employee pursuant to the foregoing clauses (a), (c), and (d) above unless written notice specifying such breach shall have been given to the Employee and, in the case of breach which is capable of being cured, the Employee shall have failed to cure such breach within thirty (30) days after his receipt of such notice.

1.3 *Change in Control.* Change in Control shall mean any of the following events:

(a) An acquisition (other than directly from the Company) of any voting securities of the Company (the “Voting Securities”) by any “Person” (as the term person is used for purposes of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the “1934 Act”)) immediately after which such Person has “Beneficial Ownership” (within the meaning of Rule 13d-3 promulgated under the 1934 Act) of twenty percent (20%) or more of the combined voting power of the Company’s then outstanding Voting Securities (provided, however, that this Section 1.3(a) shall not be applicable to any Person that, as of the Effective Date, possesses Beneficial Ownership in excess of 20% of the then outstanding Voting Securities of the Company (an “Excluded Person”), unless such Excluded Person subsequently acquires (other than directly from the Company) such number of additional Voting Securities of the Company as would increase its Beneficial Ownership of Voting Securities by more than 10% of the combined voting power of the Company’s outstanding Voting Securities); provided, however, that in determining whether a Change in Control has occurred, Voting Securities which are acquired in a “Non-Control Acquisition” (as defined below) shall not constitute an acquisition which would cause a Change in Control. A “Non-Control Acquisition” shall mean an acquisition by (1) an employee benefit plan (or a trust forming a part thereof) maintained by (x) the Company or (y) any corporation or other Person of which a majority of its voting power or its equity securities or equity interest is owned directly or indirectly by the Company (a “Subsidiary”), or (2) the Company or any Subsidiary.

(i) Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because a Person (the “Subject Person”) gained Beneficial Ownership of more than the permitted amount of the outstanding Voting Securities as a result of the acquisition of Voting Securities by the Company which, by reducing the number of Voting Securities outstanding, increases the proportional number of shares Beneficially Owned by the Subject Person, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of Voting Securities by the Company, and after such share acquisition by the Company, the Subject Person becomes the Beneficial Owner of such number of additional Voting Securities which increases the percentage of the then outstanding Voting Securities Beneficially Owned by the Subject Person above the thresholds specified in paragraph (a) of this Section, then a Change in Control shall occur.

(b) The individuals who, as of the date this Agreement is approved by the Board, are members of the Board (the “Incumbent Board”), cease for any reason to constitute at least two-thirds of the Board; provided, however, that if the election, or nomination for election by the Company’s stockholders, of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of this Agreement, be considered and defined as a member of the Incumbent Board; and provided, further, that no individual shall be considered a member of the Incumbent Board if such individual initially assumed office as a result of either an actual “Election Contest” (as described in Rule 14a-11 promulgated under the 1934 Act) or other solicitation of proxies or consents by or on behalf of a Person other than the Board (a “Proxy Contest”); or

(c) Approval by stockholders of the Company of:

(i) A merger, consolidation or reorganization involving the Company, unless:

A. the stockholders of the Company, immediately before such merger, consolidation or reorganization, own, directly or indirectly immediately following such merger, consolidation or reorganization, at least sixty percent (60%) of the combined voting power of the outstanding voting securities of the corporation resulting from such merger or consolidation or reorganization (the “Surviving Corporation”) in substantially the same proportion as their ownership of the Voting Securities immediately before such merger, consolidation or reorganization,

B. the individuals who were members of the Incumbent Board immediately prior to the execution of the agreement providing for such merger, consolidation or reorganization constitute at least two-thirds of the members of the board of directors of the Surviving Corporation, and

C. no Person (other than the Company, any Subsidiary, any employee benefit plan (or any trust forming a part thereof) maintained by the Company, the Surviving Corporation or any Subsidiary)

becomes Beneficial Owner of twenty percent (20%) or more of the combined voting power of the Surviving Corporation's then outstanding Voting Securities (except if such Person is an Excluded Person, then the relevant percentage shall be such Excluded Person's Beneficial Ownership percentage of the Company's Voting Securities as determined in accordance with paragraph (a) of this Section 1.3, on the Effective Date) as a result of such merger, consolidation or reorganization; a transaction described in clauses (A) through (C) shall herein be referred to as a "Non-Control Transaction"; or

(ii) An agreement for the sale or other disposition of all or substantially all of the assets of the Company, to any Person, other than a transfer to a Subsidiary, in one transaction or a series of related transactions;

(iii) The stockholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company.

(d) Notwithstanding anything contained in this Agreement to the contrary, if the Employee's employment is terminated prior to a Change in Control and the Employee reasonably demonstrates that such termination (i) was at the request of a third party who has indicated an intention or taken steps reasonably calculated to effect a Change in Control (a "Third Party") or (ii) otherwise occurred in connection with, or in anticipation of, a Change in Control, then for all purposes of this Agreement, the date of a Change in Control with respect to the Employee shall mean the date immediately prior to the date of such termination of the Employee's employment.

1.4 *Continuation Benefits.* Continuation Benefits shall be the continuation of the Benefits, as defined in Section 5.1, for the period commencing on the Termination Date and terminating 12 months thereafter, or such other period as specifically stated by this agreement (the "Continuation Period") at the Company's expense on behalf of the Employee and his dependents; provided, however, that (i) in no event shall the Continuation Period exceed 18 months from the Termination Date; and (ii) the level and availability of benefits provided during the Continuation Period shall at all times be subject to the post-employment conversion or portability provisions of the benefit plans. The Company's obligation hereunder with respect to the foregoing benefits shall also be limited to the extent that if the Employee obtains any such benefits pursuant to a subsequent employer's benefit plans, the Company may reduce the coverage of any benefits it is required to provide the Employee hereunder as long as the aggregate coverage and benefits of the combined benefit plans is materially no less favorable to the Employee than the coverage and benefits required to be provided hereunder. This definition of Continuation Benefits shall not be interpreted to limit any benefits to which the Employee, his dependents or beneficiaries may be entitled under any of the Company's employee benefit plans, programs or practices following the Employee's termination of employment, including, without limitation, retiree medical and life insurance benefits. Notwithstanding the foregoing, Employee shall be entitled to take advantage of the COBRA benefits to the maximum amount permitted by law.

1.5 *Disability.* Disability shall mean a physical or mental infirmity which impairs the Employee's ability to substantially perform his duties with the Company for a period of sixty (60) consecutive days and the Employee has not returned to his full time employment prior to the Termination Date as stated in the "Notice of Termination" (as defined below).

1.6 *Good Reason.*

(a) Good Reason shall mean without the written consent of the Employee:

(i) a material breach of any provision of this Agreement by the Company;

(ii) failure by the Company to pay when due any compensation to the Employee;

(iii) a reduction in the Employee's Base Salary;

(iv) failure by the Company to maintain the Employee in the positions referred to in Section 2.1 of this Agreement;

(v) assignment to the Employee of any duties materially and adversely inconsistent with the Employee's positions, authority, duties, responsibilities, powers, functions, reporting relationship or title, as contemplated by Section 2.1 of this Agreement, or any other action by the Company that results in a material diminution of such positions, authority, duties, responsibilities, powers, functions, reporting relationship or title; or

(vi) a Change in Control, provided the event on which the Change of Control is predicated occurs within 90 days of the service of the Notice of Termination by the Employee; provided, however, nothing herein shall limit the right of Employee to terminate his employment pursuant to this Section 1.6 (a)(vi) for any reason or no reason within such 90 day period;

(b) Notwithstanding the foregoing, Employee shall not have the right to terminate his employment for Good Reason pursuant to clauses 1.6 (a) (i) through (v) unless:

(i) the Employee has given the Company at least 30 days' prior written notice of his intent to terminate his employment for Good Reason, which notice shall specify the facts and circumstances constituting Good Reason; and

(ii) the Company has not remedied such facts and circumstances constituting Good Reason to the reasonable and good faith satisfaction of the Employee within a 30-day period after receipt of such notice.

1.7 *Notice of Termination.* Notice of Termination shall mean a written notice from the Company, or the Employee, of termination of the Employee's employment which indicates the provision in this Agreement relied upon, if any and which sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Employee's employment under the provision so indicated. A Notice of Termination served by the Company shall specify the effective date of termination.

1.8 *Severance Payment.* Severance Payment shall mean an amount equal to the sum of twelve (12) months of Employee's Base Salary in effect on the Termination Date. The Severance Payment shall be payable in equal installments on each of the Company's regular pay dates for executives during the twelve (12) months commencing on the first regular executive pay date following the Termination Date. The Severance Payment is conditioned on the Employee executing a termination agreement and release in a form reasonably acceptable to the Employee and the Company.

1.9 *Termination Date.* Termination Date shall mean:

(a) in the case of the Employee's death, the date of death;

(b) in the case of Good Reason, 30 days from the date the Notice of Termination is given to the Company, provided the Company has not remedied such facts and circumstances constituting Good Reason;

(c) in the case of termination of employment on or after the Expiration Date, the last day of employment; and

(d) in all other cases, the date specified in the Notice of Termination;

provided, however, if the Employee's employment is terminated by the Company for any reason except Cause, the date specified in the Notice of Termination shall be at least 30 days from the date the Notice of Termination

is given to the Employee, and provided further that in the case of Disability, the Employee shall not have returned to the full-time performance of his duties during such period of at least 30 days.

ARTICLE II EMPLOYMENT

2.1 Subject to and upon the terms and conditions of this Agreement, the Company hereby agrees to employ Employee, and Employee hereby accepts such employment, as Executive Vice President for Business Development of the Company reporting directly to the Chief Executive Officer of the Company.

ARTICLE III DUTIES

3.1 The Employee shall, during the term of his employment with the Company, and subject to the direction and control of the Chief Executive Officer perform such duties and functions as he may be called upon to perform by the Chief Executive Officer and/or the Company's Board of Directors during the term of this Agreement, consistent with his position as Executive Vice President for Business Development.

3.2 The Employee shall perform, in conjunction with the Company's executive management team, to the best of his ability the following services and duties for the Company and its subsidiary corporations (by way of example, and not by way of limitation):

(a) Those duties attendant to the position with the Company for which Employee is employed;

(b) Assist in the establishment and implementation of the Company's current and long range objectives, plans, and policies, subject to the approval of the Chief Executive Officer and the Board of Directors;

(c) Identify, evaluate and manage the Company's business development initiatives, including without limitation, developing opportunities for sales and strategic relationships, defining marketing strategies and leading negotiations relating to business opportunities;

(d) Managerial oversight of the Company's business development and sales activities; and

(e) Promotion of the relationships of the Company and its subsidiaries with their respective employees, customers, suppliers and others in the business community.

3.3 The Employee agrees to devote full business time and his best efforts in the performance of his duties for the Company and any subsidiary corporation of the Company.

3.4 Employee shall undertake regular travel to the Company's executive and operational offices, and such other occasional travel within or outside the United States as is or may be reasonably necessary in the interests of the Company. All such travel shall be at the sole cost and expense of the Company and shall include reasonable lodging and food costs incurred by Employee while traveling.

ARTICLE IV COMPENSATION

4.1 During the term of this Agreement, Employee shall be compensated initially at the rate of \$215,000 per annum, subject to such increases, if any, as determined by the Board of Directors, or if the Board so designates, the Management Resources and Compensation Committee of the Board (the "Committee"), in its discretion, on an annual basis at the commencement of each of the Company's fiscal years during the term of this Agreement (the "Base Salary"). The base salary shall be paid to the Employee in accordance with the Company's regular executive payroll periods.

4.2 Notwithstanding the foregoing, Employee's Base Salary shall be increased 5% effective following the determination by the Committee that the Company has been awarded a significant new business contract during the term of this Agreement (the "Performance Target"), with the determination as to whether the significance level has been achieved being subject to the discretion of the Committee, acting in good faith. If the Committee determines that the Performance Target is satisfied, the effective date of the increase in Base Salary shall be the first day of the fiscal quarter following the fiscal quarter in which the Performance Target was achieved.

4.3 Employee will have an opportunity to earn a cash bonus (the "Bonus") of up to 50% of Employee's Base Salary for each fiscal year of employment. The Bonus will be based on achievement of revenue, bookings, and EBITDA performance targets and other key objectives established by the Committee for each fiscal year during the term of this Agreement, and the determination of whether the performance criteria shall have been attained shall be solely in the discretion of the Committee. Award and payment of the Bonus shall be made at the same time as that of other members of the Company's senior management, but in any event payment of the Bonus shall be made within six months of the end of the Fiscal Year for which the Bonus is awarded.

(c) Targeted bonus will be reduced or increased by 2% of Base Salary for every 1% of variance between the actual results and the targets.

(d) No bonus will be awarded if results are less than 90% of target and no bonus will exceed 70% of salary.

4.4 The Company shall deduct from Employee's compensation all federal, state, and local taxes which it may now or hereafter be required to deduct.

4.5 Employee may receive such other additional compensation as may be determined from time to time by the Board of Directors including bonuses and other long term compensation plans. Nothing herein shall be deemed or construed to require the Board to award any bonus or additional compensation.

ARTICLE V BENEFITS

5.1 During the term hereof, the Company shall provide Employee and his family with the following benefits (the "Benefits"): (i) group health care and insurance benefits as generally made available to the Company's senior management; and (ii) such other insurance benefits obtained by the Company and made generally available to the Company's senior management. The Company shall reimburse Employee, upon presentation of appropriate vouchers, for all reasonable business expenses incurred by Employee on behalf of the Company upon presentation of suitable documentation. In the event the Company wishes to obtain Key Man life insurance on the life of Employee, Employee agrees to cooperate with the Company in completing any applications necessary to obtain such insurance and promptly submit to such physical examinations and furnish such information as any proposed insurance carrier may request.

5.2 For the first year of this Agreement, Employee shall be entitled to paid vacation at the rate of three weeks per annum, increasing to four weeks per annum for the second year under this Agreement, plus two additional "floating days" for each year of employment.

ARTICLE VI NON-DISCLOSURE

6.1 The Employee shall not, at any time during or after the termination of his employment hereunder, except when acting on behalf of and with the authorization of the Company, make use of or disclose to any person, corporation, or other entity, for any purpose whatsoever, any trade secret or other confidential information concerning the Company's business, finances, marketing, accounting, personnel and/or staffing business of the

Company and its subsidiaries, including information relating to any customer of the Company or pool of temporary or permanent employees, governmental customer or any other nonpublic business information of the Company and/or its subsidiaries learned as a consequence of Employee's employment with the Company (collectively referred to as the "Proprietary Information"). For the purposes of this Agreement, trade secrets and confidential information shall mean information disclosed to the Employee or known by him as a consequence of his employment by the Company, whether or not pursuant to this Agreement, and not generally known in the industry. The Employee acknowledges that trade secrets and other items of confidential information, as they may exist from time to time, are valuable and unique assets of the Company, and that disclosure of any such information would cause substantial injury to the Company. Trade secrets and confidential information shall cease to be trade secrets or confidential information, as applicable, at such time as such information becomes public other than through disclosure, directly or indirectly, by Employee in violation of this Agreement.

6.2 If Employee is requested or required (by oral questions, interrogatories, requests for information or document subpoenas, civil investigative demands, or similar process) to disclose any Proprietary Information, Employee shall, unless prohibited by law, promptly notify the Company of such request(s) so that the Company may seek an appropriate protective order.

6.3 Except as otherwise may be agreed by the Company in writing, in consideration of the employment of Employee by the Company, and free of any additional obligations of the Company to make additional payment to Employee, Employee hereby agrees to irrevocably assign to the Company any and all of Employee's rights (including patent rights, copyrights, trade secret rights and other rights, throughout the world), title and interest in and to all inventions, software, manuscripts, documentation, improvements or other intellectual property whether or not protectable by any state or federal laws relating to the protection of intellectual property, relating to the present or future business of the Company that are developed by Employee during the term of his/her employment with the Company, either alone or jointly with others, and whether or not developed during normal business hours or arising within the scope of his/her duties of employment. Employee agrees that all such inventions, software, manuscripts, documentation, improvement or other intellectual property shall be and remain the sole and exclusive property of the Company and shall be deemed the product of work for hire. Employee hereby agrees to execute such assignments and other documents as the Company may consider appropriate to vest all right, title and interest therein to the Company and hereby appoints the Company Employee's attorney-in-fact with full powers to execute such document itself in the event employee fails or is unable to provide the Company with such signed documents. Employee shall also assign to, or as directed by, the Company, all of his right, title and interest in and to any and all inventions and other intellectual property, the full title to which is required to be in the United States government of any of its agencies. The Company shall have all right, title and interest in all research and work product produced by Employee as an employee of the Company, including, but not limited to, all research materials. Notwithstanding the foregoing, this provision does not apply to an invention for which no equipment, supplies, facility, or trade secret information of the Company was used and which was developed entirely on Employee's own time, unless (a) the invention relates (i) to the business of the Company, or (ii) to the Company's actual or demonstrably anticipated research or development, or (b) the invention results from any work performed by Employee for the Company.

ARTICLE VII RESTRICTIVE COVENANT

7.1 During his employment with the Company and in the event of the termination of employment with the Company for any reason, Employee agrees that he will not, for a period of one (1) year following such termination, directly or indirectly, enter into or become associated with or engage in any other business (whether as a partner, officer, director, shareholder, employee, consultant, or otherwise), which, directly or indirectly, is involved in the business of providing (i) temporary and/or permanent staffing of governmental employees (ii) medical/healthcare and office administration/technical, or logistical professionals contracts with the United States General Services Administration ("GSA"), United States Department of Veterans Affairs ("DVA"), United States Department of Defense ("DOD") or other federal, state and local entities, or (iii) or is otherwise engaged in the same or similar business as the Company in direct competition with the Company, or which the Company was

in the process of developing, during the tenure of Employee's employment by the Company (collectively, a "Competitive Business"). Notwithstanding the foregoing, the ownership by Employee of less than five percent of the shares of any publicly held corporation shall not violate the provisions of this Article VII.

7.2 In furtherance of, and in addition to, Section 7.1, during the period of non-competition specified in Section 7.1 (the "Restricted Period"), Employee shall not, directly or indirectly, whether as a principal, agent, employee, independent contractor, employer, partner or shareholder, in connection with or related to any Competitive Business, solicit (i) any actual customers, partners or contracts addressed by the Company during the tenure of Employee's employment or (ii) any customers, partners or contracts that were within the Company's business development pipeline within the twelve month period ending on the effective date of the termination of employment. In addition, Employee will not during the Restricted Period, either directly or indirectly, whether as a principal, agent, employee, independent contractor, employer, partner or shareholder, solicit, hire, attempt to solicit or hire, or participate in any attempt to solicit or hire, any person who is employed by the Company or retained as a consultant by the Company (or who was employed or retained by the Company within 12 months of the Termination Date or who was being actively recruited by the Company) to: (A) terminate his employment or engagement with the Company; (B) accept employment or engagement with anyone other than the Company, or (C) in any manner interfere with the business of the Company.

7.3 Employee hereby acknowledges that the covenants and agreements contained in Article VI and Article VII of this Agreement (the "Restrictive Covenants") are reasonable and valid in all respects and that the Company is entering into this Agreement, *inter alia*, on such acknowledgment. If Employee breaches, or threatens to commit a breach, of any of the Restrictive Covenants, the Company shall have the following rights and remedies, each of which rights and remedies shall be independent of the other and severally enforceable, and all of which rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available to the Company under law or in equity: (i) the right and remedy to have the Restrictive Covenants specifically enforced by any court having equity jurisdiction, it being acknowledged and agreed that any such breach or threatened breach will cause irreparable injury to the Company and that money damages will not provide an adequate remedy to the Company; (ii) the right and remedy to require Employee to account for and pay over to the Company such damages as are recoverable at law as the result of any transactions constituting a breach of any of the Restrictive Covenants; (iii) if any court determines that any of the Restrictive Covenants, or any part thereof, is invalid or unenforceable, the remainder of the Restrictive Covenants shall not thereby be affected and shall be given full effect, without regard to the invalid portions; and (iv) if any court construes any of the Restrictive Covenants, or any part thereof, to be unenforceable because of the duration of such provision or the area covered thereby, such court shall have the power to reduce the duration or area of such provision and, in its reduced form, such provision shall then be enforceable and shall be enforced. The parties intend to and hereby confer jurisdiction to enforce the Restrictive Covenants upon the courts of any jurisdiction within the geographical scope of such Restrictive Covenants. If the courts of any one or more such jurisdictions hold the Restrictive Covenants wholly unenforceable by reason of the breadth of such scope or otherwise, it is the intention of the parties that such determination not bar or in any way affect the Company's right to the relief provided above in the courts of any other jurisdiction, within the geographical scope of such Restrictive Covenants, as to breaches of such Restrictive Covenants in such other respective jurisdiction such Restrictive Covenants as they relate to each jurisdiction being, for this purpose, severable into diverse and independent covenants.

ARTICLE VIII TERM

8.1 This Agreement shall be for a term (the "Initial Term") commencing on the Effective Date and terminating on November 30, 2015 (the "Expiration Date"), unless sooner terminated upon the death of the Employee, or as otherwise provided herein.

8.2 Unless this Agreement is earlier terminated pursuant to the terms hereof, the Company and Employee shall each use their best efforts to notify the other party whether such party intends to negotiate a renewal this Agreement by written notice ninety (90) days prior to the Expiration Date. In the event (i) the

Company shall have failed to notify the Employee of its intention to renew as provided by this Section 8.2, or (ii) the Company fails to reach agreement with Employee as to the terms of a new employment agreement after providing such notice, in addition to any other payments due hereunder, upon termination of the Employee's employment on or after the Expiration Date for any reason except Cause, the Company shall pay Employee the Severance Payment.

ARTICLE IX TERMINATION

9.1 The Company may terminate this Agreement by giving a Notice of Termination to the Employee in accordance with this Agreement:

- (a) for Cause;
- (b) without Cause;
- (c) for Disability.

9.2 Employee may terminate this Agreement by giving a Notice of Termination to the Company in accordance with this Agreement, at any time, with or without Good Reason.

9.3 If the Employee's employment with the Company shall be terminated, the Company shall pay and/or provide to the Employee the following compensation and benefits in lieu of any other compensation or benefits arising under this Agreement or otherwise:

- (a) if the Employee was terminated by the Company for Cause, or the Employee terminates without Good Reason,

- (i) the Accrued Compensation;

- (b) if the Employee was terminated by the Company for Disability,

- (i) the Continuation Benefits, and

- (ii) the Accrued Compensation;

- (c) if termination was due to the Employee's death,

- (i) the Accrued Compensation; and

- (ii) the Continuation Benefits;

- (d) if the Employee was terminated by the Company without Cause, or the Employee terminates this Agreement for Good Reason,

- (i) the Accrued Compensation;

- (ii) the Severance Payment; and

- (iii) the Continuation Benefits.

9.4 The amounts payable under this Section 9, shall be paid as follows:

- (a) Accrued Compensation shall be paid within five (5) business days after the Employee's Termination Date (or earlier, if required by applicable law);

(b) If the Continuation Benefits are paid in cash, the payments shall be made on the first day of each month during the Continuation Period (or earlier, if required by applicable law);

(c) The Base Salary through the Expiration Date shall be paid in accordance with the Company's regular pay periods (or earlier, if required by applicable law).

9.5 Notwithstanding the foregoing, in the event Employee is a member of the Board of Directors on the Termination Date, the payment of any and all compensation due hereunder, except Accrued Compensation, and Employee's right to exercise any Employee Stock Option after the Termination Date, is expressly conditioned on Employee's resignation from the Board of Directors within five (5) business days of notice by the Company requesting such resignation.

9.6 The Employee shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise and no such payment shall be offset or reduced by the amount of any compensation or benefits provided to the Employee in any subsequent employment except as provided in Sections 1.4.

ARTICLE X TERMINATION OF PRIOR AGREEMENTS

10.1 This Agreement sets forth the entire agreement between the parties and supersedes all prior agreements, letters and understandings between the parties, whether oral or written prior to the effective date of this Agreement, except for the terms of employee stock option plans, restricted stock grants and option certificates (unless otherwise expressly stated herein).

ARTICLE XI STOCK OPTIONS

11.1 As an inducement to Employee to enter into this Agreement, the Company hereby grants to Employee options to purchase 75,000 shares of the Company's Common Stock, \$0.001 par value (the "Options"), subject to the terms and conditions of this Agreement, and the terms and conditions of the Company's 2006 Long Term Incentive Plan, as amended (the "Plan"), and the Stock Option Agreement, which are incorporated herein by reference. The Options shall be qualified as incentive stock options to the extent permitted by law. The Company hereby confirms that the option award granted to Employee pursuant to that certain employment agreement effective as of December 1, 2010, remains outstanding in accordance with its terms.

11.2 Provided Employee is an employee of the Company on each vesting date, and unless otherwise provided by this Agreement, the Options shall vest as follows:

(d) Options to purchase 37,500 shares shall vest on the one year anniversary of the Commencement Date; and

(e) Options to purchase 37,500 shares shall vest if the Closing Price of the Company's Common Stock equals or exceeds \$3.00 per share (as shall be adjusted to give effect to any stock splits, reverse stock splits, stock dividends, recapitalizations and other similar transactions after the Date of Grant) for ten consecutive trading days prior to 5:00 p.m., New York time on the Expiration Date.

11.3 The Options, to the extent vested, shall be exercisable for a period of ten years from the date of this Agreement (the "Exercise Period").

11.4 The Closing Price of a share of Common Stock shall mean (i) if the Common Stock is traded on a national securities exchange or on the Nasdaq Stock Market ("Nasdaq"), the per share closing price of the

Common Stock shall be the reported closing price the principal securities exchange on which they are listed or on Nasdaq, as the case may be, 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 (ii) if the Common Stock is traded in the over-the-counter market but bid quotations are not published on Nasdaq, 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; provided, however, that in the event of a Change in Control, the closing price shall be the “Change in Control Price” as defined in the Plan.

11.5 The exercise price of the Options shall be equal to Fair Market Value of the Company’s Common Stock on the Execution Date, as determined under the Plan, and shall contain such other terms and conditions as set forth in the stock option agreement. The Options provided for herein are not transferable by Employee and shall be exercised only by Employee, or by his legal representative or executor, as provided in the Plan. Such Options shall terminate as provided in the Plan, except as otherwise modified by this Agreement or the stock option agreement.

11.6 In the event of a termination of Employee’s employment with the Company:

(a) pursuant to Section 9.1(a), options granted and not exercised as of the Termination Date shall terminate immediately and be null and void;

(b) due to the Employee’s death or Disability, the Employee’s (or his estate’s or legal representative’s) right to purchase shares of Common Stock of the Company pursuant to any stock option or stock option plan, solely to the extent vested as of the Termination Date, shall remain exercisable in accordance with the Plan, but in no event after the expiration of the Exercise Period;

(c) by the Employee other than for Good Reason, Employee’s right to purchase shares of Common Stock of the Company pursuant to any stock option or stock option plan, solely to the extent vested as of the Termination Date shall remain exercisable in accordance with the Plan, but in no event after the expiration of the Exercise Period; and

(d) In the event of Employee’s termination by the Company without Cause or by Employee for Good Reason, options vested as of the Termination Date shall remain exercisable in accordance with the Plan, but in no event after the expiration of the Exercise Period (it being agreed and acknowledged that unvested options shall be void immediately upon the occurrence of such a termination event).

ARTICLE XII EXTRAORDINARY TRANSACTIONS

12.1 The Company’s Board of Directors has determined that it is appropriate to reinforce and encourage the continued attention and dedication of members of the Company’s management, including the Employee, to their assigned duties without distraction in potentially disturbing circumstances arising from the possibility of a change in control of the Company.

12.2 In the event that within one hundred eighty days (180) days of a Change of Control, (i) Employee is terminated, or (ii) Employee’s status, title, position or responsibilities are materially reduced and Employee terminates his employment, the Company shall pay and/or provide to the Employee, the following compensation and benefits:

(a) The Company shall pay the Employee, in lieu of any other payments due hereunder including the Severance Payment, (i) the Accrued Compensation; (ii) the Continuation Benefits; and (iii) as severance, Base Salary for a period of twelve (12) months payable either in one lump sum within ten (10) days of the Termination Date or according to a payment schedule agreed upon by the Company and the Employee; and

(b) Option awards granted to Employee under any of the Company's plans, which are vested as of the effective date of the termination of Employee's employment pursuant to Section 12.2 shall remain exercisable in accordance with the Plan, but in no event after the expiration of the Exercise Period (it being agreed and acknowledged that unvested options shall be void immediately upon the occurrence of such a termination event).

12.3 Notwithstanding the foregoing, if the payment under this Article XII, either alone or together with other payments which the Employee has the right to receive from the Company, would constitute an "excess parachute payment" as defined in Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), the aggregate of such credits or payments under this Agreement and other agreements shall be reduced to the largest amount as will result in no portion of such aggregate payments being subject to the excise tax imposed by Section 4999 of the Code. The priority of the reduction of excess parachute payments shall be in the discretion of the Employee. The Company shall give notice to the Employee as soon as practicable after its determination that Change of Control payments and benefits are subject to the excise tax, but no later than ten (10) days in advance of the due date of such Change of Control payments and benefits, specifying the proposed date of payment and the Change of Control benefits and payments subject to the excise tax. Employee shall exercise his option under this paragraph 12.3 by written notice to the Company within five (5) days in advance of the due date of the Change of Control payments and benefits specifying the priority of reduction of the excess parachute payments.

ARTICLE XIII SECTION 409A COMPLIANCE

13.1 To the extent applicable, it is intended that any amounts payable under this Agreement shall either be exempt from Section 409A of the Code or shall comply with Section 409A (including Treasury regulations and other published guidance related thereto) so as not to subject Employee to payment of any additional tax, penalty or interest imposed under Section 409A of the Code. The provisions of this Agreement shall be construed and interpreted to the maximum extent permitted to avoid the imputation of any such additional tax, penalty or interest under Section 409A of the Code yet preserve (to the nearest extent reasonably possible) the intended benefit payable to Employee. Notwithstanding the foregoing, the Company makes no representations regarding the tax treatment of any payments hereunder, and the Employee shall be responsible for any and all applicable taxes, other than the Company's share of employment taxes on the severance payments provided by the Agreement. Employee acknowledges that Employee has been advised to obtain independent legal, tax or other counsel in connection with Section 409A of the Code.

13.2 Notwithstanding any provisions of this Agreement to the contrary, if Employee is a "specified employee" (within the meaning of Section 409A of the Code and the regulations adopted thereunder) at the time of Employee's separation from service and if any portion of the payments or benefits to be received by Employee upon separation from service would be considered deferred compensation under Section 409A of the Code and the regulations adopted thereunder ("Nonqualified Deferred Compensation"), amounts that would otherwise be payable pursuant to this Agreement during the six-month period immediately following Employee's separation from service that constitute Nonqualified Deferred Compensation and benefits that would otherwise be provided pursuant to this Agreement during the six-month period immediately following Employee's separation from service that constitute Nonqualified Deferred Compensation will instead be paid or made available on the earlier of (i) the first business day of the seventh month following the date of Employee's separation from service and (ii) Employee's death. Notwithstanding anything in this Agreement to the contrary, distributions upon termination of Employee's employment shall be interpreted to mean Employee's "separation from service" with the Company (as determined in accordance with Section 409A of the Code and the regulations adopted thereunder). Each payment under this Agreement shall be regarded as a "separate payment" and not of a series of payments for purposes of Section 409A of the Code.

13.3 Except as otherwise specifically provided in this Agreement, if any reimbursement to which the Employee is entitled under this Agreement would constitute deferred compensation subject to Section 409A of the Code, the following additional rules shall apply: (i) the reimbursable expense must have been incurred, except as otherwise expressly provided in this Agreement, during the term of this Agreement; (ii) the amount of expenses

eligible for reimbursement during any taxable year will not affect the amount of expenses eligible for reimbursement in any other taxable year; (iii) the reimbursement shall be made as soon as practicable after Employee's submission of such expenses in accordance with the Company's policy, but in no event later than the last day of Employee's taxable year following the taxable year in which the expense was incurred; and (iv) the Employee's entitlement to reimbursement shall not be subject to liquidation or exchange for another benefit.

**ARTICLE XIV
ARBITRATION AND INDEMNIFICATION**

14.1 Any dispute arising out of the interpretation, application, and/or performance of this Agreement with the sole exception of any claim, breach, or violation arising under Articles VI or VII hereof shall be settled through final and binding arbitration before a single arbitrator in the State of Georgia in accordance with the Rules of the American Arbitration Association. The arbitrator shall be selected by the Association and shall be an attorney-at-law experienced in the field of corporate law. Any judgment upon any arbitration award may be entered in any court, federal or state, having competent jurisdiction of the parties.

14.2 The Company hereby agrees to indemnify, defend, and hold harmless the Employee for any and all claims arising from or related to his employment by the Company at any time asserted, at any place asserted, to the fullest extent permitted by law, except for claims based on Employee's fraud, deceit or willfulness. The Company shall maintain such insurance as is necessary and reasonable to protect the Employee from any and all claims arising from or in connection with his employment by the Company during the term of Employee's employment with the Company and for a period of six (6) years after the date of termination of employment for any reason. The provisions of this Section 14.2 are in addition to and not in lieu of any indemnification, defense or other benefit to which Employee may be entitled by statute, regulation, common law or otherwise.

**ARTICLE XV
SEVERABILITY**

15.1 If any provision of this Agreement shall be held invalid and unenforceable, the remainder of this Agreement shall remain in full force and effect. If any provision is held invalid or unenforceable with respect to particular circumstances, it shall remain in full force and effect in all other circumstances.

**ARTICLE XVI
NOTICE**

16.1 For the purposes of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when (a) personally delivered or (b) sent by (i) a nationally recognized overnight courier service or (ii) certified mail, return receipt requested, postage prepaid and in each case addressed to the respective addresses as set forth below or to any such other address as the party to receive the notice shall advise by due notice given in accordance with this paragraph. All notices and communications shall be deemed to have been received on (A) if delivered by personal service, the date of delivery thereof; (B) if delivered by a nationally recognized overnight courier service, on the first business day following deposit with such courier service; or (C) on the third business day after the mailing thereof via certified mail.

16.2 Notwithstanding the foregoing, any notice of change of address shall be effective only upon receipt. The current addresses of the parties are as follows:

IF TO THE COMPANY: DLH Holdings Corp.
1776 Peachtree Street, N.W.
Suite 305
Atlanta, GA 30309
Attention: Zachary C. Parker

WITH A COPY TO: Victor J. DiGioia
Becker & Poliakoff, LLP
45 Broadway
New York, NY 10006

IF TO THE EMPLOYEE: John F. Armstrong

**ARTICLE XVII
BENEFIT**

17.1 This Agreement shall inure to, and shall be binding upon, the parties hereto, the successors and assigns of the Company, and the heirs and personal representatives of the Employee. The respective rights and obligations of the parties hereunder shall survive any termination of this Agreement to the extent necessary to the intended preservation of such rights and obligations.

**ARTICLE XVIII
WAIVER**

18.1 The waiver by either party of any breach or violation of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach of construction and validity.

**ARTICLE XIX
GOVERNING LAW; JURISDICTION**

19.1 This Agreement has been negotiated and executed in the State of Georgia which shall govern its construction and validity. Any or all actions or proceedings which may be brought by the Company or Employee under this Agreement shall be brought in courts having a situs within the State of Georgia, and Employee and the Company each hereby consent to the jurisdiction of any local, state, or federal court located within the State of Georgia.

**ARTICLE XX
ENTIRE AGREEMENT**

20.1 This Agreement contains the entire agreement between the parties hereto. No change, addition, or amendment shall be made hereto, except by written agreement signed by the parties hereto.

**ARTICLE XXII
EXECUTION**

22.2 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 were an original thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement and affixed their hands and seals the day and year first above written.

DLH HOLDINGS CORP.

By: /s/ Zachary C. Parker
Zachary C. Parker,
President and Chief Executive Officer

Employee

/s/ John F. Armstrong
John F. Armstrong
Employee