



**2017 MALCOLM BALDRIGE
NATIONAL QUALITY AWARD**



Glossary of Terms and Abbreviations

A

AIAA — American Institute for Aeronautics and Astronautics, a professional organization furthering the technical development of aerospace engineers and scientists.

AOS — Available on Site.

AP — Accounts Payable

B

BOT — Business Operations Team

C

CAPE — California Award for Performance Excellence – California state level Baldrige Program

CC — Core Competency

CEO — Chief Executive Officer; our founder and owner

CFO — Chief Financial Officer

CFS — Contract financial spreadsheet, an internal tool used to monitor financial performance on contracts. The CFS is used to accumulate cost data for labor and other charges and to compare that data to planned expenditures.

COO — Chief Operating Officer; also serves as company president.

CRM — Customer Relationship Management, the overall process we use to manage our relationships with our customers.

D

DCAA — Defense Contract Audit Agency, a government agency that oversees industry contracts with the Defense Department from a financial accountability standpoint.

DOD — United States Department of Defense.

DSC — Defense Support & Cyber

E

EEOC — Equal Employment Opportunity Commission, a government agency that enforces laws that prohibit employment discrimination based on race, color, religion, sex, or national origin.

F

FAR — Federal Acquisition Regulation, the set of rules which govern industry in contracting with the U.S. government.

G

GPTW — Great Places to Work – employee surveys

GSA — General Services Administration, a federal agency that provides acquisition services for the Department of Defense and other federal organizations. GSA approves allowable billing rates for STELLAR contracts with the government.

GSFC — NASA Goddard Space Flight Center in Maryland; one of our customers in the Civil Sector.

I

IEEE — Institute of Electrical and Electronics Engineers, an international professional organization for electrical engineers.

IT — Information Technology.

ITAR — International Traffic in Arms Regulations, a set of regulations designed to protect U.S. sensitive military technologies from export to other countries.

L

LOE — Level of Effort

N

NASA — National Aeronautics and Space Administration, the federal agency whose mission is to pioneer the future in space exploration, scientific discovery and aeronautics research.

NDA — Non-Disclosure Agreement, an agreement between STELLAR and employees relative to their need to safeguard company private information.

NOAA — National Oceanic and Atmospheric Administration, the federal agency focused on the condition of the oceans and the atmosphere. NOAA's environmental satellites provide data from space to monitor the Earth including weather data.

O

OCI — Organizational Conflict of Interest, a term used in the government engineering services business to mean that companies and employees must agree to abide by specific rules relating to conflict of interest to perform a support contract to a government agency.

OSHA — Occupational Safety and Health Administration, is the main federal agency charged with the enforcement of safety and health legislation.

Q

QuakeFinder — another name for Stellar's Humanitarian R&D Division, dedicated to earthquake forecasting research.

R

R&D — Research and Development — in this case, pioneering research in the area of earthquake forecasting being performed by Stellar to develop a global earthquake warning system.

S

SLT — Senior Leadership Team

SOW — Statement of work, a document outlining the tasks to be performed on a contract between Stellar and a customer

SPI — Service Performance Insight, a research company that studies the professional services industry and has developed a professional services maturity matrix that relates processes to performance. Also creates performance comparisons and benchmarks for the professional services industry.

SPP — Stellar's Strategic Planning Process

SSAF — Stellar Solutions Aerospace France, Stellar's sister company based in the France

SSAL — Stellar Solutions Aerospace Limited, Stellar's sister company based in the UK

SWOT — Strengths, Weaknesses, Opportunities, Threats; an analysis technique for systematically understanding an organizations position relative to competitors.

Y

YTD — Year to Date

V

VMV — Vision, Mission, Values

VOC — Voice of the Customer

VP — Vice President

Table of Contents

Organizational Profile	ii
P.1 Organizational Description.....	ii
P.2 Organizational Situation.....	v
Category 1. Leadership	1
1.1 Senior Leadership.....	1
1.2 Governance and Societal Responsibilities.....	5
Category 2. Strategy.....	8
2.1 Strategy Development	8
2.2 Strategy Implementation	11
Category 3. Customers.....	14
3.1 Voice of the Customer.....	14
3.2 Customer Engagement.....	16
Category 4. Measurement, Analysis, and Knowledge Management	19
4.1 Measurement, Analysis, and Improvement of Organizational Performance.....	19
4.2 Information and Knowledge Management.....	22
Category 5. Workforce.....	24
5.1 Workforce Environment.....	24
5.2 Workforce Engagement	27
Category 6. Operations	29
6.1 Work Process.....	29
6.2 Operational Effectiveness	32
Category 7. Results	34
7.1 Product and Process Results	34
7.2 Customer-Focused Results	39
7.3 Workforce-Focused Results	40
7.4 Leadership and Governance Results	44
7.5 Financial and Market Results	47

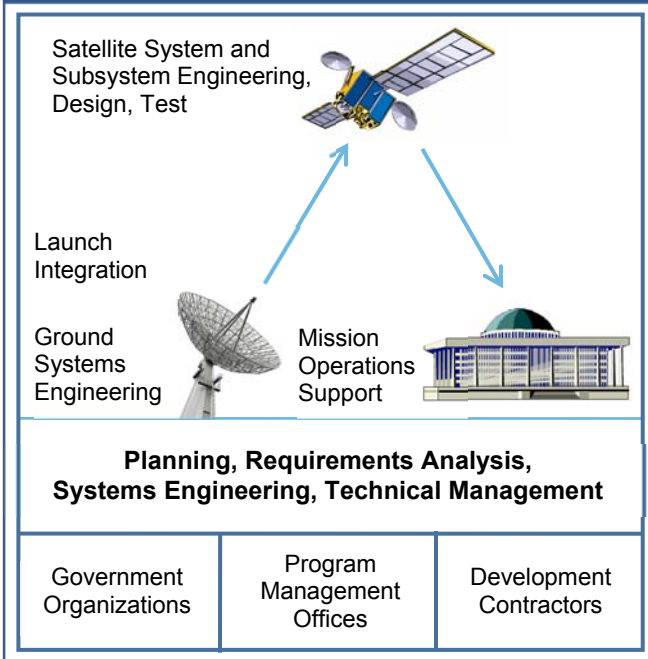
P. Organizational Profile

P.1 Organizational Description

Stellar Solutions, Inc. (Stellar) is a small, woman-owned professional engineering services business, founded in 1995 to provide technical expertise and management for significant national and international aerospace programs, supporting all phases of space systems development and operation as shown in **Figure P.1-0**. The founder had the vision to create a company that tackles only high impact projects and is not driven by growth or size. The company’s vision, from its inception, has been to **align employee dream jobs with customers’ critical needs**. This philosophy has been key to Stellar’s success, driving an efficient business model with 100% customer satisfaction and an engaged workforce whose anonymous survey responses have placed Stellar on Fortune Magazine’s “Great Place to Work” list for three years running. A few of Stellar’s key external recognitions are highlighted in **Figure P.1-1**.

Figure P.1-1 Summary of Awards	
Recognition	Year(s) Received
California Award for Performance Excellence (CAPE)	2016 (Gold) 2010 (Silver) 2008 (Bronze)
Fortune Magazine’s “Great Place to Work”: Best Small & Medium Workplaces	2016 (#6 Medium) 2015 (#6 Small) 2014 (#17 Small)
Fortune Magazine & Great Place to Work: Best Workplaces for Giving Back	2016
Fortune Magazine & Great Place to Work: Best Workplaces for Flexibility	2016
Via Satellite: Humanitarian R&D Excellence	2015
Bay Area Coolest Companies	2015
Diversity Business: Top 500 Women-Owned Businesses in the U.S.	2015, 2014, 2011, 2009
Inc. Magazine & The Principal Group: Top 10 Companies for Financial Security	2014
National Defense Industrial Association: Small Business Executive of the Year	2014
San Francisco Business Times: Forever Influential Honor Roll	2014, 2013
Ernst & Young: Entrepreneur of the Year Regional Award	2009

Figure P.1-0 Stellar Supports All Phases of Space System Development and Operations



P.1a Organizational Environment

P.1a(1) Stellar provides **high-impact** professional systems engineering and technical management services to meet the critical needs of customers and partners in the aerospace industry. Our services are primarily delivered through employees working on-site at government or commercial customer facilities, integrated directly with the customer’s team. Stellar also engages in a small number of due diligence activities each year, providing expert technical assessment to commercial customers such as insurers. In 2014, Stellar identified an

emerging customer need and added an additional service offering, taking a proactive approach to cybersecurity through military simulations and exercises delivered by some of our most expert advisors. This has proven to be an area of rapid growth to date with revenues more than doubling in its first two years. In all its offerings, shown in **Figure P.1-2**, Stellar aims to provide **high impact** services, defined as meeting critical customer needs on significant national and international programs.

Stellar requires a contract mechanism to deliver service offerings. In some cases, Stellar holds a direct contract with the customer organization. In other cases, Stellar is part of a team of contractors, and another company holds the direct contract with Stellar as a subcontractor. Either way, Stellar employees are placed in the customer organization to execute the Statements of Work (SOW) as defined in the contract. These documents are key to establishing responsibilities and roles between customers, other contractors, and Stellar.

Figure P.1-2 Main Product Offerings

Service Offering	Relative Importance to Success	Mechanism to Deliver Service
Systems Engineering, Integration and Technical Expertise	95% of Total Revenue	Contracted Service at Customer Sites
Defense Support and Cybersecurity (DSC)	5% of Total Revenue	Contracted on-site Defense Exercises
Due Diligence	<1% of Total Revenue	Contracted Expert Assessment

P.1a(2) Stellar’s Vision, Mission, and Values, (VMV) shown in **Figure P.1-3**, are focused around its customers, employees, and the community.

Figure P.1-3 Stellar Vision, Mission, and Values

VISION: *Satisfy our customers' critical needs while realizing our dream jobs.*

MISSION: *Provide high impact engineering expertise and technical management to meet the critical needs of our customers and partners so that they can deliver successful capabilities and achieve mission success.*

VALUES: *Professionalism, honesty, and integrity — do the right thing for our customers, employees and the community.*

Stellar’s **core competencies** that drive success in achieving our mission of delivering high impact services are:

CC1. Maintaining intimate relationships with our customers to keep a pulse on their most critical needs and identify the areas where we can have the highest impact.

CC2. Hiring and retaining “Stellar” employees by maintaining a high level of employee engagement, which results in a workforce that is motivated to deliver high impact services to the customer.

CC3. Aligning the dream jobs of our employees with customer critical needs so that our employees are positioned to help our customers achieve success for their mission.

In addition to our commitment to customers and employees, commitment to the community is a key component of the Stellar values system. The Stellar Solutions Foundation supports employee-driven involvement and support of local community outreach efforts. QuakeFinder, the Humanitarian Research and Development (R&D) Division of Stellar, conducts pioneering research in earthquake forecasting, with the goal to develop a global warning system.

P.1a(3) The relevant demographics for Stellar’s workforce are highlighted in **Figure P.1-4 (redacted)**.

The workforce can be considered in three segments: full-time employees (including engineers, administrative staff, and executives), part-time Stellar Advisors, and interns. Stellar’s full-time employees are fully engaged in executing Stellar’s Vision and Mission by working in their dream jobs and solving critical problems for their customers (external or internal) – whether it’s an engineer working on-site at a government facility or an accountant sitting in the Stellar corporate office. Stellar Advisors are highly experienced engineers, mostly retired from the government or aerospace industry, who provide part-time support to meet surge requirements and/or specialized expertise to solve critical problems. Stellar Advisors work on various Stellar projects at any given time to augment our team of full-time employees in delivering key service offerings to satisfy customer critical needs. Stellar also fully funds an internship program, placing interns on various programs at no cost to the customer where the students can get hands-on experience and contribute to meeting customer critical needs.

Each member of each workforce segment is assigned to one of our business sectors, and the Vice President (VP) of that sector is responsible for maintaining a relationship with their employees and an open line of communication through monthly visits. The key drivers of engagement for each segment, displayed in **Figure P.1-5**, are derived from these regular discussions between the Senior Leadership Team (SLT) and employees, as well as our employee surveys.

Figure P.1-5 Key Drivers of Workforce Engagement

	Segment	Key Engagement Factors	Results
Full-Time	Billable Engineers	• Appreciation for Good Work and Effort	7.3-11
		• Assignment and Coordination of Work	7.3-4
Part-Time / Other	Admin	• Supportive Culture	7.3-8
		• Appreciation for Good Work and Effort	7.3-11
Part-Time / Other	Stellar Advisors	• Assignment and Coordination of Work	7.3-4
		• Good benefits	7.3-6
Part-Time / Other	Interns	• Empowered and trusted to do what is best for my customer	Available on Site
		• Flexibility	Available on Site
Part-Time / Other	Interns	• Hands-on learning experience	Available on Site
		• Future career opportunities	Available on Site

Stellar’s Senior Executives and Business Operations Team make up the Administrative staff, providing leadership and operational support. The Admin staff is less than 10% of the full-time workforce and, as such, the majority of Stellar employees are engineers who are directly billable to customers. Most of our engineers have a high level of experience in the military, intelligence, commercial and/or civil aerospace sectors, and many have experience working directly for the government. The majority of our employees have over 25 years of experience in the aerospace industry.

Stellar is a non-union company. The nature of our work does not typically require any special health and safety considerations; however, in some cases our deployed engineers work around space hardware in customer facilities. In those instances, employees receive specialized training through their customers to ensure their safety.

P.1a(4) Most Stellar employees are deployed on-site at customer facilities where offices, communication systems, computers, and classified facilities are provided as appropriate. Stellar also provides each employee with a laptop computer and a cell phone to facilitate virtual connectivity throughout the company. Stellar information systems and company communications are managed via internal IT system tools. Stellar uses Microsoft SharePoint as an internal website and collaboration tool.

Stellar employees are currently deployed in five states, dictated

by customer locations and needs: California, Colorado, Maryland, New Mexico, and Virginia. To support these deployed employees and to provide offices for our administrative and executive staff, Stellar leases offices in Palo Alto, CA; Denver, CO; and Chantilly, VA. The facility in Chantilly, VA includes a secure area that allows us to conduct classified business as necessary.

P.1a(5) Stellar operates under regulations set forth by various U.S. government entities that dictate rules around Federal government contracting, government contract billing rates, financial compliance, national security, conflict of interest, occupational health and safety, and equal opportunity employment. The key applicable regulations to Stellar are outlined in **Figure P.1-6**.

Figure P.1-6 Key Regulatory Requirements		
Key Regulations / Regulating Agencies	Description / Purpose	Results
Federal Acquisition Regulations (FAR)	Rules pertaining to Federal Government contractors	7.4-7
General Services Administration (GSA)	Review and approval of Stellar's Government contract billing rates	7.4-7
Defense Contract Audit Agency (DCAA)	Audits Stellar's internal control processes and financial information for compliance with guidelines	7.4-7
International Traffic in Arms Regulations (ITAR)	Regulates transfer of goods and/or information outside of the U.S.	7.4-7
Organizational Conflict of Interest (OCI)	Sets regulations for avoidance and mitigation of conflict of interest	7.4-7
Occupational Safety and Health Administration (OSHA)	Regulates health and safety standards	7.4-7
Equal Employment Opportunity Commission (EEOC)	Regulates fair employment at Stellar	7.4-7

P.1b Organizational Relationships

P.1b(1) Stellar is a privately held corporation. The company is organized by customer sector as illustrated in the Stellar Organization Chart, with a VP leading each sector and reporting to the President/COO who in turn reports to the CEO. In addition to the sector VPs, Stellar has a VP of Business Operations who is responsible for the administrative staff and a Director of Humanitarian R&D who leads QuakeFinder, an internally funded group of engineers focused on research to forecast earthquakes. Like the other VPs, these two also report to the COO. The COO runs day-to-day operations of the Company, while the CEO and CFO provide strategic guidance and approve capital expenditures. This group of senior executives and VPs represents the Stellar SLT.

As the Company, and particularly the larger business sectors

grew, it became evident that a group of 30 or more employees was too much for one VP to manage while still maintaining customer relationships and a reasonable work-life balance, so in 2015 Stellar established a Director level of leadership to flatten the organization, described in **1.1a(1)**. With the addition of Directors reporting to the VPs, employees have more face time and personal relationships with their direct managers.

The executive leadership (CEO, CFO, and COO), supported by the VP of Business Operations, are responsible for holding each other as well as the rest of the SLT accountable for their actions, for the strategic plan, and for the Company's finances. They meet quarterly with the Board of Directors to report on the state of the business and its strategic objectives as described in **1.2a(1)**. The Board provides another layer to Stellar's internal governance system that is more removed from the day-to-day operations of the business. In addition to this internal governance system, additional transparency is achieved through adherence to the rules for operating as a Federal government contractor as described in **P.1a(5)**, as well as annual independent audits.

P.1b(2) Stellar began with four key market segments based on its four original customer groups: Intelligence, Defense, Civil, and Commercial. On the government side, Stellar works with the Intelligence Community, the Department of Defense (primarily U.S. Air Force), and the Civil Space Community (primarily NASA and NOAA). On the commercial side, Stellar has worked with a number of established commercial space systems companies, as well as new entrants to the aerospace industry. The Government Programs Sector was spun off as a subset of specific Intelligence customers in 2011, and the Defense Support and Cyber group as a subset of the Defense Sector addressing a new customer critical need in 2014 as described in **3.2a(3)**. Stellar's two largest Sectors, Intelligence and Civil, make up 80% of its business.

Stellar's key stakeholder groups are customers, employees, partners, and the community. Customers hire Stellar to help solve critical needs. Requirements for specific technical experience may vary by the particular task, but common expectations for each customer segment are highlighted in **Figure P.1-7**. Employee requirements and expectations are in line with the key drivers for workforce engagement addressed in **Figure P.1-5**. Partners, addressed in **P.1b(3)**, expect formal contractual mechanisms that define the tasks to be completed by each party. The professional community expects Stellar to be an active participant in community forums, local communities expect the Company to be a good corporate citizen, and the global community needs a reliable method to forecast earthquakes early enough to take safety precautions.

**Figure P.1-7
Key Customer and Partner Requirements**

Key Segments (% of Revenue)	Requirements	Key Performance Measures	Results
<ul style="list-style-type: none"> • Intelligence Programs and Gov't Programs (54%) • Defense Programs & DSC (16%) • Civil Programs & Commercial Programs (30%) 	Provide timely, technically accurate services	Customer Survey	7.1-2
	Fit into customer teams as flexible team players	Customer Survey	7.1-3
	Provide innovative solutions to problems	Customer Survey	7.1-4
	Ability to respond to emerging customer requirements in a timely manner	Customer Survey	7.1-5
	Provide unique knowledge or capabilities	Customer Survey	7.1-6
	Easy to do business with (communication / contracts / invoicing)	Customer Survey	7.2-3

P.1b(3) Stellar has established key partnerships with several of its competing professional technical services and space system development companies to serve its customers. When working on programs that are managed by these partner organizations, Stellar treats them as customers, providing the engineering and management talent needed to address critical program needs. These partnerships allow Stellar to deliver its key service offerings on a wider range of programs.

Stellar manages communication with partner organizations in the same way as it does with customers: Sector VPs are responsible for visiting project managers and selected senior leaders of companies we are partnered with on a monthly basis. The COO and CEO personally visit senior leaders of partner organizations on a quarterly or annual basis, depending on the level of seniority.

Stellar also partners with its sister companies, Stellar Solutions Aerospace Limited (SSAL) and Stellar Solutions Aerospace France (SSAF), to provide services for international customers. SSAL and SSAF are independent companies and are not included in this application. Stellar uses third-party suppliers for standard office product supplies, such as for computers and cell phones. We also use third-party suppliers for standard financial processes such as payroll.

P.2 Organizational Situation

P.2a Competitive Environment

P.2a(1) Stellar Solutions is a small business providing niche services in a very large (>\$100 Billion/year) professional technical services marketplace. Stellar's mission is to solve our customers' most critical needs, and as such, market share is not a meaningful measure to us. We have found that focusing on meeting customer critical needs rather than on growth or market

share has resulted in steady growth and sustainability for our business.

Stellar's ability to compete in this market depends mostly on two key factors: understanding of customer critical needs, and the ability to match the right skilled engineer(s) to meet those needs in a timely manner. Our primary competitors in this market are also our customers and partners. Our customers (government and commercial) and system development partners have the option to use in-house resources rather than hire externally, so to remain competitive Stellar must identify their critical needs and areas where they would benefit most from our expertise. We also compete with other professional technical service companies such as our partner organizations mentioned in **P.1b(3)**. Even while partnering with these companies to serve a common customer, we are indirectly competing with their employees to show our partners and customers the value that Stellar brings to the team. It is the experience and niche skills of our stellar engineers that differentiate Stellar's value. And it is our ability to hire, retain, and place the right talent to work in the right position, on the right team, at the right time in order to meet customer critical needs that keeps us competitive.

P.2a(2) There are several key changes that have been affecting Stellar's business environment and competitive position over the last several years. Financial constraints in both the Federal government and commercial space programs will constrain the number of new space development programs in the near term. Government acquisition reforms have tightened OCI rules, making it more challenging to support both government agencies and space system development contractors. In an attempt to re-build its acquisition corps, the government is also attempting to replace some of the support it now receives from professional technical services contractors with newly hired government employees (in-sourcing). ITAR regulations have made it more difficult to engage in commercial and international space systems work.

P.2a(3) Direct comparative information on our competitors is very difficult to obtain. FARs prevent obtaining direct information on cost and pricing of competitors, so Stellar must rely on anecdotal information from employees who are deployed to customer sites and working with competitors, as well as monthly customer visits by our VPs and our annual customer survey where we solicit feedback on our performance relative to other companies. Our key sources of concrete comparative data that we are able to collect and their limitations are outlined in **Figure P.2-1**.

Figure P.2-1 Comparative Data Sources		
Data Source	Data Type	Limitations
Service Performance Insight (SPI) Professional Services Maturity Benchmark	Performance Results for 5 key pillars: <ul style="list-style-type: none"> • vision, strategy & culture • finance & ops • client relationships • human capital alignment • service execution 	Surveys the broader professional services industry (consulting firms, law firms, etc.); not specific to professional technical services companies, gov't contractors or the aerospace industry
Past Baldrige Award Recipient	Various	Some are not "apples to apples" comparisons
Great Place to Work Trust Audit	Workforce Engagement & Satisfaction Measures	None
Robert Half	Compensation Data / Salary Survey	Accounting and HR
IEEE Salary Survey	Compensation Data/ Salary Survey	Engineering only

P.2b Strategic Context

Figure P.2-2 captures Stellar’s key strategic advantages and challenges, which are centered on our vision of aligning customer critical needs and employee dream jobs. It is not surprising that the advantages and challenges have significant overlap – the sustainability of our business is dependent on our continued ability to achieve the vision of the company.

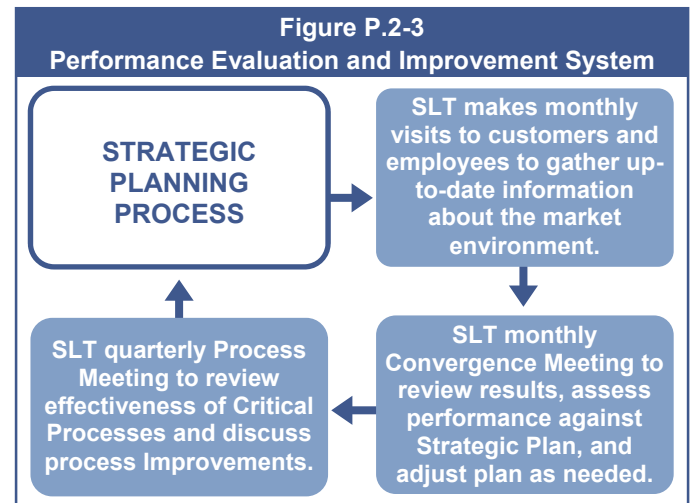
Figure P.2-2 Strategic Advantages & Challenges (Alignment with Strategic Objectives (SO))	
Strategic Advantages	
SA1: Intimate Relationships with Customers and Employees (SO3, SO4)	
SA2: Ability to attract & retain qualified people (SO1, SO2, SO4, SO5)	
SA3: Ability to match customer critical needs with employee dream jobs (SO1, SO2, SO4, SO5)	
SA4: Reputation for technical integrity (SO1, SO2, SO3, SO5)	
SA5: Ability to "cross boundaries" to bring the knowledge base of the entire company to bear on customer problems (SO1, SO2, SO4)	
SA6: Access to the Stellar Advisor pool for quick reaction to surge requirements and/or niche expertise (SO1, SO2)	
Strategic Challenges	
SC1: Ability to quickly find & hire people with the right skills & experience in the right locations to fulfill emerging customer needs (SO1, SO2, SO4)	
SC2: Differentiating Stellar from other providers of professional technical services (SO2, SO3, SO5)	
SC3: Managing challenges in our business environment such as availability of flexible contracting mechanisms, organizational conflict of interest (OCI), tight customer funding cycles, and emerging policies to in-source work to the government (SO1, SO2)	

P.2c Performance Improvement System

Because Stellar is a small business, the SLT directly and personally drives performance and process improvement activities. Stellar’s Performance Evaluation and Improvement System is illustrated in Figure P.2-3.

The Strategic Planning process is central to Stellar’s Performance Evaluation and Improvement System. As part of the SPP, the SLT annually reviews Stellar’s VMV and Strategic Objectives along with the effectiveness of the SPP itself. The SLT engages monthly with customers and employees to keep a pulse on the environment and meets monthly to share information, review performance against the SP and make adjustments to the plan going forward as needed.

Key to Stellar’s Performance Evaluation and Improvement System are monthly Convergence Meetings and quarterly Process Meetings where the SLT reviews critical business processes, evaluates the effectiveness of each process, and discusses opportunities for process improvements as described in 6.1b. Process improvements feed back into the SPP, customer and employee relationship management processes, and operational processes as the cycle continues.



In 2004, Stellar adopted the Baldrige National Quality Award Criteria as the basis for taking the company to the next level of performance excellence and building sustainability. In 2008, Stellar began participating formally in the Baldrige program and in the California Award for Performance Excellence (CAPE). Adopting the Baldrige framework and implementing the aforementioned performance and process improvement systems has helped Stellar evolve and systematically improve work processes across all business areas to ensure that it continues to provide outstanding support to customers and employees. Stellar’s key improvements made over the past decade are described in 6.1b(3).

Included in the application are the following symbols: [L] indicates points of learning and improvement and [I] signifies innovation.

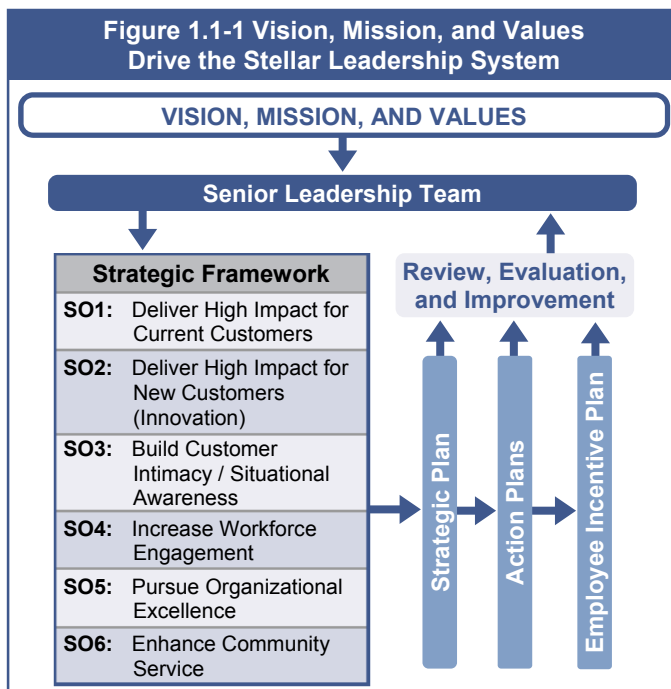
1. Leadership

1.1 Senior Leadership

1.1a Vision and Values

1.1a(1) Vision and Values: The Vision, Values, and Mission of Stellar were set upon the inception of the Company. They are the foundation upon which Stellar operates and have remained largely unchanged over the last twenty-two years. Each year, as part of the Strategic Planning Process (SPP), the Senior Leadership Team (SLT) reviews the Company Vision, Values and Mission to ensure that they are still aligned with the founding principles going into planning for the upcoming year.

The SLT deploys Stellar’s Vision, Mission, and Values (VMV) through the Leadership System illustrated in **Figure 1.1-1**. The SLT also deploys the VMV prior to hiring during candidate interviews and continuing through New Employee Orientation. The SLT uses the VMV as a guide to develop the Strategic Framework. Stellar’s six key Strategic Objectives (SO) are driven by the SLT who use this framework to evaluate Stellar’s performance with respect to the VMV. The SLT deploys the Strategic Framework to kick off the annual SPP and engages the entire workforce to develop goals and Action Plans tied to each Strategic Objective, which are then tied in to each employee’s individual incentive plan by the SLT. The SLT reviews, evaluates, and improves this Leadership System process for effectiveness and efficiency annually as the cycle restarts.



Stellar reached a tipping point when we adopted the Baldrige Criteria as a framework for performance excellence in 2004. This has had a profound impact on the way Senior Leader (SLs)

lead. It has also guided the way the SLT has refined, aligned, and innovated key processes and accelerated the improvement of key results.

The SLT has evaluated and improved its structure to better lead Stellar. **[L]** In 2004, the SLT consisted solely of the Chief Executive Officer (CEO)/Founder, the Chief Operating Officer (COO)/President, and the Chief Financial Officer (CFO). Adopting the Baldrige Criteria immediately highlighted an opportunity for a cycle of improvement in Stellar’s Leadership System by adding SLs to increase focus and action to achieve Stellar’s VMV-driven strategy in each Sector. In 2005, Stellar formalized Sector Vice President (VP) roles, successfully growing the SLT to ensure that the VMV are deployed to all employees and customers through frequent and meaningful interactions with SLs. This group of Sector VPs, along with the CEO/Founder, the COO/President, and the CFO make up the SLT as it exists today.

[L] In 2015, the SLT initiated another cycle of improvement to the Leadership System and structure by adding a layer of Leadership at a Director level. The SLT observed that the VPs of the two largest business Sectors were getting spread too thin as the number of employees and customer relationships that they were responsible for managing grew. Directors who report to the VPs were established for both of these groups to better maintain relationships and deploy Stellar’s VMV and strategy to employees and customers. This was an adjustment for Stellar as it historically has not had a typical hierarchical organizational structure, and the SLT realized quickly after implementing this change based on feedback from employees that additional explanation and training was required. The COO/President addressed the issue at the 2015 Summer Meetings, explaining that the intention was actually to flatten the organization and ensure that employees have more quality face-to-face time with their managers and to ensure that their voice would be heard by the SLT. This explanation was well received by the workforce. The SLT also initiated a training process for the new Directors that includes Baldrige training and participating in local SLT meetings. **[L]** In 2016, the SLT implemented a new bonus structure for Directors, as well, to incentivize them based on their new responsibilities.

The SLT deploys the VMV and Strategic Framework to the workforce as part of every Annual and Summer Meeting (**Figure 1.1-2**) to ensure that the entire workforce understands what is driving the Strategic Plan. The SLT’s monthly visits with both employees and customers also incorporate discussion around the VMV and Strategic Objectives. The SLT’s annual surveys and monthly visits are designed to ensure that customers and partners feel their most critical needs are being met and that employees are working toward their dream jobs – in other words, the founding Vision of Stellar. This drives our Strategic Advantage, **SA3**, which is Stellar’s ability to match employees’ dream jobs with customers’ critical needs. It is a real win-win strategy. SLs’ personal actions demonstrate their

commitment to Stellar’s Values – professionalism, honesty and integrity – every day by doing the right thing for customers, employees, and the community. In 2007, the SLT reorganized many of Stellar’s key processes around the Baldrige Framework and core principles like fact-based management. Quarterly SLT meetings were established to proactively evaluate and improve key processes, as well as monthly Convergence Meetings where SLs review progress against the Strategic Plan and proactively discuss the needs of customers and employees. Consistent with Stellar’s Value statement, the decisions made in these meetings are always made to answer the question – what is best for the customer and the employee?

Stellar deploys the VMV to suppliers through initial contract discussion and reinforces them in ongoing interactions.

1.1a(2) Promoting Legal and Ethical Behavior: SLs at Stellar demonstrate their commitment to legal and ethical behavior and serve as role models in the organization by upholding Stellar’s Values and holding employees and each other accountable. Any potential legal or ethical misconduct is reported immediately to the COO/President who steps in to handle the issue accordingly. If the issue is severe enough that it requires further intervention, it is escalated to the CEO. SLs promote an organizational environment that requires legal and

ethical behavior by leading by example, enforcing accountability for legal and ethical misconduct, and by rewarding employees for role model ethical behavior.

To evaluate whether SLs are truly demonstrating commitment to legal and ethical behavior, [L] a question was added to the customer survey in 2009 asking whether the SLT responds with high integrity to their needs. (Figure 7.4-9) There is also a question on the employee survey asking the workforce whether Senior Leaders are honest and ethical in their business practices which, along with most of the employee survey questions, are adopted from the Great Place to Work survey. (Figure 7.4-8)

1.1b Communication

1.1b Communication: The SLT communicates with and engages the workforce, customers, and partners through the Leadership Communication Processes shown in Figure 1.1-2, which describes the types of communication, the audience, frequency, and direction of the communication.

SLs encourage frank, two-way communication (↕) with employees, customers, and partners by engaging them in constant communication.

Figure 1.1-2 Leadership Communication Processes

When	How	Audience	Purpose
Annual	Employee Handbook ↓	All Employees	Comprehensive book detailing Stellar’s rules/policies/culture
	Annual Meeting ↓	Employees	Present results & Strategic Plan; team-building
	Summer Meetings ↓	Employees	Half-day SP update in each geography (VA, CO, and CA)
	Our Investment in You (OIY) ↓	All Employees	Communicating Stellar’s investment in each employee
	Strategic Plan All-Hands Meeting ↓↑	Employees	Engage employees in formulating Sectors’ strategic plans
	Employee Survey ↓↑	All Employees	Employees communicate likes and areas for improvement
	Customer Survey ↓↑	All Employees, Customers	Customers communicate likes and areas for improvement
Semi-Annual	New Employee Orientation ↓	All Employees	New employees find out everything about Stellar, including VMV
	Papers / Boundaries, etc. ↓↑	All Employees	Communication to all employees on who has achieved a high level of technical training
Quarterly	President Town Halls ↓↑	All Employees	In-person business update from President to employees at their Stellar office
	Newsletter ↓	All Employees	Communicating breaking project news
	Process Meeting ↓↑	SLT	Review process improvements, evaluate & improve critical processes
	Board Meeting ↑	Board Members	Communicating financial, customer, and project data to the BOD
Monthly	Convergence Meeting ↓↑	SLT	Performance, plan, and customer updates
	Business Ops Meeting ↓↑	Executives & Bus Ops team	Review financial statements and projections and other key Bus Ops functions (contract management, security, HR, facilities)
	Employee Visits ↓↑	All Employees	SLT and Directors meet 30 minutes with their employees
Weekly	Customer Visits ↓↑	SLT, Customers	SLT and Directors meet 30+ minutes with their customers
	President’s Staff Meeting ↓↑	SLT	VPs reporting status on projects and other business issues
Regular	Website ↓↑	All Employees, Customers	Good overview of who and what Stellar is
	Training Emails ↓↑	All Employees	All employees send a company-wide email explaining what they were trained in and why
	Shout Outs ↓↑	All Employees	Cash awards given by employees to other employees for outstanding customer service
	Hiring Needs ↓↑	All Employees	An email informing all Stellar employees that Stellar is searching for new Stellar Employees
	CEO/President Messages ↓	All Employees	Occasional industry/strategic messages from CEO and President
	One Pagers ↓↑	Customers	One-page summary detailing Stellar’s capabilities
	Legislative Papers ↑	Customers	Legislative papers written to promote and influence the interest of the aerospace industry

In addition to regular emails and phone calls, SLs visit their customers, partners, and employees face-to-face on a monthly basis. These monthly visits are an ideal venue for honest communication as they are held one-on-one between our SL and each customer and employee with whom they have built a relationship based on trust. Monthly tracking of customer and employee visits was formalized in 2007 and is one of the many metrics presented at the SLT monthly Convergence Meeting. [L] Observing that goal accomplishment for Strategic Planning goals related to winning new business were lower than the Company target, the SLT decided it was important to distinguish between current customers and potential customers as part of the visit tracking process and examine both separately to add transparency to the relationship between winning new business and visiting potential customers. [L] In another cycle of improvement in 2015, both customer and employee visits were also added as a metric in the improved bonus dashboard for the SLT.

The SLT uses the Annual Survey process to listen to the voice of customers and employees, particularly in relation to the VMV. Every fall, employee surveys are sent to all employees, and customer surveys are sent to all customers and partners. The results are compiled by the Business Operations Team (BOT) and provided to the SLT. SLs review and discuss the results at either the December or January Convergence Meeting as a special topic. Following the meetings, SLs follow up with customers or employees who have expressed any concerns or dissatisfaction to ensure that any issues are resolved quickly. SLs also evaluate, during this Convergence Meeting, whether the right questions are being asked and adjust the survey as needed for the following year. [L] The surveys have undergone several cycles of improvement through this process with questions being added or changed over the years to the point where in recent years the SLT make minimal, if any, changes.

Because Stellar operates as a largely virtual company with employees and customers spread across the country, SLs must also make use of electronic communication and social media to keep employees engaged and customers informed. Internal and external feedback helped SLs determine that Stellar’s website was due for an upgrade, so in [L] 2014 it was redesigned to look more modern and to better highlight Stellar’s value proposition, including a blog to communicate key happenings for Stellar and in the market to customers and employees. Similar communications are accomplished through Stellar’s social media pages. The SLT also use an internal company website to communicate with employees as described in 4.2a(2).

SLs use the Annual and Summer Meetings as another opportunity to encourage frank, two-way communication with employees as well as company-wide collaboration. SLs also use this as a venue to communicate key decisions and the need for organizational change, when appropriate. At the close of each SL’s presentation, there is ample time for Q&A during which employees are encouraged to share their thoughts and ask

challenging questions. [L] As the SLT evaluated the effectiveness of these meetings, they learned there was a need for more Q&A time and worked that into the agenda. Another improvement that increased employee satisfaction was when SLs decided they needed to add more time for small group discussions and mingling based on employee feedback that these are the most valuable parts of the meetings.

The SLT reinforces high performance and a customer business focus by motivating the workforce through annual incentive planning tied to the SP, as well as an ongoing spot bonus program described in 5.2a(4). This reward and recognition program, called “Shout Outs” at Stellar, rewards employees for outstanding work to meet customer critical needs.

1.1c Mission and Organizational Performance

1.1c(1) Creating an Environment for Success: Stellar’s SLs build a successful and sustainable organization by heavily investing in engaging employees and customers in the Vision to satisfy customer critical needs while realizing employee dream jobs and the Strategic Planning goals to achieve this Vision. **Figure 1.1-3** shows a summary of key tools that SLs use to create a sustainable organization.

Figure 1.1-3 Creating a Sustainable Organization	
Environmental Area	Tools used to Guide and Sustain Stellar’s Organization
Mission, Organizational Performance, Leadership, and Learning	<ul style="list-style-type: none"> • SPP • Dream Job/Critical Need Alignment • Convergence Meetings • Critical Process Reviews • Business Operations Reviews • Incentive Plans and Annual Reviews • Dream Job Worksheets • Annual and Summer Meetings • Crossing the Boundaries • Employee and SLT Training
Customer Experience and Engagement	<ul style="list-style-type: none"> • Customer & Employee Visits • Customer & Employee Surveys • SPP • Dream Job/Critical Need Alignment
Innovation and Intelligent Risk Taking, Strategic Objectives and Organizational Agility	<ul style="list-style-type: none"> • SPP • Dream Job/Critical Need Alignment • Convergence Meetings • Critical Process Reviews • Crossing the Boundaries • Employee & Customer Visits • QuakeFinder
Succession Planning and Future Leaders	<ul style="list-style-type: none"> • VMV • Annual Succession Planning • SLT Training • Annual Incentive Plan

SLs create an environment for achieving Stellar’s mission and improving organizational performance by aligning employee dream jobs with customer critical needs through the SPP and Convergence Process, using feedback from employee and customer visits, annual surveys, and the employee dream job worksheet (5.1a(2)). SLs drive performance leadership by executing this alignment to produce results and by evaluating

and improving key business processes on a quarterly basis. SLs create an environment for organizational learning by promoting company-wide knowledge sharing at the Annual and Summer Meetings and through the Crossing the Boundaries described in **4.2b(1)**. The SLT also promotes both organizational learning and learning for the workforce through Stellar's training and professional development program described in **5.2b(1)**.

SLs create an environment for innovation and intelligent risk taking by engaging all employees in the SPP and recognizing employees for identifying and executing new areas of business. SLs incentivize employees to execute the Strategic Plan, which is driven by Stellar's Strategic Objectives and promotes organizational agility through the Convergence Process described in **2.1a(1)**. [L] In a recent cycle of evaluation and improvement, we have begun providing each business sector with their own overhead budgets to help them manage intelligent risks and promote innovation.

SLs create a workforce culture that delivers positive customer experience and engagement by making visits to customer sites on a monthly basis to check in with both customers and employees and through the SPP, aligning employee dream jobs with customer critical needs.

SLs participate in an annual Succession Planning process described in **5.2b(3)** to identify and develop future organizational leaders. Baldrige training is a requirement for all members of the SLT and potential future leaders.

The SLT evaluates how effectively they lead by reviewing organizational performance and execution of the Strategic Plan during monthly Convergence Meetings, as well as through direct customer and employee feedback as to how effectively they lead through monthly visits and more formally on an annual basis through surveys.

1.1c(2) Creating Focus on Action: SLs drive a focus on action to achieve Stellar's Mission through the SPP, Convergence Meetings, monthly visits, and Performance Reviews. Stellar's inclusive SPP engages all employees. Each Sector VP holds multiple sessions with their teams to brainstorm ideas that will become the Action Plan for the upcoming year, including both goals related to maintaining outstanding performance on existing work as well as goals for innovation and intelligent risk taking in new areas of business. Between maintaining existing work and taking advantage of new opportunities, Stellar is able to achieve the Vision of all employees working in their dream jobs and solving customer critical needs.

SLs permeate this focus on action through the workforce by integrating the Strategic Plan into every employee's individual incentive plan to keep employees invested and engaged in Stellar's VMV and Strategic Objectives. [L] This aspect of the individual bonus plan was originally a subjective measure as to whether an employee contributed to the success of the Strategic

Plan, so in 2007 SLs initiated a cycle of improvement and began requiring that each individual incentive plan have a specific Strategic Planning goal written in. From 2007 until 2015, we used many of the questions from customer and employee satisfaction surveys to develop our internal brand and create our culture. When we achieved those desired outcomes, we were able to streamline our process. [L] The individual incentive planning process underwent a second cycle of improvement in 2015 when it was simplified again to make it more objectively measurable and to focus on what is truly important to the Company – the Strategic Plan and the VMV. These cycles of learning have improved employee engagement in Stellar's focus on action.

Senior Leaders create a focus on achieving innovation and intelligent risk by offering additional incentives for achieving Sector and/or business goals and objectives by identifying candidates and bringing them into the Company and closing on contract opportunities. We also provide public recognition at Annual and Summer Meetings.

To identify needed actions, SLs are in constant communication with one another in Stellar's dynamic work environment. The President/COO holds weekly staff meetings with all of the VPs to keep everyone on the same page and coordinate anything that requires immediate action. The SLT also identifies needed actions through the monthly Convergence Meetings described in **2.1a(1)**.

In line with Stellar's Vision, SLs set high standards for organizational performance with respect to creating value for customers in solving their critical needs and helping employees find their dream jobs. Expectations for organizational performance with respect to size, market share or financial metrics are based on what it takes to be successful and sustainable in the industry. Stellar is a small business with niche expertise and for most of its history, despite experiencing healthy organic growth, has not pushed financial or growth goals as a part of the SPP.

In recent years, however, there have been budget cuts to many Government contracts, which make up a large portion of Stellar's business. On many of these contracts, Stellar is a subcontractor, which is a position that is vulnerable to workshare cuts. So for the first time in Stellar's history, in 2014 Stellar set a growth goal to become a bigger player in the industry, able to win more Prime contracts, and protect its workshare.

The idea of a growth goal was presented by the SLT to employees at the Annual Meeting as a call to action – if each person sitting in the room that day helped bring on just one more Stellar employee in the next five years that goal would be reached. The SLT's call to action engaged and motivated employees and saw immediate success, winning a new prime contract in the Intelligence Sector at the end of 2015 and

another in 2016.

Senior Leaders demonstrate personal accountability for the organization’s actions through their own incentive plans that are tied to achieving the strategic objectives. They communicate about the progress against those objectives with transparency at the Summer Meetings, and whether the objectives were achieved at the Annual Meeting. At the Annual Meeting, SLs also discuss the progress made to date on the newly developed strategic objectives.

1.2 Governance and Societal Responsibilities

1.2a Organizational Governance

1.2a(1) Governance System: Stellar has several governance methods to ensure accountability in key areas of our business including SLT actions, the Strategic Plan, finance and operations. The methods for governing these key areas are summarized in **Figure 1.2-1**.

Figure 1.2-1 Governance System	
Key Factors	Methods
Senior Leaders’ Actions	<ul style="list-style-type: none"> • Strategic Plan • Performance Review • Code of Conduct and Ethics • Monthly Convergence Meeting • Quarterly Board Meeting
Strategic Plan	<ul style="list-style-type: none"> • Dream Job Worksheet • Annual Meeting • Summer Meeting • Monthly Convergence Meeting
Fiscal Accountability	<ul style="list-style-type: none"> • Annual Outside Audit Review • External Tax Preparation • Internal Controls • Lending Institution Review
Transparency in Operations	<ul style="list-style-type: none"> • Monthly Convergence Meeting • Business Operations Review • Critical Process Review
Board Members	<ul style="list-style-type: none"> • Board of family members • Quarterly Board Meetings
Audit Effectiveness	<ul style="list-style-type: none"> • Signed Audit Letter every year • Signed GSA Audit every year • ITAR Plan • OCI Policy/Plan
Shareholder’ Interests Protection	<ul style="list-style-type: none"> • Owners are CEO and CFO to Protect Personal Interests • All Family Members are on the Board • Board Meeting every quarter
Succession Planning	<ul style="list-style-type: none"> • Annual Succession Planning • Additional Responsibilities Given

Senior Leaders are held accountable for their actions through monthly Convergence Meetings, quarterly Board Meetings, and annual performance reviews. Accountability for the Strategic Plan is driven by the Convergence Process and the Annual and Summer Meetings where business results and progress against

the Strategic Plan are reviewed by the entire workforce, as well as at the Board level on a quarterly basis.

To ensure fiscal accountability, Stellar holds Business Ops meetings with the CEO, CFO, President/COO and key members of the Finance team to review monthly financial statements, key financial metrics and to ensure that the business is fiscally responsible. Externally, Stellar has financial audits and external tax preparation to ensure accountability.

Stellar operates with complete transparency, communicating important business results and decisions with the entire workforce at the Annual and Summer Meetings and to the Board at quarterly Board Meetings. The Board, like all Stellar employees, is accountable for upholding Stellar’s VMV.

Audits are another external source of governance for Stellar. Every year we undergo financial audits and a GSA (General Services Administration) audit. Stellar is also accountable to external regulations such as ITAR (International Traffic in Arms Regulations) and OCI (Organizational Conflict of Interest).

Stellar’s shareholder interests are protected by holding the SLT accountable for organizational performance and execution of the Strategic Plan. The President/COO meets quarterly with the Board of Directors to present the results from the prior quarter, essentially summarizing the outcome of the monthly SLT meetings. The President/COO briefs the Board on these topics, the general state of the business, the strategic focus for next quarter, and any other key issues offering complete transparency into the operation of the Company. This gives the Board a chance to hold the SLT accountable and protect shareholder interests by weighing in on important issues – for example, approving the budget for the upcoming year at the Q4 board meeting. In addition, shareholders’ interests are protected through the SLT’s participation in Vistage, a professionally facilitated peer group of executives that offer an objective perspective on issues facing the organization.

Stellar’s Succession Planning process described in **5.2a(3)** is also integrated into our governance system. In addition to one-on-one discussions with their VP about their career path and training plan and being given additional responsibilities, employees who are part of the succession plan are asked to participate in the monthly Convergence Meeting when it is held in their geographical region (twice a year) if possible given their work schedule and demands of their external customer.

1.2a(2) Performance Evaluation: Senior Leaders’ performance is evaluated as part of the incentive planning process. Sector leadership roles were formalized in 2005 at which point a new bonus plan was developed for Senior Leaders that rewards them for strong leadership and performance results in their Sector (or in the case of executives, the entire business), tying their compensation directly to their

performance evaluation. [L] The template and process of the SLT incentive plans was improved in 2015 by simplifying to focus on a handful of measures that Stellar believes are the most important focus areas for Senior Leaders. Each measure is now a specific, fact-based metric, and the template includes a dashboard that is updated monthly so that SLs can see how they are progressing against their targets and where there is room to improve their effectiveness as leaders. This has greatly improved transparency for the SLT with respect to their performance evaluation and has also significantly reduced the workload on the Finance team at the end of the year in calculating bonus payments.

While the dollar amount tied to their bonus is kept private for each SL, the metrics that feed into their bonus plans are the same across each Sector and reviewed as part of the monthly Convergence Meeting so that the entire SLT is held accountable for how they are doing against their targets. The bonus of the President/COO is built upon a roll up of all of the Sectors, so his bonus is dependent on his ability to help the SLT succeed.

[L] As a result of feedback from our CAPE application, we have developed a Board training package for members who are not SLs that was implemented in Q2 2017.

1.2b Legal and Ethical Behavior

1.2b(1) Legal and Regulatory Compliance: Stellar anticipates and addresses potential public concerns with its operations by gathering information from employees and customers through SLT monthly visits and maintaining situational awareness of the market and industry environment, particularly with respect to U.S. Government regulations. Potential public concerns are addressed by the SLT through the SPP and monthly Convergence Meetings.

Stellar preemptively addresses any potential adverse societal impacts of its operations and anticipates public concerns with future operations through the SPP. Situational awareness and employee and customer insight are taken into account in the process and plans designed to ensure legal, ethical and regulatory compliance. Processes and Action Plans are also designed to be agile and adaptable to meet changing legal and societal requirements and to prepare for societal impacts and public concerns proactively.

As a government contractor, Stellar is held to the legal and regulatory requirements shown in **Figure 1.2-2**. Stellar’s key compliance process is to be proactive with respect to meeting all of these requirements by performing internal reviews to ensure compliance. These guidelines are deployed across Stellar as applicable. The Code of Ethics is reviewed with all employees at New Employee Orientation and is always accessible via the Employee Handbook, which is periodically updated and sent to all employees. Stellar also has required annual training for all employees on International Traffic in

Arms Regulations (ITAR) and Organizational Conflict of Interest (OCI). Some employees are also required to have annual training on Federal Acquisition Regulations (FAR). Keeping all employees up-to-date with their understanding of Stellar’s legal and regulatory compliance requirements helps us stay ahead of any potential issues or public concerns.

Figure 1.2-2 Compliance

Key Compliance Process	Measure	Goal	Results
Federal Acquisition Regulations (FAR)	Number of FAR Findings / Citations	0	7.4-7
General Services Administration (GSA)	Number of GSA Audit Findings	0	7.4-7
Defense Contract Audit Agency (DCAA)	Number of DCAA Audit Findings	0	7.4-7
International Traffic in Arms (ITAR)	Number of ITAR Citations	0	7.4-7
Organizational Conflict of Interest (OCI)	Number of OCI Findings	0	7.4-7
Occupational Safety and Health Administration (OSHA)	Numbering of OSHA Findings	0	7.4-7
Equal Employment Opportunity (EEOC)	Number of EEOC Findings	0%	7.4-7
Code of Ethics	Management Ethics Survey	100%	7.4-7

1.2b(2) Ethical Behavior: Ethical behavior is promoted in all interactions as a fundamental value at Stellar. Stellar’s key process for promoting ethical behavior in all interactions is to introduce Stellar’s Values – Professionalism, Honesty, and Integrity – as part of New Employee Orientation and make it clear that employees are expected not only to abide by these values but to hold each other and the SLT accountable for demonstrating these values as well, reporting any potential ethical discretions to their manager or directly to the President/COO. The key principle of ethical behavior in all interactions is simple and is also introduced at Orientation; “When in doubt, ask yourself, am I doing what’s best for my customer, my fellow employees, and/or the community?”

Ethical behavior throughout the organization and in interactions with customers and employees is also measured through annual customer and employee surveys. Customers are asked to score the ability of Stellar’s SLT to respond with high integrity to their needs. The Employee Survey, which has evolved to be very similar to the Great Place to Work Survey, asks a series of questions about the integrity and credibility of the SLT including whether Management is honest and ethical in its business practices.

The SLT proactively monitors and responds to breaches of ethical behavior as part of their monthly visits with employees and customers. Any issues that are raised are dealt with

immediately by the SLT and escalated as necessary. The frequency of these check-ins enables the SLT to deal with any issues or potential issues before they become difficult to manage.

1.2c Societal Responsibilities

1.2c(1) Societal Well-Being: Doing the right thing for the community is a key component of Stellar’s value system – equal in importance to doing the right thing for customers and employees. Societal well-being and benefit is an important part of Stellar’s Strategic Framework (SO6), which drives the SPP and daily operations.

One of the most far-reaching ways in which Stellar looks out for societal well-being is through its Humanitarian Research & Development (R&D) division, QuakeFinder, which was formed in 2000 with the mission to save lives by forecasting earthquakes. Stellar continues to sponsor QuakeFinder as it works toward developing a global warning system of imminent destructive earthquakes to help people prepare for these disasters and thereby ultimately save lives.

QuakeFinder is a perfect example of how Stellar’s Vision of helping every employee realize their dream job and the Strategic Objective of community support can lead to exciting, high-impact results. A senior aerospace engineer at Stellar became passionate about earthquake research in 1989 when the Loma Prieta earthquake caused heart-wrenching human casualties and massive property damage in the San Francisco Bay Area. He connected with professors at Stanford University who were conducting research for the US Navy with electromagnetic instruments in the area that appeared to show predictive electromagnetic signals up to two weeks in advance of the seismic event. He was doggedly determined to pursue this line of research and eventually brought the idea to Celeste, the Founder and CEO of Stellar. In 2000, Stellar provided the funding to initiate an educational outreach project for Bay Area schools. This initial effort involved educating and engaging local high school science teachers and their students to build a network of ground sensors that monitor electromagnetic signals in the Bay Area. The promising results from this initial project inspired Celeste and Stellar to devote expert engineering talent and funding to establish a more sophisticated and widespread network of sensors, and so QuakeFinder was born.

QuakeFinder now operates an extensive worldwide network of instruments, the largest network of its kind, monitoring ultra-low frequency electromagnetic emissions in earthquake-prone regions including California, Peru, Taiwan, Greece, Chile, and Indonesia. [H] Stellar and QuakeFinder have taken huge leaps toward their vision of a reliable method of earthquake prediction and were recognized for their efforts with the White House Office of Science and Technology Policy (OSTP) Open Science Award in 2013, and the Via Satellite Conference Humanitarian Award in 2015. The program was most recently

featured by the Stanford School of Engineering. Demonstrating the relationships QuakeFinder has built with the communities where it has monitoring equipment, local residents offer their own land to host the instruments and will even reset the devices if needed.

1.2c(2) Community Support: In addition to QuakeFinder’s efforts to contribute to the global community by developing an early warning system for earthquakes, Stellar actively supports its other key communities – local communities where employees can get involved and the aerospace community at large – through the key support objectives listed in **Fig. 1.2-3**.

Figure 1.2-3 Key Community Support

Community Support System	Objective / Purpose
Local Support	<ul style="list-style-type: none"> • Enhance Stellar employees’ local community by donating to the charity of their choice • Improve their local community by donating their time and talents
Aerospace Support	Contributing to the Aerospace industry’s interest by donating to the AIAA and by sponsoring the annual NASA Goddard dinner
Global Support	World-wide humanitarian effort providing significant R&D resources with the goal of saving lives by forecasting earthquakes

Since Stellar’s employees are dispersed across six states and onsite at client organizations, we learned that a central model of community support was not as effective as we wanted; therefore, [I] in 2006 as part of our Strategic Plan, we created an innovative distributed community support process where Stellar identifies its key local communities as all of the areas where employees live and have the opportunity to give back to causes that they are passionate about. To further incentivize employees to get involved in their local communities, every employee has community involvement written into their bonus plan.

The workforce is also empowered to contribute to community support initiatives that they are passionate about. Stellar’s compensation package includes an annual financial contribution for each employee to the charitable cause of their choice through the Stellar Foundation. Each year we evaluate the effectiveness of this community support process and related key metrics, and have confirmed it best meets our community support Strategic Objective # 6. [L] We have also added anniversary Foundation incentives for individuals at their 10-, 15-, and 20-year milestones with additional contributions made to their personal charities of choice. We have 100 percent participation by our employees in using the contribution to the charity of their choice.

To highlight the ways in which Stellar has helped improve local communities as a whole, a slideshow presentation is given every year at the Annual Meetings displaying logos of charities that were donated to and photos of employees giving back to

their communities – for instance with their boy scout troop or building houses.

Another key community that Stellar supports is the aerospace community. Employees are encouraged to get involved at aerospace conferences and are given supplemental bonuses for writing papers or participating on a panel at a conference. Stellar also pays for a corporate membership for the American Institute of Aeronautics and Astronautics (AIAA) and sponsors the annual NASA Goddard dinner.

2. Strategy

2.1 Strategy Development

2.1a Strategy Development Process

2.1a(1) Strategic Planning Process: Stellar conducts Strategic Planning from both a top-down and bottoms-up perspective, with the SLT engaging all employees in planning for the future of the business. The Strategic Planning Process (SPP) is outlined in **Figure 2.1-1**. Going into the SPP each year, the SLT evaluates the effectiveness and efficiency of the SPP over the past year and makes any needed improvements. This evaluation and improvement takes place in the Process Meetings described in **6.1a(3)**. To start off the annual SPP, the SLT discusses the current state of the internal and external environment and sets high-level Strategic Objectives for the coming year as a special topic at the August Convergence Meeting. The President/COO then officially kicks off the SPP with an email to all employees with a summary of these SLT discussions and a list of questions for employees to start thinking about going into the process.

In early fall, each Sector VP holds a series of Strategic Plan All-Hands Meetings with their groups to share responses to the questionnaire, discuss the current market and customer environment, perform a SWOT analysis, and start to develop the Strategic Plan for the coming year. The three key elements of the SP that are developed in these meetings are how to maintain current business and continue satisfying the critical needs of current customers (SO1), new contracts, business areas, or customer sets on the near-term horizon that we can break into this year (SO2), and situational awareness of opportunities on the longer-term horizon (SO3).

The VPs use the intel and ideas from their All-Hands Meetings to put together a draft Strategic Plan for their Sector which they present to the executive leadership for approval in early November. The entire SLT is present for the SP Executive Review which allows for collaboration across Sectors as well.

Feedback and ideas from this meeting are then incorporated and the Strategic Plan finalized. The final Strategic Plan breaks down into specific goals for maintaining or adding to existing workshare and for adding new business, which drives the

financial budgeting process for the upcoming year. Throughout the month of December, the Sector VPs meet with all of their employees to evaluate them against their individual incentive plan from the prior year and to create their plan for the coming year, which will be tied to these specific goals from the SP.

The Strategic Plan is briefed to all employees at the Annual Meeting, which is typically held in February or March. The Annual Meeting is an opportunity for the entire Company to gather together and share ideas across Sectors. The Strategic Plan has to be dynamic and adaptable throughout the year as the environment changes, so opportunities to collaborate and brainstorm as a group are extremely valuable.

The Summer Meetings, held in July or August in Stellar's three major geographies (CA, CO, and VA), are another opportunity to get the workforce together to review progress against the SP, brainstorm ideas on how to execute on goals for the remainder of the year, and to start thinking about the SP for the upcoming year.

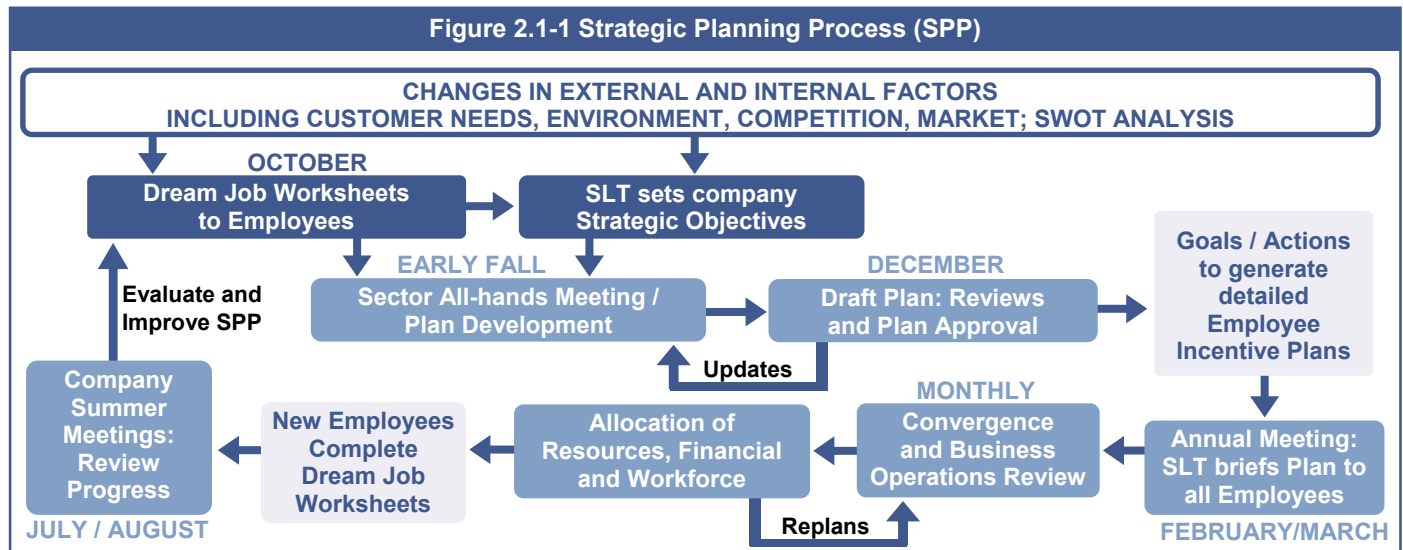
In addition to these company-wide events, the SLT meets on a monthly basis to review performance metrics against the Strategic Plan, share knowledge from their Sector's employees and customers, and adapt the Strategic Plan as needed. At Stellar, this ongoing monthly process is called Convergence. The Convergence Process and Meetings are structured around Stellar's key Strategic Objectives that drive the SP. Each VP takes turns briefing how their Sector is doing against their SP, covering current business (SO1), new business and innovation opportunities (SO2) and situational awareness (SO3).

The meeting agenda then focuses the discussion to accomplishment of workforce strategic objectives and action plans (SO4) and a review of organizational performance metrics (SO5).

Above all, the main purpose of the Convergence Process is to address the potential need for transformational change and prioritization of changing initiatives and organizational agility and flexibility by adapting the Strategic Plan as needed to align employees and their dream jobs with critical customer needs. Stellar operates in a very dynamic environment, making it critical to proactively adapt to changes in order to be successful. Prior to each Convergence Meeting, each VP submits a "replan" to the Business Operations Team (BOT), which is one way to manage workforce capacity (**5.1a(1)**) as it may include current employees moving between projects, new employees being brought on, new hires to backfill retiring employees, new business opportunities that have arisen, or removing previous goals that are no longer a key initiative of the SP. These inputs are used to update the financial forecast and create metrics and updated plans for review during the meeting. During the meeting, the VPs collaborate across Sectors as well. For example, if the Commercial VP is looking for a candidate with a specific skill set for a new opportunity,

the Civil VP might recommend one of his employees who would be a great fit for that new role and ready to make a move that might help them find their dream job. This monthly process is the key to Stellar’s ability to remain agile, adaptable and

flexible in an ever-changing business environment while managing capacity, which is essential to providing excellent customer service and to our financial success.



2.1a(2) Innovation: Stellar’s strategic development process stimulates and incorporates innovation by involving all employees in the SPP and encouraging new and innovative ideas during the Strategic Plan All-Hands Meetings described in 2.1a(1). Stellar relies on its employees along with the SLT to identify strategic opportunities and bring innovative ideas to the table as part of the SPP as they are on the front lines with our customers, experiencing first-hand the industry environment and witnessing new opportunities as they arise. The SLT works with employees to flesh out these ideas and determine which strategic opportunities are intelligent risks worth pursuing. The first key to determining if a strategic opportunity is an intelligent risk is whether it has an internal champion, which can be any Stellar employee or member of the SLT who truly believes in it and is willing to commit their time to pursuing the opportunity.

Another important factor is customer relationships. In Stellar’s business, relationships are key and having a customer advocate is critical to success. As long as an internal Stellar advocate and external customer advocate can be identified, no idea is off limits. Innovative ideas that come out of the SPP are often included in the SP and, as with all SP goals, progress is measured throughout the year. Through each cycle, the goals are reevaluated and either remain part of the plan, or are removed if they no longer appear to be a key strategic opportunity or an intelligent risk.

Two of Stellar’s most recent key Strategic Opportunities that emerged from this process as examples of intelligent risk are in New Space and Defense Support & Cyber. The aerospace industry has seen a lot of change in recent years with tech companies like Space X and Google entering the market. These

new entrants to Commercial Space are taking a new approach and attempting to make the production and launch of satellites more efficient and accessible than it has ever been in history. This is an important strategic opportunity for Stellar to be a part of the new wave of space and to provide insight and expertise from years of experience in the industry. Stellar has worked with Google’s subsidiary Terra Bella (formerly SkyBox Imaging) and won its first big New Space contract at the end of 2015 with OneWeb to help them create a constellation of satellites that will make affordable internet access possible all over the world. Stellar played a significant role contributing to the success of OneWeb in 2016.

Stellar’s Defense Support & Cyber (DSC) group is another example of executing on a key strategic opportunity and taking an intelligent risk. [H] In 2014, as part of the SPP, one of Stellar’s employees identified an innovative potential new business area: taking a preventative approach to cybersecurity. Cybersecurity as we know it is primarily reactive, responding to incidents and trying to minimize damage. At Stellar, the DSC group works with clients to set up preventative measures and run simulations or tabletop exercises to test resilience and strengthen protection. This idea gained immediate traction with customers, so Stellar spun it off from the DoD Sector and named the employee who presented the original idea as VP of the DSC group, which has experienced rapid growth since its inception.

Other areas of innovation or new Stellar offerings are being evaluated and assessed for risk. These include Operations Research, Continuity and Critical Infrastructure Protection, Collaboration Cells, Smart Transportation, and Wildfire Detection. These are new offerings that were initially vetted

through the SPP SO2 and SO3 processes, and now we are investing resources to determine a market/customer for them.

2.1a(3) Strategy Considerations: Stellar collects and analyzes relevant data and develops information for the SPP through SLT monthly customer and employee visits and through employee insights shared at Strategic Plan All-Hands Meetings. Stellar relies on its entire workforce to collect relevant data for the SPP as they have the unique perspective of working directly with customers. As part of the SPP kickoff, an email is sent to Stellar’s company-wide email distribution, “Stellar All,” by the President/COO. Employees are asked a series of questions about their perception of the work environment and potential opportunities or challenges, an example of which is shown in **Figure 2.1-2**.

Figure 2.1-2 Internal Questionnaire for Employees
Focus on changes in trends and environments from last year and then answer:
How does that impact our strategy?
Focus on what worked and what didn't work over the past year. Why didn't it work? Why did it work? What are the lessons learned to bring forward?
What major trends/events may significantly affect the customer's future: structure, mission, scope, resources, and influence?
What are the funding levels over the next several years? Is funding increasing or decreasing? Where and why?
What new programs do you expect over the next 3 years? Funding level?
Why does the customer buy from Stellar? What does Stellar provide to the customers? Why will they continue to buy from Stellar?

Employees participate in the Strategic Plan All-Hands Meetings prepared to answer these questions. Each Sector does a deep dive on potential market and customer opportunities and performs an analysis of strengths, weaknesses, opportunities and threats (SWOT) during these meetings.

Information that feeds the SPP is largely gathered through intimate customer and employee relationships (SA1) and aimed at finding opportunities that will match customer critical needs with employee dream jobs (SA3). The collection and analysis of data also takes advantage of Stellar’s ability to “cross the boundaries” and bring the knowledge base of the entire company to bear (SA5) as all employees are invited to participate in the strategic planning sessions of all Sectors in addition to just their own.

Part of this process of data collection and analysis is also to identify and assess risks to the organization’s future success by gathering situational awareness information which can include potential changes in the regulatory environment, changes to customer needs or funding, new market opportunities, and

potential blind spots in the SPP and information.

Stellar also collects and analyzes data to track its ability to execute the Strategic Plan as part of the monthly Convergence Process. The collection, analysis, and presentation of this data for Convergence Meetings is one of the key functions of the BOT. All of these elements that comprise considerations during our SPP provide a systematic process for addressing the inherent risks in our industry.

2.1a(4) Work Systems and Core Competencies: We decide which key processes will be accomplished internally and which will be accomplished by external suppliers and partners during the SPP when we evaluate the processes against the following criteria: (1) Does the process leverage a core competency? (2) Is it key to our VMV? (3) Does it provide unique value to our customers? (4) Are we the most efficient provider of that process? Stellar’s key processes described in **6.1a(2)** are accomplished internally because they meet all of these criteria.

In contrast, we have outsourced some of our support processes where we do not have the requisite core competency, such as payroll. Because of that along with the strict government requirements in this area, outsourcing this process provides a more cost-effective solution that also minimizes risks.

Our work system is providing solutions to customers’ critical needs within the aerospace industry. Work system decisions are also directly in line with Stellar’s core competencies: maintaining intimate relationships with customers to keep a pulse on their most critical needs (CC1), attracting, hiring and retaining “Stellar” employees by keeping them engaged and working toward their dream jobs (CC2), and matching the dream jobs of employees to customer critical needs to ensure success in accomplishing plans (CC3). Making decisions to identify customer needs and aligning them with employee dream jobs directly facilitates the accomplishment of Stellar’s Strategic Objectives. Identifying and solving customer critical needs leads to success on current work, winning new business, and staying ahead of long-term opportunities (SO1, SO2, SO3), while helping employees work toward their dream jobs creates a satisfied workforce (SO4). Aligning customer critical needs with employee dream jobs leads to organizational success and sustainability (SO5).

Future organizational core competencies and work systems are determined through review by the SLT as part of the SPP. As Stellar’s core competencies and work systems are completely driven by the Stellar Vision, they do not often shift significantly.

2.1b Strategic Objectives

2.1b(1) Key Strategic Objectives: Stellar's key Strategic Objectives are described in **Figure 2.2-1**, including the timetable of their short- and long- term action plans and their key goals and projected targets. Key changes to products/services, customers and markets are described in **2.1a(2)**; New Space (new customer/market) and Defense Support & Cyber (new product/service and new customer/market). Stellar does not currently have any key changes to suppliers, partners or operations planned.

2.1b(2) Strategic Objective Considerations: Stellar's Strategic Objectives are designed to address and balance the key needs of the organization to realize the Mission, Vision and Value statements of the business. SO1, SO2 and SO3 require the SLT to balance their time and conversations with customers between short- and long- term opportunities to determine where they should focus their energy. Having employees working at customer sites and providing additional insight is immensely helpful in balancing these strategic objectives. SO4 (workforce) is balanced with SO1, SO2, SO3 (customers) by leveraging Stellar's Core Competency of aligning employee dream jobs with customer critical needs. SO5, which is our Strategic Objective for strong and sustainable organizational performance, is largely a product of success in the four preceding Strategic Objectives. SO6 is simply a commitment to the community, which works in tandem with all of the other Strategic Objectives to benefit customers, employees, the business, and the world.

SO1, SO2, and SO3 leverage Stellar's CC1 of maintaining intimate relationships with customers to keep a pulse on their most critical needs and identify the areas where we can have the highest impact.

SO1, SO2, SO4, and SO6 leverage Stellar's CC2 of hiring and retaining motivated employees who can deliver high impact services for customers and who live Stellar's values including commitment to the community.

SO1, SO2, SO3, SO4, and SO5 leverage CC3, Stellar's ability to align employee dream jobs with customer critical needs to deliver high impact service on existing and new work, keep employees engaged, and ultimately achieve organizational excellence. **Figure 2.2-1** shows the relationship between

Stellar's Strategic Objectives and the Strategic Advantages and Strategic Challenges identified in our SPP and described in the Organizational Profile, **Figure P.2-2**.

2.2 Strategy Implementation

2.2a Action Plan Development and Deployment

2.2a(1) Action Plans: As part of the SPP, SLs identify themselves as owners of each of the Strategic Objectives. They identify needed resources (budget and staff), establish milestones, measures for monitoring progress, and the timeline for accomplishment of the goal, which are developed as the Action Plans. They also include longer-term targets tied to situational awareness and long-term performance goals. Stellar's short- and long-term Action Plans as they relate to the Strategic Objectives are shown in **Figure 2.2-1**.

2.2a(2) Action Plan Implementation: The Action Plans that are created as an output of the SPP are briefed to the entire workforce at the Annual Meeting. Progress against these goals is then reviewed again with all employees at the Summer Meetings to ensure that key outcomes are reached by the end of the year.

In more detail, Action Plans that are relevant to an employee's job and work environment are reviewed on a one-on-one basis as VPs make their monthly employee visits. Specific goals that are part of the Action Plan are included in each and every employee's individual incentive plan as described in **5.2a(4)**, and their progress against their individual goals is a topic of discussion during monthly employee visits through the end of the year and final bonus plan evaluation.

2.2a(3) Resource Allocation: At Stellar, our primary resource is our workforce; therefore, proper allocation of the workforce is critical to financial viability and achievement of Action Plans, since revenue and margin as well as most Action Plan goals are tied directly to employees working on customer critical needs. Allocating resources to align employee dream jobs with customer critical needs is central to the monthly Convergence Process. A current employee may be a perfect fit for a new project that is part of the Action Plan, in which case, it may be best for them to move to said project and for Stellar to hire someone new to fill their previous position. There is a constant shuffling of personnel in Stellar's operating plan in order to keep up with the dynamic environment and to find the best fit for every employee and every customer to accomplish the Stellar Vision.

From a financial budgeting perspective, Stellar hedges the forecast based on historical goal accomplishment. So even if Stellar does not reach all of its goals for the year, which is likely the case especially with new business which can be particularly difficult to break into, there is a plan in place with enough cushion to ensure financial viability.

Figure 2.2-1 Stellar Strategic Goals and Objectives

Strategic Goals and Objectives, SC/SA	Action Plans: ST = Short-term, LT = Long-term, HR = Human Resources (workforce plans)	Action Plan Requirements / Measures	Established Goals/	Projections *Stellar vs Benchmark	Timeline	Results
SO 1 / Goal 1: Deliver High Impact for Current Customers (right size, right scope) SC 1,3 • SA 2,3,4,5,6 • CC 1,2,3	ST – Meet customer critical needs ST – Satisfy customers ST – SLT monthly visits LT – Maintain/Grow current business HR – Continue VP monthly visits HR – Provide employees with training they need to meet customer needs	Customer Survey – Critical Needs	4.0 (very satisfied)	=	Annual	7.1-1, 7.1-2, 7.1-5, 7.1-6
		Customer Survey – Satisfaction	100%	+	Annual	7.2-1
		Customer Survey – Satisfaction with Monthly Visits	4.0 (very satisfied)	NA	Annual Survey/ Monthly Visits	7.2-6, 7.3-10
		Goal 1 Accomplishment vs. Plan	redacted	+	Annual	7.4-13
		Training Hours	40 hours/year per employee	+	Annual	7.3-17, 7.3-18
SO 2 / Goal 2: Deliver High Impact for New Customers (Innovation) SC 1,2,3 • SA 2,3,4,5,6 • CC 1,2,3	ST – Meet customer critical needs LT – Grow revenue by winning new business LT – Win new business LT – Provide innovative solutions for customers	Customer Survey – Critical Needs	4.0 (very satisfied)	+	Annual	7.1-1
		Revenue Growth	redacted	+	Monthly	7.5-1, 7.5-2
		Goal 2 Accomplishment vs. Plan	redacted	+	Annual	7.4-14
		Customer Survey – Provides Innovative Solutions	4.0 (very satisfied)	+	Annual	7.1-4
SO 3 / Goal 3: Build Customer Intimacy / Situational Awareness (inform the way ahead) SC 2 • SA 1,4 • CC 1,3	ST – SLT monthly visits LT – Grow revenue by having situational awareness to maintain current work and win new business for the future LT – Build customer intimacy/engagement and loyalty to Stellar	Customer Survey – Satisfaction with Monthly Visits	4.0 (very satisfied)	+	Annual Survey/ Monthly Visits	7.2-6
		Revenue Growth	redacted	+	Monthly	7.5-1, 7.5-2
		Customer Survey – Recommend Stellar	100%	+	Annual	7.2-5
SO 4 / Goal 4: Increase Workforce Engagement (attract & retain key players) SC 1 • SA 1,2,3,5 • CC 2,3	HR – Listen to employees and help them find their dream jobs HR – Drive employee satisfaction HR – Drive employee engagement and loyalty to Stellar	Employee Survey – Dream Job	80% - 100%	+	Annual	7.3-15
		Employee Survey – Satisfaction / Great Place to Work	96% (GPTW benchmark)	+	Biannual	7.3-12
		Employee Survey – Recommend Stellar	100%	+	Annual	7.3-13
SO 5 / Goal 5: Pursue Organizational Excellence (scale smartly) SC 2 • SA 2,3,4 • CC 3	ST – Quarterly Process Reviews LT – Increase workforce utilization LT- Increase key performance measures and indicators – Revenue, Billable Employees, Profitability & Revenue from New Markets HR – Baldrige training for SLT	SLT meet qtrly to review processes and associated metrics	Positive review of all processes with green (best) score of ADLI	NA	Quarterly	NA - process template/ scorecard
		% Utilization of Workforce	redacted	+	Monthly	7.3-1
		Revenue, Billable Employees, Profitability	Set during SPP	+	Monthly	7.5-1, 7.5-2, 7.5-3, 7.5-4, 7.5-5
		Local Baldrige Training	Completed by all SLT	NA	One time	NA
SO 6 / Goal 6: Enhance Community Support (local, aerospace & global) SC • SA • CC 2	ST – Support employees giving back to their local communities LT – Contribute to the Aerospace Community LT – Contribute to the Global Community by developing an early warning system for earthquakes	% Participation in Foundation	100%	+	Annual	7.4-10, 7.4-11, 7.4-12
		Investment in Aerospace Community	redacted	+	Annual	7.4-11
		Investment in QuakeFinder	redacted	+	Annual	7.4-11

SC = Strategic Challenge SA = Strategic Advantage CC = Core Competency * + = Advantage - = Disadvantage = Parity

2.2a(4) Workforce Plans: In addition to workforce allocation orchestrated by the SLT to manage workforce capability and capacity in support of strategic objectives and action plans as described in the previous section, employees are worked with on an individual basis to support short- and long- term strategic objectives and Action Plans. VPs work closely with their employees as part of the incentive planning process to develop training plans that will help meet capability needs.

Stellar also manages capability and capacity needs through its hiring process, bringing on candidates with the right skill sets and experience to meet emerging customer requirements, particularly for new work or business areas that might be outside of the workforce’s usual scope of expertise. For example, over the past two years since Stellar’s new Defense Support and Cyber (DSC) group began in 2014, they have brought on nearly 30 new Stellar Advisors with a breadth and depth of experience to satisfy the needs of our new DSC customers.

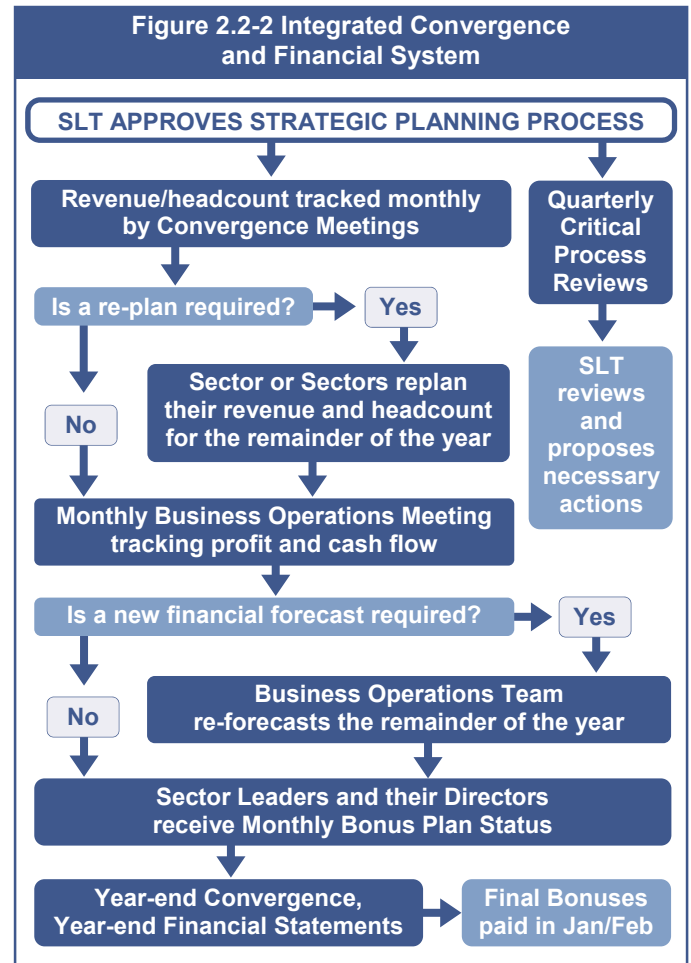
Discussion of potential changes and employee development plans are a part of Sector VPs’ monthly employee visits. Sector VPs work with their employees to make sure that they are aligning the employee’s dream job and career goals with workforce capability and capacity needs to the best of their ability. Employees’ jobs are tied directly to Stellar’s Action Plans so it is important that they be active members in the SPP. Since employees help create Action Plans, they’re fully aware of the potential impacts plans might have on their work.

2.2a(5) Performance Measures: Achievement and effectiveness of Action Plans are tracked and measured as part of the monthly Convergence Process. Each Action Plan goal has a time-based Level of Effort (LOE) assigned to it and a corresponding Revenue amount based on the final output of the SPP. This makes it very straightforward to objectively measure success against each goal by tracking LOE and Revenue throughout the year. Longer-term goals and higher level situational awareness are tracked more subjectively with Sector VPs reporting a monthly status; however, there are concrete 3-year targets tied to those as well. Customer and Employee Visits are also tracked as part of the Convergence Process as those are key to achieving organizational alignment of employee dream jobs to customer critical needs.

2.2a(6) Performance Projections: Our projections are based on our organization’s analysis of extrapolations of our current trends. If we detect gaps between our projected performance and the projected performance of relevant comparisons, we first determine if there are differences in the environments in which we operate. In some cases, the gaps are expected. However, if we believe we have an apples-to-apples comparison, we establish an action plan to close the gap. Projections for key performance measures for each Stellar Strategic Objective against the projections of relevant comparisons (where available) are shown in **Figure 2.2-1**.

2.2b Action Plan Modification

Stellar establishes and implements modified Action Plans, or “replans” as we call them, through the Integrated Convergence and Financial System depicted in **Figure 2.2-2**.



The output of the SPP is a near- and long-term Action Plan that is approved by the SLT and the Board. That Action Plan is tracked and reviewed on a monthly basis through Stellar’s Convergence Process. Each month, the SLT evaluates any changing circumstances and shifts plans as needed creating a re-plan. If a re-plan is required, it is incorporated into the forecast (impacts revenue and direct costs) and presentation for the Convergence Meeting. The SLT reviews the re-plan during the Convergence Meetings and collaborates on how to best execute the new plans so that they are prepared to take action immediately.

The updated forecast is reviewed during monthly Business Operations Meetings where the components of the forecast that are not driven by staffing plans such as overhead costs are reviewed and updated as needed. Metrics from Convergence and Financial metrics are used to update the bonus dashboard for each member of the SLT to show their progress to date. The bonus dashboards are reviewed by senior executives during the

Business Operations Meeting and then shared with the rest of the SLT so that they can see how they are tracking against their targets. At the end of the year, final Convergence and Financial metrics are calculated, and bonuses are paid out as the cycle begins again with the new Strategic Plan. A common type of replan is when the SPP called for support on a new project, but the project was subsequently delayed due to funding or a change in government priorities. In that case, we need to modify the original action plan to identify the next priority project to pursue in lieu of the original project.

Simultaneously, as part of the Convergence and Financial System, Stellar’s critical processes are reviewed by the SLT on a quarterly basis, and any improvements are immediately integrated into Stellar’s operations and the Convergence Process.

[L] The main ways action plans are implemented is through the Convergence Process. Through evaluation in 2014, it was determined that the Action Plan implementation and Convergence Process were becoming too cumbersome and time-consuming, both for SLT in providing their inputs and replans, and for the BOT in preparing the presentation. The Convergence Meeting presentation was revamped to include only the most important metrics, and the inputs for the SLT

were simplified and reduced. Stellar also implemented a new forecasting tool to improve timeliness and accuracy of forecast changes. These improvements resulted in great reductions in cycle time and freed up more time for the SLT to focus on efficiently implementing modified Action Plans. (See Figures 7.1-9 through 7.1-13) Another improvement to the Integrated Convergence and Financial System was the implementation of the new SLT bonus dashboards described in 1.2a(2).

3. Customers

3.1 Voice of the Customer

3.1a Customer Listening

3.1a(1) Current Customers: Stellar listens to, interacts with, and observes to obtain actionable information from our customers and partners through the various methods described in Figure 3.1-1, which shows the frequency, purpose and key work processes related to each communication. These methods of communication are consistent across all Sectors and, customers and partners with the addition of administrative visits performed by the BOT with contracting officers to negotiate and/or manage contracts and security officers to manage security.

Figure 3.1-1 Listening and Learning Methods

Access/Support Mechanism	Purpose and Communications Shared	Work Processes	Sectors / Functional Areas
Customer Feedback – Regular Visits			
Monthly Sector VP Visits	Gather data on current/future customer needs and company performance and help build the brand	<ul style="list-style-type: none"> Customer Relationship Management (CRM) New Business Capture Strategic Planning 	All Sectors
Employee On-site Visits	Immediate feedback on project status and current & future customer needs	<ul style="list-style-type: none"> CRM New Business Capture 	<ul style="list-style-type: none"> All Sectors (& All Employees)
Administrative Visits	Establish relationships and understand changes in contract policies, build the brand	<ul style="list-style-type: none"> Contract Management Accounting/Finance 	Contracts
Security Officer Visits	Establish relationship with peer security officials and stay abreast of policy changes	Security Administration	Security
CEO and COO Visits	Peer visits with senior leaders for overall business situational awareness and building the brand	<ul style="list-style-type: none"> Situational Awareness Strategic Planning 	Senior Leadership
Customer Feedback – Formal Customer Surveys			
Annual Survey	Feedback on performance/quality, services, ease of business, and comparison with competitors	CRM	<ul style="list-style-type: none"> All Sectors Functional Areas
Former Customer Survey	Feedback on performance/quality, services, ease of business, and comparison with competitors	CRM	<ul style="list-style-type: none"> All Sectors Functional Areas
Informal Exchanges			
Industry Conferences and Trade Forums	Corporate visibility and customer awareness of our services and industry breadth	New Business Capture	All Sectors
Marketing Literature	Company capability briefings, services offered, and building the brand	New Business Capture	All Sectors
Phone Conversations	Interaction with customers & partners for real time feedback and problem solving	<ul style="list-style-type: none"> CRM New Business Capture Accounting/Finance 	<ul style="list-style-type: none"> All Sectors Functional Areas Senior leadership
Email	Stimulate value-added correspondence with customers and partners, gather feedback, address issues, pass capability information	<ul style="list-style-type: none"> CRM New Business Capture 	<ul style="list-style-type: none"> All Sectors Administrative
Web Interface			
Applicants	Candidate employees and screening	Hiring Stellar	Administrative
Business Inquiries	New business opportunities, general interest, and marketing the brand	New Business Capture	All Sectors

Though it is not a primary method of communication, Stellar uses social media and web-based technologies to stay in tune with customers to some degree by keeping up with relevant industry news, blogs, and the websites and social media pages of customers and partners.

Customer listening methods are centered on constant communication through visits and informal conversations over phone, email or at conferences targeted to identify critical needs throughout the entire customer lifecycle. For prospective customers and partners or current customers/partners with new projects, listening is geared toward identifying where Stellar may be able to have high impact in their organization and obtaining actionable feedback on how to get a contract vehicle in place to execute important work. For existing customers and partners, communication is intended to ensure that Stellar is meeting their critical needs on the current project, identify areas where they might need additional support, and – as the contract period comes to a close – discussing opportunities for follow-on work that can be acted upon. For existing customers, Stellar also uses SLT employee visits as a channel for listening from the employees who work on site with the customer on a daily basis, listening to their needs, interacting, and observing.

The annual customer survey is another key method of listening for current customers and partners as it provides clear, actionable feedback in a more formal and structured way. [L] The customer survey has been through several cycles of evaluation and improvement to ensure that Stellar is able to collect important and actionable information from customers and partners. In 2007, the survey was restructured to ask customers which attributes of Stellar are most important to them, followed up with how satisfied they are with each attribute and how Stellar compares to others in that area. In 2015, the survey was amended again to listen to customers as to which Stellar differentiators (Crossing the Boundaries/ Knowledge Sharing, Intern Program, Congressional Interface, Humanitarian R&D, etc.) they perceive as adding value.

3.1a(2) Potential Customers: Stellar listens to potential customers and partners to obtain actionable information through monthly customer visits, emails and/or phone calls, as well as through informal interactions at conferences or trade forums. Actionable information is gathered from former customers in the same way and with the addition of the customer survey.

[L] Based on feedback from our CAPE application, we identified an opportunity to develop and implement a systematic process for obtaining actionable information from former customers. At the time a contract is terminated (for completion or for cause), that customer receives the same survey they would have received as part of our annual survey process. In another cycle of evaluation and improvement, we identified that sometimes a customer becomes a “former” customer when the primary contact on the customer’s side

transitions to another project and a new primary contact is established. We also ask the initial primary contact from that customer to complete the same survey they would have received as part of the annual survey process.

3.1b Determination of Customer Satisfaction and Engagement

3.1b(1) Satisfaction, Dissatisfaction, and Engagement: Customer satisfaction, dissatisfaction, and engagement are determined informally through interactions with employees and the SLT and formally through the customer survey process. The customer survey directly asks customers and partners to rate their satisfaction with Stellar. To measure customer engagement, the survey asks whether they would recommend Stellar to others (Figure 7.2-5) and whether they get value out of monthly SLT visits (Figure 7.2-6). Customer engagement is also assessed through follow-on work to previous projects with previous customers. These measurements of satisfaction, dissatisfaction, and engagement are consistent across all customers and partners in all of Stellar’s market segments. (Figure 7.2-4).

These measures of satisfaction, dissatisfaction, and engagement allow Stellar to gauge where we stand with respect to exceeding customers’ expectations and securing long-term engagement. The results are reviewed by the SLT who then take action to follow up with any customers in the rare case that they are not fully satisfied or engaged. SLs analyze responses to open-ended questions to gather additional actionable information from customers and follow up with customers who express any concerns. In addition to the annual survey cycle, the SLT visits customers monthly to check in, informally assess customer satisfaction, and address any concerns immediately using the Complaint Management Process described in 3.2b(2).

3.1b(2) Satisfaction Relative to Competitors: Stellar obtains information on customers’ satisfaction relative to other organizations through the annual customer survey. Stellar operates in a niche market and, as such, there are only a small number of other organizations that provide similar services, all of whom are both competitors and potential partners for Stellar. Thus, questions that address competitors apply to all organizations in this niche market space. Stellar’s customer survey asks customers how Stellar compares to other engineering services firms overall, as well as with respect to each attribute that customers have identified as important as described in 3.1a(1). Comparison to competitors has been included in Stellar’s customer surveys since its inception as it provides information that is critical to maintaining business in a competitive environment. However, as noted in P.2a(3), we are unable to get customer satisfaction with specific competitors from our government customers.

3.2 Customer Engagement

3.2a Product Offerings and Customer Support

3.2a(1) Product Offerings: Stellar determines its offerings by interacting with customers and observing the market to identify critical needs that can be solved with our expertise. The identification and assessment of opportunities to provide engineering services is shown in **Figure 3.1-2**, which highlights what goes into Stellar’s business capture process.



Stellar determines customer and market needs and requirements through monthly visits, which include both interactions that directly address customer needs as well as those that discuss the broader market space and situational awareness. SLs and employees also attend relevant conferences and industry forums to network with customers and other players in the industry and gain insight into customer and market needs.

Stellar identifies the requirements and needs of existing

customers and markets through monthly visits with customers and employees on site. These conversations are geared toward identifying critical needs and discussing how Stellar can adapt its services to fit those needs. Often that requires identifying a candidate with a particular skill set, internal to Stellar or a potential new hire, to meet the new requirements and solve more critical needs. It may also mean bringing on a specific skill set on a part-time basis or brief period, in which case Stellar would implement the use of its Advisors.

To enter new markets and attract new customers, Stellar makes use of information gathered from current customers and partners, potential customers and partners, and employees through visits and attendance at conferences and industry forums to identify areas where we could adapt our service offerings to meet new critical needs. Stellar has found that identifying key relationships and connections into new market or business areas is vital to success. Stellar builds strong relationships with current customers through monthly visits at the SLT level and constant interactions at the employee level to expand those relationships and identify opportunities for growth in existing business areas. [I] An example of a new service for both existing and new customers is our Defense Support and Cyber (DSC) offering. As described in **2.1a(2)**, our DSC group was created in 2014 to provide this new service which experienced immediate traction with revenues doubling in 2014 and again in 2016 (**Figure 7.5-6**).

3.2a(2) Customer Support: Stellar enables customers to seek information and support through the VOC methods described in **Figure 3.1-1**, particularly through monthly customer visits. Current customers are able to seek information and support on a daily basis from the Stellar employees who are on site with them working their project, or by reaching out to their SLT point of contact at any time. That member of the SLT also makes monthly visits to both current customers and potential new customers to provide information and support as needed. Potential customers who we have not yet engaged with can learn more about Stellar by visiting our website and using the contact page to reach out to us with any further questions. Stellar’s website was upgraded through the cycle of improvement described in **3.2b(1)** to make information more accessible. Potential customers who reach out to us expressing interest in doing business with Stellar are added to our customer database and become part of the monthly visit cycle.

Customers are also supported by Stellar’s Business Operations Team (BOT) who enables them to do business with us. Stellar’s Director of Contract Management maintains relationships with customers’ Contracting Officers and is supported by the Accounting staff who takes care of customer invoicing. Stellar’s Director of Security works closely with Stellar employees and with customers’ Security Officers to ensure security requirements are met. Communication is often done over the phone or via email.

[L] This process was evaluated and improved in tandem with the SLT Customer Relationship Management Process described in 3.2b(1), and in 2016 we implemented a requirement for the Director of Contracts and Director of Security to make face-to-face visits at least once per year with each of their customer counterparts to further build and maintain relationships and to ensure that customers feel Stellar is easy and efficient to do business with. Ease of doing business is one of the attributes that customers are asked to assess the importance of and rank their satisfaction with Stellar overall and in relation to competitors (Figure 7.2-2). These BOT practices are consistent across all customer groups and market segments, though the security requirements tend to be stricter in the government space than in commercial.

Stellar proactively determines customers' key support requirements through visits and through feedback from the annual customer survey. For new proposals, we also typically receive specific requirements from potential customers through a formal Request for Proposal (RFP). In all cases, requirements – technical, contractual, financial or otherwise – are deployed to all people and processes involved through SLT meetings, employee visits and/or staff meetings, and Business Operations Meetings.

One of Stellar's philosophies is "delivery of services at the speed of need." What may be unique to our culture is that we apply this philosophy to internal as well as external customers. For instance, IT, Accounting, etc. view internal customers' needs as critical as those of our external customers in terms of responsiveness.

3.2a(3) Customer Segmentation: Stellar determines customer groups and market segments based on the focus and organizational structure of its customers. Stellar began with four key market segments - Intelligence, Defense, Civil and Commercial – and established its own organizational structure to mirror that. Stellar also considers customer and partner groups in terms of how we do business: government customers (95% of revenue) whom we engage with GSA contracts, or commercial customers (5% of revenue) who are engaged with commercial contracts or statements of work, and partners who can either be prime on a contract that Stellar is subcontracted to or a subcontractor on one of Stellar's prime contracts.

Stellar uses information on customers, markets and potential offerings gathered through employee and customer visits to identify and anticipate shifts in customer groups and market segments. [L] For example, in 2011 a small group of employees working on a project in the Intelligence Sector identified their customer group as a specific subset of the Intelligence group with unique requirements and objectives. Stellar spun off this set of government agencies identifying them as a new, unique customer group, creating a new Sector, still closely tied to the Intelligence Sector, called Government Programs. Similarly, in 2014 an employee in the Defense Sector identified an

opportunity for a new product offering for a subset of Defense customers that was also an area of potential growth into new markets, and the Defense Support and Cyber (DSC) group was spun off from the Defense Sector as described in the Organizational Profile.

In the government space, there is a lot of overlap between Stellar's customers and our competitors' customers as there are only a handful of engineering services companies that the government outsources to. Government agencies that Stellar is not in business with are viewed as areas of opportunity and diversification within the government space. Commercial companies tend to keep most of their systems engineering work in house, making our competitors and potential customers one and the same. For customers in the commercial space, it is all about getting a foot in the door to prove Stellar's value to the customer. (Figure 7.5-6)

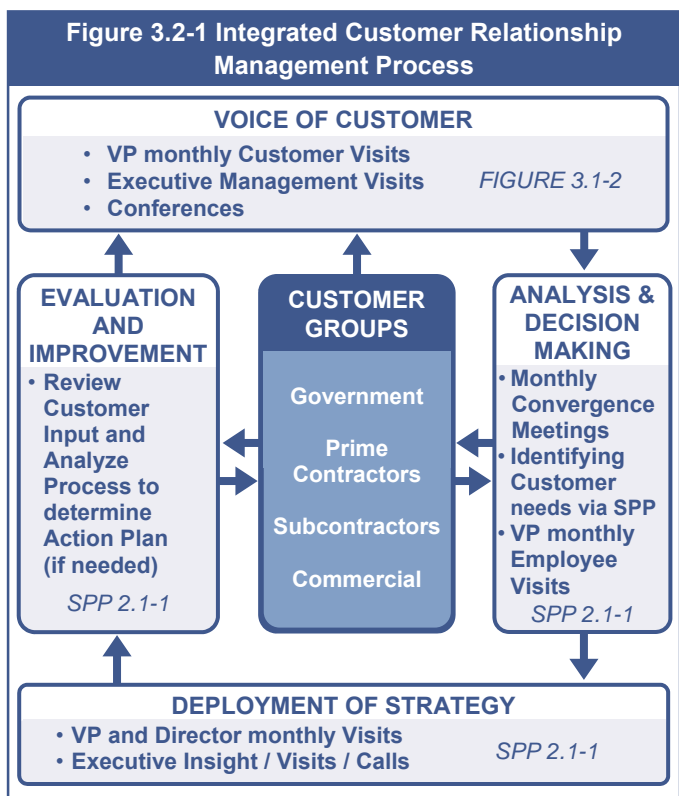
Stellar determines which customers, customer groups and market segments to emphasize and pursue for business growth as part of the SPP. Stellar empowers employees to participate in the SPP and encourages ideas for new areas of business. The key to determining which are worth pursuing is whether the opportunity has an advocate internal to Stellar, whether it is an employee or a member of the SLT, who is willing to dedicate time to build relationships and break into the new business area.

The next step is identifying a customer champion and building a customer relationship through monthly visits. Longer-term opportunities are tracked as situational awareness. Near-term opportunities or former long-term opportunities that have become more tangible are included in the staffing plan for the year. In either case, the Action Plans related to new opportunities are tracked through the Convergence Process.

3.2b Customer Relationships

3.2b(1) Relationship Management: Stellar's Integrated Customer Relationship Management Process is illustrated in Figure 3.2-1 on the next page. Stellar builds and manages customer relationships through constant communication both at the employee level and the SLT level through monthly visits to engage customers. The voice of the customer feeds into the SPP and decision making processes helping to identify and solve customer critical needs.

New customers are acquired by making connections through existing customers, employees, or at industry conferences or forums. Any potential customers identified through those venues are added to our customer database and the appropriate Sector VP begins making monthly visits to build and maintain a relationship. Acquiring new customers in this manner, and growing business with existing customers with whom we already have a relationship, both lead to a revenue increase.



The most important way in which Stellar **enhances its brand image** is by ensuring that employees who are deployed at customer sites are representing Stellar in a positive way. The Annual and Summer Meetings as well as monthly employee visits are opportunities to impress that upon the workforce and ensure that they are enhancing the Stellar brand image.

We also **manage our image** by keeping our website fresh and up to date. [L] The Stellar website went through a complete rebuild in 2014 to rebrand us as a modern company whose history is in legacy aerospace but whose expertise can apply to new space, cybersecurity, project management and other areas as well. Stellar also has also created several one-pagers to describe different aspects of what we do that can be handed out in customer meetings or conferences or sent to prospective customers via email. These marketing materials were redesigned in 2016 to mirror the new website and again rebrand Stellar as a relevant player in the new era of aerospace and technology.

Stellar builds strong relationships with customers to **retain** their business and communicates constantly to ensure that their requirements are met and expectations exceeded at each stage of the customer lifecycle and/or project as well as to increase their engagement with Stellar. At the beginning of the relationship with the customer’s RFP, we have ongoing dialogue to ensure that we understand their needs and expectations. After the contract is awarded, we continue to build their engagement through our monthly meetings and on-site support, as well as an annual survey to ensure that we are

meeting their needs. At the end of a contract, we use the same customer survey to continue building the relationship. The work processes around managing positive customer relationships and engagement are described in **Figure 3.2-2**.

Figure 3.2-2 Ensuring Positive Customer Experience

Work Process/ Action	Features	Benefit to Positive Customer Experience and Engagement
Alignment: Hiring employees and matching “Dream Job”	Employees are hired not just for technical skills but also for desire and targeted for projects & roles that are aligned with their “dream jobs”	Employees that love their work have an inherent interest in producing high quality work for our customers
Strategic Planning	Includes goals for maintaining the satisfaction of our current customers	Alignment of Stellar’s goals with customer goals helps foster deeper relationships
Customer Relationship Management (CRM)	Sector VPs, CEO, COO, and key administrative staff meet with our customers up and down their organization	Maximizes engagement by ensuring that our customers are “listened to” to understand their needs. Letting them know we believe they’re important also builds loyalty.
Employee Relationship Management (ERM)	Overwhelming aspect of employee bonus plans is “Customer Satisfaction” through goal attainment, routine visits, and customer surveys	Employees are accountable for ensuring our customers’ needs are met
ERM (Spot Bonuses)	Workforce recognition and rewards for exceeding customers’ expectations	Motivates employees to excel and engages workforce in a positive way
CRM (Summer Internships)	College-level engineering interns are provided free of charge to our customers and mentored by Stellar staff	Free engineering help is welcomed by customers and demonstrates our commitment to them. Also helps mitigate the industry issue of a graying workforce
Situational Awareness (Congressional Advocacy)	Stellar meets with elected officials to educate and exert influence for programs and issues of mutual concern to our customers	Stellar demonstrates its commitment as a strategic partner and helps to keep key customer programs on track and funded

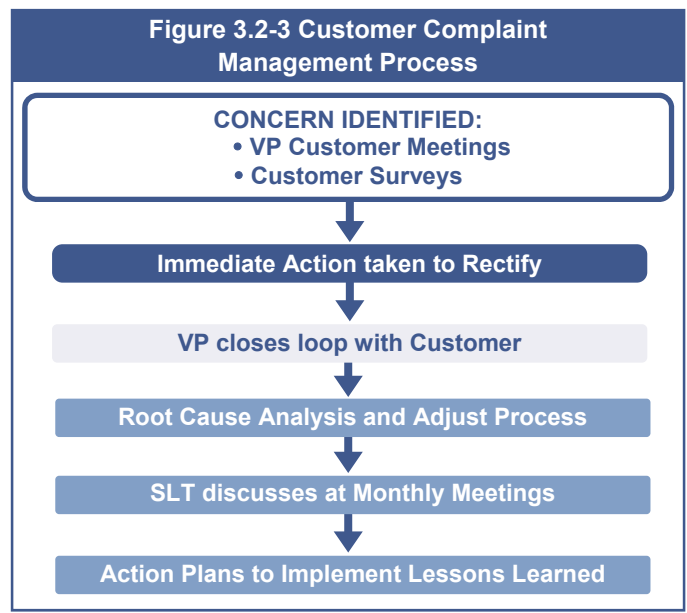
As described in **1.1b(1)**, tracking of customer visits was improved as part of the monthly Convergence Process in 2007. As part of this process improvement, we began compiling lists of customers that each Sector VP should be visiting and maintaining a relationship. Originally, each Sector VP maintained their own list and reported whether they visited each customer face-to-face or had a non-face-to-face conversation on a monthly basis.

[L] As the SLT evaluated the process of maintaining customer information for easy and accessible communication, they found that there were multiple lists and incorrect contact information

between the members of the SLT and the BOT, making it difficult to do something as simple as send out the customer surveys to current customers or send out the annual holiday card to the appropriate customers. They also found that reporting just whether SLs made a visit was lacking in capturing the content of the visits and status of customer relationships. To improve the Customer Relationship Management Process, the SLT and BOT embarked on a process improvement journey in 2015. In early 2016, all up-to-date customer information was gathered from the SLT, vetted, and centralized in a master database owned by the BOT. The second phase of this process improvement was implementing Salesforce software to store all of this information in a centralized place to which the entire SLT and some members of the BOT have access to ensure that all information is kept up to date and to add capabilities to track the content of visits, opportunities as they relate to customers, and information about customers such that any member of the SLT could look at the customer file and pick up where another member of the SLT left off. The implementation was completed at the end of Q2 of 2016 and has been fully deployed.

While social media is not a widely used venue of communication for a majority of our government customers, Stellar does maintain a LinkedIn page, Facebook page, and a company blog on the Stellar website for the potential benefit of some government customers, commercial customers, employees and prospective employees, and to enhance the Stellar brand.

3.2b(2) Complaint Management: Figure 3.2-3 illustrates Stellar’s customer Complaint Management Process. Stellar’s SLT works hard to maintain relationships with customers and remain in constant communication such that most issues and/or complaints can be foreseen and dealt with proactively.



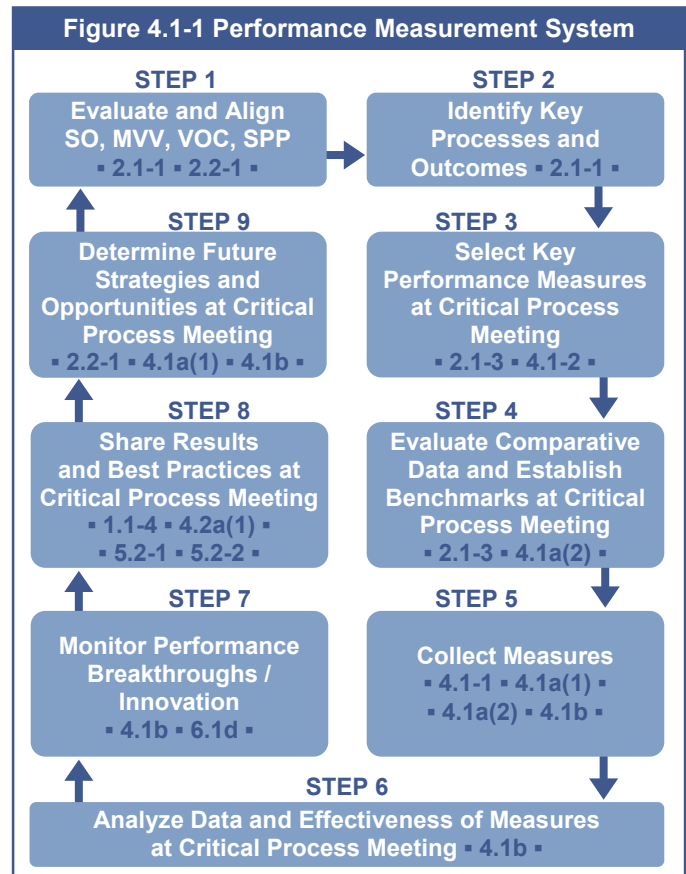
Once a concern is identified or a complaint voiced by the customer, immediate action is taken by the SLT to rectify the situation. The entire SLT is made aware of any issues as part of a weekly staff meeting or monthly Convergence Meeting depending on timing, and additional members of the SLT may be brought in to help resolve the situation. The appropriate member of the SLT closes the loop with the customer to ensure that the situation is resolved. The SLT then regroups to perform a root cause analysis and determine if there are potential issues among other customers that need to be addressed. These follow-up actions enable Stellar to regain customers’ confidence, enhance their satisfaction and engagement, and avoid similar complaints in the future. This process is effective as shown in Figures 7.2-1, 7.2-2, and 7.2-5.

4. Measurement, Analysis, and Knowledge Management

4.1 Measurement, Analysis, and Improvement of Organizational Performance

4.1a Performance Measures

4.1a(1) Performance Measures: Stellar’s Performance Measurement System is illustrated in Figure 4.1-1.



This system is used to identify key processes and performance measures in alignment with the VMV and Strategic Framework, collect data and determine the effectiveness of performance measures, and determine future strategies to improve key processes and performance measures. Stellar uses this process to select what data and information should be tracked in order to assess daily operations and overall organizational performance. The data selected inform the SPP (2.1a(1)) and support the decision-making regarding new service offerings (3.2a(1)).

Data related to key performance measures are collected by the Business Operations Team (BOT) and pulled together into charts to supplement SLT discussions during monthly Convergence Meetings. The data are aligned and integrated with the Strategic Framework as the flow of the meeting directly mirrors Stellar’s Strategic Objectives.

The selection, collection and presentation of performance measures has undergone significant evaluation and improvement over the last several years. [L] In 2014, as the SLT evaluated the Convergence Process, there were questions as to the accuracy of the data as there was a lot of manual work involved in pulling together the data, leaving it susceptible to human error. We also determined that the discussions during Convergence Meetings often strayed away from the key Strategic Objectives indicating that we were not showing the right information to stimulate productive conversation. The BOT initiated a significant upgrade to the accounting system and implemented a new web-based forecasting and reporting tool with Adaptive Insights, enabling the automation of many of the metrics that are produced for the Convergence Meeting and reducing the risk of human error. The BOT also reduced

the metrics shown at the Convergence Meeting to highlight only the most important information to steer the right conversations. The result of these improvements has been a significant reduction of time spent by the BOT to pull together the data (Figures 7.1-9 to 7.1-13), reduced time spent by the SLT in providing inputs to the BOT, more accurate data and better communication as measured by the SLT who scores the quality of communication at the end of each meeting.

Upon further evaluation, the SLT realized that key conversations related to hiring were missing from Convergence discussions (SO4). The workforce portion of the meeting adequately covered current workforce and retention, but was lacking in information related to finding the right candidates for job openings, interviews, and hiring. As a result, the collection and presentation of data and information for Convergence Meetings [L] underwent another cycle of improvement in 2016 to incorporate these key metrics. (Figures 7.1-9). Progress on achieving Strategic Objectives and Action Plans is also tracked as part of the Convergence Process, primarily through actual YTD Level of Effort (LOE) and Revenue compared to the plan. Longer-term situational awareness objectives are tracked with a high level status on a spotlight chart and measured against 3-year targets.

Key organizational performance measures for each of Stellar’s Strategic Objectives are illustrated in Figure 4.1-2 along with the frequency with which they are tracked and corresponding Results figures. Survey results are collected and analyzed annually, and a high level summary along with detailed findings are provided to the SLT for review and discussion as a Convergence special topic as described in 1.1b(1).

Figure 4.1-2 Key Organizational Performance Measures

Strategic Objective (SO)	Key Performance Measure	Trend Analysis and Data Collection Tools	Frequency	Results
Deliver High Impact for Current Customers SO1	Satisfaction of Customer Critical Needs	Customer Survey	Annual	7.1-1
	Provide Timely Technical Services to Customers	Customer Survey	Annual	7.1-2
Deliver High Impact for New Customers (Innovation) SO2	Provide Innovative Solutions to Customers	Customer Survey	Annual	7.1-4
	Provide Unique Knowledge to Customers	Customer Survey	Annual	7.1-6
Build Customer Intimacy / Situational Awareness SO3	Provide Flexible Team Players to Customers	Customer Survey	Annual	7.1-3
	Identify Emerging Customer Requirements	Customer Survey	Annual	7.1-5
Increase Workforce Engagement SO4	SLT Monthly Employee Visits	Reported by SLT monthly for Convergence	Monthly	7.3-10
	Employees feel appreciated for good work and effort	Employee Survey	Annual	7.3-11
	Employees feel their suggestions and ideas are listened to	Employee Survey	Annual	7.4-4
	Employee Satisfaction	Employee Survey	Annual	7.3-12
	Employees would recommend Stellar to others	Employee Survey	Annual	7.3-13
	Employees are in or working toward their Dream Job	Employee Survey	Annual	7.3-15
	Attrition	Tracked by BOT (HR) and reported on monthly for Convergence	Monthly	7.3-14

Figure 4.1-2 Continued on next page...

Figure 4.1-2 Key Organizational Performance Measures *Continued...*

Strategic Objective (SO)	Key Performance Measure	Trend Analysis and Data Collection Tools	Frequency	Results
Pursue Organizational Excellence SO5	Revenue Growth	Actuals tracked in Accounting System, Projections modeled in Forecasting Tool	Monthly	7.5-1, -2
	Number of Billable Employees	Tracked by BOT (HR) in ADP Workforce System	Monthly	7.5-3, -4
	Utilization Rate	Actuals tracked in Accounting System, Projections modeled in Forecasting Tool	Monthly	7.1-7, -8
	Gross Margin	Actuals tracked in Accounting System, Projections modeled in Forecasting Tool	Monthly	AOS
	Profitability	Actuals tracked in Accounting System, Projections modeled in Forecasting Tool	Monthly	7.5-3
Enhance Community Service SO6	% Participation in Foundation	Tracked in AP System	Annual	7.4-10
	Foundation \$ Contributed to Community	Tracked in AP System	Annual	7.4-11
	Investment in Aerospace	Tracked in AP System	Annual	7.4-11
	Investment in QuakeFinder	Actuals tracked in Accounting System, Projections modeled in Forecasting Tool	Annual	7.4-11
	Employees feel good about the way Stellar contributes to the Community	Employee Survey	Annual	7.4-12

All other key performance measures listed are collected and analyzed monthly as part of the Convergence Process through inputs directly from the SLT, data from the accounting and AP system, our forecasting tool, and our HR management system with ADP. Key short- and longer-term financial measures include revenue growth, gross margin, profitability, and utilization.

4.1a(2) Comparative Data: Stellar selects comparative data and information by looking for competitors, industry benchmarks, and benchmarks for small businesses in a broader group of industries that are relevant comparisons for Stellar. Stellar makes use of comparative data in Convergence Meetings, Business Operations Meetings and analysis of annual employee and customer survey results to evaluate its performance against competitors, similar businesses and the general market as appropriate and to inform operational decision making. Because obtaining data from competitors is strictly regulated by the Federal Acquisition Regulations, we have had to be creative in seeking other relevant comparisons. **[L]** In 2016, we began reaching out to Baldrige Award recipients in the professional services space to identify areas where they would be willing to share their performance in key metrics.

4.1a(3) Customer Data: Stellar selects VOC and market data to inform the analysis of key performance metrics, creating a customer-focused culture. Stellar gathers information from customers and the market through monthly visits and annual surveys and incorporates that input into the performance measurement system to ensure that we are measuring key metrics that are most important to our customers and relevant in the marketplace. Similarly, Stellar stays tuned in to industry news and social media to gather VOC information that feeds into the performance measurement system.

4.1a(4) Measurement Agility: Stellar’s performance measurement system is designed to adapt to unexpected organizational or external changes. Steps 6-9 of the Performance Measurement System are the critical steps to evaluating the effectiveness of our performance measures and adapting them as needed in a dynamic business environment. The cycles of improvement to the Convergence performance measures described in **4.1a(1)** are also examples of this measurement agility that improved our focus on LOE.

4.1b Performance Analysis and Review

Stellar reviews organizational performance and capabilities through monthly Convergence Meetings, monthly Business Operations Meetings, quarterly Process Meetings, and quarterly Board Meetings. Data for key performance measures are collected, analyzed, and presented for these meetings by the BOT, including comparative data for measures that have a relevant comparison.

The BOT reviews and analyzes the data prior to meetings and digs into the data as needed to explain any abnormalities, looking at transaction detail, timecards, etc. to validate the data and ensure that conclusions drawn in these reviews will be valid. Analysis methods include examining trends, conducting root cause analysis, and determining correlations. The SLT uses Convergence Meetings to assess organizational success, competitive performance, financial health with respect to revenue growth and progress on achieving Strategic Objectives and Action Plans.

The Convergence Meeting is also an opportunity for the SLT to collaborate in order to respond rapidly to changing organizational or environmental needs through re-planning. **[L]** The SLT also reviews organizational success from a higher-level strategic perspective during quarterly Process Meetings. Process Meetings review the effectiveness of Stellar’s key

processes and adapt them to meet changing needs of the organization, including transformational change in organizational structure and work systems.

Organizational health, competitive performance, and more detailed financial health are reviewed by Stellar’s executives and key members of the BOT in the monthly Business Operations review. The bulk of this meeting is spent reviewing financial statements and assessing financial health and outlook. Contract activity (proposals, contract modifications, contract financial statements, etc.), HR metrics, IT, Security, and facilities are also reviewed, as well as a deeper dive into the BOT’s progress against their Strategic Objectives and Action Plans for the year.

Performance is reviewed with the Board of Directors on a quarterly basis, during which the President/COO briefs the Board on Stellar’s progress on Strategic Objectives and Action Plans, and essentially summarizes the outcomes of the SLT and Business Operations meetings described above.

4.1c Performance Improvement

4.1c(1) Future Performance: Stellar maintains two forecasts to project the organization’s future performance – a stretch forecast that SLs are held accountable to in Convergence Meetings, and an internal hedged financial forecast that is reviewed in Business Operations Meetings and is what we believe is the most likely projection. Both forecasts are driven primarily by YTD actual data presented in the performance reviews addressed in **4.1b** and monthly inputs from the Sector VPs, which also feed in to performance reviews, detailing their plan for staffing for their Action Plans as described in **2.2a(4)**. The staffing plan drives revenue and direct expenses, which make up the bulk of Stellar’s performance projections. The BOT projects overhead expenses based on historical run rates and information from Business Operations meetings (for example, if there is a change in IT costs or facilities costs on the horizon).

The key difference between the stretch forecast and the hedged forecast is that for the stretch forecast, the LOE targets submitted by the VPs are forecasted at 100% probability of success, the idea being that they are being held accountable for 100% of their SP goals, whereas for the hedged forecast the LOE targets are projected at the historical run rate of “% goal accomplishment.” These two forecasts are both integrated into the VPs’ incentive plans with their stretch budget as their target revenue which they need to hit to get the full dollar amount of their bonus tied to that piece, the hedged budget as the lower bound where they get the minimum dollar amount tied to that piece, and a sliding scale if they land somewhere in between.

4.1c(2) Continuous Improvement and Innovation: Stellar identifies opportunities for continuous improvement when gaps in performance against plan are detected during the

various meetings previously described with the frequency shown in Figure 4.1-2. Convergence Meetings are also useful in identifying and prioritizing opportunities for innovation as ideas for new contracts, customer groups and/or business areas are discussed, with collaboration regarding innovative ways to share ideas and best practices across Sectors. These priorities and opportunities are deployed to the workforce through employee visits and the Annual and Summer Meetings, and to appropriate customers and partners through monthly customer visits to ensure organizational alignment.

When new business opportunities are identified, SLT determine if Stellar has the ability to be prime on the contract. Based on that decision, the next question is whether partners are needed to meet the customer’s requirements. If yes, the opportunities are communicated to potential suppliers and partners through phone calls and meetings.

For internal Bus Ops processes, such as Finance & Accounting, deployment to the BOT is done through staff meetings. For processes that impact other parties such as HR processes or CRM processes, the appropriate groups are involved through monthly visits, company announcements, and/or the Annual and Summer Meetings.

4.2 Information and Knowledge Management

4.2a Data and Information

4.2a(1) Quality: Stellar verifies and ensures the quality of organizational data and information through methods of testing, audit and cross-checking.

Figure 4.2-1 describes Stellar’s management approach for electronic and other data information.

Figure 4.2-1 Data and Information Properties	
Property	Management Approach
Accuracy and Validity	<ul style="list-style-type: none"> • Workforce Education / Training • Audits (Internal and External) • Administrative Staff double-checking Timecards • Integrated Systems • Automation and Electronic Interfaces
Integrity and Reliability	<ul style="list-style-type: none"> • Data Entry and Permission Controls • Audits (Internal and External) • Documentation Policies and Procedures • Testing • Customer and Employee Surveys • Trending Data Consistency
Timeliness and Currency	<ul style="list-style-type: none"> • Integrated Systems • Data Entry Controls • Real-time Entry • Electronic Interfaces • Timecards twice per month • Convergence once per month • Business operations once per month

4.2a(2) Availability: Key organizational data and information are available to the appropriate workforce members at any time in a user-friendly format on Stellar’s internal SharePoint website. If an employee finds they do not have access to information they need, they can request access from their VP or directly from the Business Operations team who will work together to reevaluate the appropriate access. Information is available to customers and partners upon request to their corresponding SL or directly to the Business Operations team who will again work together to determine what data can be shared and pull the appropriate information from SharePoint, the accounting system, and other data sources to send to the customers. User-friendliness is ensured through convening groups of employees prior to implementing a new application and conducting small tests/trials. For example, we solicited

feedback prior to implementing a new timecard system in 2017. Employees express their satisfaction with Stellar IT meeting their needs (with the data and information available to them) in a timely and effective manner as shown in Figure 7.1-14. However, most employees spend 99 percent of their time using the information technology systems provided by their customers.

4.2b Organizational Knowledge

4.2b(1) Knowledge Management: Stellar manages organizational knowledge through the Knowledge Management System depicted in **Figure 4.2-2**, which illustrates the methods for collection, deployment and use of organizational knowledge.

Figure 4.2-2 Knowledge Management System

Knowledge Used By and For	Collection Methods: Communication (1.1-2) Voice of Customer (3.1-2)	Mechanisms for Deployment	Organizational Learning and Use of Knowledge	Evaluation / Measures
Workforce	<ul style="list-style-type: none"> Employee Survey Employee Visits Handbook Employee Orientation 	<ul style="list-style-type: none"> Annual Survey Monthly VP Monthly Visits SharePoint Postings Semi-annual Meetings 	<ul style="list-style-type: none"> Workforce Engagement Performance Evaluations Company Meetings Dream Job Status 	<ul style="list-style-type: none"> Engagement Compliance
Customers	<ul style="list-style-type: none"> Customer Survey SLT Visits Listening Methods 	<ul style="list-style-type: none"> Annual Survey Monthly Visits Conferences 	<ul style="list-style-type: none"> Satisfaction Metric Marketplace Data Customer Critical Needs 	<ul style="list-style-type: none"> Engagement Metrics
Situational Awareness	<ul style="list-style-type: none"> Listening Methods Visits Email 	<ul style="list-style-type: none"> Interactions One Pagers 	<ul style="list-style-type: none"> Customer Critical Needs 	<ul style="list-style-type: none"> Visits Interactions
Training / Crossing the Boundaries	<ul style="list-style-type: none"> Employee Communication 	<ul style="list-style-type: none"> Email Semi-annual SharePoint Posting 	<ul style="list-style-type: none"> Current Skill Set Industry Needs 	<ul style="list-style-type: none"> Number of Hours Number of Emails
Strategic Planning	<ul style="list-style-type: none"> Internal Data External Data 	<ul style="list-style-type: none"> Annual Meetings Company Meetings 	<ul style="list-style-type: none"> Planned Growth and Development 	<ul style="list-style-type: none"> Convergence Data Critical Process Meeting Data

Stellar collects and transfers workforce knowledge through its Crossing the Boundaries program. Crossing the Boundaries is a Stellar term for company-wide collaboration across Sectors and customer groups. If an employee is faced with a challenging problem that they need help solving for their customer, they have the knowledge base of the entire Company at their fingertips. They can simply send an email to “Stellar All” describing the problem and/or area of expertise they are looking for, and they will receive feedback, ideas, and help from their coworkers. At Stellar, it’s “buy 2, get 200.” The Annual and Summer Meetings are also opportunities for workforce collaboration and in-person Crossing the Boundaries. Workforce knowledge is also shared through training reports as described in workforce development in **5.2b(1)**.

Stellar has undergone several cycles of learning to improve its ability to blend and correlate data from different sources to build new knowledge. [L] The initial evaluation in 2006 revealed that despite all of the great knowledge sharing and collaboration that was going on via email and at company meetings, there was no documentation or repository where the

outcome was easily accessible for future use. Stellar implemented an internal website through Microsoft SharePoint and began using it as a central repository. Beginning with employee resources such as the Employee Handbook, company meeting materials, company newsletters, etc., Stellar’s use of SharePoint was expanded through several cycles of improvement to include documentation of Crossing the Boundaries, Training Reports, a database of all Stellar employees and advisors including resumes, project collaboration sites, and Past Performances. Past Performances are documents summarizing work that Stellar has done on previous and existing contracts. Most new proposals that Stellar bids on require the submission of several examples of relevant Past Performance. Having this central repository of data allows the SLT and BOT to pull data from different Past Performances and build new knowledge relevant to the proposal they are working on, also making the bid and proposal process more efficient and reducing the cycle time.

Relevant knowledge gathered from customers and partners is primarily shared with the workforce by the SLT at the Annual and Summer Meetings, but can also be shared via company-

wide email or employee visits as needed. Knowledge is transferred to customers and partners either directly by the employees working at their site (say the outcome of a Crossing the Boundaries that helped them find a solution to the customer’s problem) or through SLT monthly customer visits. Relevant knowledge for use in Stellar’s innovation and Strategic Planning is assembled and transferred through Sector all hands meetings at the onset of the SPP as described in **2.1a(1)**.

4.2b(2) Best Practices: Best practices are shared at Stellar through collaboration among the workforce and particularly between SLs during SLT meetings where the topic of organizational performance is at the forefront. Identifying Sectors that are high performing is straightforward at Convergence Meetings as the data showing how each Sector is doing compared to their Strategic Plan and compared to previous years is presented with complete transparency. A key purpose of the meeting is collaboration and sharing best practices. When it becomes clear that a Sector is achieving exceptional performance in a particular area, say hiring great candidates or driving high employee engagement or negotiating to close on contracts quickly and/or with high margins, the VP of that Sector breaks down what their group is doing that has led to this success and shares their best practices with the entire SLT. One example of a best practice that was shared, researched, and then centrally implemented at Stellar was the use of Salesforce software for contact management and CRM, detailed in **3.2b(1)**.

A couple members of the BOT sit in on the Convergence Meeting each month. They are there to respond to any questions about the data and record actions, but also to take note of any best practices that are shared and identify those that can be centralized and worked into a process improvement that would benefit the entire organization.

4.2b(3) Organizational Learning: Stellar uses the knowledge management tools described in **4.2b(1)** to create a culture of learning in the way Stellar operates. Career development and training as described in **5.2b** are also highly encouraged and incentivized as is sharing knowledge from training programs with the entire workforce to promote organizational learning as employees must send a training report to “Stellar All” to receive their training bonus.

5. Workforce

5.1 Workforce Environment

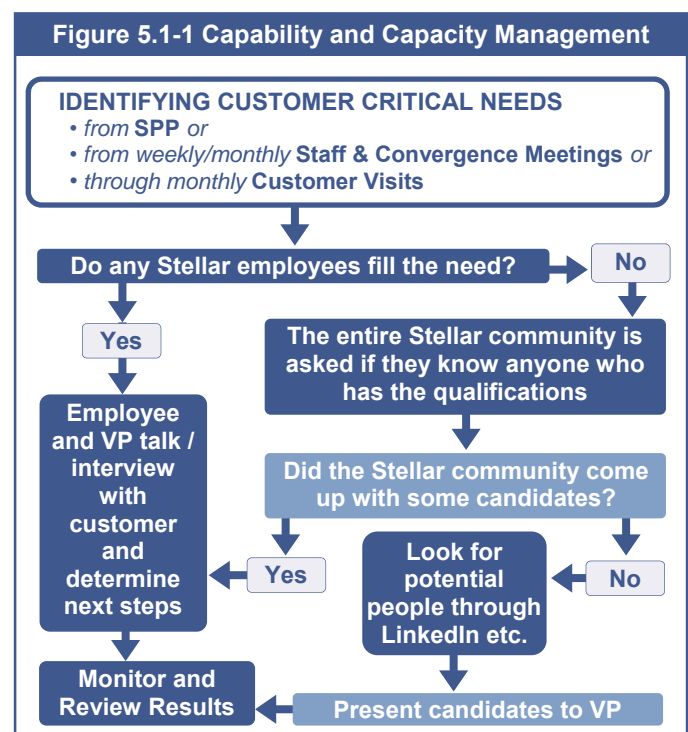
5.1a Workforce Capability and Capacity

5.1a(1) Capability and Capacity: Stellar assesses and manages workforce capability and capacity needs through the Capability and Capacity Management System illustrated in **Figure 5.1-1**. Through the SPP, Convergence Process, and

customer and employee visits, the SLT identifies the critical needs of customers including specific skill sets, competencies, certifications, and staffing levels. SLs engage with the existing workforce to align employee dream jobs and development plans with these customer critical needs. If the customer need does not match up with the dream jobs and/or capabilities of our current workforce, the SLT looks to hire new staff through the hiring process described in **5.1a(2)**. In either case, the VP follows up with the customer through monthly visits to ensure they have found the right fit.

To keep a handle on the capabilities of its workforce, Stellar maintains a database on its internal website that holds the resumes of all current employees, searchable by skill or capability, and including a matrix of employees and their certifications. For example, certification as a Project Management Professional (PMP) is becoming increasingly desired among our Intelligence customers, which is significant as they make up about half of our business. The internal site also houses a candidate database with the resumes and skills of previously vetted candidates (interviewed and a good fit for Stellar, but not a good fit for a job at the time), which helps manage capability and capacity needs by making the hiring process more efficient.

[I] Stellar also maintains a pool of Stellar Advisors to manage customer capability and capacity needs. The Stellar Advisor database houses the resumes and capabilities of the team of Advisors who are willing to engage in part-time work with Stellar. This enables Stellar to quickly provide surge support and/or niche expertise to meet emerging customer capability and capacity needs as described in **P.1a(3)**.



5.1a(2) New Workforce Members: Stellar engages its workforce in the recruiting, hiring, and placement of new workforce members. When a customer critical need is identified that is a potential job opportunity for Stellar, the position description is sent to Stellar All, asking employees to recommend any potential candidates who they think might be a good fit. Meanwhile, the HR team takes the job openings and searches for candidates in Stellar’s candidate database, which holds previously interviewed and vetted candidates for whom there was not a good fit with Stellar at the time but might be in the future, as well as through LinkedIn Recruiter searches. Sector VPs review the provided resumes and follow up with candidates to begin the interview process. In most cases, candidates must also be interviewed and approved by the customer before moving forward. Stellar only hires employees for specific job openings, which they are placed in immediately upon hire. Stellar does its best to match employees with their dream jobs right off the bat, but we understand that is not always possible and that helping employees find their dream jobs is often an ongoing and dynamic process.

[L] In evaluating attrition rates at monthly Convergence Meetings, SLs expressed concern about rising attrition rates in recent years. Though the trend was consistent with the benchmark of top professional services company, this was still troubling as Stellar’s Vision revolves around getting employees to their dream job with Stellar so that they don’t have to look elsewhere. The SLT held a facilitated deep dive to look at the attrition trends and analyze root cause. One observation was that there were a significant number of employees who left Stellar within their first year of employment in 2015. The SLT and BOT took this as a call to action to evaluate and improve the onboarding and retention processes. We implemented a new hire checklist that includes completing a Dream Job worksheet and incentive plan within the first month of employment, 30- and 90-day check-ins with the Sector VP to assess whether the role is a good fit, and a face-to-face meeting with the President/COO within the first quarter of employment. This process improvement was implemented at the start of 2016, and its effectiveness has been demonstrated by the fact that all 23 employees who have since been hired with this onboarding checklist are still with Stellar. [L] However, in another cycle of evaluation and improvement, we determined that the 30-day check-in was too early for the employee to assess his or her satisfaction with the job and Stellar. We adjusted to 90- and 180-day check-ins.

Stellar is an equal opportunity employer and complies with the Affirmative Action Plan (AAP) to ensure diverse ideas, cultures and thinking of our hiring and customer community. However, we recognize that diversity goes beyond the characteristics defined by the AAP. As part of our recruiting process, we look for diversity that includes different educational backgrounds, work experiences, generations, and thinking styles. We ensure that new workforce members are a fit with our organizational culture in multiple ways. Approximately 95 percent of our hires

come from referrals – either from our own employees or from our customers. They already know a lot about Stellar and our culture. [L] In 2016, Stellar implemented a scorecard used during the interview process that includes questions that help assess a potential job candidate’s alignment with our values and our culture. [L] In 2016, in recognition of the importance of innovation to the culture at Stellar, the SLT added a one-day training session following New Employee Orientation that focuses on innovation. This serves as reinforcement to our new employees that innovation is a foundational part of Stellar as reflected in SO2.

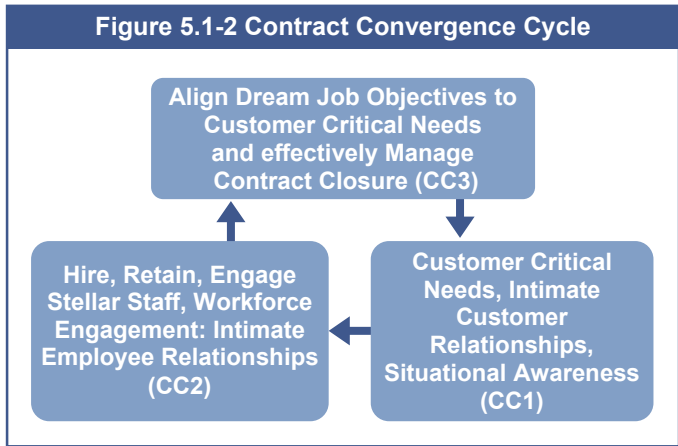
5.1a(3) Workforce Change Management: Stellar prepares the workforce for changing capability and capacity needs by engaging them in finding their dream jobs and in the SPP, open communication during monthly employee visits, and through complete transparency to the customer and market environment and Stellar’s Strategic Objectives as presented at the Annual and Summer Meetings.

The SLT works hard to manage the needs of the workforce and the organization while ensuring continuity and seamless transitions for customers as employees move between projects. In weekly staff meetings with the COO, staffing changes are assessed. SLs do this and prevent workforce reductions by proactively anticipating workshare cuts due to budget, contracts coming to an end, etc. and finding alternative work for the impacted employees. Despite our best efforts, sometimes cuts come as a complete surprise in which case the entire SLT and much of the workforce gets involved in finding alternate work for the affected employees to minimize adverse impact.

Stellar typically only experiences periods of significant workforce growth when it wins a new contract and prepares for such growth during the proposal process before the contract is awarded. As part of the proposal process, the number and type of positions available are identified and candidates interviewed to prepare for immediate staffing should Stellar win the contract. Contingent offers are given to the selected candidates so that they can start right away if the contract is won.

Changes in organizational structure and work systems at Stellar are rare and as such we have found that it is best to communicate the kinds of changes to prepare the workforce in person at the Annual or Summer Meetings where they can immediately ask questions and offer feedback. This cycle of learning is demonstrated in **1.1a(1)** where the addition of Directors to the organizational structure is described.

5.1a(4) Work Accomplishment: Stellar organizes and manages its workforce through the Contract Convergence Cycle illustrated in **Figure 5.1-2**. Through monthly customer visits and situational awareness, the SLT determines how to deploy the workforce across programs to accomplish the organization’s existing work and potential new work that is won, supplemented by new hires.



Stellar’s Contract Convergence Cycle capitalizes on Stellar’s core competencies with each element of the cycle directly mirroring a competency as illustrated in the figure.

The Contract Convergence Cycle reinforces a customer and business focus by engaging all employees in building relationships with their customers to help the SLT identify customer critical needs and in identifying Stellar candidates to fill those needs as described in the hiring process in **5.1a(2)**. Because 90% of Stellar employees work offsite at customer locations, they are our eyes and ears in the customer environment on a daily basis.

Stellar manages its workforce to exceed performance expectations by working hard to align employee dream jobs with customer critical needs ensuring the best possible fit for customer capability and capacity needs which ultimately drives high performance and customer satisfaction.

Stellar’s Business Operations Team (BOT) is the one segment of the workforce that is based out of Stellar’s physical offices (primarily at HQ in Palo Alto, CA). The BOT supports the SLT in organizing and managing the workforce through the collection and analysis of data for Convergence Meetings, administering the hiring and onboarding processes, and supporting SLT meetings.

5.1b Workforce Climate

5.1b(1) Workplace Environment: Stellar’s approach to ensuring workplace health and well-being, security, and accessibility for the workforce is illustrated in **Figure 5.1-3** including relevant performance measures and goals. As our workforce is deployed in various customer workplace environments, Stellar strives to drive consistency in these factors and performance measures that are in our control across all workplace environments.

Figure 5.1-3 Workforce Health, Security, and Accessibility

Area	Strategy and Measures	Goal or Rating
Health & Well-being	Employees Complete Emergency Preparedness Training (Figure 7.1-14)	100%
	Annual Disaster Communications Test Response Rate (Figure 7.1-15)	100%
Security	Staff ID Badges	100%
	Coded Security Entry	100%
	ITAR/OCI Training	100%
	Federal Security Clearance Audits	Superior
	Zero Tolerance Workplace Violence	100%
Access	Affirmative Action Plan	Passed
	Technology Accessible	100%

[L] As a result of feedback from our CAPE application and in acknowledgement of the fact that more than 90 percent of our employees work at customer – not Stellar – sites, we have added a section to New Employee Orientation to brief employees on health, security, accessibility, and safety standards that should be in place at their customer’s site. If the employee has any concerns or does not receive safety training at their customer site, we ask that they inform their Director or VP. In addition, members of the BOT conduct visits to customer sites where they also ensure the appropriate workplace environment elements are present.

5.1b(2) Workforce Benefits and Policies: Stellar offers an extremely comprehensive and flexible package of services, benefits and policies to support its workforce, the highlights of which are described in **Figure 5.1-4 (redacted)**. Stellar’s compensation and benefits package is designed to be flexible to accommodate the needs of a diverse workforce and different workforce segments. The benefit that best highlights this flexibility is Stellar’s Flexible Time Off policy. **[I]** All employees accumulate 20% of their base salary (per hour worked) in a Flexible Time Off (FTO) account, which ends up equivalent to over nine weeks of paid leave that they can take at any time for illness, holidays or other paid time out, or they can cash out in any amount at any time should they need more cash flow or not wish to take all of their paid time off. This style of flexible time off has become more common in the environment of Silicon Valley start-ups in recent years; however, it was almost unheard of when Stellar first implemented this unique and innovative benefits program at the inception of the Company.

Another way that Stellar demonstrates its commitment to providing world-class benefits is that employees have no waiting period to be vested in the profit sharing plan – they are vested from their first day of employment.

5.2 Workforce Engagement

5.2a Workforce Engagement and Performance

5.2a(1) Organizational Culture: Stellar fosters an organizational culture characterized by open communication, high performance and an engaged workforce through its inclusive SPP, accountability for SP goals tied to individual incentive plans, monthly employee visits and dream job discussions, and the Annual and Summer Meetings. Stellar ensures that the organizational culture benefits from the diverse ideas, cultures and thinking of the workforce with the Crossing the Boundaries program described in **4.2b(1)** and by promoting collaborations at company gatherings, particularly the Annual and Summer Meetings. Stellar engages its workforce through the inclusive SPP described in **2.1a(1)**, which involves every employee in the future strategy and success of the company and by working with them to define their dream job and how to get there.

5.2a(2) Drivers of Engagement: Stellar determines the key drivers of workforce engagement primarily through the annual employee survey, by asking employees to identify and rate the importance of key attributes. All full-time employees participate in the annual GPTW employee survey and are asked to identify their workforce segments (Engineer or Admin) as part of the survey process, which gives insight into how drivers might vary for the different workforce groups. Part-time Advisors are asked to complete a separate annual advisor survey, and interns are asked to complete a survey at the end of their internship, which Stellar uses to assess key drivers of engagements for those two workforce segments and to understand how they may differ from Stellar's full-time employees. SLT monthly employee visits and annual performance reviews and dream job planning add additional insight into the drivers of workforce engagement.

5.2a(3) Assessment of Engagement: The annual survey processes are also key in the formal assessment of workforce engagement at Stellar for all workforce segments. Part of Stellar's vision is ensuring that all employees are in their dream job, which is intertwined with employee satisfaction and engagement. **[I]** In evaluating our ability to assess our success in achieving this vision, Stellar decided it would be beneficial to receive an external assessment and better benchmarking data, so we began applying to *Fortune Magazine's* Great Place to Work (GPTW) Small and Medium Businesses list in 2012 and adopted the results of the winners as relevant benchmarks for our employee survey questions. In 2013, Stellar completely restructured our internal employee survey to mirror the GPTW survey questions, making it a more robust benchmark and ensuring that we are measuring the factors that have been analyzed by GPTW as key drivers to employee satisfaction and engagement. In 2014, Stellar made the top 50 list for the first time coming in at #17 and in 2015 improved that ranking to #6 among Small Businesses. In 2016, we received the #6 ranking again, but this time in the more competitive category of

Medium Size Businesses.

[I] Stellar employs an innovative approach to assess whether SLs are "walking the talk." The GPTW survey is completed anonymously by employees; however, Stellar also conducts an internal survey with the same questions and requires employees to identify themselves. The SLs then compare the responses to see if there are any significant differences in the feedback when employees can be anonymous versus when they can be identified. The premise is that if the responses are less positive in the anonymous survey, then the employees do not believe that the culture is one where candid feedback to SLs is "safe." Fortunately, results from the two surveys are virtually identical demonstrating our culture of transparency.

Questions on the survey designed to measure employee satisfaction and engagement include: Would you recommend Stellar to others? Taking everything into account, would you say Stellar is a great place to work? Do you have quality monthly interactions with your Leader that keep you feeling engaged? (**Figures 7.3-11, 7.3-12, and 7.3-10**)

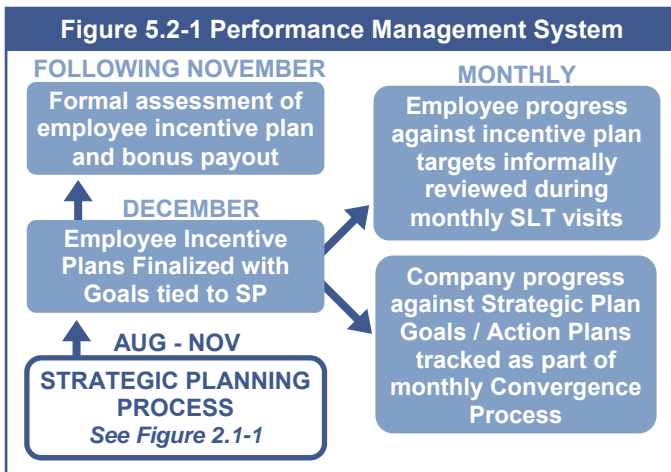
In addition to the formal survey assessment, SLs informally assesses the satisfaction and engagement of their employees as a part of their monthly visits. VPs understand the importance of creating a trusting relationship with their employees and encourage them to raise any concerns or issues. They report back anything of note to the rest of the SLT during Convergence Meetings. As part of monthly Convergence Meetings, the SLT also looks at attrition (**Figure 7.3-14**) and unassigned time (100% minus utilization) (**Figure 7.1-7**) – hours that employees charge to Stellar when they are between contracts in cases where they are cut from a contract unexpectedly or roll off a contract before the SLT is able to line up new work for them to jump into immediately – as additional indicators for workforce retention.

5.2a(4) Performance Management: Stellar's workforce Performance Management System, outlined in **Figure 5.2-1**, supports high performance and workforce engagement by involving all employees in the SPP and tying individual incentive plans directly to specific SP goals.

The employee incentive plan is central to the Performance Management System. At the start of each year once the Strategic Plan is finalized, SLs work with each of their employees to fill out the bonus plan template. **[L]** In evaluating the end of year bonus assessment, the SLT agreed that it could be much more efficient with a more simple, streamlined, and specific bonus template and, as a result, the template was redesigned in 2015. The template includes specific ties to:

- At least one specific Strategic Planning goal related to new business / intelligent risk taking / innovation

- The customer satisfaction score from the employee’s customer(s)’ survey response to emphasize a customer and business focus
- At least one specific Action Plan goal that is developed in the SPP



In addition to the standard annual compensation and incentive planning process, Stellar uses reward and recognition incentive practices throughout the year to support high performance and employee engagement. Stellar offers spot bonuses for writing technical papers or participating on conference panels as described in 1.2c(2), and its unique Shout Out Bonus Program.

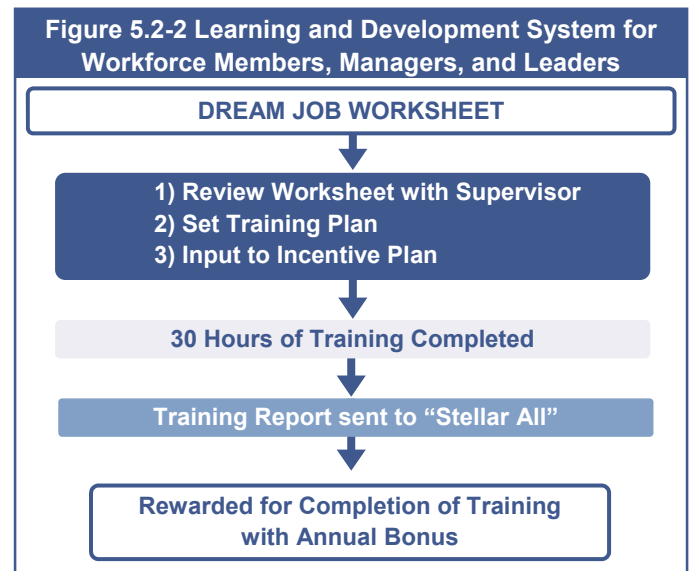
[I] The Stellar Shout Out Bonus Program is an employee recognition program driven by customers and by all employees. When positive feedback about a Stellar employee is received from a customer, it is sent to “Stellar All” and the praised employee(s) receive a spot bonus with their next paycheck. Employees are also empowered to recognize each other for outstanding work that they observe in the workplace. Any employee can give any other employee a “Shout Out” for their good work by sending an email to “Stellar All” and, again, the recognized employee will receive this extra bonus in their next paycheck (issued twice a month). **[L]** In a cycle of evaluation and improvement, Payroll now notifies the manager of the employee receiving a “Shout Out,” so that she/he can call them, thank them, and remind them that they will see their bonus in their next paycheck.

5.2b Workforce and Leader Development

5.2b(1) Learning and Development System: Stellar’s Learning and Development System supports the organization’s needs and the personal development of workforce members, managers, and leaders through integration with Stellar’s vision of aligning dream jobs and customer critical needs, the SPP, and the individual incentive plan as illustrated in **Figure 5.2-2**.

This Learning and Development System is centered on Stellar’s core competency of aligning employee dream jobs with

customer critical needs as training plans are designed to help employees gain the skills and capabilities they need to get into their dream jobs, including leadership roles within Stellar, and/or to meet their customer’s needs. While the alignment of dream jobs and customer critical needs is one of Stellar’s core competencies, it also presents the strategic challenge of being able to find the right people with the right skills and experience in the right locations to fulfill emerging customer needs (SC1), and the learning and development system helps address this strategic challenge by equipping our employees with the right skills and experience. The system also addresses the achievement of short- and long-term Action Plans as those are driven by customer critical needs and employee dream jobs through the SPP.



Stellar’s Learning and Development System supports organizational performance improvement by equipping employees to better solve customer critical needs. It also supports organizational change and innovation by giving employees the flexibility to build their own training plan to work toward their dream job, which leads to the development of new skill sets that can lead to exciting new opportunities. The transparency of the process supports ethical business practices, and the development of training plans to meet specific customer critical needs improves customer focus.

Stellar incentivizes knowledge transfer as a part of its Learning and Development System. In order to get credit for their bonus, employees are required to send a training report via email to Stellar’s company-wide distribution, “Stellar All,” debriefing the training, sharing their lessons learned, and indicating whether they would recommend the training program to others.

Reinforcement of new knowledge and skills on the job comes naturally with Stellar’s learning and development system as training plans are designed to align specifically with the skill sets related to an employee’s current role or the role that they

are hoping to move into.

5.2b(2) Learning and Development Effectiveness: Stellar evaluates the effectiveness and efficiency of the learning and development system by collecting and analyzing relevant trends such as customer and employee survey responses. The ultimate desired outcome of the learning and development system is that customer needs are met by our employees, which is addressed in the customer survey. We tie that in with our assessment of workforce engagement from the employee survey, which also includes a question asking employees whether they are offered training to develop themselves professionally (**Figure 7.3-18**), and results around employee participation in Stellar’s training program (**Figure 7.3-17**). These correlations are analyzed as part of the SLT’s employee and customer survey results review described in **1.1b(1)** to identify opportunities for improvement in both workforce engagement and learning and development offerings.

5.2b(3) Career Progression: Career progression at Stellar is managed through the same Learning and Development System; employees who are interested in leadership roles simply work that in to their dream job worksheet, and their training plan will include programs to help them develop the necessary leadership skills, such as Baldrige training. They may also be given additional responsibilities within their Sector for hands on leadership experience. Career development, whether it includes advancement to a leadership role or not, is managed through the learning and development system with each employee outlining their career goals in their dream job worksheet and working with their VP to develop a training plan and a career path to get there.

Succession planning for management and leadership positions at Stellar has gone through several cycles of learning to improve this process. [L] It was in 2009 that SLs first formalized a Succession Planning framework and created an annual process where each member of the SLT presented their Succession Plan to the rest of the team in a setting of collaborative discussion. In 2014, the Succession Planning template was simplified and standardized across each Sector and sent out to each member of the SLT to complete in preparation for this meeting to help the team focus on what qualities, training, etc. are most important for the employees named in the Succession Plan. This new format has helped drive more productive discussions both among the SLT as they examine the future of the Company and with employees who are part of the Succession Plan, as it gives their managers the ability to have more specific, focused discussions about where they need to develop to take on that next level of leadership. Specific goals and training plans are then integrated into those employees’ incentive plans each year. For example, every member of the SLT, and each employee who is part of a Succession Plan, is required to take Baldrige training.

Another advancement that SLs made to Stellar’s Succession Planning process was the addition of Directors described in **1.1a(1)**, which was implemented in 2015. Adding that Director level of Leadership under the VPs in Stellar’s two largest Sectors has created a new leadership opportunity for employees and puts the Succession Plan to the test by giving those employees more responsibility and helping them develop as leaders.

6. Operations

6.1 Work Processes

6.1a Product and Process Design

6.1a(1) Product and Process Requirements: Stellar determines key product and work process requirements through the VOC process, SPP, and quarterly Process Meetings. Stellar defines its key work processes as those that are essential to achieving the mission and vision of solving customer critical needs while realizing dream jobs.

6.1a(2) Key Work Processes: These key processes along with their key requirements and related measures and figures are illustrated on the next page in **Figure 6.1-1**.

6.1a(3) Design Concepts: Stellar designs products and work processes to meet requirements through the Work Process Design and Management System depicted in **Figure 6.1-2**.

Figure 6.1-2 Work Process Design and Management



The process is initiated when the need for a new process, or an issue with an existing process that requires serious reevaluation and redesign, is identified and reviewed during a SLT Process Meeting. A process owner is identified to work through the Work Process Design and Management System with the support of appropriate team members and key stakeholders.

Figure 6.1-1 Key Work Processes and Key Support Processes

Key Work Process	Requirements	Measurement	Results
Deliver High Impact Services	<ul style="list-style-type: none"> Customers are satisfied with Stellar and their most critical needs are met 	<ul style="list-style-type: none"> Customer Satisfaction Customer Critical Need Vetted Candidates in Database (In-Process) Advisor Pool (In-Process) 	7.2-1 7.1-1 AOS AOS
CRM	<ul style="list-style-type: none"> Strong relationships with customers 	<ul style="list-style-type: none"> Customers would Recommend Stellar 	7.2-5
Develop & Win Business Business Capture	<ul style="list-style-type: none"> Create opportunities and win business with existing & new customers to sustain & grow business 	<ul style="list-style-type: none"> Revenue Goal Accomplishment Revenue Forecast (In-Process) 	7.5-1, -2 7.4-13, -14 AOS
Hiring	<ul style="list-style-type: none"> Sufficient candidate pipeline Close on candidate & work – match dream job to critical need 	<ul style="list-style-type: none"> Offers accepted Interviews conducted Completion of onboarding actions 	7.1-17 AOS AOS
Workforce Development & Retention	<ul style="list-style-type: none"> Engaged, satisfied employees working dream jobs 	<ul style="list-style-type: none"> Employee Dream Job Attrition Headcount Forecast/Staffing Plan (In-Process) 	7.3-15 7.3-14 AOS
Key Support Process	Requirements	Measurement	Results
Contract Management	<ul style="list-style-type: none"> All contract requirements/actions met & up to date Proactive contract mgmt. with timely CFS (Contract Financial Statement) Reporting 	<ul style="list-style-type: none"> Distribution of CFS Distribution of Invoices 	AOS AOS
Accounting & Finance Management	<ul style="list-style-type: none"> Accurate & timely accounting & financial reporting Timely & accurate payroll Receivables & payables kept up to date 	<ul style="list-style-type: none"> Financial Metrics (Revenue, Margin, Profit) Days Sales Outstanding Days to complete payroll 	7.1-9 AOS AOS
Strategic Planning	<ul style="list-style-type: none"> Customer critical needs identified and set as goals Inclusive process to engage employees in working toward their dream jobs 	<ul style="list-style-type: none"> Customer Critical Needs Employee Dream Jobs Revenue Goal Accomplishment 	7.1-1 7.3-15 7.5-1, -2 7.4-13, -14
Leadership Communication	<ul style="list-style-type: none"> Keep employees and customers informed and engaged in Company's success 	<ul style="list-style-type: none"> Employee & Customer satisfaction with Leadership Communication 	7.4-2
Continuous Process Improvement	<ul style="list-style-type: none"> Efficient and effective business processes that are constantly improved upon 	<ul style="list-style-type: none"> Register of historical process changes/improvements 	6.1-3

(1) Determining key stakeholder requirements is the first step in the Process Design and Management System and processes are designed to fulfill those requirements. (2) The second step of the system is to research and identify best practices which include new technology, organizational knowledge, product excellence, customer value, consideration of risk, and the potential need for agility. These best practices may be pulled from researching the general marketplace, customer or competitor practices, and/or internal suggestions from Stellar employees or leadership based on experience. The process owner will engage the SLT and key members of the BOT to review these best practices and incorporate those that make sense into the Process Design and Management System. For example, we are currently evaluating and improving our hiring practices using best practices identified by reviewing Lou Adler's book (*The Essential Guide for Hiring and Getting Hired*) and doing a deep dive on our own process. We also engaged him to speak at our most recent Annual Meeting in March 2017 to further deploy these best practices. (3) Key metrics are defined, fleshing out the results that are most important to key stakeholders, so that we are able to evaluate the effectiveness of the process over time. (4) Resulting information and metrics from Steps 1-3 are used to fill in and/or adjust our Critical Process Template, which includes key stakeholders, objectives, and what we care about most, metrics, sub processes, and tools and products. The process template is reviewed, edited as needed, and approved by the SLT at the next Process Meeting. (5) The process owner documents process steps and procedures, and (6) The SLT determines a strategy on

how to best educate and train affected employees for full deployment. (7) Finally, the process is deployed. (8) The process template described becomes the scorecard for subsequent Process Meetings where the process will be reevaluated including an assessment of the process's ADLI and the relevant metrics LeTCI.

[L] This process was evaluated and improved in 2013 with the addition of the existing template to capture the key elements of the process and again in 2014 to add an ADLI and LeTCI scoring aspect to the Process Review.

6.1b Process Management

6.1b(1) Process Implementation: Key metrics related to day-to-day operation of work processes are measured on a monthly basis and reviewed in monthly Convergence Meetings and/or Business Operations Meetings to ensure that key process requirements are being met. The SLT takes a deeper dive into each process annually during quarterly Process Meetings (16 processes, 4 reviewed each quarter) to evaluate the effectiveness of the process and review the related key performance measures, using the Baldrige scoring for ADLI as a guide. The key performance measures and examples of in-process measures used are described above in **Figure 6.1-1** and are directly related to desired end-product quality and performance outcomes such as customer satisfaction and engagement, workforce satisfaction and engagement, and organizational performance. **Figure 6.1-1** also highlights our

key in-process measures and leading indicators that help us predict and manage future outcomes.

6.1b(2) Support Processes: Stellar determines key support processes through Business Operations Meetings and quarterly Process Meetings. We define our key support processes as those essential to running the business in support of the key work processes described in **6.1a(1)**. Stellar’s key support processes and their key requirements and measures are also listed above in **Figure 6.1-1**. The listed key measures are reviewed in monthly Convergence and Business Operations Meetings and in Quarterly Process Meetings described in **4.1b** to ensure day-to-day operation of these processes meet key business support requirements. Tracking the capabilities of employees, candidates, and Advisors and assessing the range of skill sets available is a leading indicator of our ability to shorten the cycle time of meeting customer critical needs. The re-planning that takes places as part of the Convergence Process drives the headcount forecast/staffing plan and revenue forecast, which are in-process measures of our year-end financial results, SP goal accomplishment (for maintaining and winning new business), and workforce engagement.

6.1b(3) Product and Process Improvement: The primary purpose of Stellar’s quarterly Process Meetings is to evaluate and improve work processes to improve products and performance, enhance core competencies and reduce variability. Each quarter, four processes are reviewed by the SLT. Each process has a scorecard, maintained by the VP of Business Operations, which describes the key objectives, sub processes, tools and products, and metrics related to the process. The SLT reviews each process and assesses the effectiveness of its approach, deployment, learning and integration. Actions for minor improvements are taken and then implemented and deployed by the BOT following the meeting while areas that are identified as needing serious overhaul for improvement are taken offline and a follow-up deep dive is scheduled, usually in conjunction with an upcoming in-person Convergence Meeting so the SLT are able to work together face-to-face.

Stellar’s key process improvements since adopting the Baldrige criteria in 2004 are listed in **Figure 6.1-3**. These key process improvements are examples of the use of the Performance Improvement System described in **P.2c**. They demonstrate organizational learning and innovation through the systematic evaluation and improvement over the past 12 years.

6.1c Supply-Chain Management

Supply chain management in the conventional sense is not a key factor for Stellar as we do not purchase materials. Stellar primarily buys labor, so we view supply chain management as the ability to recruit and hire the right people. Stellar’s hiring process described in **5.1a(2)** ensures that we hire qualified employees and place them to meet operational needs and

Figure 6.1-3 Stellar's Performance Excellence Journey							
Year	Key Improvements Made	Improvement Categories					
		Leadership	Strategy	Customers	Measurement	Workforce	Operations
2004	Adopted Baldrige National Quality Award Criteria	•	•	•	•	•	•
	Developed a candidate database to capture potential "Stellar" candidates					•	
2005	Formalized Sector leadership roles	•					
2006	Developed and introduced business excellence roadmap (now strategic framework)	•	•	•	•	•	•
	Added focus on employee participation in Stellar Foundation and community involvement (bonus)	•					•
	Added explicit tracking of Stellar Advisor contributions					•	•
2007	Developed benchmarks for key indicators				•		
	Formalized monthly tracking of employee and customer visits	•	•	•	•	•	
	Introduced employee dream job worksheet						•
2008	Revamped monthly business results (convergence) meetings		•		•		
	Received Bronze Level from CAPE	•	•	•	•	•	•
2009	Formalized Succession Planning Framework/Process	•					
2010	Received Silver Award from CAPE	•	•	•	•	•	•
2011	Developed a Critical Process System	•			•		•
2012	Created VP of Business Operations Role	•	•		•	•	•
2013	Better visibility into long-term opportunities		•	•	•		
2014	Adopted Lean principles to streamline operations and accounting processes						•
2015	Upgraded accounting system to improve timeliness of financial close				•		•
	Improved format of VP bonus with monthly dashboard for better transparency	•					•
	Improved reporting and scenario modeling of Gross Margin, a key financial metric				•		•
2016	Formalized new Leadership roles at the Director Level	•					•
	Initiated a new offer spreadsheet to better capture the differentiators of Stellar		•				•
	Implemented a new time tracking and expense report system				•		
	Formalized an IT security audit				•		
	Implemented annual reporting process for OIY				•	•	
	Received Gold Award from CAPE	•	•	•	•	•	•

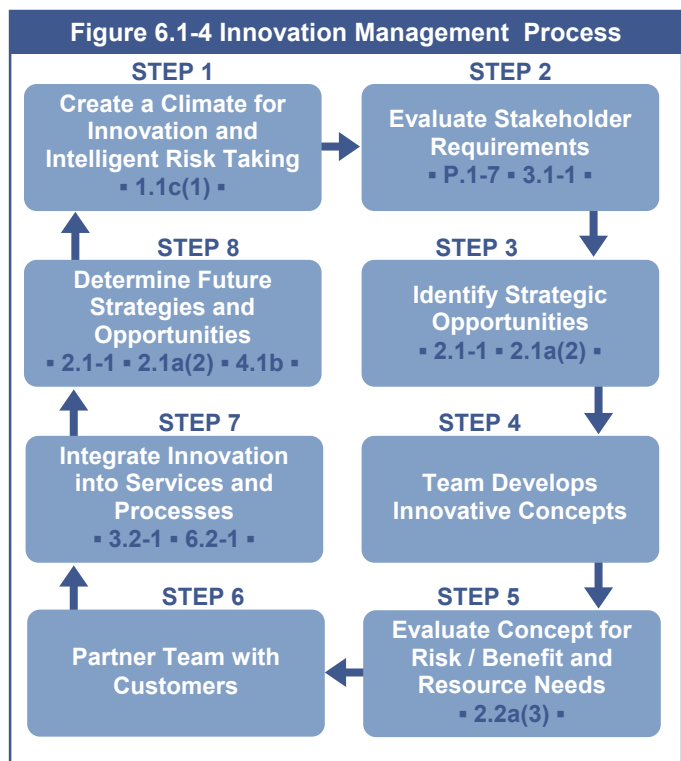
customer critical needs, enhancing performance and customer satisfaction. For Stellar, customer satisfaction is the ultimate measure of our ability to successfully produce quality customer-focused results as are shown in 7.1a.

Outside of this recruiting view of the supply chain, Stellar’s purchases from outside suppliers such as for payroll, legal services and IT management are equivalent to less than 5% of our revenue. Make/buy decisions are discussed at our Financial Meetings. Stellar has longstanding relationships with these providers and due to their history of quality delivery has confidence in their ability to meet operational needs. Results are measured and evaluated during Business Operations Meetings as financial statements are reviewed. In the extremely rare case that we experience any issues, we escalate to the supplier. (Figure 7.1-18)

As a result of feedback from our CAPE application, we have developed a more systematic process using a scorecard system that assesses our key suppliers’ ability to meet our goals.

6.1d Innovation Management

Stellar’s Innovation Management Process is illustrated in Figure 6.1-4. The process begins with creating a culture of innovation and intelligent risk taking through the SPP and the all hands involvement in the SPP. It is reinforced with a training session on innovation the day after New Employee Orientation.



As part of the SPP, Stellar identifies stakeholder requirements and identifies strategic opportunities that are intelligent risks. Stellar evaluates the resources needed to pursue these opportunities. Most of Stellar’s SLT also work in some capacity as billable engineers at times, some consistently on a part-time basis, as Stellar benefits from the SLT spending time engaged in customer locations to fully understand their critical needs. In line with this practice, the resources allocated to new opportunities are typically a portion of a VP’s time and/or a portion of a billable engineer’s time who wants to dedicate their efforts to pursuing a new strategic opportunity. For example, the now VP of Defense Support & Cyber was originally an employee in the Defense Sector who identified a strategic opportunity, dedicated his time to pursue it, and saw enough success to spin out a sub group of the Defense Sector where he still works part-time as a billable engineer and part-time to pursue new business. Each year as part of the Strategic Planning process, strategic innovation opportunities are reviewed and progress over the prior year assessed. If progress has seemed to come to a standstill and/or no longer has a Stellar advocate who is willing to dedicate time to its pursuit, it will be discontinued and support for higher-priority opportunities enhanced.

An example of a project that was discontinued was our initial decision to develop our own CRM tool. Without a disciplined approach to capture the user requirements, the tool grew in an unmanageable way that was not user-friendly. We re-evaluated our approach, cancelled the development and continued to manage with spreadsheets and PowerPoint charts until we developed a clear set of user requirements, which we evaluated against Salesforce.com capabilities.

6.2 Operational Effectiveness

6.2a Process Efficiency and Effectiveness

Stellar manages the overall costs of operations by setting targets through the SPP and budgeting process and tracking performance against these targets through the Convergence Process and monthly Business Operations meetings during which financials are reviewed.

Utilization rate is a key metric (Figure 7.1-7) in assessing cycle time, productivity, and efficiency and is reviewed at both of these monthly meetings. (Also see Figures 7.9 through 7.1-12) Unfilled opportunities and employees without a project to bill too represent lost revenue and additional cost to Stellar. Stellar manages to reduce cycle time and improve efficiency through the monthly Convergence Process. The Stellar Advisor program is another way Stellar improves productivity, efficiency, and cycle time as we are able to provide immediate Advisor expertise and surge support to meet customer needs.

Stellar prevents errors and rework and protects customers’

productivity by ensuring that we have the right people on the job – our core competency of aligning employee dream jobs with customer critical needs – which is also managed through Convergence. Our cost control interests are aligned with the needs of our customers as we both benefit from having the right people working their contracts and shortening cycle time to meet critical needs.

6.2b Management of Information Systems

As a reminder, 90 percent of our employees spend 99 percent of their time using the IT systems of their clients. However, the methods below describe how Stellar manages its IT systems.

6.2b(1) Reliability: The methods used to ensure the reliability of our information systems are shown in **Figure 4.2-1**.

6.2b(2) Security and Cybersecurity: Stellar’s Director of Security and Director of IT work together to ensure the security of sensitive or privileged data and information. Their management approaches for electronic and other data and information to ensure confidentiality and appropriate access are as follows:

- Education and Personal Sign-ons
- Firewalls and Spam Filters
- Password Authorization / Expiration
- Audits (Internal and External)
- Policies, Building Security, and Access Control
- Intrusion Data Logs
- Anti-virus Software
- Real-time Computer Backups

Stellar’s Director of IT oversees the cybersecurity of Stellar’s information systems using redundant firewalls, antivirus software, complex password requirements, etc. to protect Stellar’s systems.

We maintain our awareness of emerging security and cybersecurity threats through our participation in multiple associations focused on cybersecurity, our expertise demonstrated in our Defense Support and Cyber (DSC) Sector, and through collaboration with our customers who are facing these same threats.

To identify and prioritize IT systems to secure from cybersecurity attacks, Stellar underwent an external cybersecurity audit in early 2016 and immediately addressed the areas for improvement and conducted an internal cybersecurity assessment by its own DSC team described in **2.1a(2)** in late 2016. Stellar is implementing the NIST Cybersecurity protocols and achieved self-certification by the end of 2017.

We protect systems from cybersecurity attacks with the implementation of subscription-based Intrusion Detection and Prevention (IDP) modules, which instantaneously drop

unauthorized attempts to access our system. This has eliminated the risks associated with hacking, phishing, and malware. In addition, Stellar switched from a previous antivirus software to E-Set, which includes protection from ransomware. These allow us to detect and respond to cybersecurity attacks. Recovery from cybersecurity breaches would be handled using the IT Disaster Recovery Plan described in 6.2c(2).

6.2c Safety and Emergency Preparedness

6.2c(1) Safety: As most (90%) employees work offsite at customer locations in an office environment with no hazardous materials, Stellar does not operate in a high-risk environment. The main risks would be fire, active shooter, or an earthquake. Each of the three primary Stellar locations has leased offices, and we adhere to the safety and emergency procedures as governed by each location’s management company. Facilities are maintained to address accident prevention and inspection, and in the case of any incidents, root-cause analysis would be performed to prevent future incidents. **[L]** However, in response to feedback from our CAPE application, we have developed a checklist provided in New Employee Orientation for employees to assess health and well-being, security, accessibility, and safety at their customers’ sites. **(5.1b(1))**. We have also reviewed the language to be used in future contracts spelling out the requirements for the protection of our employees at customer sites.

6.2c(2) Business Continuity: Stellar ensures that the organization is prepared for disasters and emergencies through an annual safety awareness training that all employees are required to take. Since most Stellar employees work at customer locations, they adhere to the emergency readiness plans for their particular customer and location, and the required safety awareness training confirms that all employees understand both our internal as well as our customers’ external emergency procedures to address prevention, preparedness, and recovery.

Stellar also employs a text message based communication system for emergency preparedness. In case of an emergency, a text will be sent to employees to check in to make sure they are okay. If no response is received, further action is taken to locate the employee to ensure their safety. The effectiveness of this process is evaluated through annual testing where a text is sent to all employees with a question that they must respond to. In case of emergency in any of Stellar’s internal or customer locations, continuity of operations to serve customers is possible as most employees are able to continue their work remotely. For example, last winter a snowstorm hit Colorado that prevented most employees from reaching their customer sites for several days. The text message check in was deployed, and all employees were confirmed as safe, and most were able to continue working seamlessly via telecommute. Stellar does not rely on suppliers for continuity of day-to-day operations.

Stellar has an IT Disaster Recovery Plan to provide for continuity of operations in the event of a local emergency. The IT architecture, employing an infrastructure with distributed backup systems provides inherent robustness allowing for continuity of operations in the event of disaster or emergency. In the event the primary servers went down, employees can work from the replica in Nevada, accessing it via VPN. Within 24 hours, email and other critical communication is made available. We have determined that we could do a complete restore of our system in 3 weeks.

Stellar has an IT disaster recovery plan to ensure that we are able to continue to effectively serve customers and business needs in case of an emergency. Stellar IT performs daily backup of key information and financial data. Annual backups are kept for 7 years at an external storage provider site. Stellar's primary servers are located at headquarters in Palo Alto, CA. Previously, in the event of a disaster in Palo Alto, the system was configured for failover of financial and home directories to the Denver office. [L] In 2015, upon evaluating data storage and backup processes, Stellar decided to invest in a data storage and backup center in Nevada to improve the security and availability of data in case of an emergency. There is no single point of failure in our IT infrastructure, and many systems have double or triple redundancy.

7. Results

The most important results to accomplishing our mission are meeting the customer and market requirements (See **Figure P.1-7**), process requirements (See **Figure 6.1-1**), and action plan requirements (See **Figure 2.2-1**). All of these results are included in the following figures. We provide benchmarks where relevant comparative data are available. In the cases where results are uniquely tailored to our business model, we use internally developed company goals that relate to requirements or expectations.

While most data are segmented by sector, the relative importance varies as shown in **Figure P.1-7**. Intelligence and Government are 56% of Stellar Solution's revenues, Civil and Commercial programs are 29% of revenue, and Defense programs and DSC are 15% of revenues.

7.1 Product and Process Results

7.1a Customer-Focused Product and Service Results

The services Stellar provides are unique and different from most other award applicants. We provide contracted engineering services with our employees working as part of

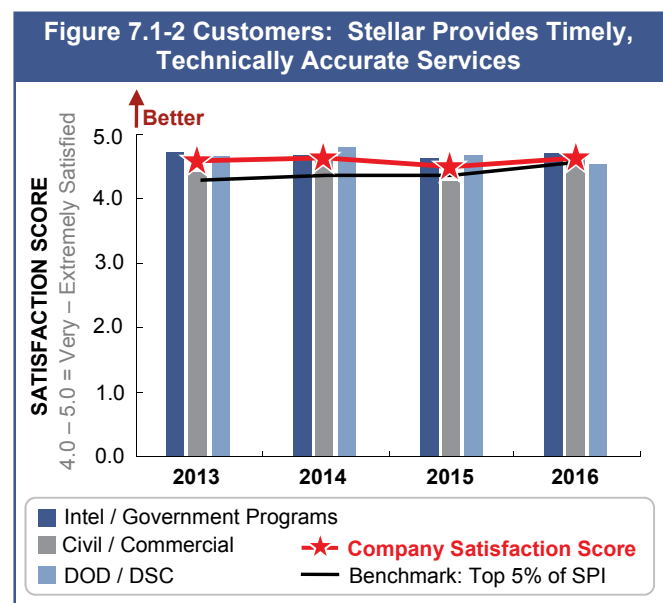
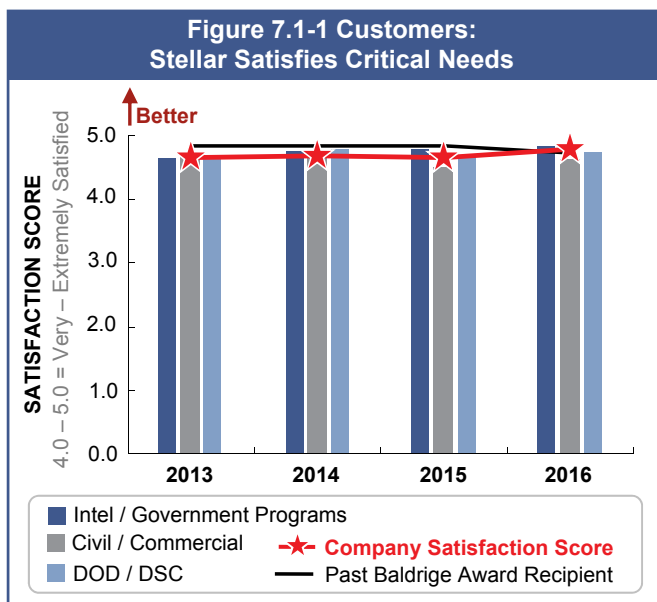
customer teams on projects at the customer's site and using the customer's processes. Just degrees or other credentials can't guarantee that our engineers deliver on the job for the customer. The only way to measure that from the customers' perspective is through customer experience. This measurement approach is not unheard of for Baldrige Award recipients. Our research of best practices revealed that customer satisfaction measures were also used in Item 7.1 by a former Baldrige Award recipient in the engineering consulting field, making for a relevant comparative.

Our Strategic Advantage (SA1), intimate relationships with customers, is the result of continued effort by every Stellar employee on every project. The results can be seen in **Figures 7.1-1 through 7.1-6**. The most important measure of meeting the most important customer and market requirements is Stellar satisfying our customer's critical needs, which is one half of our vision. We segment the data by our markets. This measure is also a leading indicator of potential future business with these partners and customers.

Figures 7.1-1 through 7.1-6 provide data on customer satisfaction. These figures show the customer ratings on a scale from one to five, with 5 being extremely satisfied and 4 being very satisfied. All six results show that Stellar consistently at or above the benchmark across all sectors. **Figure 7.1-1** (satisfying customers' critical needs) and **Figure 7.1-5** (responds to emerging requirement in a timely manner) demonstrate a beneficial trend with an uptick in 2016. **Figures 7.1-2** (timely technically accurate) and **7.1-4** (providing innovative solutions) have reversed a slight downward trend with positive movement in 2016. **Figure 7.1-3** (flexible) and **Figure 7.1-6** (knowledgeable) have a beneficial trend with all sectors either approaching or at benchmark levels. Across all results, most sectors are maintaining or increasing their rankings.

While direct comparisons are not available for **Figures 7.1-1 through 7.1-5**, there is a measurement in **Figure 7.2-2** that shows 93% of our customers rate Stellar Solutions much better or better than other service providers. In 2016, 53% of our customers said that Stellar was much better than other service providers, 38% better, and 9% about the same.

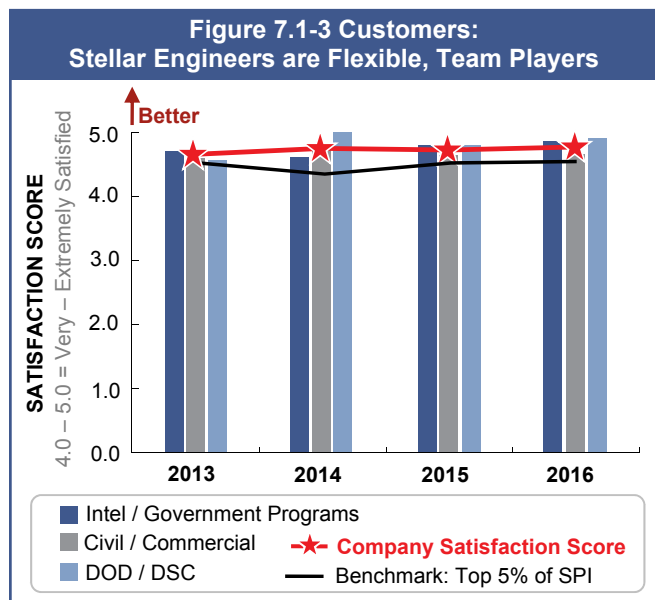
Figure 7.1-1 shows Stellar's consistent ability to solve customers' critical needs.



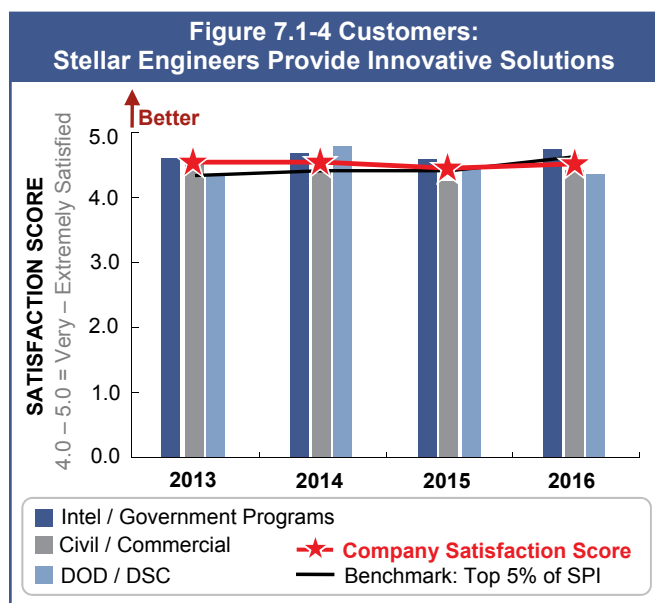
The Voice of the Customer input from annual surveys and from discussion with our customers and partners inform us that timely and technically accurate services are two of the most important characteristics. **Figure 7.1-2** shows consistently high performance across all sectors. There is a slight dip in the civil/commercial segment for 2015, which is driving a small decline for the overall company results. There are a few customers driving the slight decrease. This is not a trend as these customers are satisfied with the technically accurate services that Stellar is providing. The overall company result remains somewhere between very and extremely satisfied. The performance is higher than the Service Performance Insight (SPI) Professional Services Maturity Benchmark of top 5%. SPI is a research company that studies the professional services industry and has developed a professional services maturity matrix that relates process to performance and creates performance comparisons and benchmarks for the professional

services industry.

Since Stellar engineers are members of our customers' teams and on-site at their facilities, it is important that they are flexible and collaborative team players. **Figure 7.1-3.**

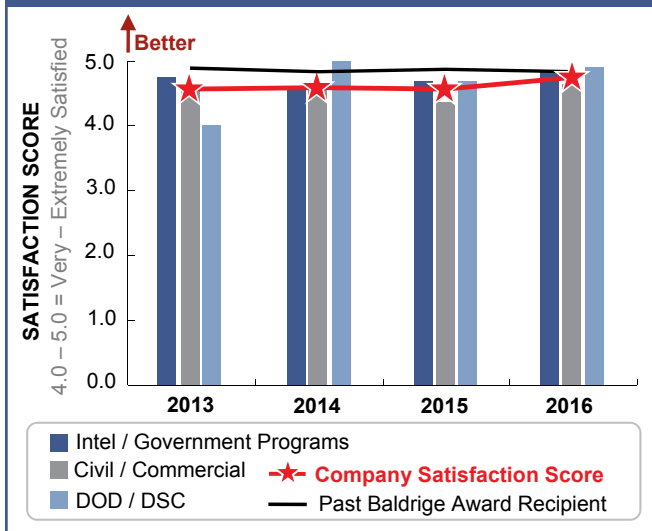


Customers hire our engineers because of our ability to help create innovative solutions for their projects as shown in **Figure 7.1-4.** This is evidence of Stellar's Strategic Advantage SO5, our ability to "cross boundaries" to bring the knowledge base of the entire company to bear on customer problems and create innovative solutions.



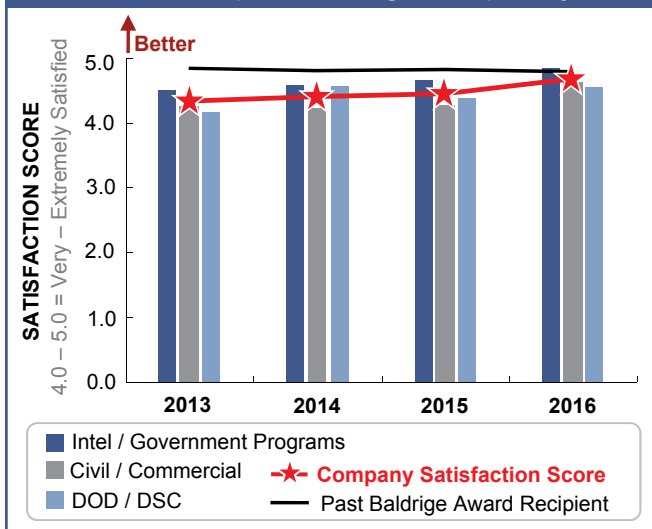
Another reason our customers hire our engineers is to speed up the design of their systems and projects, so timeliness in responding to emerging requirements is essential, as shown in **Figure 7.1-5**

Figure 7.1-5 Customers: Stellar Engineers Responds to Emerging Requirements in a Timely Manner



Customers value the unique knowledge and capabilities of our engineers as shown in **Figure 7.1-6**. This is evidence of Stellar’s Strategic Advantage SO4, which is Stellar’s reputation for technical integrity. Stellar demonstrates a beneficial trend that is now approaching the benchmark.

Figure 7.1-6 Customers: Stellar Engineers Provide Unique Knowledge or Capability

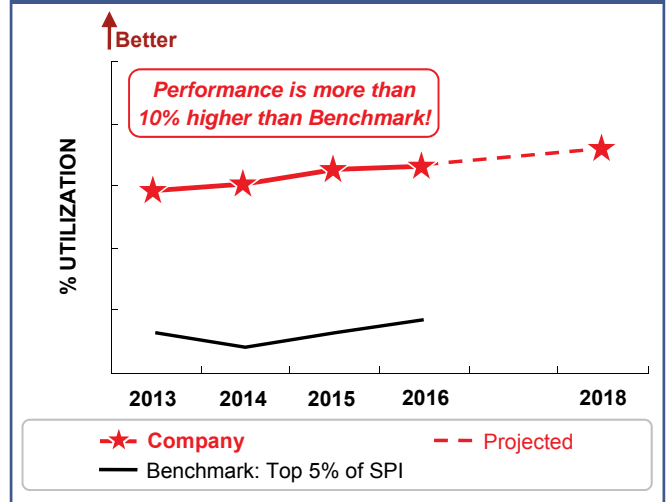


7.1b Work Process Effectiveness Results

7.1b(1) Process Effectiveness and Efficiency

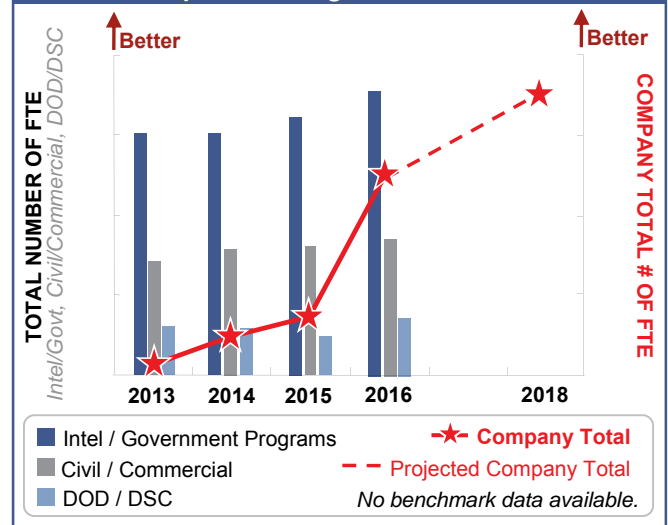
Utilization is the most important in-process or leading indicator of financial performance for any professional engineering services organization. Stellar only makes money when we are billing. Our utilization trend is shown in **Figures 7.1-7 (utilization % redacted)** for full-time employees and **Figure 7.3-2** for Advisors (employed when needed).

Figure 7.1-7 Stellar’s Billable Utilization Rate Reflects Effectiveness of Work System



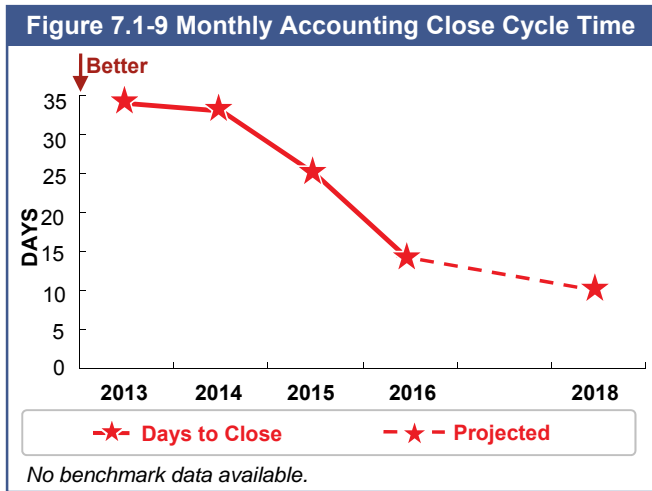
There are two ways Stellar drives profitability. The first is utilization as shown in **Figure 7.1-7**. The second is to increase the number of engineers who are billing. The growth of billable full time equivalents (FTEs) is shown in **Figure 7.1-8 (FTE numbers redacted)**. Over the years Stellar has earned numerous recognitions as a fast-growing, woman-owned business.

Figure 7.1-8 Growth in Billable Full Time Equivalents Complements High Utilization Rate

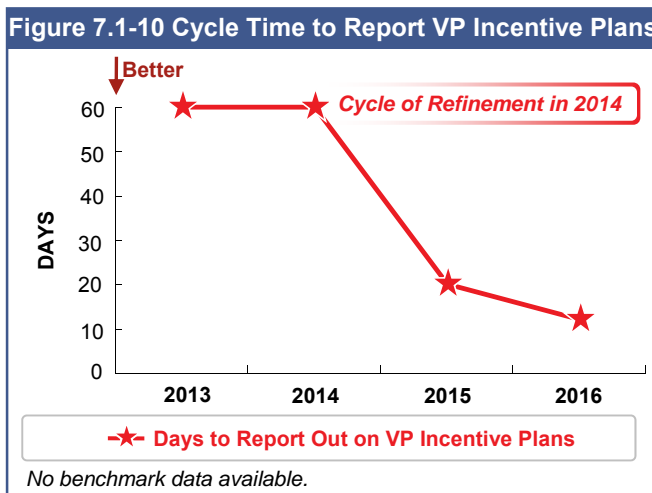


Stellar has a small Business Operations Team (BOT) that supports the VPs and the engineers in the field. Their focus has been on improving our processes and leveraging technology to improve our effectiveness, improve efficiency, and reduce cycle time. Another result is that our senior leaders have the information they need more quickly. **Figures 7.1-9 through 7.1-13** show these improvements.

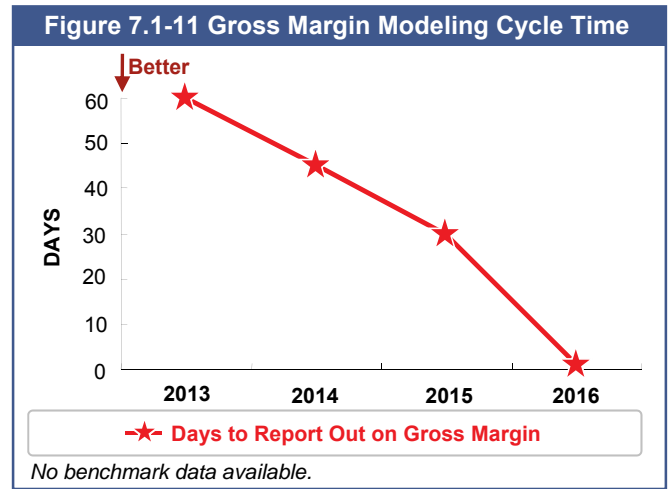
Figure 7.1-9 illustrates that we now have more timely/accurate financial information. This allows the executive leadership team to make quicker and more informed financial decisions.



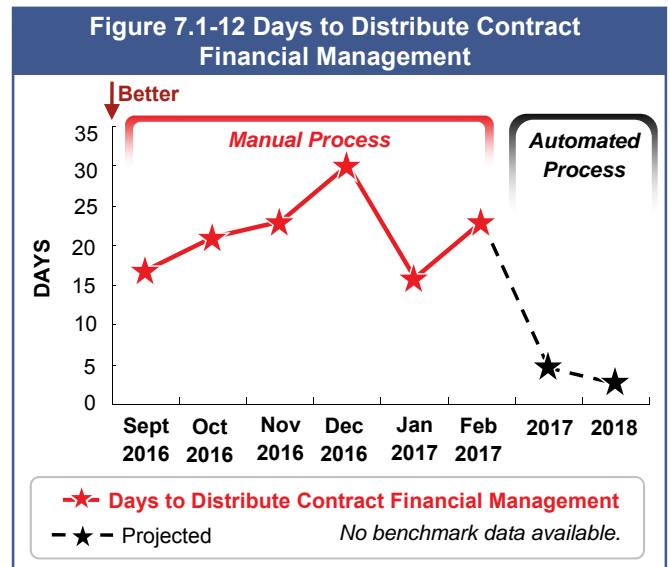
Incentive plan calculations used to be on an annual basis. To improve the motivational impact and transparency, we now make the calculations monthly. This reduced the time for the year-end calculation, Figure 7.1-10, since now at the end of the year we only need to reconcile one month of data rather than reconciling 12 months under the earlier method.



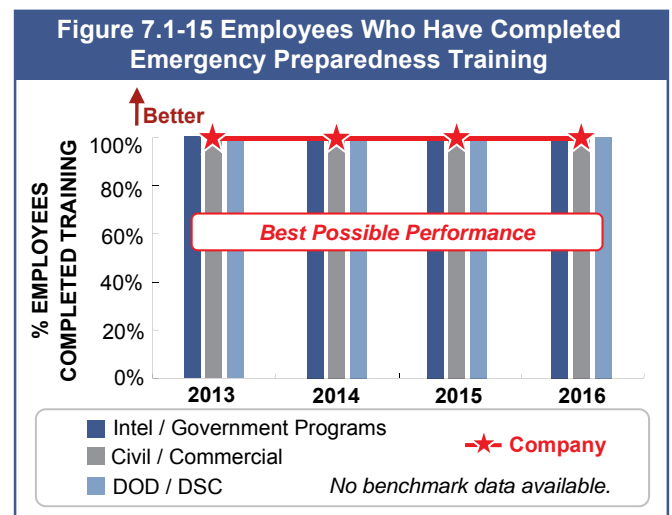
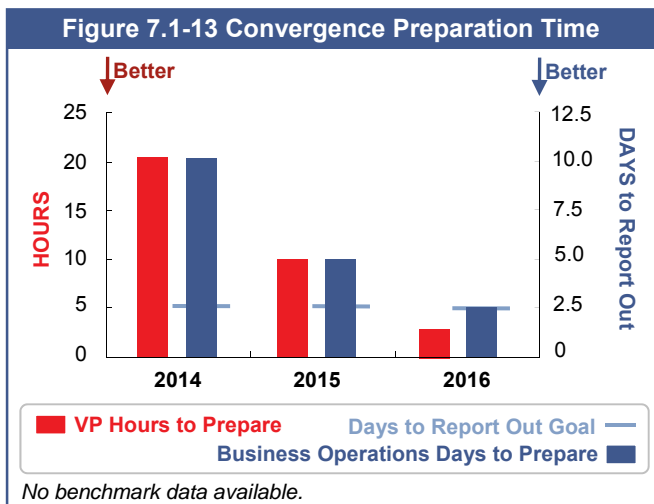
Senior leaders need to know what our gross margins are to make better decisions. Here, we have improved our process by leveraging technology and dramatically reduced the cycle time to have real-time data, which has led to improved gross margin % in 2015 and 2016. Figure 7.1-11.



Another important part of measuring our business is knowing the revenue status of each contract. Stellar has begun to produce contract financial status reports (CFSs) for each contract. Figure 7.1-12. The process is currently manual, and our goal is to get the reports out by the end of the third week of the month. The CFS automation project was completed in early April. We will be running both manual and automated systems for two months to ensure accuracy. The new fully automated system will allow us to run a real-time CFS.

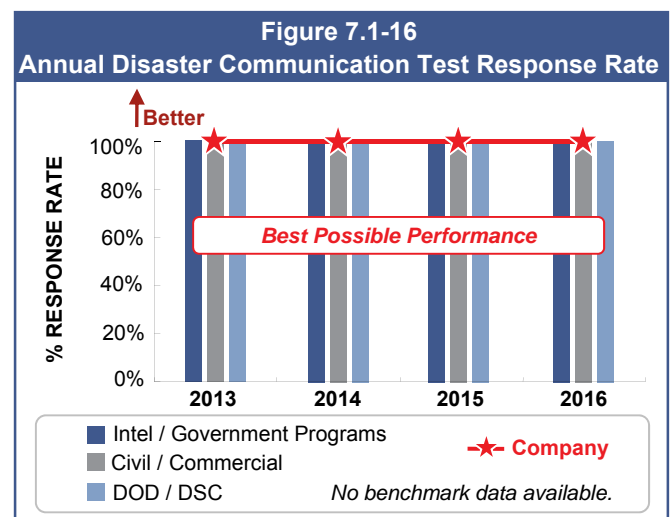
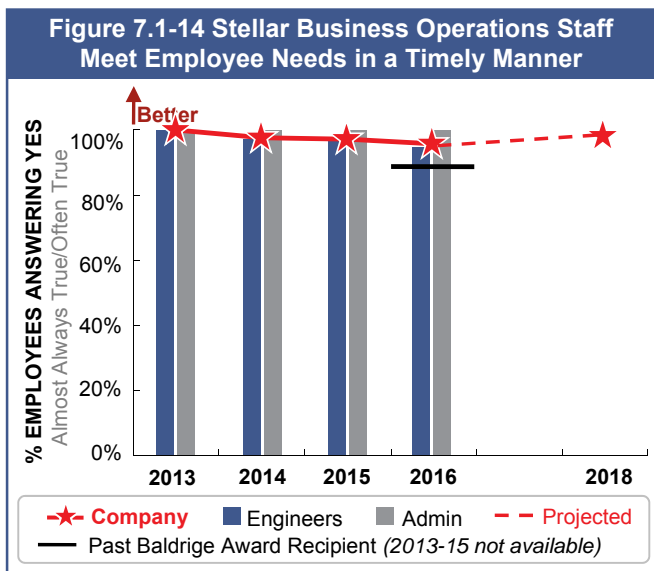


Senior leaders review plans, performance, and customer updates in the monthly Convergence Meetings. The process has been streamlined so that the time for the VPs to prepare their input has been reduced from 20 hours per month to 2.5 hours per month. This allows the VPs 2 more days per month to work on customer-facing activities. At the same time, the BOT preparation time dropped from 10 days in 2014 to 2.5 days in 2016 as shown in Figure 7.1-13.



Timeliness of meeting employee (internal customer) needs is a key requirement for the Business Operations staff. This is an internal customer satisfaction measure of satisfaction with cycle time in **Figure 7.1-14**. As evidenced, the BOT meets their customer's needs nearly 100% of the time. With continuing to streamline processes, the BOT is convinced that it can serve employees' needs in an even timelier manner in the future.

Figure 7.1-16 shows that we segment our annual communication test response by VP organization. This is important in a real emergency when we are trying to account for every one of our employees. The segmentation helps us identify where to focus if we are missing an employee's response. This could reduce the cycle time in getting aid to an employee.



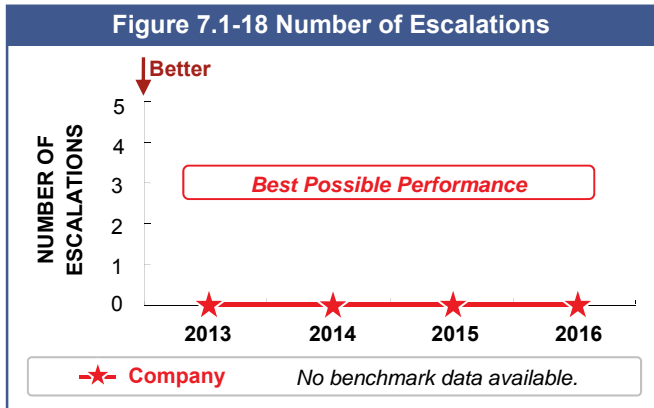
7.1b(2) Emergency Preparedness

Even though 90% of our employees work offsite in office environments and are at low risks, there is 100% participation in our annual emergency preparedness training. **Figure 7.1-15**. Employees also indicated that they feel safe while working at Stellar headquarters and onsite at customer locations as shown in **Figure 7.3-7**.

7.1c Supply-Chain Management Results

As an engineering services consulting company, the supply of new employees is our most important component in our supply chain. This is the same conclusion that PwC Public Sector, a 2014 Baldrige Award recipient and a consulting firm like Stellar, reached. **Figure 7.1-17 (redacted)** shows how we are effectively having candidates accept our offers. The other part of our supply chain is purchased ancillary business and office services, which comprises less than 5% of our budget.

Figure 7.1-18 shows there were no customer escalations or complaints to Stellar regarding our services these past 4 years.



7.2 Customer-Focused Results

7.2a Customer-Focused Results

7.2a(1) Customer Satisfaction

Consistent customer satisfaction is a top priority at Stellar. Having satisfied and engaged customers is the single most important factor ensuring our ongoing success. This provides Stellar with our strategic advantage (SA1) of having intimate relationships with customers. This leads to high levels of customer satisfaction (Figure 7.2-1), and it leads to engaged customers who recommend Stellar to others (Figure 7.2-5). This also leads to growth in annual revenues as shown in Figure 7.5-1 For Category 7.2, our relevant comparisons include Freese and Nichols, an engineering company.

Figure 7.2-1 shows sustained high levels of overall customer satisfaction segmented by our customer and market segments. The Company is consistently scoring in the 4.7 range, which is at the benchmark level.

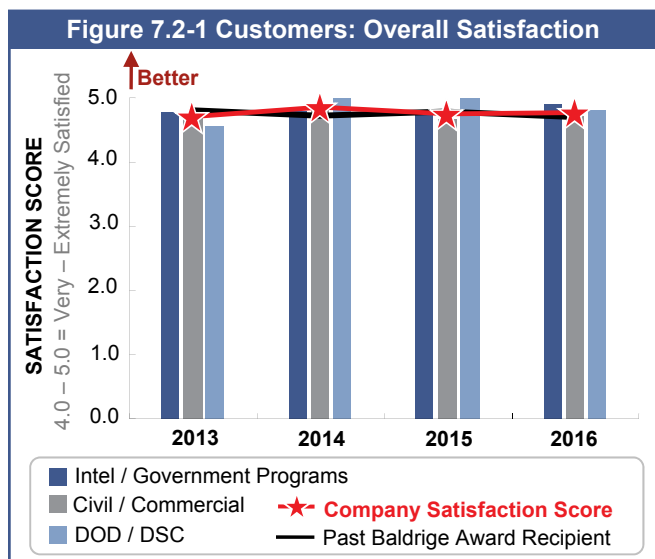


Figure 7.2-2 shows how our customers rate Stellar compared

to other service providers. The results show consistently higher ratings, with over 80% of “much better” and “better” than our competitors for the past 3 years.

In a similar vein, as ratings for our services improve relative to our competitors, the level of dissatisfaction decreases. In fact, not one customer ranked us below our competitors over the past two years. This also demonstrates how Stellar is able to address our Strategic Challenge, SC2, differentiating Stellar from other providers of professional services. We differentiate ourselves by significantly outperforming the other services providers. Finally, this also supports achieving our Strategic Objectives: SO2 (high impact for new customers), SO3 (building customer intimacy), and SO5 (pursue organizational excellence).

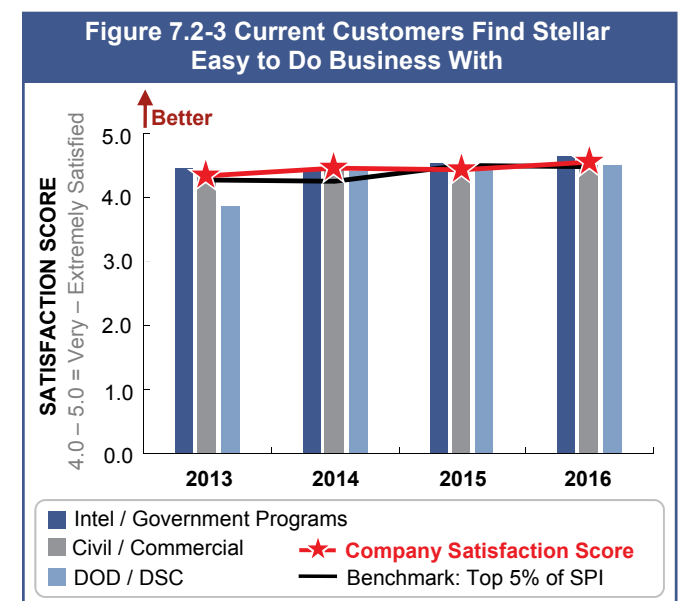
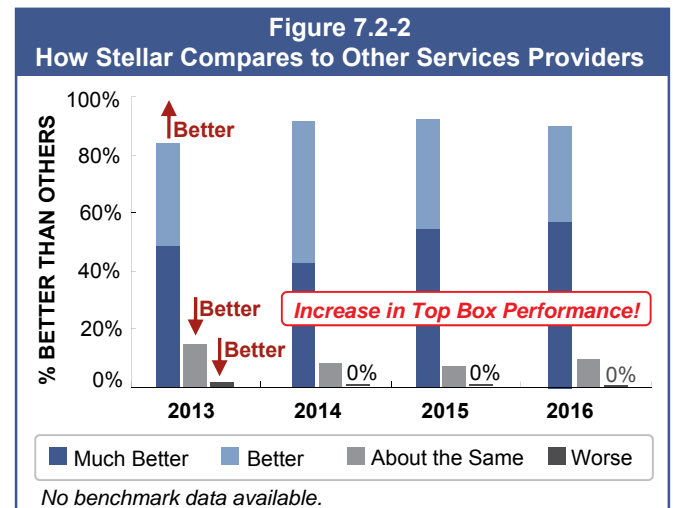


Figure 7.2-3 shows that our customers find Stellar easy to do business with. This is a key customer and partner requirement that we have learned from our Voice of the Customer Process and as shown in Figure P.1-7.

The data are segmented by customer group with all groups scoring in the very satisfied range. DOD/DSC has shown improvement in 2014 and 2015 with Intel/Government maintaining their high score the prior three years.

As a measure of dissatisfaction, the percent that each of our customers answering the survey who were unsatisfied or very unsatisfied with the overall personnel and services provided by Stellar has been 0 for the past 3 years as shown in **Figure 7.2-4**. This represents the best possible performance.

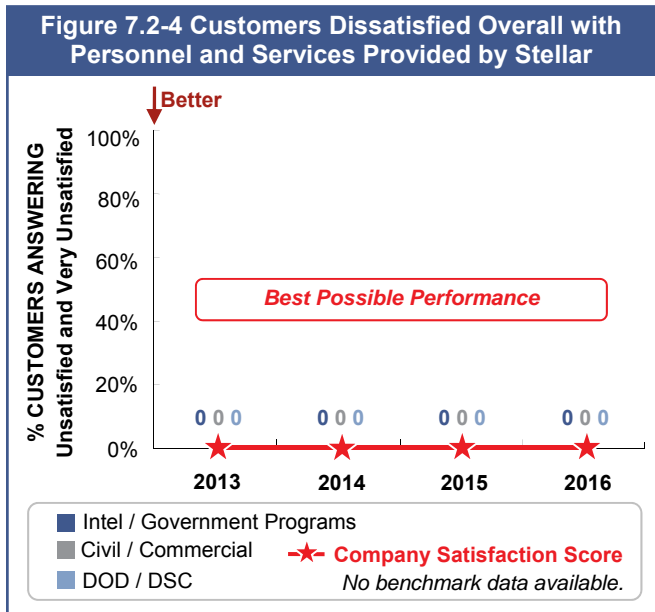
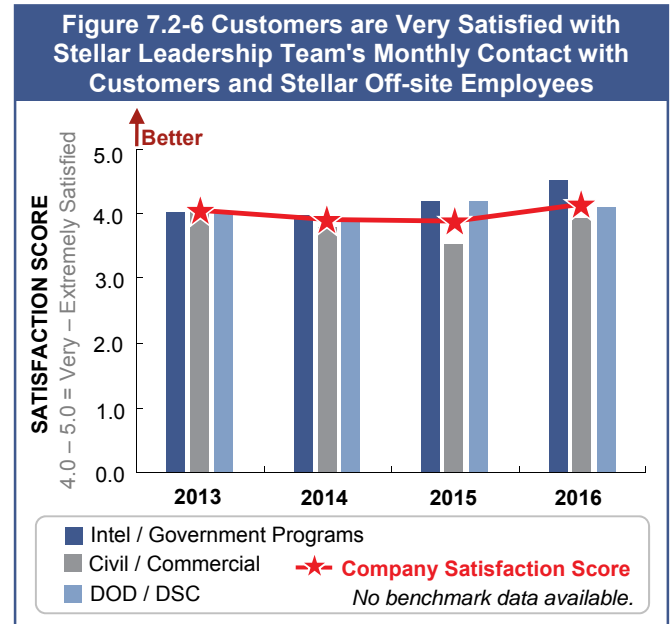
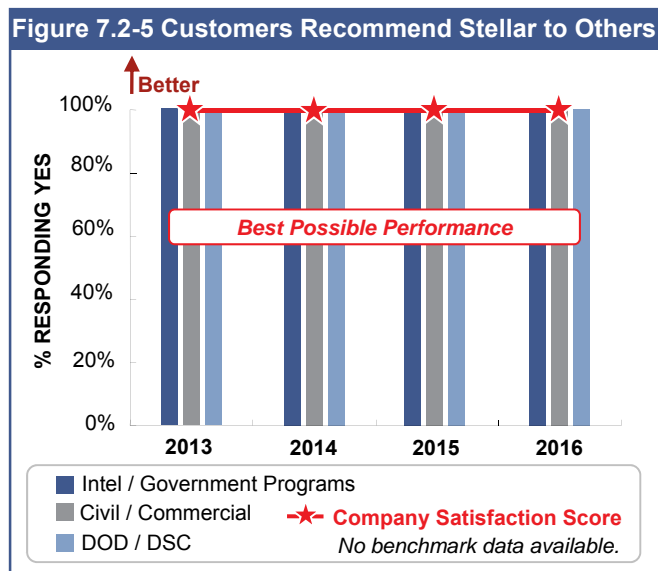


Figure 7.2-6 shows customers are very satisfied with Stellar’s SLT monthly contacts with them and with our employees who are working for the customers at their facilities. This again illustrates our SA1 of having intimate relationships with customers and employees. The slight downward trend in Civil/Commercial is due to a few customers changing their rating from very satisfied to satisfied. No relevant comparisons are available because these monthly SLT contacts are a relationship-building approach unique to Stellar.



7.2a(2) Customer Engagement

An important measure of customer engagement and loyalty is the percent of customers that would recommend Stellar to others. As **Figure 7.2-5** shows, our results are in the upper 90% with one segment reaching 100%. This is further evidence of SA1, intimate customer relationships.



7.3 Workforce-Focused Results

Stellar invests heavily in its workforce from recruiting to participation in strategic planning, their ongoing training, their award-winning benefit package (**Figure 5.1-4**), to their involvement in community activities, and monthly visits with senior leaders on site.

Stellar has participated in the Great Places to Work (GPTW) assessments of our workforce culture and has **been named one of the top 50 Small and Medium Business Great Places to Work by Fortune Magazine and Great Places to Work in 2014 (17th place) and 2015 (6th place)**. In 2016, Stellar became one of the top 100 Medium Business Great Places to Work by Fortune Magazine and Great Places to Work (6th place).

Since there were 540 applicants to GPTW, the benchmarks are for the average of the top 50 and represent the top 5% or above the 95th percentile. As you can see from the following figures, Stellar is a consistent nationally top-level performer for workforce results.

7.3a Workforce-Focused Results

7.3a(1) Workforce Capability and Capacity

The most effective measures of workforce capacity are the utilization rates shown in **Figure 7.3-1 (utilization % redacted)**. Stellar's utilization rate for full-time employees compares very favorably to the benchmark of the top 5% of professional services companies.

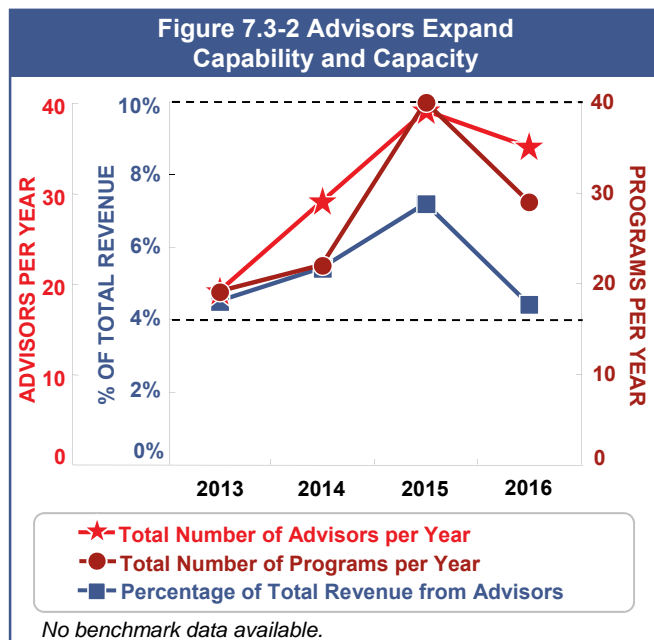
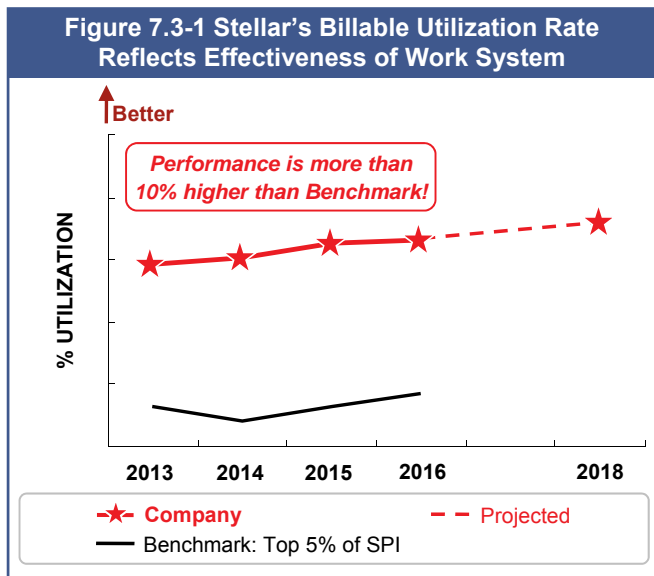
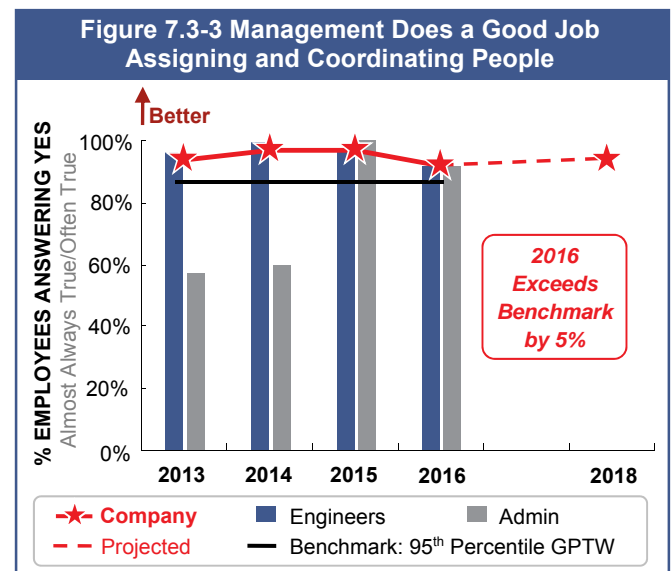


Figure 7.3-2 shows the utilization for our Advisor workforce. Our part-time Advisor pool provides both surge support and a broad set of specialized capabilities that can be used to solve critical customer needs. We employ a number of Advisors each year on a number of significant programs. Advisor-generated

revenue varies between 4.5 and 10% of total revenue per year. In addition, the number of programs and number of Advisors used each year is variable, which is the nature of this type of specialized and surge support. This range of Advisor participation reflects the value of this part-time resource for customer surge and specialized expertise. We have not set a specific goal for Advisor participation, but we are comfortable with the ranges stated in the figure below.

For example, the spike in 2015 was reflective of the needs of one Commercial customer with needs in a relatively short timeframe.

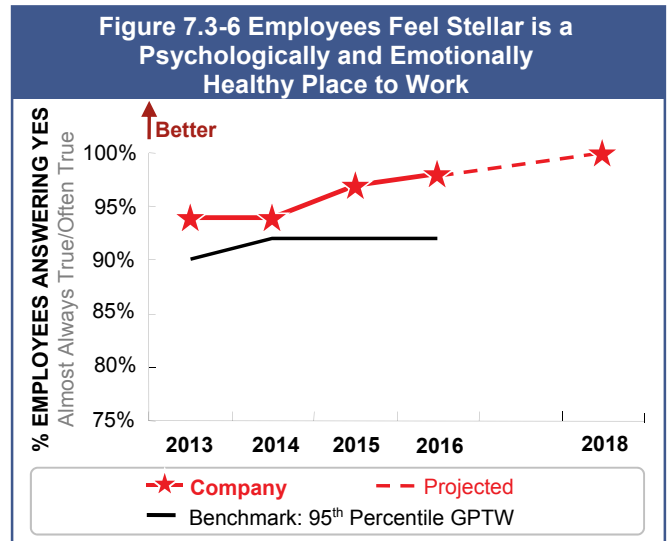
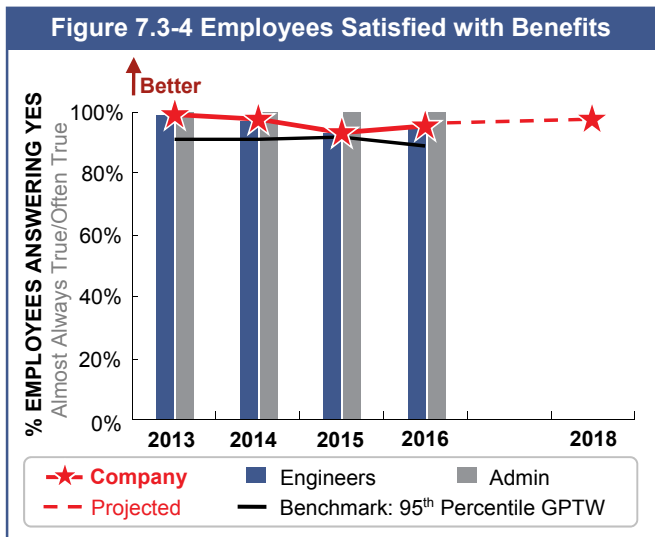
The job of assigning and coordinating people is another one of Stellar's workforce capacity management success factors. The GPTW benchmark is for the 95th percentile. **Figure 7.3-3.** 2016 was a year of contract uncertainty and movement of staff, making it more difficult to assign and coordinate people. As we move forward, we expect this result to rebound to its previous levels or better.



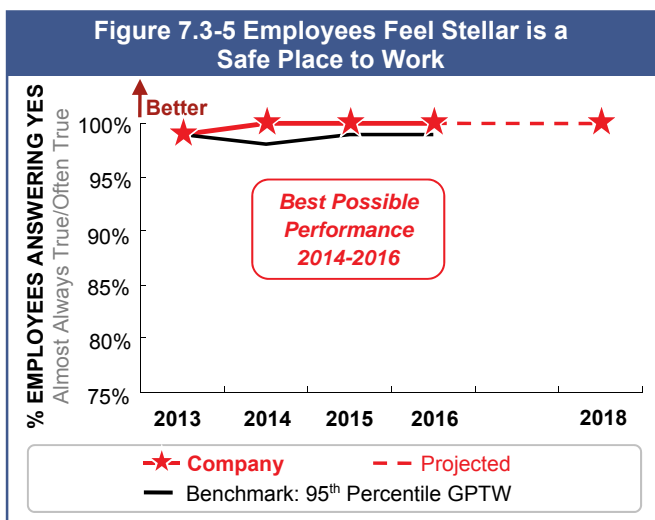
7.3a(2) Workforce Climate

Stellar also uses the GPTW survey to assess workforce culture and the benchmarks shown represent the 95th percentile for the top small and medium businesses. This survey is the source of the benchmarks for the **Figures 7.3-4 through 7.3-10.**

Figure 7.3-4 shows Stellar employees' satisfaction with benefits.

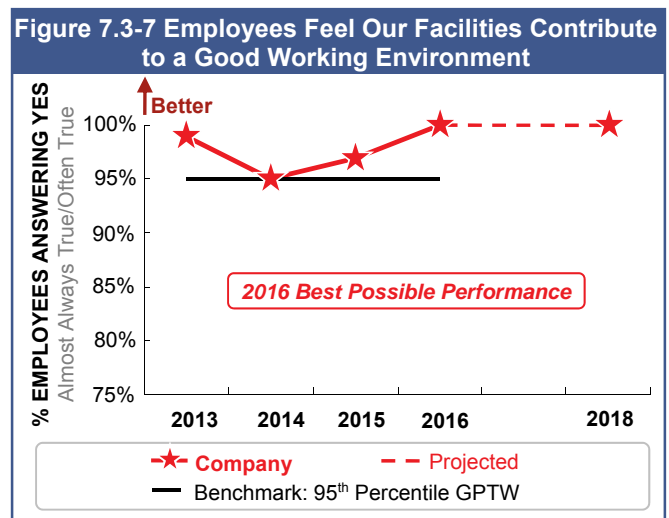


Workers also feel safe as shown in **Figure 7.3-5**.



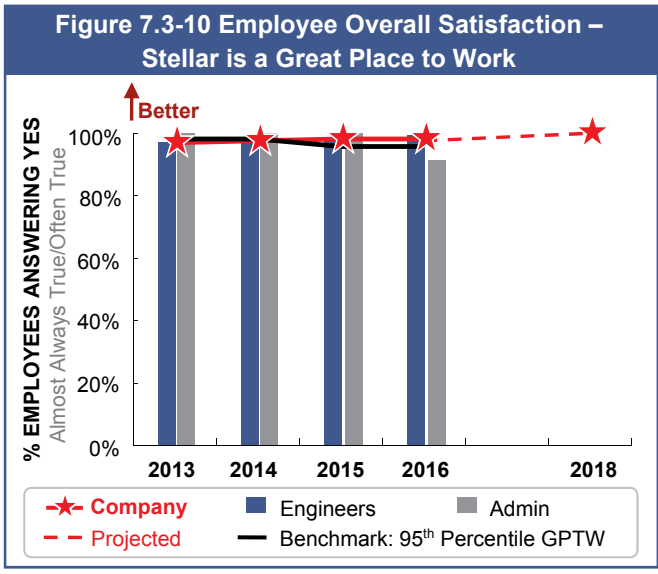
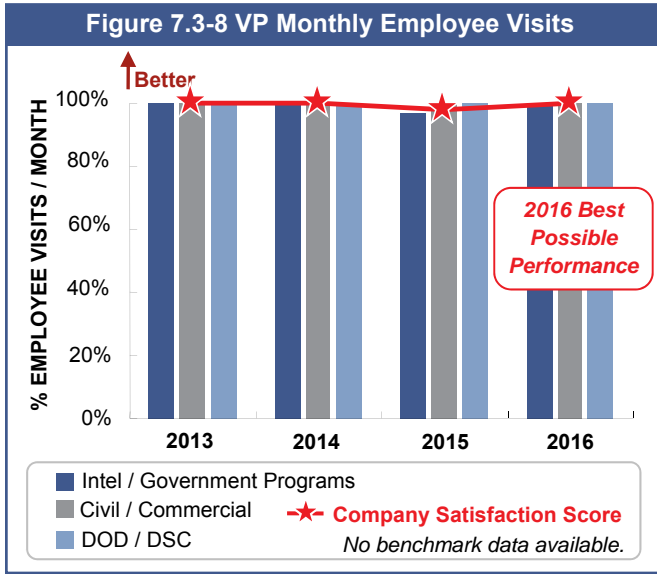
The close personal attention with the monthly VPs' visits, the participation of all employees in strategic planning, annual training to improve skills, and participation in community activities makes Stellar a great place to work. **Figure 7.3-6** indicates that employees feel Stellar is a healthy place to work. Performance for the past 3 years has exceeded the GPTW 95th percentile benchmark.

Our employees work in office facilities, mostly on customer sites, and indicate that they are good working environments as shown in **Figure 7.3-7**. The slight dip in 2014 was a reflection of the increasingly cramped and uncomfortable work environment in our Chantilly, Virginia, offices. Satisfaction rebounded in 2015 when we moved into our new offices.



7.3a(3) Workforce Engagement

Each month our VPs personally visit each employee at their worksite. We track these visits and segment them by customer and market segment to hold the vice presidents accountable. The figure below shows the VPs' commitment.



Our first strategic objective (SO1) is to deliver high impact for current customers. It is imperative that we **hire and retain** talented and motivated individuals. Motivation and attitude are key to a candidate’s success. **Figure 7.3-9** shows that our employees feel that management appreciates their good work and effort, which continues to increase their motivation. Data are segmented for our workforce groups and show performance at the 95th percentile.

Another key measurement of employee engagement is how many employees recommend Stellar to others. **Figure 7.3-11** shows 95th percentile performance. This is also important because it helps mitigate our (SC1) strategic challenge of finding and hiring the people with the right skill sets. Stellar has grown through the referral of prospects from current employees.

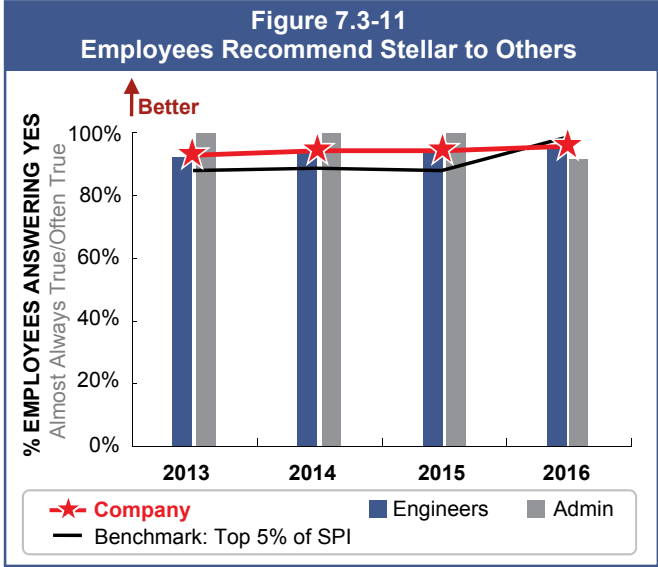
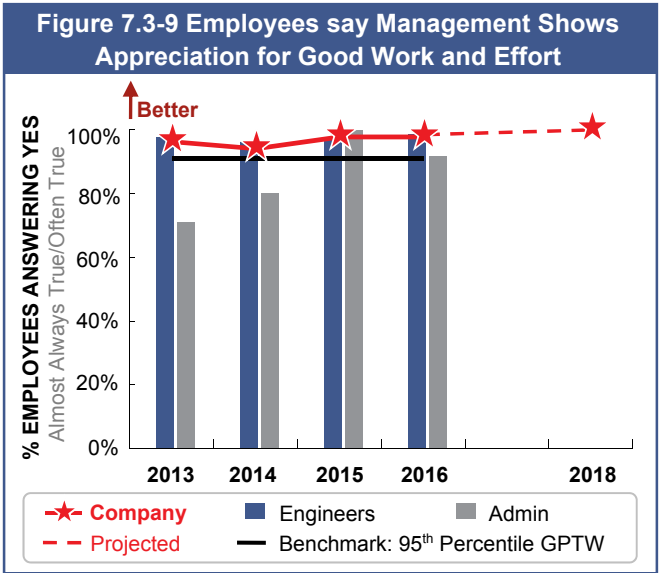


Figure 7.3-10 shows that Stellar’s employees absolutely rate us as a Great Place to Work. This is the best assessment of employee engagement. The results match the 95th percentile for the Small and Medium businesses at GPTW. The GPTW 2016 survey is completed and Stellar ranked #6 out of the 96 in the nation in medium size organization.

Although our attrition rate has gone up, we are generally mirroring the benchmark trend as shown in **Figure 7.3-12 (redacted)**. This benchmark comes from Service Performance Insight (SPI), and they noted a significant uptick in 2015 for attrition. Stellar did a deep dive on the 2015 attrition and discovered that job content was a significant factor in people leaving, so in 2016 the company worked hard to improve the quality of the contracts it staffed. This resulted in the Company’s 2016 attrition rate settling back to the 2013 level.

In addition, because of our small number of employees (the denominator), any changes in the numerator cause an exaggerated spike in workforce results.

As our customers' programs and funding become more predictable, we will be able to make more assignments to dream jobs.

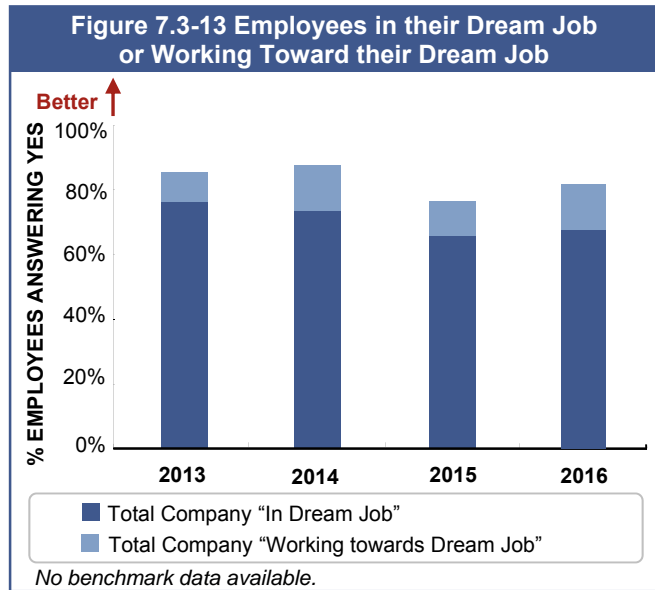
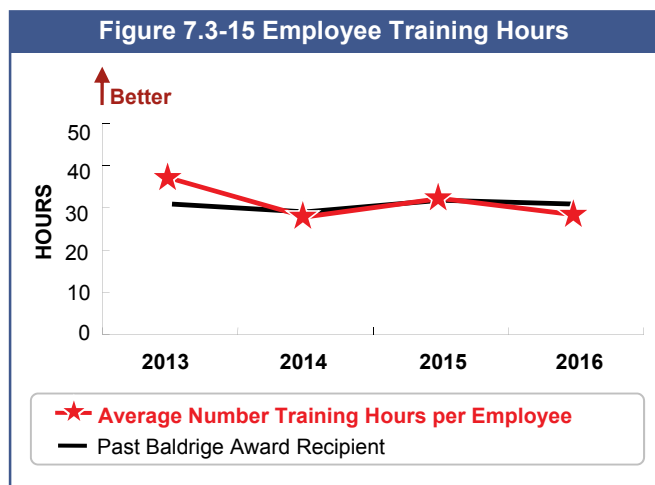


Figure 7.3-14 (redacted) shows the percentage and total number of new hires from current employee referrals. We found comparisons for referral rates hard to find. So we reached out to Dick Grote, a well-respected HR executive who writes articles for the *Harvard Business Review*. He replied, “

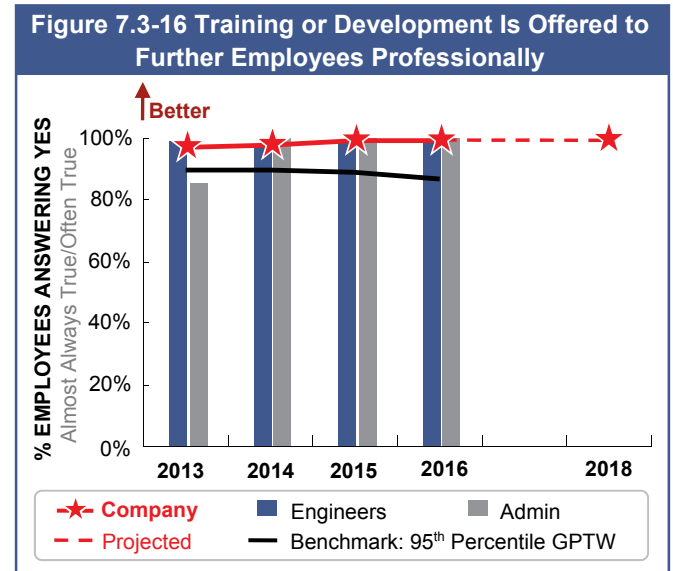


7.3a(4) Workforce Development

As described in 5.2b, Stellar systematically invests in employee training to improve our workforce knowledge and skills as

shown in **Figure 7.3-15**. The benchmark shown below is from the previously mentioned former Baldrige Award recipient in the engineering consulting field.

Employees are actively involved in selecting their professional development training, and therefore, rate their professional development consistently above the GPTW benchmark at the 95th percentile as shown in **Figure 7.3-16** and nearing best possible performance for the past two years.



7.4 Leadership and Governance Results

7.4a Leadership, Governance, and Societal Responsibility Results

7.4a(1) Leadership Communication and Engagement with the Workforce and Customers

The effectiveness of leadership communication and engagement with the workforce is shown in **Figures 7.4-1 through 7.4-4**. The performance for Stellar exceeds the GPTW 95th percentile benchmarks. These results are segmented into the two workforce segments that cover the majority of our employees.

Leadership communication and engagement with customers is shown in **Figure 7.4-5**. The results are segmented by customer and market segment.

Figure 7.4-1 shows that employees feel they receive the right amount of management support and communications. The engineers are about 150 employees and are the highest rated group. This is exceptional since they are all deployed and not at the home office like the administration staff.

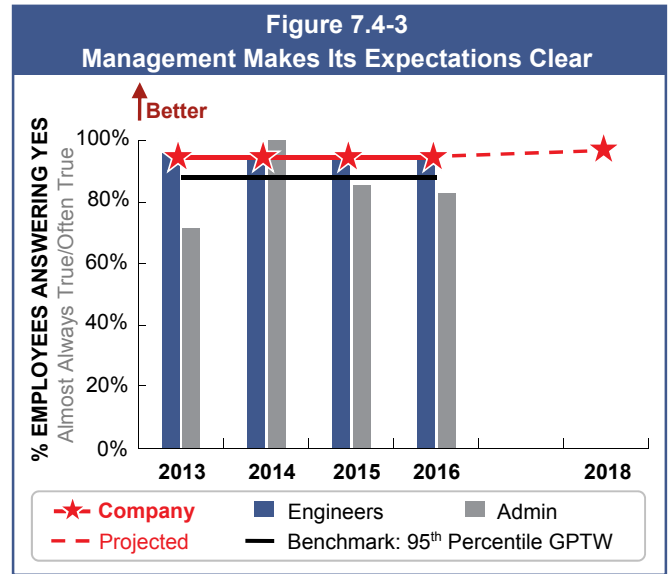
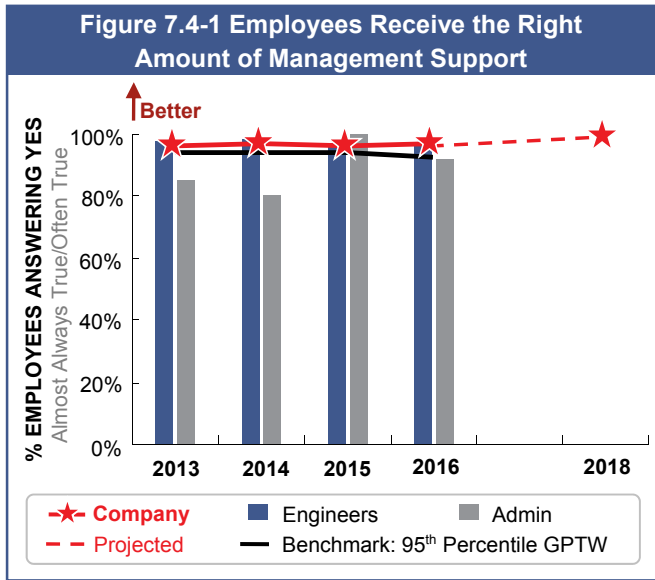


Figure 7.4-2 shows management keeps employees informed, and the results consistently exceed the 95th percentile. The dip in the admin staff (and related dip in company overall) has been the result of replacing staff who have retired with those who are more comfortable with the automation and new skills required for the job. In some cases, remaining admin staff have been able to be trained on new accounting and CRM tools, but some have resisted change and have been replaced to ensure that our company culture of teamwork and customer focus are supported.

Figure 7.4-4 shows management creates an environment for high performance by listening to suggestions and resolving issues effectively. This is another driver of high employee engagement, which motivates employees to perform at a higher level and feel they are making a valuable contribution. These results consistently exceed the 95th percentile. The BOT group is trending below the benchmark primarily due to a small survey population. For the group to achieve the benchmark, all BOT employees would have to respond “almost always” or “often” true. However, the group demonstrates a beneficial trend over time. Such a small segment cannot demonstrate statistically significant stability, but we continue to review the results by segment for any actionable insights.

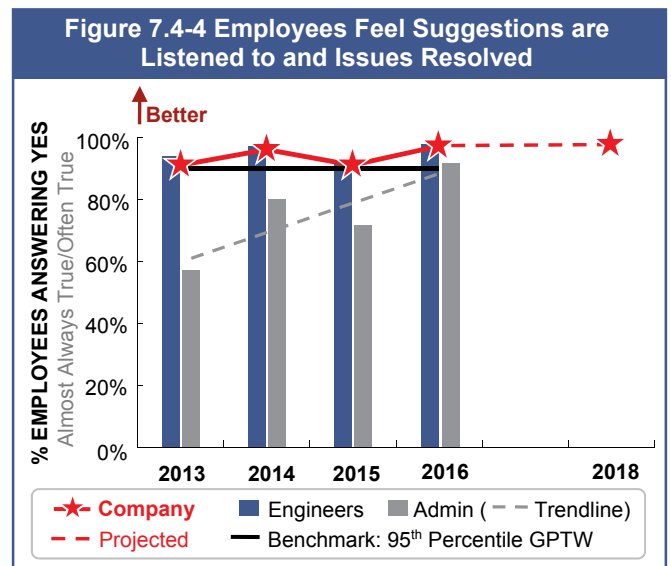
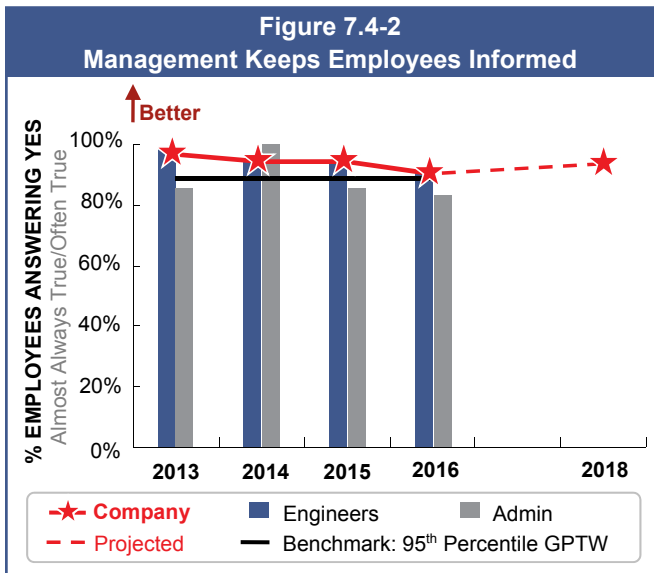
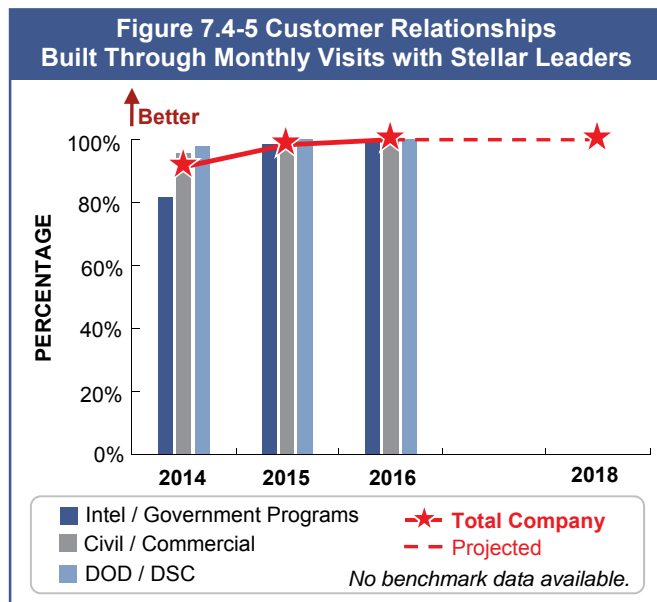


Figure 7.4-3 shows management makes its expectations clear, which enables employees to perform at a higher level and feel they are making a valuable contribution. These results consistently exceed the 95th percentile.

Figure 7.4-5 Senior Leaders communicate and engage with customers through their monthly visits. The data are segmented by our customer market segments. As you can see, Stellar

achieves a 100% visit goal to meet our SO3 (building customer intimacy) objective.



7.4a(2) Governance

Figure 7.4-6 Independent Review / Audit Report Results

	2013	2014	2015	2016
Financial Statements Review	Passed	Passed	Passed	Passed
Profit Sharing Plan (PSP) Audit	Passed	Passed	Passed	Passed

7.4a(3) Legal and Regulatory Compliance

Figure 7.4-7 shows consistent compliance for the past 3 years meeting the requirements identified in Figure 1.2-2. No benchmarks are needed since this represents the best possible performance for the last 3 years. Stellar’s key compliance process is to be proactive with respect to meeting all of the legal and regulatory requirements by performing internal reviews to ensure compliance.

Figure 7.4-7 Compliance

Key Compliance Process	Measure	2013	2014	2015	2016
FAR	# of FAR Findings	0	0	0	0
GSA	# of GSA Audit Findings	0	0	0	0
DCAA	# of DCAA Audit Findings	0	0	0	0
ITAR	# of ITAR Citations	0	0	0	0
OCI	# of OCI Findings	0	0	0	0
OSHA	# of OSHA Findings	0	0	0	0
EEOC	# of EEOC Findings	0	0	0	0
Code of Ethics	Management Ethic Survey	100%	100%	98%	98%

7.4a(4) Ethics

Ethics are built into the Stellar values which states do the right

thing for our customers, employees, and community. For the past 3 years, Stellar employees have rated management as honest and ethical in their behavior exceeding the GPTW 95th percentile benchmark (Figure 7.4-8). We are in the process of increasing the one-on-one communication with Senior Leaders with our admin staff to ensure that they understand any policies, practices, and decisions reflect our commitment to honest and ethical behavior in all interactions.

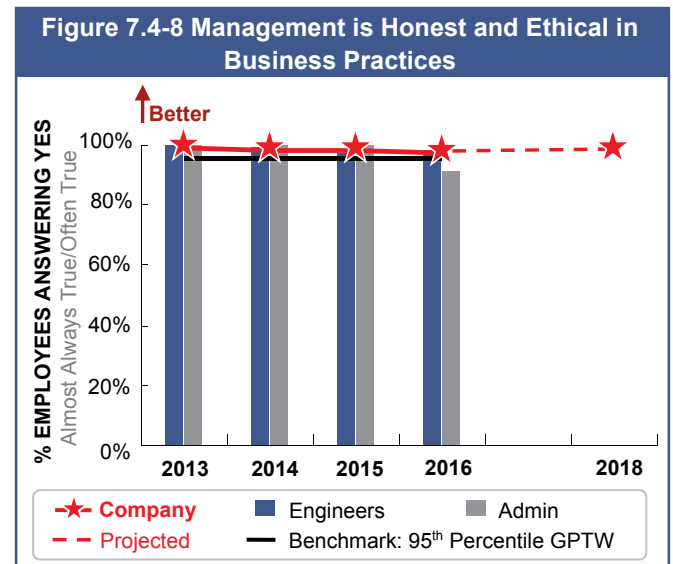
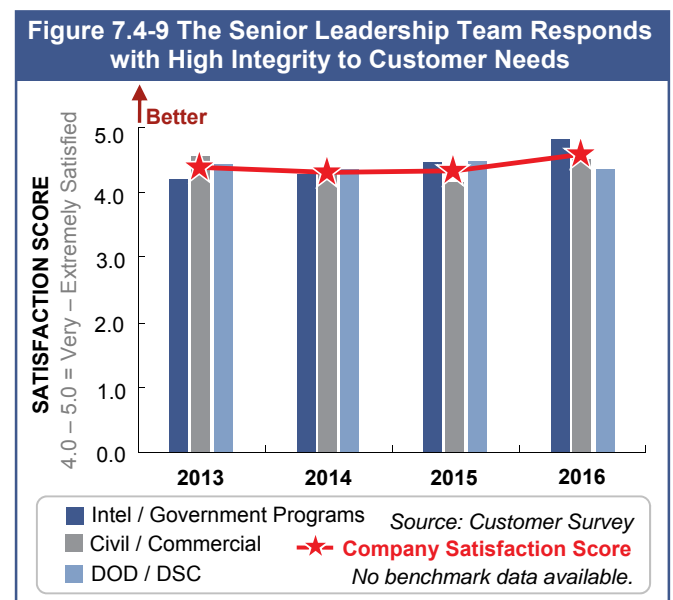


Figure 7.4-9 shows customers also rate Stellar SLT as having responded with high integrity to their needs. The data are segmented across all of the customer market segments. In 2016, 49% of our customers say Stellar is much better than other providers, 26% say we are better than other providers, and the remaining 25% say that we are about the same as other providers with respect to SLT responding with high integrity.



7.4a(5) Society

Figure 7.4-10 shows extremely high level of employee participation and contributions to the Foundation funds over the past 3 years. 100% is the best possible performance and therefore does not need a benchmark.

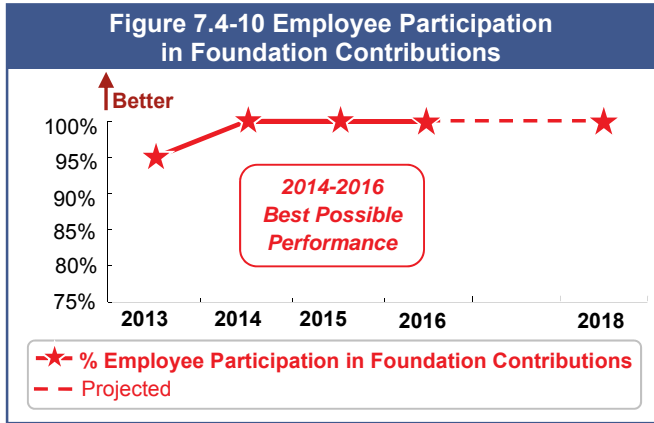
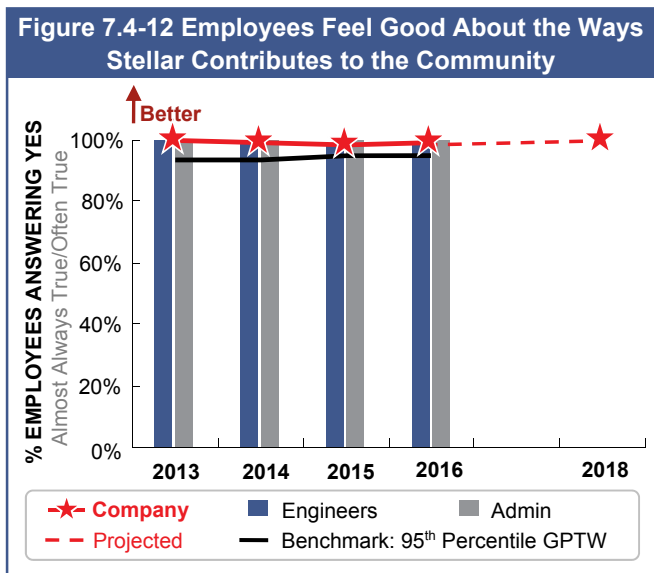


Figure 7.4-11 (redacted) shows that Stellar contributes part of their profits to the community. As stated above, in terms of contributing to the community, Stellar gets maximum employee participation in the Stellar Foundation. Also, Stellar is actively engaged in a game-changing humanitarian R&D (QuakeFinder) effort to try and forecast earthquakes.

Figure 7.4-12 shows that Stellar is a national role model and leader in the ways that our employees feel that Stellar contributes to the community. This is a direct result of Stellar's innovative approach for giving every employee money to invest in a community cause that's most important to them. This approach maximizes employee engagement and community activities and allows them to select where that support will be invested to have the most impact. (See 1.2 a (2)).



7.4b Strategy Implementation Results

Implementation of the action plans for SO#1 and SO#2 is shown in the next two figures. Notice the contrast and percent of action plans accomplished. Figure 7.4-13 (redacted) SO#1 is for delivering high-impact to current customers and enjoys a high percentage of action plans completed as planned. In 2016, we allocated more resources from Goal 1 to Goal 2.

SO #2 is to deliver high impact for new customers. SO#2s are our future. They represent the customers we currently do not have. Figure 7.4-14 (redacted) shows a favorable trend, and we accomplished our goal in 2016 due to new customers in the cyber security and commercial markets.

7.5 Financial and Market Results

7.5a Financial and Market Results

7.5a(1) Financial Performance

Figures 7.5-1 (redacted) and 7.5-2 (redacted) show steady financial growth in spite of the different market conditions many of our customers are facing with cutbacks in government spending and government programs.

Figures 7.5-3 (redacted) and 7.5-4 shows Stellar's success in growing the number of billable employees because that drives revenue growth. A number of these new employees are result of referrals from other employees who know that Stellar is a great place to work. The growth is also occurring because customers value the contribution of Stellar employees and, as one contract ends, they are employed on new contracts. The data are segmented by key customer and market segments.

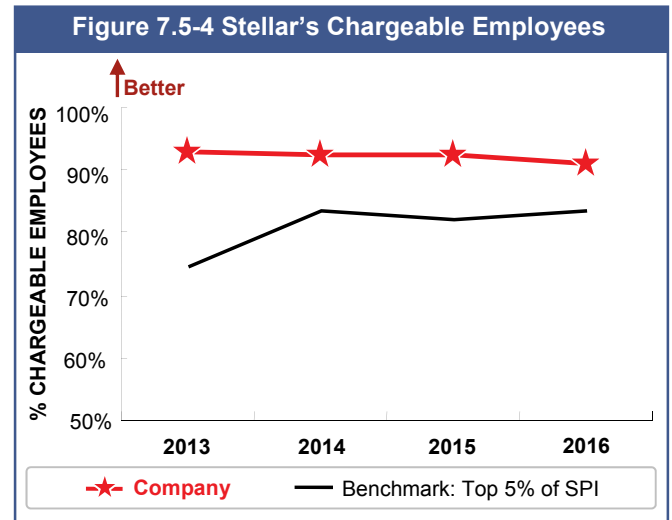


Figure 7.5-5 (redacted) shows the consistent gain of profitability as Stellar works hard to improve its margins. Some of this margin improvement is a result of the improved business operations processes and cycle time reductions that were shown

in Figures 7.1-9 through 7.1-12.

7.5a(2) Marketplace Performance

Stellar is a relatively small player in a multibillion-dollar marketplace, so many of the normal measures like market share are neither relevant nor useful measures.

However, we do measure growth in revenues in all markets. New market revenue growth for our DSC Sector is shown in **Figure 7.5-6. (redacted)**