

People Strategy

At Lone Star®, a strategic pillar of the company is our human capital. Our success has been driven by contributions of multi-disciplined expertise. This document describes the deliberate approach to preserving, promoting, and expanding Lone Star's cadre. The elements of this strategy are designed to attract, cultivate and retain the best and brightest Human Capital available and clarify expectations we all hold each other accountable to in our workplace. It is subject to enhancement and amendment as Lone Star's growth and development continue.

1.0 Cultural Goals and Philosophy.

Our culture has its roots in the founders and their professional histories. We elect not to work with anyone with a bad work ethic, a difficult ego, or questionable integrity. These characteristics are the defining values around which we build and maintain our culture.

The choice of whom to put in front of a customer or put on a team developed into what we call the Zero Jerk Factor™ (ZJF). We do not use egotistical or troublesome people. Over time, we've become deliberate about a culture which attracts talented people, helps each of us perform at a higher level, and delivers value to our customers. Our culture strives for continuous improvement; we expect progress, not perfection. We expect honest self-assessments and ongoing self-improvement.

The ZJF is not just a mindless mantra. It is part of a positive, open culture where we can disagree but still respect each other. It is an environment where we can work on complex, confusing, and challenging client problems and know we are focused on the challenge. We have the freedom to express our opinion without fear of judgmental remarks from our teammates. Our people are confident enough to wield the black pen (creator), knowing the red pen (critique) may change everything. It is done without bias. The Lone Star culture values open debate and constructive disagreement.

1.1 Standards and Culture. These stated standards are the values we hold ourselves to and accurately reflect the Lone Star culture:

1. *We Deliver Outstanding Solutions for Our Clients*
2. *We Make a Difference*
3. *We Take Pride in Our Professionalism*
4. *We Manage by Fact and Seek Objectivity*
5. *We Smartly Grow Our Company*
6. *We Treat People With Respect*
7. *Our People Are Empowered*
8. *Our Ethics Are Unwavering*

By themselves, the list may not describe our unique culture, but what we mean by these constitutes a unique philosophy or spirit that is Lone Star.

Lone Star's uniqueness can be summed into five basic beliefs which enable us to deliver the right answers to our clients day in and day out: Collaboration, Colleagues, Challenge, Cause, and Culture.



1.2 We Are Focused on Delivering Outstanding Solutions for Our Clients. We value people who are willing to go to great lengths to meet customer requirements. Our people are good at listening to customers' needs and delivering solutions that meet the requirements on time and within budget.

1.3 We Make a Difference – The Work We Do Matters. Our people understand that the work we do matters. We value people who focus on making a difference and seeing it as important. Our culture celebrates results that matter, both professionally and personally. It is a natural consequence of being serious about delivering results for clients and valuing our people. We believe results that matter build long-term prosperity for ourselves and our customers, and by striving for it, we make Lone Star a great place to work.

1.4 We Take Pride in Our Professionalism. Lone Star makes a conscious effort to expand personal and professional development. By defining yearly goals, we promote a healthy growth-minded culture. We strongly feel that our employees must be challenged at work, ultimately developing into the best version of themselves. A stagnate workforce does not lend itself to a pursuit of growth. Our people take the initiative to improve their skills to bring more to the team, making the team better through their individual growth. They understand their personal credibility changes the perceived value of our work, so they project a professional demeanor. Our team helps each other and knows when assistance is needed. While Lone Star employees thrive in uncertainty, we owe it to each other to ask, provide and receive help as required.

We are determined to achieve excellence in our personal conduct and business performance. Lone Star® customers deserve to be served in a professional, credible manner.

1.5 We Manage by Fact and Seek Objectivity. We deal with complex, multi-constituent, multi-dimensional issues and always seek decision neutrality. We base our work on the facts and data gathered and are open and transparent in delivering results. We communicate ideas clearly and illustrate facts with credibility. We value people who collaborate and who can work in a team environment. The Lone Star culture values open debate and constructive disagreement. Lone Star employees can take and apply constructive feedback in a non-defensive and respectful manner.

1.6 We Smartly Grow Our Company. We balance growing our revenue, profitability and capabilities always to ensure delivery of exceptional client solutions. In addition, we proactively plan for growth to ensure we have the resources in place.

1.7 We Treat People with Respect. We value people who treat ALL our stakeholders with respect. Customers, employees, partners, shareholders, and other constituents are treated with respect and compassion. This creates an environment to collaborate and interact with transparency. Treating people with respect is critical to our culture and success.

1.8 Our People Are Empowered. We believe personal responsibility, accountability, and authority are the cornerstones of success in our organization. Lone Star's culture values the power of personal initiative. Trustworthy empowered people strive to do the right things, the right way to achieve the right answers.

1.9 Our Ethic are Unwavering. We demand the highest level of honesty and integrity in all things we do. Trust is the core of everything Lone Star does. Customers must be able to trust Lone Star with sensitive information and know our results are unbiased. Within the company, we must be able to trust each other completely.



1.10 Managing Human Capital. Our organizational approach is to efficiently balance individual capabilities and relationships with formal processes based on individual initiative. We expect people to have balanced lives, take time for their families and serve our customers.

1.11 Our Standards. Our approach to managing people is based on the principles of our eight values (Section 1.1). We are not all going to measure up to all aspirations all the time. So, dealing with exceptions is an important part of managing human capital. Generally, these can be described in three categories: coaching, correcting, and exiting.

2.0 Coaching. Opportunities for coaching, whether it is performing well above the established norm or a departure from our standards, it is critical that we be transparent with each other. One characteristic of professionalism is the constant pursuit of self-improvement. Therefore, we expect Lone Star people to be coachable. Coaching is not just the responsibility of leaders; it is the responsibility of all Lone Star personnel. Personnel should seek regular feedback, both formally and informally, to ensure continuous improvement.

2.1 Correcting. Occasionally, we need to correct each other. Constructive feedback should focus on behaviors, not the person. It should always guide toward professional growth and success. When that happens, the following guidelines are worth considering:

- **Questions.** It is helpful to ask questions before critiquing (what do you think about...?)
- **Goals.** It is helpful to frame correction in terms of what we want, not just what we do not want.
- **Respect.** We treat each other with respect, even when we correct each other.
- **Location.** Remember to praise in public and critique in private.

2.2 Exiting. Exits can occur in more than one way:

- **Zero Tolerance.** Personal conduct, which results in loss of a security clearance, physical violence, lewd behavior, ethical breach, creating a hostile work environment (and other things), may result in immediate termination.
- **Repeat Infractions.** While no one will meet our high standards all the time, repeated infractions and/or lack of change may be cause for termination.

2.3 Behavior-Based Management (BBM). Focus on behaviors to be predictors and leading indicators of success. This is not an alternative to seeking results. Rather, it seeks to foster those things which produce the desired results or increase the chances of desired results. BBM is a way to think about why our culture matters in terms of business performance.

- BBM targets behaviors which are expected to lead to the desired outcome.
- BBM is based both on behavior and on role. A laudatory, bonus-able behavior for a junior employee may be the minimum expected behavior for a senior contributor.
- BBM is subjective; by definition, it is not “proven” because the target behavior happens before the results we hope to achieve with the behavior.



3.0 Recruiting Approach. Great people, empowered and able to create great results, do not fit in a single template. Therefore, our recruiting strategy seeks to balance three aspects: temporary vs. permanent recruiting, finding the great person vs. seeking a great fit for a specific position, and staffing at headquarters vs. forward deployment. Our business mix is project-based and tends to require people who can thrive in more than one setting. Historically, we have hired our teams via multiple avenues:

- Referrals from current employees, “Friends of Lone Star,” and community relationships
- Job requisitions and applicant interviews

3.1 Whatever the approach, we follow our processes and meet our regulatory obligations. For example, we value referrals, but we still must do background checks.

4.0 Compensation Approach. Our standards drive the Lone Star approach to compensation, culture, management, recruiting, and results. It is changing as the company grows and will continue to change in response to its needs, people, and market conditions. It consists of five elements: benefits, equity, base pay, BBM bonuses, and performance/results bonuses. In each case, these are targeted to the individual, not “one size fits all.” We target performance and compensation reviews on an individual basis. We conduct these reviews on an individual cycle - not *en masse*.

4.1 Benefits. Lone Star competes with large corporations for knowledge workers. Our benefits program of health insurance, retirement savings, and other benefits intends to provide us with a recruiting asset and a retention advantage. In general, we prefer to have benefits which have the following attributes:

- Better than the typical large corporation and as good as the better larger firms. (We want to be in the top decile in benefits.)
- Controlled by the employee, “buffet plans” and self-election are preferred when possible to let employees maximize the value of benefits to their own needs.
- Denominated in terms of their cost (i.e., transparent to the employee as a compensation cost) or, if the cost is not easy to attribute, at least valued in some manner.
 - Benefits should not feel like “free” entitlements.
 - Denomination makes the benefit tangible – not abstract.

4.2 Equity. Leadership has expanded equity ownership to Lone Star employees with eligibility after a full calendar year of tenure.

4.3 Base Pay. The Compensation Committee meets four to six times per year to review an individual’s market value and personal performance. We target “total compensation” with bonuses to be at or above the median in most cases.



4.4 Performance Bonuses. A portion of our bonus pool will be targeted at measured performance. This includes specific targets set by the company.

- BBM can recognize actions which predict future success.
- Performance measures are quantification of history.
- Intermediate measures can be predictive of later events. They can be both measured performance and predictors.
- Performance bonuses recognize the attainment of specific goals, events, or results.
- Performance bonuses are based both on results and on the role. A laudatory, bonus-able achievement for a junioremployee may be below acceptable minimum performance for a senior contributor.
- We target bonuses at both the individuals and corporate levels, including cash and equity options.

