
STALLION OILFIELD SERVICES LTD.

JOINT PLAN OF REORGANIZATION TERM SHEET

THIS TERM SHEET (THIS “**TERM SHEET**”) DESCRIBES A PROPOSED RESTRUCTURING (THE “**RESTRUCTURING**”) FOR STALLION OILFIELD HOLDINGS, LTD. AND CERTAIN OF ITS AFFILIATES (COLLECTIVELY, THE “**DEBTORS**” AND, TOGETHER WITH THEIR NON-FILING AFFILIATES, “**STALLION**”) PURSUANT TO A JOINT PLAN OF REORGANIZATION (THE “**PLAN OF REORGANIZATION**”), WHICH WOULD BE FILED BY THE DEBTORS IN CONNECTION WITH A CONTEMPLATED CHAPTER 11 FILING IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE (THE “**BANKRUPTCY COURT**”).

THIS TERM SHEET IS NOT AN OFFER OR A SOLICITATION WITH RESPECT TO ANY SECURITIES OF STALLION. ANY SUCH OFFER OR SOLICITATION SHALL COMPLY WITH ALL APPLICABLE SECURITIES LAWS AND/OR PROVISIONS OF THE BANKRUPTCY CODE.

THIS TERM SHEET IS PROVIDED IN CONFIDENCE AND MAY NOT BE DISTRIBUTED WITHOUT THE EXPRESS WRITTEN CONSENT OF STALLION. THIS TERM SHEET IS A SETTLEMENT PROPOSAL IN FURTHERANCE OF SETTLEMENT DISCUSSIONS. ACCORDINGLY, THIS TERM SHEET IS PROTECTED BY RULE 408 OF THE FEDERAL RULES OF EVIDENCE AND ANY OTHER APPLICABLE STATUTES OR DOCTRINES PROTECTING THE USE OR DISCLOSURE OF CONFIDENTIAL SETTLEMENT DISCUSSIONS.

THIS TERM SHEET IS SUBJECT TO ONGOING REVIEW AND APPROVAL BY, AND IS NOT BINDING UPON, STALLION, IS SUBJECT TO MATERIAL CHANGE, AND IS BEING DISTRIBUTED FOR DISCUSSION PURPOSES ONLY.

<u>OVERVIEW</u>	
Restructuring Summary	Prior to the commencement of the Debtors’ chapter 11 cases, the requisite threshold of Prepetition Secured Credit Agreement Lenders, Prepetition Bridge Lenders, holders of Unsecured Note Claims, holders of Existing Equity Interests (as such terms are defined herein), and the Debtors, shall have executed a Plan Support Agreement (the “ <u>Plan Support Agreement</u> ”), pursuant to which the Debtors will agree to pursue and implement a Plan of Reorganization consistent in form and substance in all material respects with this Term Sheet. This Term Sheet does not include a description of all of the terms, conditions, and other provisions that are to be contained in the Plan of Reorganization and the related definitive documentation governing the Restructuring.
Debt to be Repaid/Restructured	<p>Indebtedness that will be treated under the Plan of Reorganization includes:</p> <p>(i) approximately \$245.8 million in obligations (together with any accrued</p>

	<p>and unpaid interest, unutilized line fee, and L/C fronting fees through October 11, 2009, including outstanding obligations under outstanding letters of credit, the “<u>Prepetition Secured Credit Agreement Claims</u>”) outstanding under that certain Third Amended and Restated Credit Agreement (the “<u>Prepetition Secured Credit Agreement</u>”), dated as of June 12, 2007, by and among Stallion Oilfield Services Ltd., certain affiliate guarantors, UBS AG, as administrative agent and collateral agent (in such capacity, the “<u>Prepetition Secured Administrative Agent</u>”), and the lenders party thereto (together with the Prepetition Secured Administrative Agent, the “<u>Prepetition Credit Agreement Lenders</u>”);</p> <p>(ii) approximately \$258.9 million in obligations (together with any accrued and unpaid interest through October 11, 2009, the “<u>Prepetition Unsecured Bridge Credit Agreement Claims</u>”) outstanding under that certain Credit Agreement (the “<u>Prepetition Unsecured Bridge Credit Agreement</u>”), dated as of August 1, 2007, by and among Stallion Oilfield Services Ltd., certain affiliate guarantors, Wilmington Trust, as administrative agent (in such capacity, the “<u>Prepetition Bridge Administrative Agent</u>”), and the lenders party thereto (together with the Prepetition Bridge Administrative Agent, the “<u>Prepetition Bridge Lenders</u>”);</p> <p>(iii) approximately \$283.3 million in obligations (together with any accrued and unpaid interest through October 11, 2009, the “<u>Unsecured Note Claims</u>” and, together with the Prepetition Unsecured Bridge Credit Agreement Claims, the “<u>Unsecured Funded Debt Claims</u>”) outstanding on account of the 9.75% senior unsecured notes due February 1, 2015 (the “<u>Unsecured Notes</u>”), issued by Stallion Oilfield Services Ltd. and Stallion Oilfield Finance Corp. pursuant to that certain Indenture, dated as of January 24, 2007 (the “<u>Unsecured Notes Indenture</u>”), by and among Stallion Oilfield Services Ltd., Stallion Oilfield Finance Corp., and certain affiliate guarantors, and The Bank of New York Trust Company, N.A., as trustee (the “<u>Unsecured Notes Trustee</u>”); and</p> <p>(iv) amounts due under certain hedging agreements related to the Prepetition Secured Credit Agreement Claims and the Prepetition Unsecured Bridge Credit Agreement Claims (the “<u>Secured Swap Claims</u>”).</p>
<p>Securities to be Issued under the Plan of Reorganization</p>	<p>New Equity. Reorganized Stallion Holdings, a newly formed corporation, (“<u>Reorganized Stallion Holdings</u>”) shall issue equity (the “<u>New Equity</u>”) on the effective date of the Plan of Reorganization (the “<u>Effective Date</u>”), which equity shall be deemed fully paid and non-assessable.</p> <p>Warrants. Warrants to acquire 1% of the New Equity in Reorganized Stallion Holdings exercisable at an enterprise value of \$750 million (subject to dilution by the MEIP (as defined herein)) (the “<u>Warrants</u>”).</p>

<u>CLASSIFICATION AND TREATMENT OF CLAIMS</u>	
<u>Unclassified Claims</u>	
Administrative Claims	<p>Treatment. Each holder of an allowed administrative claim, including claims of the type described in section 503(b)(9) of chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (the “<u>Bankruptcy Code</u>”) to the extent such claim has not already been paid during the chapter 11 cases, (each, an “<u>Administrative Claim</u>”) shall receive payment in full, in cash, of the unpaid portion of its allowed Administrative Claim on the Effective Date or as soon thereafter as reasonably practicable (or, if payment is not then due, shall be paid in accordance with its terms) or pursuant to such other terms as may be agreed to by the holder of such Administrative Claim and the Debtors.</p> <p>Voting. Unimpaired. Holders of Administrative Claims (solely on account of such Administrative Claims) will be conclusively deemed to have accepted the Plan of Reorganization pursuant to section 1126(f) of the Bankruptcy Code. Therefore, holders of Administrative Claims will not be entitled to vote to accept or reject the Plan of Reorganization.</p>
Priority Tax Claims	<p>Treatment. Priority tax claims (“<u>Priority Tax Claims</u>”) shall be treated in accordance with section 1129(a)(9)(C) of the Bankruptcy Code.</p> <p>Voting. Unimpaired. Each holder of a Priority Tax Claim will be conclusively deemed to have accepted the Plan of Reorganization pursuant to section 1126(f) of the Bankruptcy Code. Therefore, each holder of a Priority Tax Claim will not be entitled to vote to accept or reject the Plan of Reorganization.</p>
<u>Classified Claims and Interests</u>	
Other Priority Claims	<p>Treatment. Each holder of an allowed claim described in section 507(a) of the Bankruptcy Code, to the extent such claim has not already been paid during the chapter 11 cases, (each, an “<u>Other Priority Claim</u>”) shall receive payment in full, in cash, of the unpaid portion of its Other Priority Claim on the Effective Date or as soon thereafter as reasonably practicable (or, if payment is not then due, shall be paid in accordance with its terms) or pursuant to such other terms as may be agreed to by the holder of an Other Priority Claim and the Debtors.</p> <p>Voting. Unimpaired. Each holder of an Other Priority Claims will be conclusively deemed to have accepted the Plan of Reorganization pursuant to section 1126(f) of the Bankruptcy Code. Therefore, each holder of an Other Priority Claim will not be entitled to vote to accept or reject the Plan of Reorganization.</p>
Other Secured Claims	<p>Treatment. Each holder of an allowed secured claim, including Secured Swap Claims, other than a Prepetition Secured Credit Agreement Claim (each, an “<u>Other Secured Claim</u>”), shall receive payment in full, in cash, of the unpaid portion of its Other Secured Claim on the Effective Date or as</p>

	<p>soon thereafter as reasonably practicable (or, if payment is not then due, shall be paid in accordance with its terms) or pursuant to such other terms as may be agreed to by the holder of such Other Secured Claim and the Debtors.</p> <p>Voting. Unimpaired. Each holder of an Other Secured Claim will be conclusively deemed to have accepted the Plan of Reorganization pursuant to section 1126(f) of the Bankruptcy Code. Therefore, each holder of an Other Secured Claim will not be entitled to vote to accept or reject the Plan of Reorganization.</p>
Prepetition Secured Credit Agreement Claims	<p>Allowance. The Prepetition Secured Credit Agreement Claims shall be allowed in an aggregate amount equal to approximately \$245.8 million.</p> <p>Treatment. On the Effective Date or as soon thereafter as reasonably practicable, except to the extent that a holder of a Prepetition Secured Credit Agreement Claim agrees to less favorable treatment of its allowed Prepetition Secured Credit Agreement Claim, each holder of a Prepetition Secured Credit Agreement Claim shall receive, at the sole and absolute discretion of Stallion, either (a) its pro rata share of (i) \$25 million of cash (as further described in Exhibit 1) and (ii) \$220.8 million¹ in secured debt pursuant to an amended and restated credit agreement on the terms and conditions set forth in Exhibit 1 or (b) payment in full, in cash, of the unpaid portion of its Prepetition Secured Credit Agreement Claim; <i>provided, however</i>, that Stallion must elect the same option for all holders of Prepetition Secured Credit Agreement Claims.</p> <p>Voting. Impaired. Each holder of a Prepetition Secured Credit Agreement Claim will be entitled to vote to accept or reject the Plan of Reorganization; <i>provided, however</i>, that if Stallion elects to satisfy Prepetition Secured Credit Agreement Claims pursuant to (b) above, then each holder of a Prepetition Secured Credit Agreement Claim will be conclusively deemed to have accepted the Plan of Reorganization pursuant to section 1126(f) of the Bankruptcy Code and, therefore, will not be entitled to vote to accept or reject the Plan of Reorganization.</p>
Unsecured Funded Debt Claims	<p>Allowance. The Prepetition Unsecured Bridge Credit Agreement Claims shall be allowed in an aggregate amount equal to approximately \$258.0 million. The Unsecured Note Claims shall be allowed in an aggregate amount equal to approximately \$283.1 million.</p> <p>Treatment. On the Effective Date or as soon thereafter as reasonably practicable, except to the extent that a holder of an Unsecured Funded Debt Claim agrees to less favorable treatment of its allowed Unsecured Funded Debt Claim, each holder of an allowed Unsecured Funded Debt Claim against the Debtors shall receive its pro rata share of 98% of the New</p>

¹ Number equals total allowed Prepetition Secured Credit Agreement Claims less the cash portion. Debt consideration subject to adjustment for paydown using asset sale proceeds and accrued and unpaid interest and fees at such time.

	<p>Equity (the “Equity Consideration”), subject to dilution from the MEIP and the Warrants.</p> <p>Voting. Impaired. Each holder of an Unsecured Funded Debt Claim will be entitled to vote to accept or reject the Plan of Reorganization.</p>
General Unsecured Claims	<p>Treatment. On the Effective Date, or as soon thereafter as is reasonably practicable, except to the extent that a holder of an allowed general unsecured claim (each, a “General Unsecured Claim”) agrees to less favorable treatment of its allowed General Unsecured Claim or has been paid prior to the Effective Date, each allowed General Unsecured Claim shall be paid in full, in cash, in the ordinary course of business or otherwise rendered unimpaired in accordance with section 1124 of the Bankruptcy Code.²</p> <p>Voting. Unimpaired. Each holder of a General Unsecured Claim will be conclusively deemed to have accepted the Plan of Reorganization pursuant to section 1126(f) of the Bankruptcy Code. Therefore, each holder of a General Unsecured Claim will not be entitled to vote to accept or reject the Plan of Reorganization.</p>
Existing Equity Interests	<p>Treatment. On the Effective Date or as soon thereafter as reasonably practicable, except to the extent that a holder of an existing equity interest in Stallion Oilfield Holdings, Ltd. (including any partnership interest in Stallion and options, warrants, or other agreements to acquire the same (whether or not arising under or in connection with any employment agreement)) (each, an “Existing Equity Interest”) agrees to less favorable treatment of its allowed Existing Equity Interest, each holder of an allowed Existing Equity Interest shall receive a pro rata share of (i) 2% of the New Equity (subject to dilution from the MEIP and the Warrants) and (ii) the Warrants.</p> <p>Voting. Impaired. Each holder of an Existing Equity Interest will be entitled to vote to accept or reject the Plan of Reorganization.</p>
<u>GENERAL PROVISIONS</u>	
Management Equity Incentive Plan	<p>On the Effective Date, the Reorganized Debtors shall implement the Management Equity Incentive Plan (the “MEIP”) for the benefit of certain continuing employees of the Reorganized Debtors on the following terms:</p> <p>Equity Pool. On the Effective Date, the Reorganized Debtors shall reserve 10% of the fully diluted New Equity for equity grants to officers and employees of the Reorganized Debtors (the “Equity Pool”). In the event shares of New Equity also are made available to the initial members of the board of directors of the Reorganized Debtors, such shares shall be in addition to and not out of the Equity Pool.</p>

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Stallion reserves the right to impair certain General Unsecured Claims, including, but not limited to, rejection damage claims and litigation claims.

	<p>Emergence Grants. A minimum of 4% of the fully diluted New Equity will be issued to officers and employees as emergence grants within 30 days of the Effective Date (the “Emergence Grants”). Emergence Grants shall vest 50% on the date that is one year after the Effective Date, 25% on the date that is two years after the Effective Date, and 25% on the date that is three years after the Effective Date. Form of Emergence Grants TBD, but a material portion of such Emergence Grants will consist of grants of the equivalent of restricted New Equity.</p> <p>Future Grants. All New Equity remaining in the Equity Pool may be granted to officers and employees within 5 years of the Effective Date at the discretion of the Board (as defined herein). In the event that a liquidity event occurs before the fifth anniversary of the Effective Date, all New Equity remaining in the Equity Pool may be, in the discretion of the Board, granted (in the form of stock) to and vested with officers and employees participating in the MEIP.</p> <p>Officer Loans. Reorganized Stallion Holdings shall guarantee the obligations of the CEO, CFO, and COO (each, an “Officer,” and collectively, the “Officers”) under the officer loans (each, an “Officer Loan,” and collectively, the “Officer Loans”) and shall have the right to purchase the Officer Loans from the banks. Reorganized Stallion Holdings shall make payments to the Officers equal to their required interest payments plus a gross up for taxes due on account of such payment. For each scheduled amortization payment, Reorganized Stallion Holdings will loan, as requested, to each Officer an amount equal to the required amortization payment, with interest on such loan equal to the applicable federal rate (AFR) on the Effective Date. The Officers will seek a 5-year extension of the existing Officer Loans with a 10-year amortization payment schedule for the outstanding amounts. The first forgiveness period will be 18 months long beginning on the Effective Date (the “First Forgiveness Period”) and thereafter each successive forgiveness period will be 12 months long (“Successive Forgiveness Period,” and, collectively with the First Forgiveness Period, the “Forgiveness Periods”). At the end of each Forgiveness Period, if the Officer remains employed in good standing with Reorganized Stallion Holdings or the Officer was terminated without cause during such period, 50% of any principal payments made on such Officer’s behalf by Reorganized Stallion Holdings during the applicable Forgiveness Period will be forgiven. Reorganized Stallion Holdings will not provide a gross up payment with regard to any taxable income incurred as a result of such forgiveness. Each Officer shall use a minimum of 50% of, and may use up to 100% of, the after tax proceeds of any annual cash incentive bonuses such Officer receives to reduce the bank loan balance.</p>
Employment Agreements/Other Incentive Plans	<p>All obligations of Stallion and its subsidiaries to officers, directors, employees, and agents thereof shall be assumed in the Plan of Reorganization. Stallion to establish other incentive-based compensation programs, the terms and conditions of which shall be subject to approval by the Board (as defined herein). Agreements with certain management TBD.</p>

Cancellation of Instruments, Certificates and Other Documents	On the Effective Date, except to the extent otherwise provided above, all instruments, certificates, and other documents evidencing debt or equity interests in the Debtors shall be cancelled, and the obligations of the Debtors thereunder, or in any way related thereto, shall be discharged.
<u>CORPORATE GOVERNANCE/CHARTER PROVISIONS/RELEASES</u>	
Board of Directors of Reorganized Stallion Oilfield Services Ltd.	Reorganized Stallion Holdings shall have a 5-person board of directors (the “ Board ”), which shall consist of Reorganized Stallion Holdings’ Chief Executive Officer and 4 directors, including a non-executive Chairman, to be selected by the Informal Funded Debt Committee (as defined in the Plan Support Agreement) on or before the hearing to approve the disclosure statement.
Shareholders Agreement	The holders of New Equity shall be parties to a shareholders agreement that is in form and substance reasonably acceptable to the Informal Funded Debt Committee and the Existing Equity Interests, <u>provided, however</u> , that so long as the Informal Funded Debt Committee and the holders of the Existing Equity Interests, working in good faith, agree upon certain reasonable provisions requested by the holders of the Existing Equity Interests which are not considered material economic terms by the Informal Funded Debt Committee, such shareholders agreement shall be deemed to be in form and substance reasonably acceptable to the holders of a majority of the Existing Equity Interests.
Charter; Bylaws	The charter, bylaws, and/or other organizational documents of each of the Debtors shall be amended and restated in a manner consistent with section 1123(a)(6) of the Bankruptcy Code.
Exemption from SEC Registration	The issuance of all securities under the Plan of Reorganization will be exempt from SEC registration under section 1145 of the Bankruptcy Code.
Debtor Releases	<p>“Released Party” means each of: (a) the Prepetition Secured Administrative Agent; (b) the Prepetition Secured Credit Agreement Lenders; (c) the Prepetition Bridge Administrative Agent; (d) the Prepetition Bridge Lenders; (e) the Unsecured Notes Trustee; (f) holders of Unsecured Note Claims; (g) holders of Existing Equity Interests; (h) with respect to each of the foregoing entities in clauses (a) through (g), such entity’s current and former affiliates, subsidiaries, officers, directors, principals, employees, agents, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, and other professionals, in each case in their capacity as such; and (h) the Debtors’ and the Reorganized Debtors’ current and former affiliates, subsidiaries, officers, directors, principals, employees, agents, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, and other professionals, in each case in their capacity as such, and only if serving in such capacity.</p> <p>Releases by the Debtors. Pursuant to section 1123(b) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan, for good and valuable consideration, on and after the Effective Date, the Released</p>

	<p>Parties are deemed released and discharged by the Debtors, the Reorganized Debtors, and their estates from any and all claims, obligations, rights, suits, damages, causes of action, remedies, and liabilities whatsoever, including any derivative claims, asserted on behalf of the Debtors, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity, or otherwise, that the Debtors, the Reorganized Debtors, their estates, or their affiliates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the holder of any claim or equity interest or other entity, based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the chapter 11 cases, the purchase, sale, or rescission of the purchase or sale of any security of the Debtors or the Reorganized Debtors, the subject matter of, or the transactions or events giving rise to, any claim or equity interest that is treated in the Plan of Reorganization, the business or contractual arrangements between any Debtor and any Released Party, the restructuring of claims and equity interests prior to or in the chapter 11 cases, the negotiation, formulation, or preparation of the Plan of Reorganization and related disclosure statement, or related agreements, instruments, or other documents, upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the confirmation date of the Plan of Reorganization, other than claims or liabilities arising out of or relating to any act or omission of a Released Party that constitutes willful misconduct or gross negligence.</p> <p>Releases by Holders of Claims and Equity Interests. As of the Effective Date, each holder of a claim or an equity interest shall be deemed to have conclusively, absolutely, unconditionally, irrevocably, and forever, released and discharged the Debtors, the Reorganized Debtors, and the Released Parties from any and all claims, equity interests, obligations, rights, suits, damages, causes of action, remedies, and liabilities whatsoever, including any derivative claims, asserted on behalf of a debtor, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, that such entity would have been legally entitled to assert (whether individually or collectively), based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Debtors' restructuring, the chapter 11 cases, the purchase, sale, or rescission of the purchase or sale of any security of the Debtors or the Reorganized Debtors, the subject matter of, or the transactions or events giving rise to, any claim or equity interest that is treated in the Plan of Reorganization, the business or contractual arrangements between any Debtor and any Released Party, the restructuring of claims and equity interests prior to or in the chapter 11 cases, the negotiation, formulation, or preparation of the Plan of Reorganization, the related disclosure statement, the related plan supplement, or related agreements, instruments, or other documents, upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the confirmation date of the Plan of Reorganization, other than claims or liabilities arising out of or relating to any act or omission of a Released Party that constitutes willful misconduct or gross negligence. Notwithstanding anything to the contrary in the foregoing, the release set forth above does not release any post-effective date obligations of any party under the Plan of Reorganization or any</p>
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	document, instrument, or agreement (including those set forth in the plan supplement) executed to implement the Plan of Reorganization.
Exculpation	Customary exculpation provisions, including all Released Parties.
Discharge	Customary discharge provisions.
Injunction	Customary injunction provisions, including all Released Parties.
Indemnification of Prepetition Officers and Directors	Under the Plan of Reorganization, all indemnification provisions currently in place (whether in the by-laws, certificates of incorporation, board resolutions, indemnification agreements, or employment contracts) for the current and former directors, officers, employees, attorneys, accountants, investment bankers, and other professionals of the Debtors shall be assumed and irrevocable and shall survive the effectiveness of the Plan of Reorganization.
Tax Issues	The terms of the Plan of Reorganization and the restructuring contemplated by this Term Sheet shall be structured to preserve favorable tax attributes of the Debtors to the extent practicable.
Restructuring Transactions	The Debtors anticipate that all of the assets of Stallion Oilfield Services Ltd. will be transferred to Reorganized Stallion Holdings in exchange for 100% of the New Equity and such New Equity will then be transferred to the holders of claims as set forth above.
<u>PLAN IMPLEMENTATION AND PROPOSED REORGANIZATION SCHEDULE</u>	
Plan Support Agreement	Prior to the commencement of the Debtors' chapter 11 cases, (a) holders of at least two-thirds in amount and more than one-half in number of outstanding Prepetition Secured Credit Agreement Claims, (b) holders of at least two-thirds in amount and more than one-half in number of outstanding Prepetition Unsecured Bridge Credit Agreement Claims, (c) holders of at least two-thirds in amount and more than one-half in number of outstanding Unsecured Note Claims, (d) holders of at least two-thirds in amount of Existing Equity Interests, and (e) the Debtors shall execute and deliver the Plan Support Agreement.
Conditions Precedent to Plan Confirmation	Confirmation of the Plan of Reorganization shall be subject to the following conditions precedent: (a) the Plan of Reorganization must be in form and substance acceptable to the Debtors and reasonably acceptable to the Prepetition Secured Administrative Agent and counsel to the Ad Hoc Committee of Unsecured Funded Debt Claims; and (b) the Bankruptcy Court shall have entered an order confirming the Plan of Reorganization in form and substance acceptable to the Debtors and reasonably acceptable to the Prepetition Secured Administrative Agent and counsel to the Ad Hoc Committee of Unsecured Funded Debt Claims.

Amendment Terms of Prepetition Senior Secured Credit Agreement—Exhibit 1

[illegible]

Location of Cash	<p>All cash must be maintained at a RC or TL Syndicate Bank (and control agreements satisfactory to the agent covering such cash to be entered into between Stallion, UBS and the relevant syndicate bank).</p> <p>-Subject to small carve-out not in excess of \$5mm, subject to the first lien of the agent in a control agreement satisfactory to the agent</p>
Changes to Covenants and Other Provisions	<p>To be modified in a manner to be agreed, but:</p> <ul style="list-style-type: none"> - To limit Stallion's ability to move inventory and equipment outside of continental United States during life of loan to the inventory and equipment currently outside the continental United States (approximately \$24mm worth) plus an additional \$15mm of inventory and equipment going forward (4.5 of the Security Agreement) - To limit Permitted Unsecured Indebtedness to \$5mm (6.01(m) of the Credit Agreement) - To remove second lien debt basket (6.01(n) of the Credit Agreement) - To remove basket permitting bridge loan (6.01(o) of the Credit Agreement) - To prohibit L/Cs and bank guarantees not in USD for lease of a vessel in excess of \$10mm (currently \$15mm as per 6.01(p) of the Credit Agreement) - To add a new basket for unsecured guarantees of existing (as may be modified) loans to officers and directors in an amount not to exceed \$10mm. - To increase the basket for bid, performance or surety bonds from \$3mm to \$5mm (6.01(f) of the Credit Agreement) - To remove lien basket permitting liens on the senior notes and second lien facility (6.02(r) of the Credit Agreement) - To limit investment basket permitting investments in foreign subsidiaries from (x) up to \$30mm plus the Available Equity Amount to (y) up to \$10mm plus Available Equity Amount (for equity issued after emergence from bankruptcy); provided that the net cash proceeds of such issuance are used substantially contemporaneously with the issuance thereof for the purposes specified in the notice required by the definition of Available Equity Amount (6.04(j) of the Credit Agreement) - To modify the general investments basket from (x) greater of \$15mm or 5% consolidated tangible assets to (y) \$15mm (6.04(l) of the Credit Agreement) - To add an investment basket for existing (as may be modified) loans to officers and directors for the purpose of paying principal and interest on such loans in an amount not to exceed \$10mm. - To modify Stallion's reinvestment rights for asset sale and casualty proceeds to a flat 180 days (removing 360 day reinvestment period) (2.10 of the Credit Agreement) - To modify 6.08(b) of the Credit Agreement to make it clear that clause (y) is limited only to net cash proceeds of qualified capital stock issued after emergence from bankruptcy and may only be used to purchase or redeem qualified capital stock issued after emergence from bankruptcy. - To remove ability to pay Annual Monitoring Fee and any other fees to current or future equityholders as currently permitted under 6.08(e) and (g) of the Credit Agreement. - To remove the ability to pay other debt with equity or junior financing (6.11(a) of the Credit Agreement) (other than Permitted Unsecured Debt, Subordinated Debt and Non-Recourse Debt which can be refinanced with equity issued after emergence from bankruptcy or other permitted unsecured indebtedness not prohibited for use for such purpose (but in the case of Subordinated Debt or Non-Recourse Debt, to the extent such debt is refinanced with debt, such debt must be either Subordinated Debt or Non-Recourse Debt, as applicable) - Changes to related provisions to reflect the foregoing changes.
Treatment of Lehman	<p>Subject to the requirements of the credit agreement and applicable bankruptcy law as it relates to Lehman, the parties will endeavor to obtain the following treatment for Lehman's funded and unfunded revolver commitments:</p> <ul style="list-style-type: none"> - Upon Stallion's emergence from bankruptcy, Lehman's funded revolver will be converted into a term loan that will (a) mature on March 1, 2011 (same date as the revolver) and (b) have the same applicable margin as the revolver. Other than (a) and (b), Lehman's funded revolver will be treated as a term loan for all purposes under the credit agreement, including mandatory prepayments. - Lehman's unfunded revolver commitments will be terminated in Stallion's bankruptcy.