June 4, 2008

Stewart & Stevenson Services, Inc.
2707 North Loop West
Houston, Texas 77008

Dear Sir or Madam:

Sometime in the next few weeks, the Project On Government Oversight (POGO) will update its Federal Contractor Misconduct Database (http://www.contractormisconduct.org/), a compilation of information from public resources regarding government contractors, including Stewart & Stevenson Services. On October 26, 2006, we sent Stewart & Stevenson Services information regarding findings in POGO’s database. As of today, we have not received a response from you. I have enclosed the findings relevant to your company, and I am seeking verification of this data.

Any response would be greatly appreciated, as the accuracy of this information is in the best interest of all parties. Out of fairness to Stewart & Stevenson Services, please be assured that any response received by POGO will be posted on the website along with the data.

The biggest change we will be making to the database is the inclusion of more federal contractors (the top 100). We are also adding new instances that we have found in recent months and updating instances already in the database with new information. Please note that the database also includes pending instances, but these are kept separate from resolved instances and are not included in the totals.

If you have any questions, I can be reached at (202) 347-1122. Thank you for your time and consideration.

Sincerely,

Neil Gordon
Investigator

Enclosure
Instances

1. Breach of Contract
Date: 01/01/1997 (Date of Settlement Agreement)
Misconduct Type: Government Contract Fraud
Enforcement Agency: Defense – Air Force
Contracting Party: Defense - Air Force
Court Type: Civil
Amount: $7,000,000
Disposition: Settlement
Synopsis: “During Fiscal 1997, the Company entered a Plea Agreement and a Settlement Agreement resolving all litigation relating to the 1987 contract to supply diesel generator sets for installation in the Kingdom of Saudi Arabia (the "Peace Shield Litigation"). This litigation was pending in the United States District Court, Houston Division. The Company paid a $2.0 million criminal fine, a $2.0 million civil penalty, and $3.0 million in restitution to the U.S. Air Force.”

Pending Instances

Illegal Export of Controlled Military Vehicles
Date: 04/13/2006 (Date of SEC Filing)
Misconduct Type: Import/Export
Enforcement Agency: Homeland Security
Contracting Party: None
Court Type: Civil
Amount: $0
Disposition: Pending
Synopsis: “During 1998, the U.S. Customs Service detained a medium tactical vehicle that was being shipped by the Company for display in a European trade show. The U.S. Customs Service and the Department of Justice have conducted an investigation of potential violations by the Company of laws relating to the export of controlled military vehicles, weapons mounting systems and firearms. Such investigation could result in the filing of civil or administrative sanctions against the Company and/or individual employees, and could result in a suspension or debarment of the Company from receiving new contracts or subcontracts with agencies of the U.S. government or the benefit of federal assistance payments.”