

LYBRAND, ROSS BROS. & MONTGOMERY

90 BROAD STREET

NEW YORK 4

September 26, 1955

Bradley Shaw, Esq.,
1426 G Street, N.W.,
Washington 5, D. C.

4-10/3/55

Re: Proposed Merger of CAT Incorporated
into Airdale Corporation

Dear Mr. Shaw:

We have read the draft of certificate of ownership and resolution of the board of directors through which the proposed merger of the companies would become effective. If, in your opinion, the document meets the requirements of Delaware law, it will be adequate for federal income tax purposes.

We have heard some lawyers express doubts as to the legality of a statutory merger when one of the corporations is insolvent. Also, under sections 332 and 334 (b)(1) of the Internal Revenue Code, when a subsidiary distributes its assets to its parent in complete cancellation of the stock of the subsidiary, no gain or loss is recognized to the parent company and the tax basis of the assets is preserved even though there is not a statutory merger. It has been held that these sections do not apply where the subsidiary is insolvent. Accordingly, we think it would be desirable before the merger to have Airdale cancel the notes due from CAT, as a contribution to the capital surplus of CAT, so that CAT will be solvent at the time of the merger and so that its assets will be distributed in cancellation of its stock, rather than in payment of the inter-company debt.

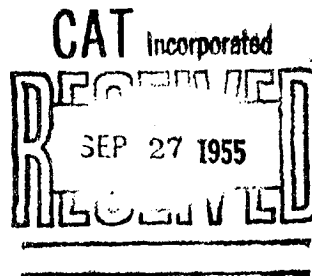
Very truly yours,

Lybrand, Ross Bros Montgomery

CC - Mr. George A. Doole, Jr.,
Vice Chairman of the
Board,
CAT Incorporated.

HRC

APPROVED FOR
RELEASE DATE:
09-Oct-2009



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