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January 24, 1952

MEMORANDUM FOR RECORD

A representative of the Airdale Corporation yesterday afternoon presented for my consideration two settlement agreements with the former owners of the CAT airline business.

One, between CAT Incorporated and Civil Air Transport, Inc., dealt with matters as between those two companies not directly related to the sale of the assets of Willauer Trading Corporation to CAT and with which, accordingly, I am not particularly well acquainted. I made no comment on this document except some suggestions with regard to the proper names of the corporations involved.

The other document was between CAT and Airdale on the one hand, as the buyers, and Willauer Trading Corporation, Civil Air Transport (a partnership), and C.A.T., Inc. on the other hand, denominated as "the sellers". This document was designed to clear up all matters remaining outstanding between the purchasers and the sellers in connection with the sale of the airline assets from Willauer Trading Corporation to CAT. Since I did not participate either in the negotiations at the time of the original sale or in the negotiation of this settlement agreement and am not well acquainted with a number of the fact situations which it is the purpose of the paper to clear up, I was not able to comment on many of the items covered.

Paragraph 8 of the second proposed settlement agreement, however, in substance provided that the sellers authorized CAT to prepare an inventory of the assets transferred from Willauer Trading Corporation to CAT and also provided that Willauer Trading Corporation would "agree to and accept" this inventory, but that the sellers "would not be liable for any errors contained therein". Paragraph 10 of this agreement provided that it was a complete settlement and release of all outstanding matters between the sellers and the buyers.

I pointed out to the Airdale representative that under Paragraph 8, as stated, the sellers were not committed to the inventory prepared by CAT under the Bill of Sale, since, with respect to any particular item contained thereon, they could always claim it was an error and that they had not agreed to be liable for any errors on the list. Under these circumstances, it would be a unilateral list prepared by CAT in no way binding upon the sellers, leaving them free thereafter to contest

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the propriety of the inclusion of any particular item thereon. This, accordingly, would still leave CAT without an agreed list of the assets which it purchased from Willauer Trading Corporation. Under these circumstances, I pointed out to him that it would be most unwise for CAT to agree to a settlement and release of all claims against Willauer Trading Corporation, since it could not possibly know whether or not it had claims against WTC until an agreed list of assets had been worked out. I therefore stated that, as counsel for the company, I could not sanction the signature of this agreement so long as both these paragraphs were contained therein.

As a means of making the agreement legally acceptable, I suggested that Paragraph 8 be revised to provide that representatives of the sellers cooperate with CAT in the preparation of the inventory necessary to complete the Bill of Sale, and that upon completion of the inventory and agreement thereto by the WTC representatives, it constitute an agreed list and a firm commitment by both companies. I also suggested that Paragraph 10, the general settlement and release paragraph, be revised so as to exclude the claims or controversies arising out of the preparation of the inventory.

I also suggested certain alterations in the proper names of the corporate parties to this agreement. The Airdale representative indicated his understanding of the above points and stated that he would take them up with his principal.

Brackley Shaw

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