

February 4, 2010

Mr. James W. Owens
CEO, Caterpillar
100 North East Adams Street
Peoria, Illinois USA 61629

Re: Caterpillar, SEC Disclosure and Tunneling Projects in Iran

Dear Mr. Owens:

United Against Nuclear Iran (“UANI”) has learned that Caterpillar conducts extensive business in Iran. The purpose of this letter is to clarify those dealings. Arya Machinery is the exclusive dealer of Caterpillar in Iran and maintains an office in Iran. Lovat is a subsidiary of Caterpillar and conducts tunnel-boring projects in Iran. Arya Machinery and Lovat both list their connections with Iran on their respective websites. UANI and its supporters believe that Caterpillar’s decision to do business in Iran is wrong and has added Caterpillar, Arya Machinery and Lovat to our Iran Business Registry (“IBR”).

According to the Caterpillar Business Conduct Guidelines:

While we conduct our business within the framework of applicable laws and regulations, for us, mere compliance with the law is not enough. We strive for more than that. Through our Code of Conduct, we envision a work environment all can take pride in, a company others respect and admire, and a world made better by our actions. Together, we are laying the foundation for the values-based culture that will carry us forward to even higher levels of success. “Living by the Code,” *Caterpillar Code of Conduct*.

Conducting business in Iran is certainly a violation of this creed.

In the face of overwhelming bipartisan support in the U.S. Congress to economically isolate Iran’s oil and natural gas industry, Caterpillar continues to make its machinery available for use in the development of Iran’s oil industry. For example, Fater Kosaran Janoob, a Tehran-based construction and engineering company that has performed several projects in the immense South Pars gas field, employs a wide array of Caterpillar vehicles in its work. Fater Kosaran Janoob employs a Caterpillar heavy machinery fleet of 32 bulldozers, 35 dump trucks, 22 loaders and 15 Caterpillar power generators. Other Iranian construction companies employ Caterpillar equipment including the Iranian Offshore Engineering and Construction Company and the Abej Construction Company.

UNITED AGAINST NUCLEAR IRAN

P.O. Box 1028 | New York, NY 10185-1028 | (212) 554-3296

As I am sure you are aware, the Iranian Revolutionary Guard Corps (IRGC) is the dominant ideological entity in Iran that pervades Iran's society and economy. It oversees Iran's nuclear and missile programs, many of its vast engineering projects and is heavily involved in if not the leader of Iran's major oil and gas projects, such as those in South Pars. Given the prevalence of Caterpillar products in Iran and especially in the South Pars field, it is clear that the IRGC is a major beneficiary, owner and operator of Caterpillar's machinery. To this day Iran defies the international community by secretly developing illegal nuclear weapons. It is the world's leading state sponsor of terrorism – supporting groups such as Hamas and Hezbollah. Iran has supported the Iraqi insurgency, resulting in the deaths of heroic American soldiers. The human rights violations that the Iranian regime perpetrated on its own people in the wake of last year's fraudulent Iranian election were appalling. Yet, Caterpillar very comfortably does business in Iran.

Even more disconcerting is the potential use of Caterpillar's tunneling equipment. Iran uses tunnels to hide and protect the components and the extent of its nuclear facilities. In late September, President Obama, Prime Minister Brown and President Sarkozy revealed to the world that Iran was operating a secret uranium enrichment plant near Qum that could only be used for military purposes. On January 5, 2010 the New York Times reported that:

Over the past decade, Iran has quietly hidden an increasingly large part of its atomic complex in a network of tunnels and bunkers across the country. In doing so, American government and private experts say, Iran has achieved a double purpose. Not only has it shielded its infrastructure from military attack in warrens of dense rock, but it has further obscured the scale and nature of its notoriously opaque nuclear effort. "Iran Shielding Its Nuclear Efforts in Maze of Tunnels," *New York Times*, January 5, 2010.

Clearly, Iran relies on tunnel-boring equipment and heavy machinery to construct its nuclear facilities and to hide and protect its nuclear capabilities from the international community.

UANI calls on Caterpillar to clarify, definitively, whether its tunneling equipment or heavy machinery in Iran is used in the development and construction of Iran's nuclear facilities. Such use would, of course, be cause for great concern by the international community. Iran's ability to construct tunnels to conceal its nuclear program dramatically inhibits the ability of the UN's International Atomic Energy Agency to monitor Iran's illicit nuclear program.

Simply put, given the extensive use of Caterpillar machinery in Iran, Caterpillar has some tough questions that it must answer.

Ambassador Mark D. Wallace | President & CEO | MWallace@uani.com

UNITED AGAINST NUCLEAR IRAN

P.O. Box 1028 | New York, NY 10185-1028 | (212) 554-3296

What steps does Caterpillar take within Iran's closed society to reach assurance that its equipment can, in no way, be used to support Iran's illegal nuclear program?

Given Iran's sponsorship of terrorism, its pursuit of illegal nuclear weapons and its gross human rights violations, why would Caterpillar sell its machinery into Iran even for benign purposes?

Do Caterpillar's vows of corporate responsibility not apply to sponsors of terrorism?

Does the convenience of a Caterpillar foreign subsidiary making the sales into Iran somehow allow you a clean conscience to accept the profits of such sales?

UANI calls on Caterpillar to cease doing business in Iran. By conducting business in Iran, Caterpillar provides support to the Iranian regime. For Iran, the decision to continue to pursue nuclear weapons comes down to a simple cost-benefit analysis: Do the benefits of having a nuclear capability outweigh the costs of international economic isolation? Caterpillar, by ceasing its business dealings in Iran, can send a clear message to Iran that it will not conduct business with a regime that is illegally developing nuclear weapons.

General Electric recently partnered with UANI and signed the Iran Business Declaration, affirming that they will not do business in Iran. Huntsman Corporation also committed to sever its business ties in Iran. Siemens has committed to forego new business in Iran. Attached to this letter is our Iran Business Declaration for your review. We ask that you sign it and we urge Caterpillar to immediately cease all business dealings in Iran including the sale of spare parts.

We write also to call your attention to a very serious issue involving deficiencies in your company's public filings, specifically, your company's ongoing failure to disclose any of Caterpillar's activities in, and risks of doing business with, Iran.

As you know, Caterpillar frequently avails itself of the U.S. capital markets, raising billions of dollars through the sale of its equity and debt securities to individual and institutional investors in the United States. As your company's securities are sold pursuant to the U.S. Securities Act of 1933 and are registered under the U.S. Securities Exchange Act of 1934 and listed on the New York Stock Exchange, you are required to comply with the securities laws and regulations of the United States and to provide investors with timely, full and accurate disclosure of all material information concerning your operations and financial condition, as well as any risk factors that could affect your operations, financial position or future financial performance. In particular, U.S. Securities and Exchange Commission ("SEC") regulations require you to disclose with specificity the nature and extent of, and the risks associated with, your business activities involving state sponsors of terrorism such as Iran.

Ambassador Mark D. Wallace | President & CEO | MWallace@uani.com

UNITED AGAINST NUCLEAR IRAN

P.O. Box 1028 | New York, NY 10185-1028 | (212) 554-3296

A review of your company's filings with the SEC reveals zero disclosure regarding your company's dealings with Iran. Such a failure to disclose is a violation of SEC requirements. Investors have a legal right to know how Caterpillar's overall business could be affected as a result of your violations of the SEC's disclosure obligations and existing U.S. laws, such as the Iran Sanctions Act. In addition to your failure to adequately disclose the risk of sanctions, your SEC filings do not contain any discussion of the substantial risks posed by the ongoing movement by pension funds and other large institutional shareholders to divest from companies with business ties to countries such as Iran, which support terrorism and threaten global security.

As a result of your failure to disclose your business in Iran, you are exposing the company to the risk of enforcement actions by the SEC as well as shareholder class actions. We are furnishing copies of this letter to the SEC and the New York Stock Exchange and have urged each of them to launch a full investigation into Caterpillar's disclosure practices. UANI will continue monitoring your disclosures with regard to your Iran business.

Please be advised that UANI, with the support of its tens of thousands of activists, will take any and all action we deem necessary to hold Caterpillar accountable for its inappropriate business relationships in Iran and its unlawful and inadequate disclosure related to such business. In the event Caterpillar continues its business operations in Iran and fails to adequately disclose the risks of such business, UANI will pursue appropriate legal action against Caterpillar, will call on the New York Stock Exchange to delist Caterpillar and will assist the many Caterpillar shareholders who oppose Caterpillar's activities in Iran.

Caterpillar is a great company that employs many Americans in these tough times and neither UANI nor its tens of thousands of activists seek to gratuitously harm Caterpillar's business. But Caterpillar's business in Iran must stop and UANI's activists are prepared to take appropriate and legal steps to ostracize Caterpillar for its irresponsible actions related to its machinery sales in Iran.

Given the urgent nature of this issue please let me hear from you on or before February 19, 2010 with your response.

I look forward to your response.

Very Truly Yours,



Ambassador Mark D. Wallace

**UNITED
AGAINST
NUCLEAR
IRAN**

P.O. Box 1028 | New York, NY 10185-1028 | (212) 554-3296

cc: Mary L. Schapiro
Chairwoman, United States Securities Exchange Commission

Adam J. Szubin
Director, Office of Foreign Assets Control, U.S. Department of the Treasury

Duncan L. Niederauer
Chief Executive Officer, New York Stock Exchange

W. Frank Blount
Chairman and CEO of JI Ventures, Inc.

John R. Brazil
President of Trinity University

Daniel M. Dickinson
Managing Partner of Thayer | Hidden Creek

John T. Dillon
Former Chairman and CEO of International Paper

Eugene V. Fife
Managing Principal of Vawter Capital LLC

Gail D. Fosler
President and Trustee of The Conference Board, Inc.

Juan Gallardo
Chairman of Grupo Embotelladoras Unidas S.A. de C.V.

David R. Goode
Former Chairman, President and CEO of Norfolk Southern Corporation

Peter A. Magowan
Former President and Managing General Partner of the San Francisco Giants

William A. Osborn
Chairman and former CEO of Northern Trust Corporation and The Northern Trust Company

Ambassador Mark D. Wallace | President & CEO | MWallace@uani.com

UNITED AGAINST NUCLEAR IRAN

P.O. Box 1028 | New York, NY 10185-1028 | (212) 554-3296

Charles D. Powell

Chairman of Capital Generation Partners, LVMH Services Limited and Magna Holdings

Susan C. Schwab

Professor, University of Maryland School of Public Policy

Joshua I. Smith

Chairman and Managing Partner of the Coaching Group, LLC

Richard Lacaille

Chief Investment Officer, State Street Global Advisors

Gus Sauter

Chief Investment Officer, Vanguard Group, Inc.

Edward B. Rust, Jr.

Chief Executive Officer, State Farm Insurance Companies

Bob Doll

Chief Investment Officer, BlackRock Institutional Trust Company, N.A.

Seth J. Masters

Chief Executive Officer, Blend Strategies and Chief Investment Officer, AllianceBernstein Defined Contribution Investments (ABDC)

Douglas J. Peebles

Executive Vice President, Chief Investment Officer and Head of AllianceBernstein Fixed Income

Howard B. Schow

Chief Investment Officer, PRIMECAP Management Company

Frank D. Catrickes

Partner, Senior Vice President, and Portfolio Manager, Wellington Management Company, LLP

Robert M. Levy

Partner, Chairman, and Chief Investment Officer, Harris Associates L.P.

Ambassador Mark D. Wallace | President & CEO | MWallace@uani.com

**UNITED
AGAINST
NUCLEAR
IRAN**

P.O. Box 1028 | New York, NY 10185-1028 | (212) 554-3296

William R. Ebsworth

Chief Investment Officer, Fidelity Management & Research

Charles F. Pohl

Chief Investment Officer, Dodge & Cox Funds

Ambassador Mark D. Wallace | President & CEO | MWallace@uani.com

United Against Nuclear Iran/Iran Business Declaration

The undersigned [Name], the [Title] of Caterpillar (the “Company”), does hereby certify on behalf of the Company, and not in the undersigned’s personal capacity, that neither the Company nor any Affiliate¹ of the Company, directly or through an agent, representative or intermediary:

- (1) Is or is currently planning on engaging in any business or in providing any goods or services in Iran or with Iranian-based business anywhere in the world except for the provision of goods or services to relieve human suffering in Iran or as part of news gathering for the dissemination of news and information about Iran worldwide;
- (2) Is or will be a party to any agreement with any Iranian business or other entity or Iranian governmental authority, or the owner of an equity interest in, any Iranian entity, or;
- (3) Owns or operates any plant, property, equipment or other assets located in Iran.

The undersigned hereby authorizes United Against Nuclear Iran to publicly disclose the contents of this Certificate.

Dated this ____ day of ____, 2010.

I declare (or certify, verify, or state) under penalty of perjury that the foregoing is true and correct. Executed on **MM/DD/YYYY**.

Signed by:

(Name)

(Title)

(Company)

¹ “Affiliate” means any individual or entity that directly or indirectly controls, is controlled by, or is under common control with, the Company, including without limitation direct and indirect subsidiaries of the Company