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CANAL-RANDOLPH CORPORATION

EXECUTIVE OFFICE
277 PARK AVENUE
NEW YORK, N. Y. 10017

September 4, 1981

Dear Stockholder:

You are cordially invited to attend a Special Meeting of Canal-Randolph stockholders which will be held on the 11th floor of 100 West Tenth Street, Wilmington, Delaware on Monday, October 5, 1981, commencing at 1:00 P.M.

At this meeting, you are being asked to consider and approve an amendment to the Corporation's Certificate of Incorporation proposed and recommended by your Board of Directors. This matter is more fully described in detail in the accompanying proxy statement, which you are requested to read at your earliest convenience.

Whether or not you plan to join us on October 5th, it is important that your shares are represented regardless of the size of your holdings. Accordingly, your prompt cooperation in signing, dating and mailing the enclosed proxy card will be appreciated.

Very truly yours,

Raymond French
President

CANAL-RANDOLPH CORPORATION

Notice of Special Meeting of Stockholders to be held October 5, 1981

New York, New York
September 4, 1981

To the Stockholders,
CANAL-RANDOLPH CORPORATION

Please take notice that a Special Meeting of Stockholders of CANAL-RANDOLPH CORPORATION will be held on Monday, October 5, 1981 at 1:00 o'clock P.M., Delaware time, on the 11th floor of 100 West Tenth Street, Wilmington, Delaware for the purpose of: (1) considering, and if found appropriate, approving a proposed amendment to the Corporation's Certificate of Incorporation, providing for the classification of directors into three classes, eliminating cumulative voting for directors, and setting forth the method for determining the size of the Board of Directors, which is currently contained in the Corporation's By-Laws and (2) transacting such other business as may properly come before the meeting.

The Board of Directors has fixed the close of business on August 27, 1981 as the record date for the determination of stockholders entitled to notice of and to vote at such meeting and any adjournments thereof.

If you cannot be present in person, please date and sign the enclosed proxy and return it to the Corporation in the self-addressed postage prepaid envelope enclosed for that purpose.

By order of the Board of Directors,

ROBERT W. HUNT
Secretary

(Please Sign, Date and Return the Enclosed Proxy)

CANAL-RANDOLPH CORPORATION

277 Park Avenue
New York, New York 10017

PROXY STATEMENT

Special Meeting of Stockholders
to be held October 5, 1981

This proxy statement is furnished in connection with the solicitation by the Corporation's Board of Directors of proxies for a Special Meeting of Stockholders of Canal-Randolph Corporation, a Delaware corporation, to be held on October 5, 1981. This proxy statement and the form of proxy mailed herewith are first being mailed to stockholders commencing approximately September 4, 1981. The Board of Directors is soliciting proxies in connection with the approval of a proposed amendment to the Corporation's Certificate of Incorporation, providing for the classification of directors into three classes, eliminating cumulative voting for directors, and setting forth the method for determining the size of the Board of Directors, which is currently contained in the Corporation's By-Laws. The cost of the solicitation will be borne by the Corporation.

Stockholders may attend in person or may be represented by proxy. If the form of proxy which accompanies this proxy statement is executed and returned, it may be revoked in writing at any time prior to the voting thereof. The number of outstanding shares of common stock of the Corporation entitled to vote at the meeting is 1,545,610, and each share is entitled to one vote. Only stockholders of record at the close of business on August 27, 1981 are entitled to vote at the meeting.

The proxies will be voted in accordance with the instructions of the persons executing the same but, unless instructed to the contrary, the proxies will be voted "FOR" the approval of the proposed amendment to the Corporation's Certificate of Incorporation described in this proxy statement. If a stockholder wishes to vote against one of the changes in the Certificate of Incorporation, he must vote against all of the proposed changes. The Proxy Committee reserves the right not to vote any proxies which are altered in any respect from the form submitted by the Board of Directors.

INFORMATION CONCERNING SHARE OWNERSHIP

The following table sets forth the number and percentage of shares of common stock of the Corporation beneficially owned on August 20, 1981 by each director of the Corporation and by all officers and directors of the Corporation as a group, as reported to the Corporation:

Name	Shares of Common Stock Beneficially Owned*	Percentage of Common Stock
Raymond French	30,550	1.98%
Ian Jay	1,000	.06%
A. B. Robbs, Jr.	2,400	.16%
Walter H. Salomon	1,000	.06%
Alfred D. Timm	200	.01%
Dwight D. Sutherland	1,000	.06%
All current directors and officers as a group (13 persons) including shares listed above	43,569	2.82%

* Under regulations of the SEC, a person who has or shares the power to direct the voting or disposition of stock is considered a "beneficial owner". Each director and officer referred to in the above table has the sole power to direct the voting and disposition of the shares shown.

On August 20, 1981, Cede & Co., a nominee for the Depository Trust Company which acts as a securities depository in connection with its system for the central handling of securities, held of record, but not beneficially, 818,007 shares of common stock or approximately 52.9 percent of the outstanding stock of the Corporation. The Corporation has been informed that 315,792 of these shares are held for the benefit of customers of Brown Brothers Harriman & Co. (private bankers and members of the New York Stock Exchange), none of whom owns as much as 5 percent of the outstanding stock of the Corporation except that Brown Brothers Harriman & Co. holds 295,133 shares for the benefit of Rea Brothers, Ltd., an English banking house. Rea Brothers, Ltd. has advised the Corporation that: (1) all of this stock is held for the benefit of customers of Rea Brothers, Ltd.; (2) no customer of Rea Brothers, Ltd. owns, through Rea Brothers, Ltd., as much as 5 percent of the outstanding stock of the Corporation except for The Scottish and Mercantile Investment Company, Ltd. referred to below; and (3) Rea Brothers, Ltd. has no knowledge that any customer of Rea Brothers, Ltd. owns, in the aggregate, as much as 5 percent of the outstanding stock of the Corporation except for The Scottish and Mercantile Investment Company, Ltd.

The Corporation has been informed that The Scottish and Mercantile Investment Company, Ltd., a United Kingdom investment company whose shares are traded on the London Stock Exchange and whose address is 36/37 King Street, London EC2, England, is the beneficial owner of 85,000 shares of common stock or approximately 5.5 percent of outstanding stock of the Corporation.

AMENDMENT OF CERTIFICATE OF INCORPORATION

There has been a trend in recent years towards the increasing use of tender offers in the area of corporate acquisitions. Tender offers often permit the acquiring entity initially to acquire control of a corporation and then dictate to its remaining stockholders the terms on which it will merge or otherwise absorb the acquired company. Because such take-over attempts are often made without any advance consultation with the management of the target company, the target company often has very little information on which to base a determination that the acquisition will prove advantageous to the parties concerned, and may not have sufficient opportunity to negotiate effectively with respect to the takeover proposal or alternative transactions which might be more desirable. While not all acquisitions made in this manner prove disadvantageous to the acquired corporation and its stockholders, the Board of Directors of the Corporation believes that the

Corporation should take action similar to that recently taken by a number of publicly-owned corporations and adopt an amendment to its Certificate of Incorporation, permitted under the General Corporation Law of the State of Delaware, designed to provide more effective resistance against any sudden or surprise attempt by an outsider to take control of the Corporation.

It should, however, be noted that while the Board of Directors of the Corporation believes the proposed changes would add stability to the Corporation, the overall effect of these changes, under certain circumstances, may be to maintain incumbent management in office for a longer period than a majority of the stockholders may desire and therefore may cause the Board to be less subject to stockholder control or may be to discourage takeover bids, mergers, proxy contests and the like. While the Board of Directors of the Corporation also believes that the proposed changes would protect the interests of the stockholders, if takeover bids are discouraged, this may affect the realizable value of a stockholder's investment.

The Corporation's Board of Directors voted unanimously to recommend the adoption of this amendment to the Certificate of Incorporation. The proposed amendment will be adopted if the holders of a majority of the outstanding common stock entitled to vote at the meeting vote in favor of the amendment. If the proposed amendment is adopted, conforming changes will be made to the Corporation's By-Laws. Because the proposed amendment may have a significant impact upon the rights of stockholders, each stockholder should carefully study the description of the proposed amendment contained herein and the text of the proposed amendment as set forth in Exhibit A to this proxy statement. The description of the proposed amendment set forth below is qualified in its entirety by reference to the text set forth in Exhibit A.

Classification of Directors

A new Article TWELFTH is proposed to be added to the Certificate of Incorporation, providing for a classified Board of Directors with directors serving staggered three year terms. Each class would be as nearly equal in number as possible. At present, all of the directors are elected or re-elected at each annual meeting of stockholders, but if the proposed amendment is adopted, all directors will be elected at the annual meeting in 1982 and thereafter approximately one-third of the directors will be elected at each annual meeting, with the remaining directors continuing in office. Vacancies occurring on the Board of Directors as a result of resignation or death could be filled by the remaining directors for the full unexpired term of the class in which the vacancy occurred, but persons elected by the Board of Directors to newly created directorships would serve only until the next annual meeting of stockholders. Delaware law provides that in the case of a corporation whose Board is classified, directors may be removed only for cause unless the certificate of incorporation otherwise provides. Since the Certificate of Incorporation of the Corporation contains no such provision, the directors will be subject to removal only for cause.

Because it would take two years before a stockholder or group of stockholders acquiring a substantial amount of stock in the Corporation could elect a majority of the Board of Directors, proposed Article TWELFTH would permit the Board to protect the interests of the remaining stockholders by moderating the pace of any change in control. However, while continuity of leadership and stability for the Corporation might be advanced by classification of directors, it would be more time consuming than at present for stockholders to effect a change in directors if they thought it desirable to do so. The Corporation has not experienced continuity difficulties in the past.

Elimination of Cumulative Voting

Article TENTH of the Certificate of Incorporation is proposed to be amended to eliminate cumulative voting in connection with the election of directors, which would result in election of directors by simple majority vote. At present, with cumulative voting, each stockholder is entitled to as many votes in the election of directors as equal the number of his shares multiplied by the number of directors to be elected, and the stockholder can cast all of such votes for a single director or distribute them among the number to be voted for, or any two or more of them, as he may see fit. With such voting rights, it is possible for a minority stockholder or group of stockholders to obtain representation on the Board of Directors, even if a majority of stockholders prefer other candidates. In the light of current takeover techniques, the Board of Directors believes that any such minority representation could be disruptive and could impair the efficient management of the Corporation for the benefit of the stockholders generally. In the case of a six member Board of Directors (the current size of the Corporation's Board), staggered over three years with two directors elected each year, a stockholder would need at most slightly over one-third of the shares of the Corporation to elect his designee to one of the two directorships at each annual meeting. He may need fewer shares if, as has been the Corporation's experience, not all stockholders vote at the meeting. By eliminating cumulative voting, election of directors would be by simple majority vote, the policy followed by most publicly-owned companies whose shares are traded on the New York Stock Exchange. However, if a potential acquirer did obtain a majority of the shares of the Corporation, a classified Board of Directors would still prevent an abrupt change of management and loss of control by the remaining public stockholders.

Determination of Size of Board of Directors

A new Article THIRTEENTH is proposed to be added to the Certificate of Incorporation, setting forth, with some clarification, the portion of the current By-Law provision establishing the procedure for determining the size of the Board of Directors. The By-Laws of the Corporation provide that the number of directors on the Board of Directors shall be between three and fifteen, and, within such limits, the number shall be determined by resolution of the Board of Directors. This provision of the By-Laws of the Corporation may be amended by the Board of Directors or by the stockholders. If a potential acquirer obtained a majority of the shares of the Corporation, he could frustrate the purpose of a classified Board of Directors by amending the By-Laws to permit the stockholders to determine the size of the Board and then increasing the size of the Board and electing his own designees to obtain control of the Board. If the By-Law provision is included in the Certificate of Incorporation, as proposed, the provision could only be changed by amendment to the Certificate of Incorporation, which requires action by both the Board of Directors and the stockholders.

Additional Information

There are no pending or proposed transactions known to the Board of Directors which would be affected by the proposed amendment. However, the Corporation was recently faced with two situations in connection with which the changes sought by the proposed amendment could have been relevant.

On May 5, 1981, without consulting the management of the Corporation, Picara Valley N.V., a Netherlands Antilles corporation, announced its intention to make a tender offer for less than 50 percent of the Corporation's shares. On May 7, 1981, Picara Valley announced it would not pursue the intended offer because of market conditions, and some time thereafter sold its shares of the Corporation in the open market. If Picara Valley had been successful in its tender offer, including the shares it acquired from an affiliate, it would have held approximately 58% of the shares of the Corporation and thereby most likely obtaining

effective control by having the ability to elect a majority of the directors at the next stockholders meeting. A classified Board of Directors could have prevented such a sudden loss of control by the remaining public stockholders of the Corporation.

At the Corporation's 1981 annual meeting, a minority stockholder, who was involved in the real estate field, unsuccessfully attempted to elect his representative to the Board of Directors by voting his shares (approximately 7% of the outstanding shares of the Corporation) cumulatively. The stockholder would have succeeded, using cumulative voting, if he could have obtained the support of approximately an additional 4% of the shares of the Corporation, even though the great majority of stockholders voted in favor of the slate supported by the Board of Directors. Some time after the annual meeting, the stockholder sold his shares of the Corporation in the open market.

The Corporation's Certificate of Incorporation authorizes 100,000 shares of Preferred Stock, $100 par value per share, none of which has been issued or outstanding for over 15 years. Pursuant to the Certificate of Incorporation, the Board of Directors has the authority to establish the terms of the Preferred Stock, including voting powers, and to issue such stock without further stockholder approval. While the Board of Directors may be able to utilize the Preferred Stock to resist a sudden take-over attempt by issuing such Preferred Stock to friendly purchasers, it has never done so. The Board of Directors of the Corporation has no present plans to propose other measures in future proxy solicitations with respect to resisting sudden take-over attempts.

MISCELLANEOUS

Stockholder Proposals for 1982 Annual Meeting

Stockholder proposals for the 1982 Annual Meeting must meet applicable SEC requirements and must be received by the Corporation at its principal executive offices in New York not later than November 2, 1981.

General

It is contemplated that brokerage houses and other custodians and fiduciaries holding stock of record for beneficial owners will be requested to forward solicitation material to the owners of the stock, and the Corporation intends to reimburse them for their out-of-pocket expenses in connection therewith. D.F. King & Co., Inc. has been retained to assist in soliciting proxies at a fee estimated at $10,000, plus expenses. Directors, officers and some regular employees of the Corporation may also solicit proxies personally or by telephone and telegraph but will not receive additional compensation for doing so.

The Corporation knows of no matters other than as set forth in the notice of meeting and this proxy statement that may come before the Special Meeting. However, if other matters do come before the Special Meeting, the Proxy Committee will vote the proxies in accordance with its best judgment.

By order of the Board of Directors,

ROBERT W. HUNT
Secretary

New York, New York
September 4, 1981