CANAL-RANDOLPH CORPORATION

277 Park Avenue
New York, New York 10017

March 16, 1984

Dear Stockholder:

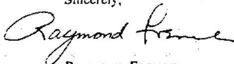
You are cordially invited to attend a Combined Special and Annual Meeting of Stockholders to be held on Monday, April 16, 1984. The principal purpose of this meeting is to act upon a Plan of Complete Liquidation and Dissolution which, if approved, will result in the sale or other disposition of Canal-Randolph's real estate assets, and the distribution to the stockholders of the net cash proceeds (subject to a reserve for liabilities) from any real estate sales, as well as the distribution to stockholders of all of the shares of the Company's wholly-owned subsidiary, United Stockyards Corporation, which thereby will become a separate publicly-held company.

The proposed Plan has been carefully considered, approved, and recommended to the stockholders by the Board of Directors as being in the best interests of the stockholders. The attached Proxy Statement describes the Plan in detail and contains extensive financial and other information regarding the business of the Company and United Stockyards Corporation.

In addition to considering and acting upon the Board's proposal to adopt the Plan, the meeting is called for the purpose of electing directors, selecting auditors for the Company, and considering a stockholder proposal expected to be presented. The proposals are more fully described in the accompanying Proxy Statement, which you should carefully review.

I urge you to give this material your closest attention. It is important that your shares be represented at the meeting whether or not you are able to attend personally. Because of the special importance of this meeting, I ask you to complete, date, and sign the enclosed proxy and return it without delay in the attached postage-paid envelope. This will assure that your vote is counted in the event you are unable to attend the meeting.

Sincerely,



RAYMOND FRENCH,
Chairman of the Board and President

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CANAL-RANDOLPH CORPORATION

277 Park Avenue
New York, New York 10017

NOTICE OF COMBINED SPECIAL AND ANNUAL MEETING OF STOCKHOLDERS

to be held April 16, 1984

New York, New York
March 16, 1984

To the Stockholders of Canal-Randolph Corporation:

Notice is hereby given that the Combined Special and Annual Meeting (the "Meeting") of stockholders of Canal-Randolph Corporation (the "Company") will be held on April 16, 1984 at 2:00 o'clock P.M., New York time, in the Auditorium on the 7th Floor of the Chemical Bank Building, 277 Park Avenue, New York, New York for the purpose of:

1. Considering and acting upon a proposal to authorize and adopt a Plan of Complete Liquidation and Dissolution of the Company (the "Plan"), as more fully described in the accompanying Proxy Statement, providing for, among other things:

(a) The sale or other disposition of all of the property and assets of the Company's real estate business on such terms and conditions as the Board may determine, and the distribution to the Company's stockholders of the cash proceeds of such sales and dispositions, subject to the establishment of a reserve fund for the liabilities and obligations of the Company not otherwise paid or discharged;

(b) The distribution to the Company's stockholders of all of the outstanding shares of the Company's wholly-owned subsidiary, United Stockyards Corporation ("United");

(c) The transfer of all of the Company's assets not so disposed of or distributed and not retained in such reserve fund, subject to related liabilities, to a newly-organized liquidating trust or limited partnership (the "Liquidating Entity") and the distribution to the Company's stockholders of interests in the Liquidating Entity (provided that the Company's Board, in its discretion, also may determine to distribute to the Company's stockholders the shares of one or more subsidiaries of the Company owning unsold operating real estate property); and

(d) The dissolution of the Company, after disposition of its remaining liabilities;

2. Electing six directors;

3. Selecting auditors for the Company;

4. Considering a proposal expected to be presented by certain stockholders relating to limitations on any new stock option plans of the Company; and

5. Transacting such further business as may properly come before the Meeting or any adjournment thereof.

The Board of Directors has fixed the close of business on February 24, 1984 as the record date for the determination of stockholders entitled to notice of and to vote at the Meeting and any adjournments thereof.

The Plan and material agreements and transactions relating thereto are described in the attached Proxy Statement. Management urges each stockholder to read the Proxy Statement carefully and thereafter to sign, date and promptly return the enclosed proxy card. The affirmative vote of a majority of the outstanding shares of Common Stock is required for approval of the Plan

By order of the Board of Directors,

Robert W. Hunt,
Secretary

Please Sign, Date and Mail the Enclosed Proxy

CANAL-RANDOLPH CORPORATION

277 Park Avenue
New York, New York 10017
(212) 826-6040

PROXY STATEMENT

COMBINED SPECIAL AND ANNUAL MEETING OF STOCKHOLDERS

to be held April 16, 1984

INTRODUCTION

General

This Proxy Statement and the enclosed form of Proxy are first being mailed on or about March 16, 1984 to stockholders of record on February 24, 1984 of Canal-Randolph Corporation, a Delaware corporation (the "Company") in connection with the solicitation of proxies by the Board of Directors of the Company for use at the Combined Special and Annual Meeting of Stockholders (the "Meeting") to be held on April 16, 1984 at 2:00 o'clock P.M., New York time, in the Auditorium on the 7th Floor of the Chemical Bank Building, 277 Park Avenue, New York, New York.

The principal purpose of the Meeting will be to consider and act upon a proposal, recommended by the Board, to adopt a Plan of Complete Liquidation and Dissolution of the Company (the "Plan"). Adoption of the Plan and its implementation will result in a material change in the nature of your investment in the Company, and you are urged to consider this Proxy Statement carefully.

The stockholders also will be requested to vote as to the election of six directors, selection of auditors for the Company and as to a proposal expected to be presented relating to limitations on any new stock option plan of the Company.

Solicitation

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 Company 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 for the Meeting at a fee payable by the Company of $1,000. Directors, officers and some regular employees of the Company also may solicit proxies personally or by telephone and telegraph but will not receive additional compensation for doing so.

VOTING

The Board of Directors has fixed February 24, 1984 as the record date for determination of stockholders of the Company entitled to notice of, and to vote at, the Meeting. At that date, there were outstanding 1,546,555 shares of the Company's Common Stock, $1 par value per share ("Common Stock"). The presence at the Meeting, in person or by proxy, of the holders of a majority of the shares of Common Stock outstanding (773,278 shares) will constitute a quorum for the transaction of business at the Meeting.

Each share is entitled to one vote respecting each matter, except that in connection with the election of directors each stockholder will be entitled to as many votes as equal the number of such stockholder's shares multiplied by the number of directors (6) to be elected, and each stockholder will be able to cast all such votes for a single nominee or distribute them among any two or more nominees to be elected, as such stockholder may see fit. For a stockholder to distribute votes on a cumulative

basis in a particular manner on the enclosed Proxy, such stockholder must indicate the manner of such distribution of such votes in the space provided on the Proxy. Unless such manner of distribution is so indicated, such shares will be voted cumulatively in the discretion of the persons named as proxies on the enclosed Proxy (the "Proxy Committee" of the Board of Directors) so as to elect the maximum number of the Board's nominees. 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.

Assuming a quorum is present, (i) the affirmative vote of holders of a majority of the shares issued and outstanding is required for the approval of the Plan, (ii) the affirmative vote of holders of a majority of the shares represented at the Meeting is required for the selection of auditors for the Company and adoption of a stockholder proposal, if presented, with respect to stock option plans; and (iii) the six nominees for directors receiving the greatest number of votes cast at the Meeting will be elected. All of the current officers and directors of the Company have indicated their intention to vote in favor of the Plan all of the 484,494 shares of Common Stock (approximately 31% of the number outstanding) owned by them or by entities they control. In addition, Rea Brothers Plc. (of which Sir Walter Salomon, a director of the Company, and Mr. Jocelin Harris, a new nominee for director, are Chairman of the Board and a director, respectively) has indicated that it will seek voting instructions from its investment company customers, who currently own in the aggregate 237,750 shares (approximately 15%), after such customers have received and reviewed this proxy statement. Each of Rea Brothers Plc. and its subsidiaries Rea Brothers (Guernsey) Limited and Rea Brothers (Isle of Man) Limited has indicated that it will determine whether it will vote the other shares held by it for discretionary account customers (currently 26,316 shares, 142,300 shares and 1,800 shares, respectively) in favor of the Plan, absent contrary instructions from such customers, upon receipt and review of this proxy statement. See "Proposed Plan of Complete Liquidation and Dissolution—Background of and Reasons for the Plan; Board Recommendation" and "Certain Beneficial Owners". Based upon the foregoing, management believes that approval of the Plan is likely.

The proxies properly completed and signed and received prior to the Meeting 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 Plan, "FOR" the election of the Board of Directors' nominees as directors, "FOR" the selection of Arthur Andersen & Co. as auditors and "AGAINST" the proposal expected to be presented by certain stockholders relating to limitations on new stock option plans of the Company. Management knows of no business that will be presented to the Meeting other than as set forth in this Proxy Statement. If any other matter properly comes before the Meeting, the Proxy Committee of the Board of Directors will vote on such matters in accordance with their best judgment, absent contrary instructions from the stockholder on any specific Proxy.

Any Proxy may be revoked by the stockholder giving it at any time prior to its being voted by filing with the Secretary of the Company an instrument of revocation or a duly executed Proxy bearing a later date. Any Proxy also may be revoked by a stockholder's attending the Meeting and voting in person.

SUMMARY OF PLAN OF COMPLETE LIQUIDATION AND DISSOLUTION

The following is a summary of information contained in more detail elsewhere in this Proxy Statement. The summary should be read in conjunction with, and is qualified by, the more detailed information herein, including the financial information and statements and the Exhibits hereto. All descriptions of documents in this Proxy Statement are qualified by reference to those documents.

Principal Elements

The principal elements of the Plan of Complete Liquidation and Dissolution of the Company (the "Plan") are:

1. The sale or other disposition of all of the property and assets of the real estate business of the Company and its subsidiaries on such terms and conditions as the Board may determine, and the distribution to the Company's stockholders of the cash proceeds of such sales and dispositions, subject to the establishment of a reserve fund (the "Reserve Fund") for the liabilities and obligations of the Company and its subsidiaries not otherwise paid or discharged;

2. The distribution to the Company's stockholders of all of the outstanding shares of the Company's wholly-owned subsidiary, United Stockyards Corporation ("United"), currently engaged in the ownership, and operation or lease, of stockyards;

3. The transfer of all of the assets of the Company and its subsidiaries not so disposed of or distributed and not retained in the Reserve Fund, subject to related liabilities, to a newly-organized liquidating trust or limited partnership (the "Liquidating Entity"), and the distribution to the Company's stockholders of interests in the Liquidating Entity (provided that the Company's Board, in its discretion and without further stockholder approval, also may determine to distribute to the Company's stockholders the shares of one or more subsidiaries of the Company owning unsold operating real estate property); and

4. Dissolution of the Company, after disposition of its remaining liabilities.

The Plan is intended to comply with Section 337 of the Internal Revenue Code (the "Code"), and accordingly all of the assets of the Company, other than those held in the Reserve Fund, must be disposed of or distributed within 12 months of adoption of the Plan by the Company's stockholders.

Notwithstanding stockholder approval, the Board, at any time prior to dissolution, may abandon the Plan should it find on the basis of subsequent events that liquidation and dissolution is not in the best interest of the Company or its stockholders. The Board also may amend or modify the Plan, generally without further stockholder approval, if it determines such action would be in the best interest of the Company or its stockholders.

Reasons for the Plan

In the opinion of the Board, sale of the assets of the Company and its subsidiaries related to their real estate business should produce net cash substantially in excess of their net book value and a per share amount which, when taken together with the value of the United shares to be distributed for each share of the Company's Common Stock, will exceed the prices at which the Company's Common Stock generally traded in recent years prior to the first public announcement of consideration being given to liquidation of the Company. See "Price Range of Common Stock; Dividends" and "Proposed Plan of Complete Liquidation and Dissolution—Background of and Reasons for the Plan; Board Recommendation".

The disposition of the real estate business will leave the Company principally with cash, certain liabilities, miscellaneous assets and shares of United stock, and the Board has determined that, rather than embarking on a program to invest the cash proceeds, it is in the stockholders' interest to liquidate the Company and distribute those proceeds (subject to a reserve) and the Company's shares of United

stock (on a basis of three shares of United stock for each share of the Company's Common Stock) to its stockholders, who will then be in a position to make their own determinations as to disposition of the cash and stock. See "Proposed Plan of Complete Liquidation and Dissolution—Background of and Reasons for the Plan; Board Recommendation" and "—Interest of Certain Persons in the Plan".

Interest of Certain Persons in the Plan

Mr. Raymond French, Chairman of the Board and President of the Company and Chairman and President of United, will continue to receive his salary from the Company (currently at the annual rate of $205,000) until the distribution of the United shares to the Company's stockholders, and thereafter will receive a salary from the Company at a reduced rate determined by the Board of Directors of the Company at the time. United's Board has determined that, commencing upon the distribution of the United shares, Mr. French also will receive a salary from United as its Chairman and President at the annual rate of $250,000, and Asher B. Edelman, Vice Chairman of the Board of the Company, will receive a salary as Vice Chairman of United at the annual rate of $150,000. In addition, the disposition of Mr. French's outstanding options to purchase additional shares of the Company's Common Stock are discussed under "Proposed Plan of Complete Liquidation and Dissolution—Effect on the Company's Stock Option Plan and Pension Plan".

If the Liquidating Entity is a limited partnership, Mr. French will serve as its managing general partner and a corporation controlled by Mr. Edelman will act as the other general partner. Such general partners will receive an aggregate salary from the partnership at the annual rate of $100,000, allocated $66,000 to Mr. French and $34,000 to the corporate general partner. If the Liquidating Entity is a trust, Mr. French and Mr. Edelman will serve as trustees and receive an aggregate fee of $50,000 per annum, allocated $33,000 to Mr. French and $17,000 to Mr. Edelman. See "Proposed Plan of Complete Liquidation and Dissolution—Interest of Certain Persons in the Plan".

Four of the six current directors of the Company, and a new nominee for director of the Company, will continue as directors of United after the distribution of the United shares. See "United Stockyards Corporation—Management".

Sale of Real Estate Operations

The Company has ownership interests in and operates seven office buildings throughout the United States. In addition, the Company owns approximately 2,300 acres of rural property in upstate New York and two additional parcels of undeveloped land in Illinois and California adjacent to its office buildings located there. See "Business of the Company".

The Company has engaged Brooks Harvey & Co., Inc. ("Brooks Harvey"), an affiliate of Morgan Stanley & Co. Incorporated, as its exclusive agent through July 30, 1984 for the sale of its office building interests. As of March 9, 1984, letters of intent have been executed relating to the sale of three office buildings and certain related land parcels, and a contract has been executed relating to the sale of one additional office building, calling for sales prices, net of related indebtedness and estimated expenses (including maximum estimated fees to Brooks Harvey), aggregating approximately $101,057,000. See "Proposed Plan of Complete Liquidation and Dissolution—Real Estate Dispositions" for a description of the terms of Brooks Harvey's engagement and of the letters of intent and sale contract. **The letters of intent are not binding documents and there can be no assurance that contracts for the sale of the properties covered thereby will be entered into or consummated. The sale contract is subject to various material conditions in addition to normal real estate closing conditions, and, accordingly, there can be no assurance it will be consummated.** However, sale of the properties pursuant to the terms set forth in the letters of intent and contract of sale are not conditioned upon approval of the Plan and, should the other conditions of sale be satisfied, **the Company currently intends, and may be obligated, to sell such properties even if the Plan is not approved. Sale of the**

properties on such basis would be taxable to the Company, and any distributions of the net proceeds thereof to the stockholders, if made, would be treated as dividends (to the extent of the current and accumulated earnings and profits of the Company).

The prices at which the Company will be able to sell properties not yet subject to letters of intent or contract of sale (or the properties subject to such sale proposals if the sales are not consummated) will vary depending on various factors beyond the Company's control, including, without limitation, changes in mortgage and other interest rates, the pendency or resolution of litigation relating to certain of the properties, and, in particular, the demand for office space in the markets in which the Company's buildings are located. The Company will seek to sell as many of its remaining properties as possible during the one-year liquidation period, and may not obtain as high a price for a particular property as it could secure if the Company did not seek to liquidate its real estate interests as promptly as possible.

Cash Distributions to Stockholders

Management is unable to estimate the total amount which will be distributed to stockholders if the Plan is adopted. If the sales of the four office buildings and certain related parcels of land under letters of intent and a contract of sale at March 9, 1984 (see "Proposed Plan of Complete Liquidation and Dissolution—Real Estate Dispositions") are consummated, the estimated net proceeds would make available for distribution approximately $60 per share of Common Stock, based on the assumptions set forth under "Canal-Randolph Corporation and Subsidiaries and the Liquidating Entity—Condensed Pro Forma Consolidated Financial Statements", excluding $8,000,000 to be retained in the Reserve Fund out of such proceeds. It is contemplated that cash distributions would be made to stockholders as soon as practicable following closings of real estate sales, although such distributions could be delayed at the discretion of the Board. See "Cash Distributions".

Subsequent distributions will be made in the discretion of the Board of Directors (and, after the liquidating distribution of unsold assets to the Liquidating Entity, by the general partners or trustees, as the case may be, of the Liquidating Entity) as additional assets are sold and the Reserve Fund is reduced. Any excess remaining after the satisfaction or disposition of all reserved liabilities promptly will be distributed to stockholders. See "Proposed Plan of Complete Liquidation and Dissolution—Contingent Liabilities; Reserve Fund".

Distribution of United Shares to Stockholders

Management currently anticipates that the distribution of the shares of Common Stock of United (the "United Shares") will occur within 60 days of approval of the Plan at the Meeting, but such distribution could be delayed if a substantial portion of the Company's real estate assets have not been sold prior thereto. The shares will be distributed to the stockholders of the Company, on the basis of three United Shares for each share of the Company's Common Stock, on a record date for the distribution selected by the Company's Board of Directors. United intends to apply to the American Stock Exchange to list the United Shares upon their distribution, and anticipates approval of such listing prior to the date of distribution of such shares (the "United Distribution Date"), although there can be no assurance to such effect.

Following the distribution, United will continue to carry on its stockyards business. In addition, United's Board contemplates that United may engage in the acquisition, development and management of real estate, various forms of arbitrage and other financial transactions. See "United Stockyards Corporation".

The Liquidating Entity and its Management

If the assets of the Company (other than those in the Reserve Fund) remaining unsold at the end of the one year liquidation period include operating assets, such as operating real estate, all such assets (subject to the discretion of the Company's Board to determine to distribute to the Company's stockholders the stock of one or more of the Company's subsidiaries owning unsold operating real estate

property), and certain related liabilities, will be transfered to a limited partnership; otherwise, such assets and liabilities will be transfered to a liquidating trust. In either case, such Liquidating Entity will continue to seek to dispose of such assets.

If the Liquidating Entity is a limited partnership (the "Partnership"), the general partners of the Partnership will be Mr. Raymond French, President and Chairman of the Board of the Company, as managing general partner, and a corporation organized and controlled by Mr. Asher B. Edelman, who is a director and principal stockholder of the Company. The general partners of the Partnership will receive aggregate compensation from the Partnership of $100,000 per year, allocated $66,000 to Mr. French and $34,000 to the corporation. See "The Liquidating Entity—The Limited Partnership—Management" and "Certain Beneficial Owners".

If the Liquidating Entity is a trust (the "Liquidating Trust"), the initial liquidating trustees will be Messrs. French and Edelman, who will receive aggregate remuneration from the trust of $50,000 per year, allocated $33,000 to Mr. French and $17,000 to Mr. Edelman. See "The Liquidating Entity—The Liquidating Trust—Management".

If, prior to the formation of the Liquidating Entity, any of the persons or entities named above are unable or unwilling to serve in the capacities indicated, the Board of Directors of the Company will designate a substitute.

Prior to the transfer of assets to the Liquidating Entity, the Board of Directors of the Company will determine whether the limited partnership interests (or assignee units thereof) or trust interests of the Liquidating Entity will be transferable or nontransferable (except by operation of law or upon death). The Board's determination will take into account the aggregate value of the assets transferred to the Liquidating Entity, tax matters and the impact of compliance with applicable securities laws. Even if transferable, such interests will not be listed on a national securities exchange and the extent of any trading markets therein cannot be predicted.

Management of the Company After Transfer to Liquidating Entity

The only activities of the Company after the transfer of assets, and certain related liabilities, to the Liquidating Entity will be to provide for the Company's remaining liabilities and to wind up its affairs. The Company's operating costs, including legal fees in connection with ongoing litigation, will be paid out of the income and principal of the Reserve Fund. See "Proposed Plan of Complete Liquidation and Dissolution—Conduct of the Company During and After the Liquidation Period". Certain officers of the Company, including Mr. French, are expected to continue to serve as executive officers of the Company after the transfer of assets to the Liquidating Entity, and it has not been determined at this time whether a change in the composition of the Company's Board will occur.

No Appraisal Rights

Stockholders are not entitled to any rights of appraisal or similar rights of dissenters under Delaware law in connection with approval or consummation of the Plan.

Effect on the Company's Stock Option Plan and Pension Plan

To facilitate implementation of the Plan in a manner which will not adversely affect optionees under the 1981 Non-Qualified Stock Option Plan of the Company (the "Option Plan"), the Company, pursuant to the Plan, intends to accelerate exercisability of all options to the date upon which stockholders approve the Plan and to terminate the Option Plan and all options outstanding thereunder 60 days after such stockholder approval. In addition, the Company intends to make a cash offer for surrender of all options with the amount of cash offered to be based upon the difference between the average of the closing market prices of the Common Stock for the two-week period following approval of the Plan and the option exercise price of $23.1625 per share. To the extent that the cash offer is not accepted and the options are not exercised, the Stock Option Plan Committee of the Company's Board

will determine, in its sole discretion, the method of compensating optionees whose options are terminated.

It is expected that consummation of the Plan will result in a termination of the Company's pension plan and as a result thereof employees will become fully vested and entitled to receive their pension benefits upon reaching retirement age. It is expected that these retirement benefits will be provided through the purchase of annuity contracts using assets currently in the pension fund which management believes will be sufficient, on the basis of the latest actuarial valuation, to fund the purchase of the annuity contracts. Employees of the Company who become employees of United and certain current employees of both the Company and United will become participants in the United pension plan and their pension benefits at retirement will be funded partially by an annuity contract and partially by the United pension plan.

Federal Tax Consequences

Gain or loss from distributions pursuant to the Plan will be recognized by each stockholder measured by the difference between (a) such stockholder's adjusted basis for his or her shares of the Company's Common Stock, and (b) the cash distributed to such stockholder plus the fair market value on the date of distribution of the United shares (and shares of other subsidiaries, if any, distributed to stockholders) distributed to such stockholder plus the stockholder's pro rata share of the net fair market value on the date of transfer of the assets distributed to the Liquidating Entity. Generally, any gain or loss will constitute capital gain or loss if such shares are capital assets in the hands of the stockholder. For tax purposes, the distributions first will be applied to reduce the stockholder's basis in the Company's Common Stock (calculated separately for each share owned by the stockholder), which means there will be no taxable gain to a holder of the Company's Common Stock except to the extent, if any, that the cumulative value of the distributions exceed the stockholder's basis in the Company's shares.

With certain exceptions, no gain or loss will be recognized by the Company with respect to its sales of assets pursuant to the Plan. Any tax liability incurred by reason of these exceptions would reduce the amount distributed to stockholders. See "Income Tax Consequences of the Plan".

While no Federal income tax will be imposed on the Liquidating Entity, interestholders in the Liquidating Entity (the "Interestholders") will be required to take into account, in computing their Federal income tax, their allocable share (as determined pursuant to the Partnership or Trust Agreement) of the Liquidating Entity's income, gains, losses, deductions and credits, without regard to whether they have received any cash distributions.

However, recognition of gain or loss by stockholders (rather than treatment of distributions by the Company as dividends), nonrecognition of gain or loss by the Company and the tax consequences to the Liquidating Entity and its Interestholders all are dependent on characterization of the Liquidating Entity as a partnership or trust, as the case may be, rather than as an association taxable as a corporation, for Federal income tax purposes. If the Liquidating Entity is a Partnership, the Company intends to request a ruling from the Internal Revenue Service (the "Service"), and counsel to the Company expects to render an opinion, that the Partnership will be characterized as a partnership for Federal income tax purposes. If the Liquidating Entity is a Liquidating Trust, counsel to the Company expects to render an opinion that the Liquidating Trust is to be characterized as a trust for Federal income tax purposes. If a favorable ruling or opinion of tax counsel is not obtained prior to the transfer of assets to the Partnership or Liquidating Trust, the Company would be required to dispose of all its assets within the 12-month liquidation period in order to avoid recognition of gain or loss.

See "The Liquidating Entity—The Limited Partnership—Federal Income Taxes" and "—The Liquidating Trust—Federal Income Taxes".

DEFINITIONS

For the convenience of the reader, the following are the definitions of certain terms used frequently in this Proxy Statement.

Term	Definition
AMEX	American Stock Exchange
Code	Internal Revenue Code
Company	Canal-Randolph Corporation and, unless the context otherwise requires, its consolidated subsidiaries
Common Stock	Common Stock, $1 par value per share, of the Company
Final Record Date	Date on which unsold assets of the Company are transferred to the Liquidating Entity and as of which the Interests will be distributed
Interestholders	Holders of the Interests
Interests	Limited partnership interests (or possibly, if the interests are transferable, assignee units of limited partnership interest) or beneficial trust interests, as the case may be, in the Liquidating Entity
Liquidation Date	Last day of the Liquidation Period
Liquidating Entity	Limited partnership or liquidating trust to which unsold assets (other than the Reserve Fund and the stock of any subsidiaries distributed to the Company's stockholders), and certain related liabilities, of the Company are transferred
Liquidation Period	Twelve month period following adoption of the Plan by the stockholders
Meeting	Combined Special and Annual Meeting of Stockholders of the Company to be held April 16, 1984
NYSE	New York Stock Exchange
Partnership	Canal-Randolph Limited Partnership, a limited partnership which will be the Liquidating Entity, if the Liquidating Entity is a partnership
Plan	Plan of Complete Liquidation and Dissolution of the Company, in the form of Exhibit A to this Proxy Statement
Reserve Fund	Fund to be created and held by the Company to provide for liabilities not otherwise satisfied
Service	Internal Revenue Service
Trust	Canal-Randolph Liquidating Trust, a New York trust which will be the Liquidating Entity, if the Liquidating Entity is a trust
United	United Stockyards Corporation and, unless the context otherwise requires, its consolidated subsidiaries
United Distribution Date	Date of distribution of United's shares to the Company's stockholders

PROPOSED PLAN OF
COMPLETE LIQUIDATION AND DISSOLUTION

General

The Company is proposing for approval by stockholders at the Meeting a Plan of Complete Liquidation and Dissolution of the Company. A copy of the Plan is attached as Exhibit A to this Proxy Statement.

Background of and Reasons for the Plan; Board Recommendation

The Board of Directors believes that the public market in the Company's Common Stock generally has failed adequately to reflect the underlying values of the Company's assets (see "Price Range of Common Stock: Dividends"), in part as a result of the effect on its financial statements of generally accepted accounting principles which require the Company to charge depreciation of its properties against reported income, while prohibiting a write-up of operating properties to current market values. Thus, investors do not have available the information necessary to enable them to evaluate the Company's economic value.

Management of the Company believes that many of its real estate properties would have a value, upon sale, substantially in excess of their carrying amount on the Company's books. Prior to 1983, the Company had sold certain properties and considered the sale of others, and had intended to reinvest the net proceeds of sales into new real estate properties. However, the composition of the Board of Directors of the Company changed on April 20, 1983 (see "Certain Litigation—Settlement of Proxy Contest"), and the Board now believes that it would be in the best interest of the Company's stockholders to dispose of the Company's real estate operations and distribute the net proceeds to the stockholders, rather than reinvest them, to allow stockholders to make their own choices as to use of the cash.

If the Company's real estate assets are sold for prices which, in the aggregate, approximate management's estimate of present realizable value, management believes that the stockholders would, upon distribution of the net proceeds of such sales in liquidation and receipt of the United shares as discussed below, receive an aggregate value exceeding the prices at which the Company's Common Stock generally traded in recent years prior to the first public announcement that liquidation of the Company would be considered. Management's conclusion in this regard is supported, in its opinion, by the fact that as of March 9, 1984, letters of intent for the sale of three office buildings and certain related land parcels, and a contract for the sale of one additional office building, have been executed, calling for aggregate net proceeds to the Company of approximately $101,057,000, after deducting related indebtedness of approximately $29,762,000 as of January 31, 1984 and estimated brokerage, closing and other costs, as well as estimated tax liabilities, aggregating approximately $17,731,000. As of January 31, 1984, such aggregate net proceeds exceeded the aggregate book equity of such properties (carrying amount less related mortgages) by approximately $89,006,000. To the knowledge of management, the purchaser under each letter of intent and the contract of sale is unaffiliated with the Company.

In view of the consistent history of the stockyards business in providing cash in excess of its operating needs, the Board determined that the stockholders' interests would be served best by the continued operation of the stockyards business as a public company, with the cash such business is expected to continue to generate to be used for expansion and diversification of United's business. In addition, United's Board believes that the independent public status of United will increase United's ability to obtain commercial credit, allow United to offer employee incentive plans related solely to the stock performance of United as a means of retaining its existing employees and as a means of attracting new management personnel, and enable United's management to concentrate its energy and skill in the area of its own current business activities and diversification thereof.

Accordingly, the Board determined that it is in the stockholders' best interest to liquidate the Company during a 12-month period under Section 337 of the Internal Revenue Code (the "Code"), as such liquidation will not result in the imposition of tax, at the corporate level, on most of the gains realized by the Company upon sale of its assets and thereby will maximize the proceeds available for distribution to stockholders. On January 11, 1984 the Board voted unanimously to recommend the Plan to stockholders. In approving the Plan, the Board recognized that stockholders, depending on their basis in the Common Stock, may be required to recognize taxable capital gains upon receipt of distributions in liquidation and upon the transfer of the remaining assets to the Liquidating Entity (see "Income Tax Consequences of the Plan") and that stockholders' interests in the Liquidating Entity might not be marketable (depending upon the Board's determination at the time). Nevertheless, the Board has concluded that such disadvantages are outweighed by the Plan's advantages, and strongly recommends adoption of the Plan.

Current officers and directors of the Company who own, or control entities which own, an aggregate of 484,494 shares (approximately 31%) of the Company's outstanding Common Stock, have indicated their intention to vote in favor of the Plan. In addition, Rea Brothers Plc. (of which Sir Walter Salomon, a director of the Company, and Mr. Jocelin Harris, a new nominee for director, are Chairman of the Board and a director, respectively) has indicated that it will seek voting instructions from its investment company customers, who currently own in the aggregate 237,750 shares (approximately 15%), after such customers have received and reviewed this proxy statement. Each of Rea Brothers Plc. and its subsidiaries Rea Brothers (Guernsey) Limited and Rea Brothers (Isle of Man) Limited has indicated that it will determine whether it will vote the other shares held by it for discretionary account customers (currently 26,316 shares, 142,300 shares and 1,800 shares, respectively) in favor of the Plan, absent contrary instructions from such customers, upon receipt and review of this proxy statement. See "Certain Beneficial Owners". Based upon the foregoing, management believes that approval of the Plan is likely.

Principal Provisions of the Plan; Abandonment or Amendment

The Plan, as recommended by the Board of Directors, is annexed as Exhibit A. This description is qualified in its entirety by reference to such Plan. Pursuant to the Plan:

(a) The Company will seek to sell or dispose of all of the property and assets related to its real estate business, including interests in seven office buildings and various land parcels. In the case of properties subject to letters of intent, such sales are subject to the execution and consummation of definitive sales contracts which are expected to reflect the terms proposed and, in the case of the property currently subject to a contract of sale, such sale will be made pursuant to the terms of such contract if consummated. Otherwise, the sales will be made on such terms as are approved by the Board or, to the extent sales are not consummated during the 12-month period following adoption of the Plan (the "Liquidation Period"), unsold real estate assets will be transferred to the Liquidating Entity (which will be a limited partnership if such assets include operating real estate and otherwise will be a liquidating trust) and sold on terms approved by its general partners or trustees, as the case may be (subject to the Board's discretion to determine to distribute to stockholders the stock of one or more of the Company's subsidiaries owning unsold operating real estate property). See "Business of the Company", "Real Estate Dispositions" below and "The Liquidating Entity".

(b) The cash proceeds of such sales will be distributed from time to time during the Liquidation Period pro rata to the Company's stockholders on the record dates selected by the Board for such distributions, subject to the establishment of a Reserve Fund by the Company in an amount (currently anticipated to be $10,400,000) determined by the Board to be sufficient to satisfy the liabilities and obligations of the Company not otherwise paid or discharged. The net balance, if any, of the Reserve Fund remaining after payment or discharge of all such liabilities and obligations also will be distributed to the Company's stockholders. See "Cash Distributions" and "Contingent Liabilities; Reserve Fund".

(c) All options outstanding under the Company's 1981 Non-Qualified Stock Option Plan (the "Option Plan") will become immediately exercisable, and the Option Plan and all outstanding options will terminate 60 days after approval of the Plan. The Company expects to make a cash offer to optionees to surrender their options for the cash difference between the average of the closing market prices of the Common Stock for the two-week period following approval of the Plan and the exercise price of $23.1625 per share. See "Effect on the Company's Stock Option Plan and Pension Plan" below.

(d) The Company will distribute all of the outstanding shares of United on a date currently anticipated to occur within 60 days of adoption of the Plan (the "United Distribution Date"), although the distribution could be delayed if a substantial portion of the Company's real estate assets have not been sold prior thereto. Such distribution will be made pro rata to the Company's stockholders of record as of a date selected by the Board. United intends to apply to the American Stock Exchange (the "AMEX") for the listing of the shares of its Common Stock (the "United Shares") and anticipates approval of such listing prior to the United Distribution Date, although there can be no assurance to such effect.

(e) Shortly prior to the last day of the Liquidation Period (the "Liquidation Date"), the Company will close its transfer books, and thereafter will not record any transfer of the Common Stock and will not issue any new stock certificates. See "Listing and Trading of the Common Stock, United Shares and Interests in the Liquidating Entity" and "Surrender of Certificates for Common Stock" below.

(f) If all the Company's assets are not sold during the Liquidation Period, the Company, prior to the Liquidation Date, will transfer the assets not sold (subject to a determination to distribute the stock of one or more of its real estate subsidiaries) or reserved, subject to certain related liabilities, to the Liquidating Entity, as well as cash sufficient, in the opinion of the Board, to enable the Liquidating Entity to pay the costs of administering its assets, conducting a program of sale of such assets and distributing the proceeds thereof to its Interestholders. The Company will distribute pro rata to the holders of its Common Stock, in complete liquidation, limited partnership interests (or assignee units thereof) or beneficial interests ("Interests"), as the case may be, in the Liquidating Entity and any remaining cash, other than the Reserve Fund held by the Company. See "The Liquidating Entity" for a discussion of, among other things, the form, management and tax attributes of the Liquidating Entity, and "Listing and Trading of the Common Stock, United Shares and Interests in the Liquidating Entity" for a discussion of the marketability (or lack thereof) of such Interests.

(g) After disposing of its remaining liabilities, the Company will cease all activities and dissolve.

Under the Plan, if the directors determine by virtue of any event (such as the inability of the Company to consummate the sale of its assets or the occurrence of events which would, in the Board's opinion, adversely affect the anticipated tax consequences of the Plan to the Company or its stockholders) occurring subsequent to adoption of the Plan and prior to the effective date of a certificate of dissolution under Delaware law that liquidation and dissolution is not in the best interests of the Company or its stockholders, the Board may direct that the Plan be abandoned. The Company nevertheless may cause the performance of any contract for the sale of assets theretofore executed which the directors deem to be in the best interests of the Company, and the current proposals for the sale of real estate are not conditioned on approval of the Plan. See "Real Estate Dispositions—Properties under Letters of Intent or Contract for Sale" below.

The Board also may amend or modify the Plan, if it determines such action to be in the best interests of the Company or its stockholders, without the necessity of further stockholder approval unless the Board determines that such amendment or modification would materially and adversely affect the stockholders' interests.

Interest of Certain Persons in the Plan

Officers and current directors of the Company as a group beneficially own a total of 484,494 shares (approximately 31%) of the Company's Common Stock (which amount excludes substantial additional shares beneficially owned by Rea Brothers Plc. of which Sir Walter Salomon, a director of the Company, and Mr. Jocelin Harris, a new nominee for director, are Chairman of the Board and a director, respectively). Accordingly, should such stockholdings be maintained, on the liquidation such persons will beneficially own a proportionate number of United Shares and Interests in the Liquidating Entity and will receive cash distrib[illegible]s pro rata to their record ownership. See "Election of Directors—Information Concerning [illegible]ctors, Nominees and Share Ownership" and "Certain Beneficial Owners".

Mr. Raymond French, Chairman of the Board of the Company and President of the Company and United, will continue to receive his salary from the Company (currently at the annual rate of $205,000) until the United Distribution Date, and thereafter will receive a salary from the Company at a reduced rate determined by the Board of Directors of the Company at the time. See "Conduct of the Company During and After the Liquidation Period". United's Board has determined that, commencing on the United Distribution Date, Mr. French also will receive a salary as Chairman and President of United at the annual rate of $250,000, and Asher B. Edelman, Vice Chairman of the Company's Board, will continue as Vice Chairman of United at an annual salary of $150,000. Four of the six current directors of the Company, plus Mr. Jocelin Harris, a new nominee for director of the Company, will continue on United's eight member Board after the United Distribution Date. See "United Stockyards Corporation—Management". In addition, certain officers and key employees of the Company will receive a cash offer from the Company for the surrender of all options held by them. See "Effect on the Company's Stock Option Plan and Pension Plan" below.

If the Liquidating Entity is a limited partnership, Mr. French and a corporation controlled by Mr. Edelman will serve as its general partners and receive aggregate compensation of $100,000 per year, allocated $66,000 to Mr. French and $34,000 to such corporation. If the Liquidating Entity is a trust, Messrs. French and Edelman will serve as its trustees and receive an annual aggregate fee of $50,000, allocated $33,000 to Mr. French and $17,000 to Mr. Edelman. See "The Liquidating Entity".

Effect on the Company's Stock Option Plan and Pension Plan

Under the Option Plan there were outstanding as of March 1, 1984 options to purchase an aggregate of 7,825 shares of Common Stock of the Company at an exercise price of $23.1625 per share. Options for 3,475 shares currently are exercisable. While the Option Plan provides for actions to be taken in connection with mergers and similar transactions, it does not contain express provision for a liquidation of the Company, such as that contemplated by the Plan, which involves cash and property distributions and a subsequent dissolution of the Company. In order to facilitate implementation of the Plan in a manner which will not adversely affect optionees under the Option Plan, the Company, pursuant to the Plan, expects to take the following actions with respect to the Option Plan:

1. All outstanding options under the Option Plan will become immediately exercisable upon stockholder approval of the Plan, and the Option Plan and all outstanding options thereunder will terminate 60 days after stockholder approval of the Plan.

2. Shortly after stockholder approval, the Company will make a cash offer to optionees for the surrender of all options outstanding under the Option Plan. The amount of cash offered to each optionee will be based upon the difference between the average closing price of the Common Stock on the New York Stock Exchange ("NYSE") for the two-week period following stockholder approval and the exercise price of $23.1625. Based on the closing market price of the Common Stock on the NYSE of $90 on March 8, 1984, the total cost to the Company should all such cash offers be accepted would be approximately $523,000, and the aggregate cash payments to the executive officers of the Company (see "Executive Compensation"), including Mr. French, would be approximately $286,000 (in each case, based on the number of options outstanding at March 1, 1984). The offer may be accepted by

any optionee during the 15-day period following the close of the two-week period described above and, during such 15-day period, the Company may terminate the offer if an event occurs which, in the judgment of the Board of Directors, has a material adverse effect on the Plan or the financial condition of the Company. It is expected that optionees who accept the offer will be paid promptly after the close of such 15-day period. To the extent the cash offer is not accepted, the Stock Option Plan Committee of the Board of Directors, in its sole discretion, will determine the method of compensating those optionees who failed to accept the cash offer or exercise their options and whose options therefore terminated 60 days after stockholder approval.

It is expected that consummation of the Plan will result in a termination of the Company's pension plan. Accordingly, all employees who are participants in the Company's pension plan will become fully vested and entitled to receive their pension benefits upon reaching retirement age. It is expected that these retirement benefits will be provided through the purchase of annuity contracts for each individual using assets currently in the pension fund. Assets currently in the pension fund exceed the actuarially computed present value of the plan liabilities as of December 31, 1982, the date of the latest actuarial valuation, and management believes that they will be sufficient to fund the purchase of the annuity contracts.

Employees of the Company who become employees of United and certain employees of both the Company and United will become participants in the United pension plan and will be credited for vesting and benefits with their respective years of service and earnings while they were with the Company. It is expected that the retirement benefits payable under the United pension plan to these employees will be computed by dividing the employee's actual years of service with United by the total years of service with United and the Company and multiplying the fraction derived by the amount payable under the United pension plan. Pension benefits payable under the United pension plan will be in addition to benefits payable under the Company's pension plan.

Real Estate Dispositions

General

The Company, through subsidiaries, has ownership interests in and operates seven office buildings located in Chicago, Illinois, Los Angeles, Anaheim and Orange County, California, Birmingham, Alabama, New York, New York and Paterson, New Jersey. The Company also owns, through subsidiaries, approximately 2,300 acres of rural property in upstate New York and additional parcels of undeveloped land in Chicago and Los Angeles adjacent to its office buildings located there. See "Business of the Company" for a description of such interests and properties including, in certain cases, litigation, rights of first refusal or other potential limitations on the Company's ability to freely dispose of its interests.

In anticipation of the Plan, the Company entered into an agreement with Brooks Harvey & Co., Inc. ("Brooks Harvey"), dated October 27, 1983, pursuant to which Brooks Harvey is engaged through July 30, 1984 to render consulting, planning and financial services with respect to, and to act as exclusive agent for the sale or refinancing of, the Company's office building properties. Brooks Harvey has received a fee of $50,000 for its advisory services, and, in addition to the reimbursement of expenses, is entitled to a fee of 2% of the sales price of any properties less outstanding debt on such property and, if applicable, less the cost to the Company (up to an aggregate maximum of $10 million) of purchasing any tenancy-in-common or limited partnership interests in the properties. Brooks Harvey is entitled to such fees for sales consummated during the engagement period regardless of whether it located the buyer, and is further entitled to such fees with respect to sales consummated within six months of termination of the engagement if made to designated buyers located by Brooks Harvey during the term of its engagement. The exclusive sales agency arrangement does not extend to the Company's undeveloped land parcels.

Properties Under Letters of Intent or Contract for Sale

Subsidiaries of the Company have entered into three letters of intent (the "Letters of Intent") and one contract of sale for the disposition of four of the Company's commercial properties and certain related land parcels, the terms of which are described below. The Letters of Intent relate to the properties known as the Barker Brothers Building (together with certain adjacent land) in Los Angeles, California, One North Western Center in Chicago, Illinois and Union Bank Square in Orange County, California. The contract of sale relates to 156 William Street in New York, New York. The Letters of Intent are not binding agreements but set forth the general terms on which the parties propose to enter into formal binding contracts of sale for the subject properties. Such terms include the various conditions which must be satisfied prior to sale of a property, certain of which must be satisfied prior to the execution of a contract of sale and certain of which would be reflected in the contract of sale as conditions to closing. The satisfaction of certain of these conditions may be beyond the Company's control, such as the purchaser's satisfaction with the results of its inspection and "due diligence", and the obtaining of the related mortgagee's consent to the prospective purchaser. Accordingly, while the Company intends to negotiate in good faith toward binding contracts of sale and to consummate such sales, **there can be no assurance that the letters of intent will result in binding contracts of sale nor that any contracts of sale that are executed will be consummated.** In the course of negotiations, the terms of the proposed sales could be modified, additional closing conditions could be added, the purchase price could be revised, or the transactions could be terminated.

None of the Letters of Intent nor the contract of sale provide that the obligation of the Company to sell the properties is conditioned upon approval of the Plan, and, if the other conditions to sale are satisfied, **the Company currently intends, and may be obligated, to sell such properties and to consummate such sales even if the Plan is not approved. Should such sales be consummated and the Plan not be adopted, the sales would be taxable transactions to the Company and any distributions of the net proceeds thereof to the stockholders would be treated as dividends** (to the extent of the current and accumulated earnings and profits of the Company).

For ease of reference herein and because, should the sale proposals described herein be consummated, the Company in effect will succeed to the interests and liabilities of the particular selling subsidiaries, the term "the Company" is used herein rather than referring to the specific selling subsidiaries.

Barker Brothers Building. On March 1, 1984, two of the Company's wholly owned subsidiaries entered into a Letter of Intent for the sale of the Barker Brothers Building and certain land adjacent thereto (collectively, the "Barker Brothers Property"). For a description of the Barker Brothers Property, including information regarding a related litigation discussed below and mortgages encumbering the property, see "Business of the Company—Commercial Office Properties" and "—Vacant Land". The Letter of Intent provides, among other things, that the sale of the Barker Brothers Property is conditioned upon the execution of a binding contract of sale on or before March 31, 1984 and the obtaining of certain third party rights by the purchaser. If the contract is not executed by March 31, 1984, the sale transaction may be terminated without further liability or recourse to either party.

The purchase price for the Barker Brothers Property is to be $57,950,000 in cash, of which $6,000,000 is payable into escrow as a deposit upon the execution of the contract of sale and the balance is to be paid at closing. The closing is to occur not later than June 29, 1984. The Company would pay the brokerage commissions due Brooks Harvey and a second broker involved in the transaction, and all other closing costs and adjustments will be allocated between the parties in accordance with local practice. The Company will be required to prepay the mortgages encumbering the Barker Brothers Property with a portion of the purchase price.

As more particularly discussed under the description of the Barker Brothers Building in "Business of the Company—Commercial Office Properties", the Company currently is involved in litigation (the

"Household Litigation") with a tenant in the Barker Brothers Building, Household Merchandising, Inc. ("Household"), which seeks, among other things, to retake possession of the third and fourth floors in the Building which it previously released. The Letter of Intent provides that the contract of sale will contain the following provisions related to the litigation:

(a) If the Household Litigation has not been settled or a final judgment has not been obtained (a "Disposition") on or before the closing date, at the closing the Company shall be required to deliver to the purchaser two irrevocable and unconditional letters of credit, each in the amount of $4,000,000, in respect of each of the two floors in the Barker Brothers Building which are the subject of the Household Litigation. If on or before December 31, 1987 a Disposition of the Household Litigation has been reached which does not award Household occupancy of either floor, the letters of credit will be cancelled and the Company shall have no further liability to the purchaser in connection with the Household Litigation. If such Disposition awards Household occupancy of either or both such floors, the purchaser shall have the right to receive $4,000,000 for each floor so awarded to Household. If no Disposition is reached by December 31, 1987, the Company's letters of credit will be cancelled and the Company will pay to the purchaser $8,000,000 against delivery to the Company of the purchaser's letters of credit in such aggregate amount and remaining in effect until Disposition of the Household Litigation. If a Disposition favorable to the Company thereafter is reached, the purchaser will refund the $8,000,000 to the Company. Alternatively, if such Disposition awards Household occupancy of either or both such floors, the purchaser's letters of credit will be cancelled and it will keep $4,000,000 paid to it by the Company for each floor awarded to Household.

(b) At the closing, the Company, as tenant, will enter into a lease for the third floor of the Barker Brothers Building commencing on January 1, 1985 at an annual rent of $700,000, and for the fourth floor at an annual rent equal to the rent otherwise payable under the existing fourth floor lease with the tenant currently in the space vacated by Household. If a Disposition of the Household Litigation has not been reached by December 31, 1987, the rental obligation under both leases will be adjusted to conform to the rent that would have otherwise been payable by Household under its leases for such space. The Company's rental obligations for the third floor must be secured by a letter of credit, and for the fourth floor must be secured by an assignment of the current tenant's rent or a letter of credit. During the term of both leases, the Company shall have the right to sublet the leased premises, but shall be liable for not more than $80,000 of any increased maintenance cost to the purchaser resulting from the third floor sublease. The Company's leases of the third and fourth floors will automatically terminate upon Disposition of the Household Litigation.

One North Western Center. One of the Company's wholly owned subsidiaries entered into a Letter of Intent for the sale of One North Western Center located in Chicago, Illinois. For information with respect to this property, including the nature of its ownership, see the description under "Business of the Company—Commercial Office Properties". The Letter of Intent provides, among other things, for the performance of substantial "due diligence" investigations by the purchaser and for the entering into of a definitive contract of sale by March 31, 1984. The purchaser's obligation to buy is conditioned, among other things, on the purchaser's satisfaction with the results of its investigation and on the resolution to its satisfaction of any objections.

The cash purchase price payable for One North Western Center is to be approximately $25,991,129, with the purchaser taking the property subject to the existing mortgages having a balance at closing of approximately $16,008,871. The Letter of Intent provides for a non-refundable deposit in the amount of $1,300,000 upon completion of the purchaser's investigation and resolution of its objections, with the balance of the cash portion of the purchase price due at the closing. The closing is scheduled to occur on April 30, 1984. The seller would pay the brokerage commissions due Brooks Harvey as well as certain other closing costs of the transaction, but excluding the purchaser's counsel

fees and (subject to certain adjustments) 50% of any transfer taxes payable in connection with the contemplated sale.

The Letter of Intent further provides that the seller shall be obligated under the contract of sale to obtain the consent to the transaction of the holder of the existing first mortgage on the property (which provides, in part, that such consent shall not be unreasonably withheld if the proposed buyer is financially responsible and experienced in managing similar properties), and to deliver to the purchaser at closing certain tenant estoppel letters. If the transaction fails to close by reason of the seller's fault or its inability to obtain any required third-party consent, the seller will remain liable for the expenses, including legal fees, of the purchaser and its adviser.

The Company's subsidiary which is the seller under the Letter of Intent is the general partner owning a 75% interest in the limited partnership which now owns title to the property. See the description of this property under "Business of the Company—Commercial Office Properties". The general partner may seek to purchase the interest of the limited partner before closing and itself convey title to the property, although there can be no assurance of the general partner's ability to acquire such limited partnership interest. If it is unable to do so, then the contract will be assigned to the partnership, which will be the seller, although a sale on such basis would not qualify as non-taxable to the Company under Section 337 of the Code. See "Income Tax Consequences of the Plan—Consequences to the Company and its Subsidiaries—Sales of 'Inventory' or Sales by Partnerships in which a Subsidiary is a Partner".

Union Bank Square. Two of the Company's wholly owned subsidiaries entered into a Letter of Intent for the sale of Union Bank Square in Orange County, California. For information with respect to this property, see the description under "Business of the Company—Commercial Office Properties". The Letter of Intent provides, among other things, for the performance of substantial "due diligence" investigations by the purchaser and for the entering into of a definitive contract of sale by March 31, 1984. The purchaser's obligation to buy is conditioned, among other things, on its satisfaction with the results of its investigation and the resolution to its satisfaction of any objections.

The cash purchase price payable to the Company for Union Bank Square is to be approximately $23,407,580, with the purchaser taking the property subject to existing mortgages having a balance at closing of approximately $8,592,420. The Letter of Intent provides for a non-refundable deposit in the amount of $1,100,000 upon completion of the purchaser's investigation and resolution of its objections, with the balance of the cash portion of the purchase price due at the closing. The closing is scheduled to occur on April 30, 1984. The Company would pay the brokerage commissions due Brooks Harvey as well as all other closing costs of the transaction, but excluding the purchaser's counsel fees.

The Letter of Intent further provides that the Company shall be obligated under the contract of sale to obtain the consent to the transaction of the holder of the second mortgage on the property, The Travelers Insurance Company, and to deliver to the purchaser at closing certain tenant estoppel letters. If the transaction fails to close by reason of the Company's fault or its inability to obtain any required third-party consent, the Company will remain liable for the expenses, including legal fees, of the purchaser and its adviser.

156 William Street. One of the Company's wholly owned subsidiaries entered into a Contract of Sale (the "Contract") with Ernest Feldman (the "Purchaser") for the sale of 156 William Street, New York, New York. For information with respect to this property, see the description under "Business of the Company—Commercial Office Properties".

The cash purchase price for 156 William Street is $16,600,000, of which $830,000 was paid into escrow upon the execution of the Contract, $830,000 will be paid into escrow 60 days thereafter, and the balance will be payable at the closing of title. The property will be sold free and clear of any mortgages. The closing is scheduled to occur on May 30, 1984. The Company will pay the brokerage commissions due Brooks Harvey as well as certain other closing costs of the transaction, including,

without limitation, a gains tax imposed by the State of New York on the sale, but excluding the Purchaser's counsel fees and title insurance premiums.

The Contract provides that the Purchaser is acquiring the property on an "as is" basis. None of the representations or warranties made by the Company in the Contract survive the closing, except that the Company will continue to remain obligated to indemnify the Purchaser against any liability it may incur, including withholding of any future rent payments, as a result of the pendency of the Company's litigation against a tenant, Altrans Express U.S.A., Inc. ("Altrans"). For additional information with respect to the Altrans litigation, see the description of 156 William Street under "Business of the Company—Commercial Office Properties".

Remaining Real Estate Dispositions

The Company is continuing to seek to sell its remaining real estate properties and is currently in negotiation with respect to certain of such properties (although no letters of intent or contracts other than those described above have been executed). In addition to being affected by general economic considerations, the ability of the Company to dispose of its remaining real estate properties further may be dependent upon such factors as "due-on-sale" provisions contained in mortgages encumbering certain of such properties, rights of first refusal held by certain third parties, the impact of litigation with respect to certain of the properties, and the ability of the Company to assemble contiguous properties.

All of the remaining office properties are encumbered by mortgages held by third-party lenders. The mortgage encumbering the property located in Paterson, New Jersey provides that, upon the sale of the property, the entire principal balance of the mortgage becomes due and payable (a "due-on-sale"). Consequently, the Company's ability to sell said property could be restricted by the buyer's ability to purchase on an all-cash basis or its ability to find an alternative source of financing. In addition, a mortgage which is "due-on-sale" also may contain a prepayment premium which the Company would be required to pay should it retire such debt prematurely in connection with a sale of a property. The remaining properties may be sold by the Company subject to the existing mortgages. See "Business of the Company—Commercial Office Properties".

The Company owns the properties located in Anaheim, California and Birmingham, Alabama pursuant to tenancy-in-common agreements in which the Company (through subsidiaries) holds a 50% interest. The terms of each tenancy-in-common agreement give each co-tenant a right to sell its interest to the other co-tenant or to buy the other's interest. The price provision of the first refusal procedure applicable to the Anaheim tenancy-in-common is based upon the price set in a notice given by the initiating co-tenant while the procedure applicable to Birmingham relies on appraisals to determine the price at which the sale or purchase option could be exercised. For additional information, see the description of each such property under "Business of the Company—Commercial Office Properties". On February 10, 1984, the Company's subsidiary which is a co-tenant at Anaheim notified its co-tenant that, for a cash purchase price of $1,724,722, the subsidiary will either purchase its co-tenant's interest or sell its own interest, subject to the mortgage encumbering the property. The subsidiary is awaiting the response of its co-tenant, which response is due not later than May 10, 1984. Should the Plan not be adopted and the subsidiary sell its co-tenancy, such transaction will be taxable to the Company.

As discussed under the descriptions of the Paterson office building and the upstate New York undeveloped land in "Business of the Company—Commercial Office Buildings" and "—Vacant Land", certain of the properties are the subject of pending litigations which may affect the prices which the Company receives for them. In connection with a sale of such properties, the Company might be required to indemnify a buyer against all or a portion of any damages, costs or expenses arising from such litigation. Alternatively, in order to accomplish a sale of any affected property, the Company might be required to deposit substantial sums in escrow to cover such claims. For example, see the description of the letter of intent for the sale of the Barker Brothers Property above.

The ability of the Company to sell the undeveloped parcel located in Chicago, and the sales price of such parcel, may be substantially enhanced by its acquisition of certain additional land adjacent to said parcel. See "Business of the Company—Vacant Land" for further information.

The prices at which the Company will be able to sell properties not yet subject to letters of intent or contracts of sale will vary depending on various factors beyond the Company's control, including, without limitation, changes in mortgage and other interest rates, and the demand for office space in the markets in which the Company's buildings are located. The Company will seek to sell as many properties as possible during the one-year liquidation period, and may not obtain as high a price for a particular property as it could secure if the Company did not seek to liquidate within the one-year period.

No negotiations or discussions are now taking place for the sale of any of the Company's real estate properties to affiliates of the Company, although such a sale would be permitted by the Plan without further stockholder approval. Should any such sale be proposed, the Company would require the approval of a majority of the disinterested directors of the Board (which may be less than a quorum of directors) or, if such sale is to be made by the Liquidating Entity, the approval of a disinterested General Partner or the majority vote of the Interestholders at a meeting at which a quorum (majority) is present.

Cash Distributions

Cash distributions will be made from the proceeds of the sales of the real estate properties and other assets. Consummation of the proposed real estate sales covered by the existing letters of intent and contract of sale would make available for distribution approximately $60 per share, based on the assumptions set forth under "Canal-Randolph Corporation and Subsidiaries and the Liquidating Entity—Condensed Pro Forma Consolidated Financial Statements", excluding $8,000,000 to be retained in the Reserve Fund out of such proceeds. It is anticipated that distributions to stockholders will be made as soon as practicable following consummation of such sales, although there can be no assurance that such sales will be consummated. See "Real Estate Dispositions—Properties Under Letters of Intent and Contract for Sale" above and "Contingent Liabilities; Reserve Fund" below. The timing and amount of the initial distributions are subject, among other things, to the discretion of the Board of Directors at such time concerning the sufficiency of the Company's arrangements for the protection of creditors and others. The Company's ability to make additional cash distributions to the Company's stockholders during the Liquidation Period will depend upon future sales, cash flow and ability to make arrangements with respect to fixed or contingent liabilities in order to reduce the size of its Reserve Fund. Any excess cash available at the end of the Liquidation Period, after provision for or satisfaction of all remaining liabilities and after providing for the anticipated cash requirements of the Liquidating Entity, will be distributed to the Company's stockholders.

The initial distributions and any subsequent distributions will be made to stockholders of record on dates to be established by the Board of Directors. It is anticipated that the Common Stock will be delisted from the NYSE upon transfer of the Company's remaining unsold assets to the Liquidating Entity or at such earlier time as the NYSE determines that the Company is no longer an operating entity. Upon the transfer of the Company's unsold assets to the Liquidating Entity it is anticipated that the stock transfer books of the Company will be closed, no further transfers will be recorded on the Company's books, and no further stock certificates will be issued. It is anticipated that no further trading in the Company's shares will occur after such date (the "Final Record Date"). See "Listing and Trading of the Common Stock, United Shares and Interests in the Liquidating Entity". All liquidating distributions from the Company on or after the Liquidation Date will be made to stockholders according to their stockholdings as of the Final Record Date.

If all assets are not sold during the Liquidation Period, the Company will receive limited partnership interests (or assignee units thereof) or beneficial trust interests, as the case may be, in the Liquidating Entity (the "Interests") in exchange for its remaining assets (subject to the Board's

discretion to determine to distribute to the Company's stockholders the shares of one or more subsidiaries owning unsold operating real estate properties) and will distribute such Interests pro rata to its stockholders as of the Final Record Date on or after such date. It is not contemplated that Interests will be issued for any other purpose. See "The Liquidating Entity".

Subsequent to the Liquidation Date, the Company may distribute to its stockholders portions of the Reserve Fund which, in the judgment of the Board of Directors, are no longer required; after the liabilities and obligations which the Reserve Fund has been established to provide for have been satisfied, the Company will distribute to its stockholders any remaining portion of the Reserve Fund. The Liquidating Entity will be obligated to pay liabilities of the Company which remain unsatisfied after the Reserve Fund is exhausted, but the Interestholders in the Liquidating Entity will not be personally liable for any such payments except to the extent of any distributions made to them in liquidation. For a description of the Reserve Fund and the contingent obligations to which it may be subject, see "Contingent Liabilities; Reserve Fund" below.

Distribution of United Shares

As discussed above, management currently anticipates that, as part of the Plan, the stock of United will be distributed directly to stockholders on a basis of three shares of United stock for each share of the Company's Common Stock, and, accordingly, the Company's stockholders are expected to receive a total distribution of approximately 4,639,665 United Shares. The distribution is expected to occur within 60 days of approval of the Plan, although it could be delayed if a substantial portion of the Company's real estate assets have not been sold prior thereto.

United intends to apply to list the United Shares on the AMEX, and anticipates approval of such listing prior to the United Distribution Date, although there can be no assurance to such effect. The Company is unable to estimate the likely initial market price of the United Shares, which will be subject to general economic and market conditions at the time as well as the financial performance and prospects of United as an independent entity. The initial market price of the shares is likely to fix, for tax purposes, the fair market value of the United Shares being distributed under the Plan.

The United Shares being distributed under the Plan, immediately following their distribution, will be registered under Section 12 of the Securities Exchange Act of 1934 (the "Exchange Act"), and United will be required to comply with the reporting provisions of Section 13 and the filing requirements of Section 14 of the Exchange Act, which currently apply to the Company. When shares of United are distributed to the Company's stockholders, and the United Shares are registered under the Exchange Act, the United Shares distributed to stockholders (other than affiliates of United) will be freely transferable and may be sold without registration. Holders who are affiliates of United will be able to sell limited quantities of United Shares, without reference to any holding period, if they comply with Rule 144 under the Securities Act of 1933 after the effective date of United's registration under Section 12 of the Exchange Act, assuming that other applicable provisions of Rule 144 are complied with.

For a description of the business and financial condition of United, including a description of the terms of its common stock, its management, principal stockholders, pension plan, possible diversification of its business and other information, see "United Stockyards Corporation".

Transfer to the Liquidating Entity

The Company will transfer to the Liquidating Entity, in exchange for all of its Interests, all the real properties and other assets and liabilities related thereto of the Company which are not otherwise disposed of pursuant to the Plan, other than those retained as part of the Reserve Fund, subject to the Board's discretion to determine to distribute to the Company's stockholders the shares of one or more subsidiaries of the Company owning unsold operating real estate property (see "Possible Distribution of Real Estate Subsidiaries' Stock" below). The Liquidating Entity will be a limited partnership if any of the assets to be transferred to it are operating assets (which, for Federal income tax purposes, a

liquidating trust may not be permitted to hold), such as operating real estate properties, and otherwise will be a liquidating trust.

The Liquidating Entity will take subject to, but will not assume, any of the mortgage payables or other liabilities to which the assets transferred to it may be subject but as to which the Company or the subsidiary holding such assets is not itself liable. The assets and liabilities transferred to the Liquidating Entity will be recorded for financial accounting purposes on its books at the amounts at which they are carried on the books of the Company, but such assets will be carried for tax purposes at higher values which will reflect their estimated fair market value.

It also is possible that the Company will transfer cash to the Liquidating Entity for working capital purposes, although the amount of such cash cannot currently be estimated and will depend on the nature of the assets transferred, the cash flow expected to be generated therefrom and the anticipated expenses of selling such assets and operating or administering them prior to sale.

For additional information concerning the Liquidating Entity, its management, the liabilities of the Company which it will assume or subject to which it will acquire properties, and the effects of the completion of the Plan on stockholders of the Company, see the remainder of this section of the Proxy Statement and the section captioned "The Liquidating Entity".

Possible Distribution of Real Estate Subsidiaries' Stock

Should operating real estate properties remain unsold at the end of the Liquidation Period, the Company's Board of Directors may determine to distribute to the Company's stockholders the shares of one or more of the Company's subsidiaries owning such property, rather than transferring such shares or property to the Liquidating Entity. As the possibility of such a distribution has been provided for in the Plan, no further stockholder approval would be sought. Any such distribution would be similar to the distribution of the United Shares described elsewhere herein, and the determination to make the distribution would take into account market conditions, tax consequences and other factors at the time. Should a determination to make any such distribution be made, stockholders of the Company as of the record date for the distribution would receive current information regarding the business and operations of the subsidiary or subsidiaries and other information as required by applicable securities laws. It is anticipated that such subsidiary or subsidiaries would continue to seek to sell the property interests owned following such distribution.

Contingent Liabilities; Reserve Fund

Under Delaware law the Company is required, in connection with its dissolution, to pay or provide for payment of all liabilities. The Company, during the Liquidation Period, will pay or set aside assets which it believes to be adequate for payment of all known and fixed liabilities. In addition, the Company has certain contingent liabilities primarily related to recourse mortgages described below and under "Business of the Company—Commercial Office Properties", and to pending lawsuits including those described under "Certain Litigation" and under the descriptions of the Los Angeles, New York and Paterson office buildings and the upstate New York undeveloped land in "Business of the Company—Commercial Office Properties" and "—Vacant Land". Assuming sale of the real estate properties currently under letters of intent or contract of sale on the proposed terms, the Company currently estimates that $8,000,000 will be allocated to the Reserve Fund out of the proceeds of such sales for the payment of fixed and contingent liabilities. The Company currently estimates an aggregate reserve fund of $10,400,000, and such sum, in addition to any working capital contributed to the Liquidating Entity, will be deducted before the determination of amounts distributable to stockholders. The amount of the Reserve Fund is likely to be revised by the Board at the time funds are to be allocated.

The Company and certain of its subsidiaries currently are contingently liable, under first mortgages on properties previously sold, in the amount of $800,000 at October 31, 1983, which contingency will not expire prior to the Liquidation Date. Similarly, in certain circumstances, the Company might

elect (or, if a mortgagee refuses to release the Company from liability under existing recourse mortgages, might be obligated) to sell its interest in property currently owned subject to an existing mortgage, if necessary to effect a sale upon advantageous terms and notwithstanding that the Company will remain contingently liable on such mortgage. The Company does not anticipate including in the Reserve Fund any amount to cover such contingent mortgage liabilities, because it does not believe that the likelihood of a default under the mortgages on which the Company currently is contingently liable is significant, and because it does not intend to sell any interest in real property in the future without obtaining a release of liability under related mortgage debt except under circumstances where the Company has satisfied itself as to the financial strength of the transferee or where the underlying value of the property sold would, in the Company's opinion, be fully sufficient to satisfy any such mortgage in the event of a subsequent default. However, with respect to existing contingent liabilities or any such future sale, it is possible that in the event of a subsequent default the financial resources of the transferee may have become impaired, or the value of the property diminished, to the point where the mortgagee might seek to impose liability upon the Company or upon its stockholders as distributees of the Company's assets.

The Reserve Fund will include a provision for litigations to which the Company is subject, based on the estimates of management and counsel, including the litigation referred to above described under "Business of the Company" and "Certain Litigation". Of course, certain of such litigation could be resolved, settled or otherwise disposed of prior to the Liquidation Date, and new litigation may arise during the Liquidation Period or thereafter. In addition, liability with respect to litigation related to the Company's real estate could be assumed by a purchaser of the property (presumably with an appropriate adjustment to the sales price). However, should such property not be sold by the Liquidation Date (and should the stock of the subsidiary owning such property not be distributed to the Company's stockholders), such property would be transferred to the Liquidating Entity and any contingent liability for the related litigation might be separately reserved for in the Reserve Fund (rather than treating it as a liability related to, and transferred to the Liquidating Entity with, the property). With respect to the Section 16(b) and stockholder litigation discussed under "Certain Litigation", the Company is only a nominal defendant unlikely to have direct liability and, in each case, would in fact be the beneficiary of a recovery against the other defendants. However, the Company will bear the expense of defending such suits on its own behalf and, possibly, indemnifying certain other defendants.

The Reserve Fund also may include a provision for income taxes for the period of the Company's operations through the Liquidation Date. Schulte Roth & Zabel, special counsel to the Company ("Counsel"), is of the opinion, although such opinion is not binding on the Internal Revenue Service (the "Service"), that, pursuant to Section 337 of the Code, neither the Company nor any of its solvent subsidiaries will recognize gain or loss on sales of assets (other than certain sales of "inventory" or sales of property to "related parties") after the Plan is adopted, provided that (i) such corporation is not a "collapsible corporation" or satisfies the requirements of Section 341(e)(4) of the Code, and (ii) the liquidation is completed within the Liquidation Period. Management believes that tax liability which will be generated by depreciation and investment tax credit recapture at the corporate level during the liquidation will be approximately $4 million.

Prior to the United Distribution Date, the Company and United will enter into a tax allocation agreement with respect to Federal, state or local tax deficiencies paid (or tax refunds received) after the United Distribution Date attributable to periods through the tax year in which the United Distribution Date occurs. The allocation generally will provide that the Company and United will be liable for deficiencies and entitled to refunds only to the extent that the amount that would have been paid or received if the Company and United previously had filed their own separate consolidated returns for any year exceeds all amounts previously paid or received for that year. The liability of the Company under the tax allocation agreement will be a liability of the Reserve Fund.

At the time of the transfer of assets to the Liquidating Entity, the Liquidating Entity will enter into an agreement with the Company which will provide that if the Reserve Fund is exhausted, the Liquidating Entity will pay all remaining liabilities of the Company. The Liquidating Entity will seek

to limit such liability to its assets. The Liquidating Entity also will agree that, prior to distributing the proceeds of sale of any material assets of the Liquidating Entity, the Liquidating Entity will, to the extent reasonably required at the time of such distribution (taking into account the amounts remaining in the Company's Reserve Fund and the remaining assets of the Liquidating Entity), set aside reserves for the payment of the liabilities of the Liquidating Entity including liabilities of the Company assumed by the Liquidating Entity. Such agreement shall state, however, that none of the Interestholders of the Liquidating Entity shall be personally liable for any of the liabilities or obligations incurred by the Liquidating Entity under such agreement.

The actual size of the Reserve Fund will be based upon estimates and opinions of management and counsel at the time of its creation, and there can be no assurance that the Reserve Fund in fact will be sufficient, in view of the uncertainty of the tax matters referred to and the contingent nature of certain liabilities. In the event the Reserve Fund proves inadequate, management may increase its size and/or the Liquidating Entity may set aside reserves, in which event distributions to stockholders and/or Interestholders correspondingly would be reduced. Conversely, if any portion of the Reserve Fund appears to be in excess of remaining liabilities, distributions to stockholders and/or Interestholders correspondingly would be increased. In the event that the Company fails to create an adequate reserve for payment of its liabilities, or should such reserve and the assets held by the Liquidating Entity be exceeded by the amount ultimately found payable in respect of liabilities, each stockholder and/or Interestholder could be held liable personally for the payment to creditors of such excess, limited to the amounts theretofore received by such stockholder from the Company or the Liquidating Entity.

If the Company were held by a court to have failed to make adequate provision for its liabilities or if the amount ultimately required to be paid in respect of such liabilities exceeds the amounts available from the Reserve Fund and the Liquidating Entity, a creditor of the Company could seek an injunction against the making of cash distributions under the Plan on the ground that the amounts to be distributed were needed to provide for the payment of the Company's liabilities. Any such action could delay or substantially diminish the cash distributions to be made to stockholders and/or Interestholders under the Plan.

Conduct of the Company During and After the Liquidation Period

During the Liquidation Period, the Company will distribute the United Shares and will seek to liquidate all of its other assets. The Company will continue to devote staff resources to the management of its assets until they are sold. In order to enhance the value and facilitate the sale of the Company's properties, it may repay various indebtedness before maturity, acquire adjacent parcels, develop, improve or possibly refinance existing properties, and in connection with the sale of certain undeveloped property might accept purchase money obligations. All such transactions will be made upon such terms as the Board of Directors determines to be in the Company's best interests.

After the Liquidation Date, the Company's only activities will be the settlement or other disposition of its remaining liabilities and the investment of the remaining portion of the Reserve Fund.

Certain of the Company's current officers, including Mr. French, are expected to continue to serve as officers of the Company after the Liquidation Date. Their annual compensation from the Company will be an amount, reduced from their fiscal 1983 compensation, determined by the Board of Directors from time to time based on, among other things, the extent to which the attention of such persons will be required by the Company's activities. It has not been determined at this time whether any change in the composition of the Company's Board will occur after the Liquidation Date.

The Company, United and the Liquidating Entity will share, and divide the costs of, office space, accounting, and certain other overhead services and facilities. After the Liquidation Date, the Company's expenses will be paid out of, and its investment income will be added to, the Reserve Fund.

It is anticipated that the Common Stock will remain registered under the Exchange Act and subject to the proxy solicitation requirements thereof. However, it is possible that the Company's obligation to comply with the information filing requirements of the Exchange Act and to furnish reports to stockholders until the Reserve Fund is exhausted may be reduced.

Surrender of Certificates for Common Stock

As soon as practicable after the determination of the Final Record Date, stockholders will be advised of the procedure for surrendering certificates representing their shares of the Company's Common Stock. Stockholders should not forward their stock certificates before receiving these instructions. Stockholders also may be requested to execute certain documents. If all operating real estate assets are not sold during the Liquidation Period, these documents may include an acceptance of the provisions of the Partnership Agreement of the Liquidating Entity. All distributions otherwise payable by the Company to stockholders who have not surrendered their stock certificates and executed and returned such documents may be held by the Company or the Liquidating Entity for such stockholders, without interest, until the surrender of their certificates and receipt of their documents (subject to the laws relating to unclaimed property). All distributions subsequently payable by the Liquidating Entity in respect of the Interests of such stockholders similarly may be held by the Liquidating Entity. A stockholder's other rights under the Partnership or Trust Agreement will be limited until he has surrendered his stock certificates and furnished the required documents.

Listing and Trading of the Common Stock, United Shares and Interests in the Liquidating Entity

The Company's Common Stock is listed on the NYSE and The Stock Exchange, London. Should the Plan be approved, the NYSE has indicated that the Common Stock would be delisted from trading at the time of the transfer of unsold assets by the Company to the Liquidating Entity, or such earlier date as the NYSE determines that the Company has ceased to be an operating entity by reason of the sale or disposition of substantially all of its assets. The Stock Exchange, London, has indicated that the delisting of the Common Stock could be coordinated with the delisting by the NYSE. The Company currently intends to close its stock transfer books on the Final Record Date and at such time cease recording stock transfers and issuing stock certificates. Accordingly, it is expected that trading in the shares will cease on such date.

United intends to apply to list the United Shares on the AMEX upon their distribution, and anticipates approval of such listing prior to the United Distribution Date, although there can be no assurance to such effect. Application will not be made to list the United Shares on The Stock Exchange, London, and stockholders who would otherwise have traded through such facilities will be required to engage in private transactions or to utilize the AMEX (if such listing is obtained).

No determination has yet been made whether the Interests in the Liquidating Entity will be transferable. Such determination will be made by the Board of Directors of the Company prior to the transfer of unsold assets to the Liquidating Entity and will be based on, among other things, the Board's estimate of the value of the assets being transferred to the Liquidating Entity, tax matters and the impact of compliance with applicable securities laws. As the Liquidating Entity will be a trust only if all of the Company's operating real estate interests have been sold (or otherwise distributed), the value of the assets transferred to the Trust is not likely to be substantial, and, accordingly, the Board is unlikely to determine that its Interests should be transferable. If the Interests are not transferable, ownership may be assigned only by operation of law or upon death.

As stockholders will be deemed to have received a liquidating distribution equal to their pro rata share of the value of the assets distributed to the Liquidating Entity with tax consequences as if such distribution was of cash (see "Income Tax Consequences of the Plan—Consequences to Stockholders"), the distribution of non-transferable Interests could result in tax liability to the Interestholders without their being readily able to realize the value of such Interests to pay such taxes or otherwise. Should the Interests be transferable, the Company will distribute an information statement with respect to the Liquidating Entity at the time of the transfer of assets and the Liquidating Entity may be required to comply with the periodic reporting and proxy requirements of the Exchange Act, and the costs of compliance with such requirements would reduce the amount which otherwise could be distributed to Interestholders. Even if transferable, the Interests will not be listed on a national securities exchange and the extent of any trading market therein cannot be predicted; furthermore, the

Interests might not be accepted by commercial lenders as security for loans as readily as more conventional securities with established trading markets. If the Liquidating Entity is a trust, the Interests will not be transferable unless a ruling from the Service or an opinion of counsel has been obtained that the transfer does not affect the qualification of the liquidation transaction under Section 337 of the Code.

No Appraisal Rights

Under Delaware law, the stockholders of the Company are not entitled to appraisal rights for their shares of the Company stock in connection with the transactions contemplated by the Plan or to any similar rights of dissenters under Delaware law.

INCOME TAX CONSEQUENCES OF THE PLAN

In view of the complexities of the income tax consequences of the liquidation, stockholders are urged to consult their own tax advisers with respect to the tax consequences of the Plan as it affects them individually. The Company has not requested a ruling from the Service as to any aspect of the Plan. Counsel to the Company has rendered its opinion as to certain matters referred to herein, which opinion is not binding on the Service.

Consequences to the Company and its Subsidiaries

Sales of Property

At the present time, it is anticipated that virtually all of the property to be sold pursuant to the Plan will be owned and sold by subsidiaries of the Company. Nevertheless, since the income tax consequences of sales by the Company and sales by its subsidiaries may differ, they are discussed separately.

The Company

Counsel is of the opinion that, unless it is a "collapsible corporation", the Company, pursuant to Section 337 of the Code, will not recognize gain or loss in connection with sales or exchanges by it of property, if any, after the Plan is adopted, if it distributes all its assets (other than the Reserve Fund) within the Liquidation Period. (The Company estimates that exceptions to this general rule of nonrecognition with respect to depreciation recapture and similar items with respect to all sales and distributions pursuant to the Plan will result in an aggregate income tax liability of approximately $4 million.) Such opinion is based upon existing law and Treasury Regulations, which are subject to change. In particular, Counsel notes that significant changes in the taxation of corporations have been suggested by the staff of the Senate Finance Committee, which changes, if enacted and applicable to the Plan, would change materially the tax consequences of the transactions contemplated herein.

Counsel is of the opinion that the date on which the Plan will be adopted by the Company (and hence the start of the Liquidation Period) is the date on which the Plan receives the affirmative vote of holders of a majority of the outstanding Common Stock.

As noted above, Section 337 would not be applicable if the Company were a "collapsible corporation", as defined in Section 341 of the Code. In very general terms, a corporation is "collapsible" if it is formed or availed of principally for the production or purchase of property, or for the holding of stock of a corporation which produces or purchases property, with a view to realization by the corporation's shareholders of the gain attributable to that property before the producing or purchasing corporation has realized a substantial portion of the taxable income to be derived from that property.

Counsel is of the opinion that the Company is not "collapsible" and Section 337 therefore should prevent recognition of gain with respect to sales of property by the Company during the Liquidation Period. However, Counsel has advised the Company that the matter is not free from doubt and, in view of the complexity of the legal and factual issues involved, the Service might contend, and a court hold, to the contrary.

If the Company were held to be "collapsible" and Section 337 therefore did not apply, any gain realized by the Company upon the sale of property during the Liquidation Period would be taxable.

However, it currently is anticipated that the gain on any sales of property by the Company du ; the Liquidation Period will not be material.

Subsidiaries

Counsel is of the opinion that, pursuant to Section 337, a subsidiary will not recognize gain or loss in connection with sales or exchanges of property by it (as opposed to a partnership in which the subsidiary has an interest) after its plan of liquidation is adopted, if that subsidiary and the Company are completely liquidated within the 12-month period beginning on the date a plan of liquidation is adopted by that subsidiary, unless such subsidiary (i) is a "collapsible corporation" which does not satisfy the requirements of Section 341(e)(4), (ii) owns "inventory" and does not sell all of such "inventory" to one person in one transaction during the 12-month period referred to above (in which case only the gain or loss on such "inventory" will be recognized), or (iii) is a "collapsible corporation" which, although it satisfies the "general" requirements of Section 341(e)(4), sells property to a significant stockholder of the Company or to a "related" person (in which case only the gain or loss on such property will be recognized). (The Company estimates that exceptions to this general rule of non-recognition with respect to depreciation recapture and similar items with respect to all sales and distributions pursuant to the Plan will result in an aggregate income tax liability of approximately $4 million.)

The Requirements for Application of Section 337. The general description of the definition of a "collapsible corporation" is set forth in "Sales of Property—The Company" above. As indicated therein, Section 337 does not apply to a corporation which is "collapsible". However, even if it is a "collapsible corporation", a solvent corporation will remain entitled to the benefits of Section 337 if it qualifies under Section 341(e)(4)—a special exception to the general "collapsible corporation" provisions. Section 341(e)(4) will apply to a corporation if the following general requirements are met: (i) within the 12-month period beginning on the date its plan of liquidation is adopted, the corporation sells substantially all of the properties which it held on that date, (ii) the corporation does not distribute any depreciable or amortizable property to its stockholders after adoption of its plan of liquidation, and (iii) the unrealized appreciation on the corporation's "subsection (e) assets" does not exceed 15% of its net worth at any time between the adoption of the corporation's plan of liquidation and its dissolution. (Generally, an asset of a corporation will be a "subsection (e) asset" if such asset is held by the corporation for sale to customers in the ordinary course of the corporation's business or if such asset would be considered held for that purpose in the hands of any actual or constructive "20 percent shareholder" of the corporation; in addition, an asset (or any portion thereof) which has been held by the corporation for less than one year will be characterized as a "subsection (e) asset" if the corporation has a "20 percent shareholder". Very broad rules of attribution are applied in determining whether a person is a constructive "20 percent shareholder" of a corporation.) In addition, even if such requirements are met, Section 337 will not apply to a sale of property by a "collapsible corporation" if such property is sold to an actual or constructive "20 percent shareholder" of the corporation or to an individual or entity "related" (as defined) to such a shareholder.

Sales of "Inventory" or Sales by Partnerships in which a Subsidiary is a Partner. Even if a corporation is not "collapsible" (or satisfies the requirements of Section 341(e)(4)), Section 337 will not apply to prevent recognition of any gains realized upon the sale of "inventory" (assets held by the corporation "primarily for sale to customers in the ordinary course of its trade or business") during such corporation's liquidation unless all of the "inventory" held by the corporation on the date its plan of liquidation is adopted is sold to one person in one transaction during the 12-month period beginning on such date. In addition, Section 337 may not apply to prevent recognition of a subsidiary's distributive share of partnership gain realized upon the sale of property by the partnership.

Application to the Company's Subsidiaries. Counsel is of the opinion that a plan of liquidation will be adopted by a subsidiary of the Company when the appropriate corporate authorities of that subsidiary formally adopt a plan to liquidate. The Company anticipates that each of its subsidiaries which will sell property after adoption of a plan of liquidation will completely liquidate within the 12-month period beginning on the date its plan of liquidation is adopted and that the Company itself

will distribute all of its assets (other than the Reserve Fund) during that period. On March 8, 1984, BWA Corp., a subsidiary of the Company, adopted a plan of liquidation. Accordingly, the Company anticipates that, if the Plan is adopted, it will completely liquidate on or before March 8, 1985. In the event the Company does not completely liquidate on or before that date, the sale by BWA Corp. would be subject to Federal income tax.

The Company has not requested a ruling from the Service as to the "collapsible" status of the Company or the subsidiaries. It is the stated policy of the Service that it generally will not issue a ruling on the question of collapsibility unless a corporation is within a limited exception to this "no-ruling" policy. It is the view of Counsel that the Company and its subsidiaries are not within this limited exception.

Counsel is of the opinion that the subsidiaries are not "collapsible" and that Section 337 should therefore prevent recognition of gain with respect to sales of property by the subsidiaries during the Liquidation Period. However, Counsel has advised the Company that, in view of the complexity of legal and factual issues involved, the Service might contend, and a court hold, to the contrary.

A subsidiary also will be entitled to the benefits of Section 337 if it qualifies under Section 341(e)(4)—the special exception to the general collapsible provisions discussed above. Counsel has advised the Company that, based upon the Company's history of office building ownership and statements by the Company regarding its purpose in holding those properties, none of the subsidiaries hold their assets for sale to customers in the ordinary course of business and that none of the assets of the subsidiaries would be considered held for sale to customers in the ordinary course of business in the hands of the Company. In addition, the Company does not believe there exists an indirect "20 percent shareholder" in whose hands significant assets of the subsidiaries would be considered held for sale to customers in the ordinary course of business (a "Dealer/Shareholder").

It is the opinion of Counsel based upon representations by the Company that, assuming there is no Dealer/Shareholder and no sales of property are made to an actual or constructive "20 percent shareholder" of the Company or to an individual or entity "related" to such a stockholder, Section 341(e)(4) will apply to each subsidiary, even if "collapsible", with the result that none of the subsidiaries will recognize gain or loss by reason of sales or exchanges during the Liquidation Period.

Income Prior to Dissolution

After the adoption of the Plan and until the winding up of its affairs is completed (which will not occur until all significant claims have been satisfied), the Company will continue to be subject to tax on its taxable income. In computing such taxable income, there will be taken into account, in addition to other items, collections on installment obligations received on sales prior to the adoption of the Plan, as well as interest on such obligations (for which the Company has included an estimated tax liability in its pro forma financial statements included elsewhere herein) and investment income earned on amounts retained to meet claims and deductions for salaries, professional fees and amounts paid in satisfaction of certain claims.

Liquidating Distributions

Counsel is of the opinion that neither the Company nor its subsidiaries will recognize gain or loss in connection with the liquidating distributions. Counsel is of the opinion that the Company will not recognize gain or loss in connection with its liquidating distributions of cash and United Shares (and shares of other subsidiaries distributed, if any) and with its transfer of assets to the Liquidating Entity on behalf of its stockholders. (The Company estimates that exceptions to this general rule of nonrecognition, such as depreciation recapture and similar items with respect to all sales and distributions pursuant to the Plan, will give rise to an aggregate income tax liability of approximately $4 million.)

State Tax Consequences to the Company and its Subsidiaries

In most cases, the Company and each of its subsidiaries file separate state income or franchise tax returns. (The Company and its subsidiaries file a consolidated Federal corporate income tax return.) With the possible exception of the subsidiaries that own property in California and New York, the

Company and each of its subsidiaries will be entitled to the same treatment under Section 337 for state tax purposes (other than transfer taxes) as for Federal tax purposes. The California Revenue and Taxation Code contains a provision regarding recognition of gain to corporations having non-United States person stockholders whether or not the sales or exchanges by such corporations qualify for Section 337 treatment for Federal tax purposes. Such provision provides that gain will be recognized for California state tax purposes to the extent it represents gain attributable to such non-United States persons' interest in the selling corporation. There is little interpretive authority with respect to this provision. The Company intends to take the position that a sale by any of its subsidiaries that own property in California qualifies for Section 337 treatment for California state tax purposes because such subsidiaries have no direct non-United States persons who are stockholders. With respect to the New York State income tax, a subsidiary that owns property in New York will be entitled to the same treatment under Section 337 as for Federal tax purposes. However, New York State imposes a real property gains tax of ten percent of the gain on the transfer of real property located within New York State. Gain is defined as the difference between the transferor's original purchase price (including capital improvements) and the consideration received. Such tax would be payable even though a subsidiary qualifies for Section 337 treatment for Federal tax purposes. Based upon the existing contract for sale for the 156 William Street property, the Company estimates that the New York State real property gains tax payable would be approximately $900,000.

Consequences to Stockholders

The Company intends to request a ruling from the Service, and Counsel expects to render an opinion, that if the Liquidating Entity is a partnership, such partnership will be characterized as a partnership, and not as an association taxable as a corporation, for Federal income tax purposes. If the Liquidating Entity is a trust, Counsel expects to render an opinion that the trust will be characterized as a trust, and not as an association taxable as a corporation, for Federal income tax purposes. However, Counsel has advised the Company that if, by reason of a change in the relevant authorities or in the anticipated structure of the Liquidating Entity (such as insufficient net worth of a general partner in the case of a partnership), the Liquidating Entity were not so characterized, then depending upon the reasons therefor, the Service might contend, and a court might hold, that the Company had not been completely liquidated. If it were determined that the Company had not been completely liquidated, then Section 337 would not be applicable with the result that gain or loss in connection with the sale or exchange of property by the Company or any of its subsidiaries would be recognized and cash or property distributed by the Company to its stockholders would, in the hands of such stockholders, be subject to Federal income tax as distributions other than in liquidation, some or all of which would be taxable as ordinary income without respect to such stockholder's basis for his Company shares. The Liquidating Entity will be structured so as to be characterized as a partnership or a liquidating trust, as the case may be, for Federal income tax purposes and the Company has no reason to believe that it would not be so characterized. However, it is possible that, under certain circumstances such as a change in relevant authorities, the Company may decide not to utilize the Liquidating Entity, in which case the Company would then be required to dispose of all its properties, and complete the distribution of its assets (other than the Reserve Fund) to its stockholders, within the Liquidation Period in order to avoid recognition of gain or loss.

Computation and Recognition of Gain or Loss

Stockholders will realize taxable gain or loss equal to the difference between (i) the cash distributed to them, the fair market value (determined at the time of distribution) of United Shares (and shares of other subsidiaries distributed to stockholders, if any) distributed to them, plus their pro rata share of the fair market value (determined at the time of distribution) of net assets transferred to the Liquidating Entity on their behalf, and (ii) their adjusted basis for their shares of Common Stock. Counsel is of the opinion that the Company's transfer of assets to the Liquidating Entity in exchange for Interests therein and its distribution of those Interests to the Company's stockholders will be treated as a pro rata distribution of those assets to the Company's stockholders and the immediate transfer of such assets by the stockholders to the Liquidating Entity in exchange for such Interests.

Although the Company will provide stockholders with its best estimate as to the net value of the assets transferred to the Liquidating Entity on their behalf if such Interests are not transferable or no active market for such Interests exists, there is no assurance that the Service may not challenge this valuation. As a result of such a challenge, the amount of gain or loss recognized by stockholders may be changed. In the event an active market for such Interests exists, fair market value (determined at the time of distribution) will likely be determined by the trading price of such Interests.

Gain or loss will be computed on a "per share" basis. The Company expects to make more than one liquidating distribution, each of which will be allocated proportionately to each share of stock owned by a stockholder. Gain will be recognized by reason of a distribution only to the extent that the aggregate value of the distributions (including the fair market value, when transferred, of assets received by the Liquidating Entity on behalf of a stockholder) received by a stockholder with respect to a share exceeds his adjusted basis for that share. Loss will be recognized only when the final distribution from the Company has been received and then only if the aggregate value of the distributions with respect to a share is less than the stockholder's adjusted basis for that share. Since the Company will continue in existence until all significant claims have been satisfied, a stockholder who does not sell his shares may not be permitted to recognize a loss for a significant period of time after his receipt of his Interest in the Liquidating Entity. Stockholders who wish to accelerate recognition of a loss may be able to do so by selling their shares in the Company. However, efforts to make such sales may be impeded by the Company's intention to close its transfer books once the Interests in the Liquidating Entity are distributed. See "Proposed Plan of Complete Liquidation and Dissolution—Cash Distributions".

Characterization of Gain or Loss

As noted above, Counsel is of the opinion that the Company is not "collapsible". The general description of the definition of a "collapsible corporation" is set forth in "Sales of Property—The Company" above. However, Counsel has advised the Company that the matter is not free from doubt and, in view of the complexity of the legal and factual issues involved, the Service might contend, and a court hold, to the contrary. A finding that the Company is "collapsible" could affect the tax consequences of the liquidation to the stockholders.

If the Company is not "collapsible", gain or loss recognized by a stockholder with respect to shares constituting capital assets in his hands will be characterized as capital gain or loss; capital gain or loss will be characterized as long-term capital gain or loss if such stockholder had held his shares for more than one year as of the date such gain or loss is recognized.

A holding that the Company is "collapsible" would have no effect on the taxation of a stockholder's gain if that stockholder is not a "five percent shareholder". A stockholder is a "five percent shareholder" if, at any time, he has either (i) owned (taking into account for this purpose shares attributed to him pursuant to very broad attribution rules) more than five percent in value of the outstanding stock of the Company, or (ii) owned shares which were considered as owned (pursuant to such attribution rules) at such time by another stockholder who then owned or was considered as owning (pursuant to such attribution rules) more than five percent in value of such stock.

As a result of the attribution rules with respect to partners, in the event the Liquidating Entity is a partnership every stockholder of the Company who has not previously disposed of all of his shares of stock will become a "five percent shareholder" once he receives an Interest in the Partnership. However, Counsel is of the opinion that a stockholder who would not otherwise be a "five percent shareholder" will not be considered a partner (and hence a "five percent shareholder") with respect to the gain, if any, realized by reason of the Company's distribution to him of his Interest in the Partnership. Thus, a holding that the Company is "collapsible" would not affect the taxation of any gain realized prior to or by reason of the distribution of Interests in the Partnership by a stockholder who was not otherwise a "five percent shareholder", but would affect the taxation of subsequent distributions received by such a stockholder. It is anticipated that such subsequent distributions, if any, will be limited to distributions of amounts retained to satisfy claims which are deemed to be no longer required

to provide for the Company's liabilities. See "Proposed Plan of Complete Liquidation and Dissolution—Contingent Liabilities; Reserve Fund".

If the Company is held to be "collapsible", some or all of the gain realized by a "five percent shareholder" might be characterized as ordinary income. The rules by which such gain will be characterized as capital gain or ordinary income are extremely complex, involving certain difficult questions of law with respect to which there is relatively little authority. Stockholders who are, or believe they may be, "five percent shareholders" of the Company should consult their own tax advisers as to the possible Federal tax consequences to them were the Company to be held a "collapsible corporation".

Long-Term Capital Gains and Minimum Taxes

Net long-term capital gain recognized by an individual is eligible for the 60% long-term capital gains deduction, but also may be subject to the alternative minimum tax. In the case of a corporation, a reduced rate of tax applies to net long-term capital gain, although such gain also may be subject to the minimum tax on tax preferences.

Tax Consequences to Foreign Stockholders and Interestholders

Capital gains of a nonresident alien or of a foreign corporation that are not effectively connected with a United States trade or business of the nonresident alien or foreign corporation generally are not subject to Federal income tax. However, with regard to a nonresident alien or foreign corporation which holds a United States real property interest, gain derived from the disposition of such United States real property interest will be taxed as if such gain were effectively connected with a United States trade or business. The definition of United States real property interest includes stock of a United States real property holding corporation. The Company may be considered a United States real property holding corporation with respect to nonresident alien or foreign corporate stockholders who own, or may be considered to own, more than five percent of the Common Stock. Accordingly, nonresident alien or foreign corporate stockholders who own, or may be considered to own, more than five percent of the Common Stock will be subject to Federal income tax on any gain realized as a result of distributions pursuant to the Plan.

Nonresident aliens and foreign corporations who become Interestholders will be considered to be engaged in business in the United States as a result of their ownership of Interests in the Partnership and will be subject to income tax on their Partnership income and subject to filing Federal and state income tax returns and paying any resulting tax on their Partnership income. In addition, gain derived from the disposition of an Interest in the Partnership by such Interestholders may be subject to Federal income tax whether or not such Interestholders own, or may be considered to own, more than five percent of the Interests in the Partnership.

Other Tax Consequences

Counsel is of the opinion that a stockholder's basis, for tax purposes, for his Interest in the Liquidating Entity will be the fair market value, at the time of distribution, of the assets distributed to the Liquidating Entity on his behalf. If the Liquidating Entity is a partnership, such stockholder's basis for his Interest will include his proportionate share of the Partnership's non-recourse liabilities, if any. A stockholder's basis, for tax purposes, for his United Stock will be the fair market value on the United Distribution Date. A stockholder's holding period for United Stock will begin on the United Distribution Date.

State and Local Income Tax Consequences to Stockholders

The foregoing discussion relates only to Federal income tax consequences to stockholders. Stockholders should consult their tax advisers regarding the possible state and local income tax consequences of their receipt of liquidating distributions from the Company.

Consequences to the Liquidating Entity

Counsel is of the opinion that the Liquidating Entity will not recognize gain or loss upon the receipt of property from the Company in exchange for Interests in the Liquidating Entity and that the Liquidating Entity's basis for the property will be its fair market value on the date of transfer.

CANAL-RANDOLPH CORPORATION AND SUBSIDIARIES AND THE LIQUIDATING ENTITY CONDENSED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

The following condensed, pro forma consolidated financial statements of the Liquidating Entity and the Reserve Fund are based on the historical, consolidated financial statements of the Company and its subsidiaries for the year ended October 31, 1983, and the quarter ended January 31, 1984, appearing elsewhere in this Proxy Statement, adjusted to reflect (1) the elimination of investments in real estate properties under letters of intent or contract for sale and (2) the pro rata distribution to stockholders of shares in United. These pro forma statements are unaudited and should be read in conjunction with the accompanying notes thereto and with the historical, consolidated financial statements appearing elsewhere in this Proxy Statement. These pro forma statements should not be considered indicative of the results which will be achieved since they are based on historical rather than prospective information and include certain assumptions which are subject to change, including, without limitation, the assumption that sales of real property under the letters of intent or contract for sale are consummated on the proposed terms. There can be no assurance that such sales will be so consummated or that their terms will not be modified.

CONDENSED PRO FORMA CONSOLIDATED BALANCE SHEETS

January 31, 1984

	Historical Canal-Randolph Corporation and Subsidiaries (Unaudited)	Pro Forma Eliminations and Adjustments: Properties Under Letters of Intent or Contract For Sale (Note 1)	Pro Forma Eliminations and Adjustments: Distribution of United Shares (Note 2)	Pro Forma The Liquidating Entity and Reserve Fund (Unaudited) (Note 1)
ASSETS				
Current Assets	$14,087,335	(3,692,904)(c) $ 8,000,000 (f)	$ (3,003,835)	$15,390,596
Operating Properties:				
Real estate	45,905,993	(40,491,861)(d)	—	5,414,132
Stockyards	22,843,297	—	(22,843,297)	—
	68,749,290	(40,491,861)	(22,843,297)	5,414,132
Other Assets	5,920,706	(180,507)(c) (1,779,835)(d)	(1,401,523)	2,558,841
	$88,757,331	$(38,145,107)	$(27,248,655)	$23,363,569
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities	$ 8,424,226	$ (2,658,538)(c) (1,047,913)(e)	$ (2,792,368)	$ 1,925,407
Long-Term Debt, less current portion	48,967,901	(10,439)(c) (28,713,737)(e)	(9,733,972)	10,509,753
Other Liabilities	7,146,958	(2,587,000)(b) (181,250)(c)	(1,864,560)	2,514,148
Reserve Fund	—	8,000,000 (f)	—	8,000,000
Stockholders' Equity:				
Preferred stock	—	—	—	—
Common stock	1,758,464	(8,000,000)(f)	(12,857,755)	414,261
Paid-in capital	6,922,539	(93,057,141)(g)		
Retained earnings	17,719,621	90,110,911 (a)		
Treasury stock	(2,182,378)			
	24,218,246	(10,946,230)	(12,857,755)	414,261
	$88,757,331	$(38,145,107)	$(27,248,655)	$23,363,569
Book value per common share or interest (Note 4)	$15.66	$(7.08)	$(8.31)	$.27

The accompanying Notes to Condensed Pro Forma Consolidated Financial Statements are an integral part of these balance sheets.

CONDENSED PRO FORMA CONSOLIDATED STATEMENTS OF INCOME

For the Fiscal Year Ended October 31, 1983

	Historical Canal-Randolph Corporation and Subsidiaries (Audited)	Pro Forma Eliminations and Adjustments: Properties Under Letters of Intent or Contract For Sale (Note 1)	Pro Forma Eliminations and Adjustments: Distribution of United Shares (Note 2)	Pro Forma Eliminations and Adjustments: Other (Note 3)	Pro Forma The Liquidating Entity and Reserve Fund (Unaudited) (Note 1)
REAL ESTATE OPERATIONS:					
Revenues	$20,261,061	$18,406,629	$ —	$ —	$ 1,854,432
Expenses	14,688,795	12,498,052	314,473	335,000	1,541,270
Income (loss) from real estate	5,572,266	5,908,577	(314,473)	(335,000)	313,162
STOCKYARDS OPERATIONS:					
Revenues	27,382,283		27,387,283		
Expenses	22,666,187		22,666,187		
Income from stockyards	4,716,096	—	4,716,096	—	—
OTHER INCOME (EXPENSES):					
Interest expense, net	(4,160,278)	(3,164,898)	(326,158)	—	(669,222)
Nonrecurring proxy expenses	(2,430,000)	—	—	(2,430,000)	—
Corporate general and administrative	(1,246,511)	—	(516,511)	(75,000)	(655,000)
	(7,836,789)	(3,164,898)	(842,669)	(2,505,000)	(1,324,222)
Income before income taxes	2,451,573	2,743,679	3,558,954	(2,840,000)	(1,011,060)
PROVISION (CREDIT) FOR INCOME TAXES	647,000	1,321,000	1,597,000	(1,306,000)	(965,000)
Net income (loss)	$ 1,804,573	$ 1,422,679	$ 1,961,954	$(1,534,000)	$ (46,060)
Net income (loss) per common share or interest (Note 4)	$1.17	$.92	$1.27	$(.99)	$(.03)

CONDENSED PRO FORMA CONSOLIDATED STATEMENTS OF INCOME

For the Quarter Ended January 31, 1984

	Historical Canal-Randolph Corporation and Subsidiaries (Unaudited)	Pro Forma Eliminations and Adjustments: Properties Under Letters of Intent or Contract For Sale (Note 1)	Pro Forma Eliminations and Adjustments: Distribution of United Shares (Note 2)	Pro Forma Eliminations and Adjustments: Other (Note 3)	Pro Forma The Liquidating Entity and Reserve Fund (Unaudited) (Note 1)
REAL ESTATE OPERATIONS:					
Revenues	$5,327,534	$4,776,560	$ —	$ —	$550,974
Expenses	3,658,044	3,057,373	84,000	90,000	426,671
Income (loss) from real estate	1,669,490	1,719,187	(84,000)	(90,000)	124,303
STOCKYARDS OPERATIONS:					
Revenues	7,838,342		7,838,342		
Expenses	6,434,188		6,434,188		
Income from stockyards	1,404,154	—	1,404,154	—	—
OTHER INCOME (EXPENSES):					
Interest expense, net	(1,109,380)	(781,896)	(48,892)	—	(278,592)
Corporate general and administrative	(583,327)	—	(132,000)	(272,000)	(179,327)
	(1,692,707)	(781,896)	(180,892)	(272,000)	(457,919)
Income before income taxes	1,380,937	937,291	1,139,262	(362,000)	(333,616)
PROVISION (CREDIT) FOR INCOME TAXES	438,000	421,000	550,000	(166,000)	(367,000)
Net income (loss)	$ 942,937	$ 516,291	$ 589,262	$ (196,000)	$ 33,384
Net income (loss) per common share or interest (Note 4)	$.61	$.33	$.38	$(.12)	$.02

The accompanying Notes to Condensed Pro Forma Consolidated Financial Statements are an integral part of these statements.

CANAL-RANDOLPH CORPORATION AND SUBSIDIARIES
AND
THE LIQUIDATING ENTITY

NOTES TO CONDENSED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

October 31, 1983 and January 31, 1984

1. *Properties Under Letters of Intent or Contract For Sale.*

The condensed pro forma consolidated statements of income reflect the elimination of properties for which a letter of intent or contract of sale has been executed through March 9, 1984, by removing the historical operations of these properties for the fiscal year ended October 31, 1983 or the quarter ended January 31, 1984, as applicable. The related balance sheet reflects the impact of the sales on financial position effective January 31, 1984, as follows:

Estimated net proceeds from sales	$139,075,513
Carrying amount of properties sold and related deferred charges	(42,271,696)(d)
Estimated taxes, net of deferred income taxes previously provided	(6,692,906)
Gain on sales of properties	90,110,911 (a)
Add (Deduct):	
Carrying amount of properties sold and related deferred charges	42,271,696
Settlement of related assets and liabilities, net	1,023,184 (c)
Mortgage repayment	(29,761,650)(e)
Deferred income taxes previously provided	(2,587,000)(b)
Cash generated from sales	101,057,141
Reserve Fund	(8,000,000)(f)
Distributions to stockholders: ($60.17 per common share)	$ 93,057,141 (g)

Negotiations are currently in progress for the sale of additional real estate properties. It is anticipated that additional contracts of sale will be executed prior to the date that unsold assets are transferred to the Liquidating Entity. Accordingly, the pro forma financial statements do not purport to represent the situation which will actually prevail at the date it becomes necessary to effect the transfer to conform with the requirements of Section 337 of the Code. Assets and liabilities transferred to the Liquidating Entity will be recorded for Federal income tax purposes at amounts which will reflect their fair values.

In the above pro forma computation:

The carrying amount of properties sold and related deferred charges reflect the historical costs as carried on the Company's balance sheet, net of depreciation and amortization, of the properties assumed sold for purposes of this pro forma statement.

Estimated taxes, net of deferred income taxes previously provided, represents an estimated provision for Federal, state and local tax liability, including estimated depreciation and investment tax credit recapture, property transfer taxes and other taxes, in connection with the sale of the properties.

Settlement of related assets and liabilities, net, reflects management's estimate of the cash to be realized upon the liquidation of operating assets related to the properties to be sold, such as accounts receivable and prepaid items, net of satisfaction of operating liabilities related to such properties, such as trade accounts payable.

Mortgage repayment reflects the outstanding principal balance of mortgages to be repaid or assumed by the purchasers on the properties being sold.

Reserve Fund reflects management's estimate of the amount to be reserved from the net cash proceeds otherwise distributable to stockholders from sale of the properties, to provide for the collateralization of letters of credit required under a letter of intent, a reserve for pending litigation, a reserve for the purchase of options outstanding under the Company's stock option plan, a reserve for tax audits, and a general reserve for contingencies in liquidation. Management currently estimates that a total reserve of $10,400,000 will be required, of which $8,000,000 would be provided from the proceeds indicated above and $2,400,000 would be provided from the Company's other cash assets.

The above pro forma computation of distributions to stockholders is presented for illustrative purposes only, and is subject to adjustment. For example, the above pro forma computations assume that the Company will acquire the interest of the limited partner in the partnership which owns title to One North Western Center, and do not give effect to the possible purchase or sale of a co-tenancy interest in the Anaheim, California property. See "Proposed Plan of Complete Liquidation and Dissolution—Real Estate Dispositions—Properties Under Letters of Intent or Contract for Sale" and "—Remaining Real Estate Dispositions". The amount and timing of the initial and subsequent cash distributions will be determined by the Board of Directors.

2. *Distribution of United Shares.*

The condensed, pro forma consolidated statements of income reflect the pro rata distribution to stockholders of shares in United by removing the historical operations of United for the fiscal year ended October 31, 1983, and the quarter ended January 31, 1984, as adjusted to include those corporate expenses currently expected to be transferred to United.

The related balance sheet reflects the carrying amount of United's assets and liabilities at January 31, 1984. Reference should be made to the pro forma financial statements of United included elsewhere in this Proxy Statement.

3. *Other Pro Forma Adjustments.*

The condensed, pro forma consolidated statements of income reflect the elimination of nonrecurring expenses, principally proxy costs incurred in connection with the 1983 proxy contest for control of the Company's Board of Directors.

4. *Book Value and Net Income per Common Share or Interest.*

Book value per common share or interest is based upon 1,546,555 common shares or units of interest in the Liquidating Entity, respectively, assumed outstanding at January 31, 1984. Net income per common share or interest for the year ended October 31, 1983, is based upon 1,546,224 weighted average common shares or units of interest in the Liquidating Entity, respectively, assumed outstanding during fiscal 1983. Net income per common share or interest for the quarter ended January 31, 1984, is based upon 1,546,530 weighted average common shares or units of interest in the Liquidating Entity, respectively, assumed outstanding during the period.

PRICE RANGE OF COMMON STOCK; DIVIDENDS

The Company's Common Stock is traded on the NYSE under the symbol "CRH". The high and low prices of the Company's Common Stock for each quarterly period within the two most recent fiscal years and for the first two quarters of fiscal 1984 through March 8, 1984, as reported on the NYSE consolidated tape, are as follows:

	High	Low
Fiscal 1982		
First Quarter	$ 30	$ 25⅞
Second Quarter	28½	24⅝
Third Quarter	40⅜	26½
Fourth Quarter	55½	37
Fiscal 1983		
First Quarter	59½	52½
Second Quarter	72	58⅞
Third Quarter	76¼	69⅝
Fourth Quarter	88	70½
Fiscal 1984		
First Quarter	100¼	86½
Second Quarter (through March 8, 1984)	93½	90

On June 11, 1982, the last trading date prior to the initial filing by Asher B. Edelman of a Schedule 13D with respect to his interests in the Common Stock, the closing price of the Company's Common Stock on the NYSE was $34¾. On October 31, 1983 and January 11, 1984, the last trading date prior to the public announcement of the Board's intention to consider liquidation of the Company and the last trading date prior to the public announcement of the Board's adoption of the Plan, respectively, the closing price of the Company's Common Stock on the NYSE was $87 and $94, respectively. On March 8, 1984, the closing price of the Company's Common Stock on the NYSE was $90.

The Company has paid regular quarterly dividends of $0.16 per share during fiscal 1981, 1982 and 1983. If the Plan is approved, it is not anticipated that the Company will pay any further regular dividends, in view of contemplated distributions pursuant to the Plan.

BUSINESS OF THE COMPANY

(Excluding United Stockyards Corporation)

The Company is a Delaware corporation which commenced business operations, through a predecessor, in 1936, and is primarily engaged, directly and through subsidiaries, in the ownership and management of real estate and stockyards. Its stockyards business is operated by United Stockyards Corporation, which will become an independent public company if the Plan is approved and consummated. See "United Stockyards Corporation" for a description of the stockyards business, operations and assets, and "United Stockyards Corporation and Subsidiaries Selected Financial Data", "United Stockyards Corporation and Subsidiaries Condensed Pro Forma Consolidated Financial Statements" and the audited historical consolidated financial statements of United appearing elsewhere herein.

General

Apart from its stockyard operations, the Company primarily is engaged in the ownership and management of real estate. The Company, through various subsidiaries, has ownership interests in and operates seven office buildings located in primarily metropolitan areas of California, Illinois, New York, Alabama and New Jersey. In addition, the Company owns through subsidiaries two parcels of undeveloped land (each of which is adjacent to an office building owned by the Company) in Illinois and California of approximately 24,300 square feet and approximately 27,685 square feet, respectively, and approximately 2,300 acres of rural property in upstate New York. The ownership and management of its commercial office properties represent the operational focus of the Company's real estate business.

Commercial Office Properties

Four of the seven commercial office properties are wholly owned by subsidiaries of the Company. Of the remaining three properties, two are owned pursuant to tenancy-in-common agreements (one of which involves the ownership of only the building and not the underlying land) in which subsidiaries of the Company hold 50% undivided interests, and one is owned by a limited partnership in which a subsidiary of the Company is a 75% general partner. Four of the properties are subject to non-recourse mortgages, and the mortgages on the remaining three properties provide for recourse to the subsidiaries of the Company holding interests therein (all as more fully described herein).

The two properties in Anaheim and Birmingham owned pursuant to tenancy-in-common agreements are subject to a right of first refusal on the part of each tenant-in-common. A major tenant of the Chicago property also has a right of first refusal if the limited partnership owner wishes to sell the property. For further information, see the individual property descriptions which follow.

Each of the commercial office properties is managed, directly or indirectly, by the Company. Many of the routine functions involved in maintaining the buildings, such as labor and cleaning services, are contracted to outside concerns.

Space in the various buildings usually is leased on a mid-to-long-term basis. The leases generally include escalation provisions under which tenants are obligated to pay additional rent to reflect increases related to such items as real estate taxes, wage rates and operating expenses. The Company believes that the average effective rental per square foot under existing leases at many of the office buildings, although competitive with market conditions at the time of lease, is significantly below the current market rental rate for space in comparable buildings in the immediate vicinity of such buildings. As of October 31, 1983, the total rentable area contained in these buildings was approximately 95% rented in the aggregate. Generally, 60%-70% of the space in each of the buildings is leased to three or four major tenants. The balance of the space in each building is leased to numerous small tenants under leases expiring at various times.

The following charts set forth certain information with respect to the Company's operating properties. Additional information concerning the Company's properties follows the charts.

General Description of Properties

Property	Year Completed	Number of Stories	Rentable Area (sq. ft.)	Building's Car Parking Capacity	Ownership %	Ownership Type
One North Western Center, Chicago, Illinois	1919(1)	16	799,695	0	75%	Fee(2)
Barker Brothers Building, Los Angeles, California	1926(3)	12	453,910	0	100%	Fee
Union Bank Square, Orange, California	1962	12	143,704	1,525	100%	Fee
(5 buildings) plus	1968	12	154,760			
3-story parking	1966	6	71,861			
deck	1961	1	10,806			
	1979	1	10,000			
			391,131			
First Alabama Bank Building, Birmingham, Alabama	1976	17	208,109	0	50%	Fee(4)
156 William Street, New York, New York	1955(5)	12	193,983	0	100%	Fee
Broadway Bank Building, Paterson, New Jersey	1974	14	187,234	0	100%	Fee
Bank of America Building, Anaheim, California	1970	10	112,061	400	50%	Leasehold of underlying land; Building in fee(6)

(1) Substantially rehabilitated in 1981.

(2) In 1978, this property was transferred to a limited partnership. A subsidiary of the Company, as a general partner, holds a 75% interest in the limited partnership which owns the property in fee.

(3) Substantially rehabilitated in 1982.

(4) This property was developed pursuant to a tenancy-in-common agreement between a subsidiary of the Company and an affiliate of First Alabama Bank, each of which owns an undivided one-half interest.

(5) Includes a six-story addition constructed in 1957.

(6) This property was developed pursuant to a tenancy-in-common agreement between a subsidiary of the Company and an affiliate of BankAmerica Corporation, each of which owns an undivided one-half interest. The building is situated on land leased from another affiliate of BankAmerica Corporation through 2009 with renewal options.

Building Tenant Information

Property	Number of Tenants as of December 31, 1983	Occupancy Rate as of December 31, 1983	Annualized Rental Income for Leases Executed as of December 31, 1983	Average Annual Rental (per sq. ft.)
One North Western Center	22	92%	$6,258,000	$ 8.50
Barker Brothers Building	9	93%	$3,586,000	$ 9.08
Union Bank Square	39	99%	$3,664,000	$ 9.46
First Alabama Bank Building	36	100%	$1,748,000	$ 8.40
156 William Street	18	100%	$1,332,000	$ 6.87
Broadway Bank Building	17	95%	$1,197,000	$ 6.73
Bank of America Building	32	92%	$1,038,000	$10.07

Mortgage Indebtedness*

Property	Original Principal Amount	Outstanding Principal Amount as of December 31, 1983	Interest Rate	Annual Interest and Amortization Payments	Earliest Prepayment Date(2)	Maturity Date	Balance Due at Maturity (including accrued and unpaid interest)
One North Western Center (consolidated)	$13,500,000	$13,368,081(1)	12⅞%	$1,810,800	12/14/91	12/1/01	$7,156,809
	$ 3,000,000	$ 2,733,144(1)	12⅞%	$ 534,876	None	12/1/91	$ 237,218
Barker Brothers Building(3)	$ 6,000,000	$ 4,424,749(1)	8¼%	$ 592,080	8/2/83	8/1/88	$3,192,674
Union Bank Square	$10,000,000	$ 6,224,236	6¼%	$ 780,000	7/21/73	2/1/95	$ 65,000
	$ 2,700,000	$ 2,514,298(1)	9¾%	$ 288,900	5/7/78	2/1/95	$1,625,000
First Alabama Bank Building	$ 8,500,000	$ 8,042,671	8¾%	$ 788,292	10/11/85	6/28/98	$5,628,742
156 William Street	$ 5,000,000	$ 646,000	4½%	$ 328,000	5/1/66	4/30/84	$ 575,000
Broadway Bank Building	$ 6,500,000	$ 6,051,003(1)	8%	$ 557,052	6/29/72	6/1/09	$ 46,421
Bank of America Building	$ 4,150,000	$ 3,615,826	8¾%	$ 392,172	12/1/81	12/15/02	$ 32,681

* All mortgages are non-recourse except those encumbering the Barker Brothers Building, Union Bank Square and Broadway Bank Building.

(1) Mortgage is either "due-on-sale" or requires consent of holder as a condition to transfer or sale of property (in the case of One North Western Center and Union Bank Square, such consent not to be unreasonably withheld).

(2) Prepayment may incur premium (see property descriptions below for additional information).

(3) In addition, this property is encumbered by a second mortgage granted in connection with a revolving credit agreement with a bank. See Note 3 to the Consolidated Financial Statements of the Company.

One North Western Center, Chicago, Illinois. One North Western Center is a 16-story office building located in the northwest corner of Chicago's business district. The building is located on 60,000 square feet of land, bounded by North Canal Street to the west, Randolph Street to the south, Lake Street to the north and Water Street to the east. Built in 1919, the building was purchased by the Company in 1955 and converted into office space. As renovated in 1981, the building contains 799,695 square feet of net rentable space, including 21,399 square feet of retail space. A letter of intent has been executed for the sale of this property. See "Proposed Plan of Complete Liquidation and Dissolution—Real Estate Dispositions—Properties Under Letters of Intent or Contract for Sale".

Canal-Randolph Associates Corporation, a wholly owned subsidiary of the Company, is a general partner holding a 75% interest in Canal-Randolph Associates ("Associates"), the limited partnership which owns this property in fee. The limited partner, Canal-Center Associates, a New York limited partnership in which neither the Company nor any of its subsidiaries has an interest, holds a 25% interest in Associates. Upon a sale of the entire property, approximately 90% of the proceeds in excess of third party mortgages will be received by subsidiaries of the Company by virtue of a wrap-around mortgage (see Note 8 to Canal-Randolph Corporation and Subsidiaries Consolidated Financial Statements appearing elsewhere herein) and the provisions of the partnership agreement. As the general partner, Canal-Randolph Associates Corporation is empowered to sell all or a portion of the property without first obtaining the consent of the limited partner.

Chicago and NorthWestern Transportation Company ("Chicago Railroad"), a major tenant of the building, has a right of first refusal to purchase all or any portion of Associates' interest in the

building, which right is triggered upon the receipt by Associates of a written offer by a third party which Associates is willing to accept. Chicago Railroad has 15 days upon receipt of Associates' notice of such offer to elect to purchase on the same terms and conditions as the offer.

The property is subject to (i) a consolidated first mortgage with an outstanding principal balance as of December 31, 1983 of $16,101,225, currently held by the Board of Trustees of the National Electrical Contractors Association Pension Benefit Trust Fund, and (ii) the above-mentioned wrap-around mortgage held by a subsidiary of the Company. The wrap-around mortgage will be paid off in connection with the sale of the property. The first mortgage matures in part on December 1, 1991 ($2,733,144 outstanding as of December 31, 1983) and in part on December 1, 2001 ($13,368,081 outstanding as of December 31, 1983) and contains a provision requiring the mortgagee's consent (not to be withheld if the buyer is financially responsible and experienced in managing similar properties) as a condition to a sale or conveyance of the property subject to this indebtedness. The portion of the first mortgage which matures on December 1, 1991 is not prepayable. The balance is prepayable beginning on December 14, 1991, subject to a 5% prepayment premium, declining thereafter at a rate of ½% per year.

Pursuant to the terms of the Associates' Partnership Agreement, the general partner, Canal-Randolph Associates Corporation, receives a fee of $12,000 annually for its services as general partner. Canal-Randolph Associates Corporation is also entitled under the terms of the Partnership Agreement to additional fees for property management and leasing services.

Chicago Railroad leases 426,265 square feet of space in the building under a lease expiring in August 2001 at a current annual rental of $3,330,600, plus escalation and charges for utilities. Chicago Railroad also has two five year renewal options at 85% of the then prevailing market rental rates for similar space, and a right to terminate its lease in whole or in part, with termination payments, in August 1991 or August 1996. Illinois Bell Telephone Company ("Illinois Bell") leases 102,540 square feet of space in the building under five separate leases expiring between January 1990 and December 1992 at an aggregate current annual rental of $973,800, plus escalation and charges for utilities. Illinois Bell has options to terminate its leases in series commencing in 1987. The leases to Chicago Railroad and Illinois Bell cover approximately 66% of the space in the building. The building's other tenants are primarily Federal government agencies and advertising and communications firms. In the aggregate, these other tenants occupy approximately 26% of the building (or approximately 206,914 square feet) under leases which provide for annual rentals of $1,953,673 and expire ratably from 1985 through 1991.

The annual real estate tax assessed against the premises for the tax year ended December 31, 1982 was $753,175.

The Company, through a subsidiary, also owns certain undeveloped land near One North Western Center and is currently negotiating to purchase additional adjacent undeveloped land. For additional information, see "Vacant Land" below.

Barker Brothers Building, Los Angeles, California. The Barker Brothers Building is a 12-story office tower located in downtown Los Angeles. The building is located on 36,288 square feet of land, bordered by Seventh Street to the north, a parcel of land owned by the Company to the south (see "Vacant Land" below), Figueroa Street to the west and Flower Street to the east. Completed in 1926, the building contains 453,910 square feet of rentable space, consisting of 333,148 square feet of office space and 120,762 square feet of retail space. A letter of intent has been executed for the sale of this property. See "Proposed Plan of Complete Liquidation and Dissolution—Real Estate Dispositions—Properties Under Letters of Intent or Contract for Sale".

The Company, through its subsidiary Canal-Randolph Figueroa, Inc., owns this property in fee, owns certain adjacent undeveloped land and holds a leasehold interest in a third adjacent property. Another subsidiary of the Company, Figueroa Land Management Inc., owns additional adjacent land improved with a two-story structure. For additional information, see "Vacant Land" below.

Encumbering the property is a first mortgage currently held by Massachusetts Life Insurance Company with an outstanding principal balance as of December 31, 1983 of $4,424,749. The terms of the mortgage do not limit the holder's recourse in the event of a default to the real property and therefore the maker, Canal-Randolph Figueroa, Inc., is liable for its repayment. The mortgage, which matures on August 1, 1988, is subject to a prepayment premium in the current loan year of 5%, declining at the rate of ¼% per year, and is otherwise due and payable upon the sale of the property unless the mortgagee consents to such sale and to the prospective buyer. In addition, the Company has a revolving credit agreement with Continental Illinois Bank which is secured, in part, by a mortgage encumbering the property.

Household Merchandising, Inc. ("Household") leases 140,786 square feet of retail and other space in the building under a lease expiring in September 1987 at a current annual rental of $393,972, with two ten-year and one five-year renewal options at rental rates based on increases in the consumer price index. American Telephone and Telegraph Company ("AT&T") leases 107,867 square feet of space in the building under two leases expiring July 31 and November 30, 1987 at an aggregate current annual rental of $1,761,642, plus escalation. A portion of AT&T's lease may be terminated by AT&T, without penalty, in either December 1984 or December 1986. The Pacific Telephone and Telegraph Company ("PT&T") leases 69,000 square feet of rentable space in the building under a lease expiring in July 1984 at a current annual rental of $607,200 plus escalation. This tenant has indicated that it does not intend to renew its lease. A portion of this space has been leased by AT&T, with which negotiations are under way for further space in this building. The Fashion Institute of Design and Merchandising ("Fashion Institute") leases 66,350 square feet of space in the building under two leases, one expiring on March 25, 1989 and the other granting a month to month tenancy, at an aggregate current annual rental of $456,873 plus escalation. The leases to Household, AT&T, PT&T and the Fashion Institute cover approximately 85% of the space in the building. The building's other tenants are primarily educational institutions and recreational facilities. In the aggregate, these other tenants occupy approximately 8% of the building (or approximately 38,133 square feet) under leases which provide for annual rentals of $365,813 and expire principally in 1990.

The annual real estate tax to be assessed against the premises for the tax year ending June 30, 1984 will be $104,307.

The Company currently is involved in litigation with Household relating to, among other things, the interpretation and enforcement of certain clauses in, and amendments to, its lease. Household claims it was overcharged by the Company for electricity, and also claims that certain earlier agreements in which it released two floors of the building to the Company were induced by fraud. Household seeks reimbursement of the alleged overcharges, recovery of the two floors and damages for alleged breach of contract, fraud and deceit. The complaint in this action does not specify the amount of actual damages sustained, but seeks punitive damages of $10,000,000. Management believes the claims with respect to the agreements are without merit and will defend against them vigorously, and does not believe that the Company's liability with respect to such claims or any electricity overcharges will be material.

Union Bank Square, Orange County, California. Union Bank Square is a five-building complex located on eight acres in Orange County, California, fronting on Main Street and bounded by Bedford Street to the west, La Veta Street to the north and the Garden Grove Freeway to the south. The two 12-story office towers were constructed in 1962 and 1968, respectively, the one 6-story office tower in 1966 and the two single story buildings in 1961 and 1979, respectively, and contain an aggregate of 391,131 net rentable square feet with on-site parking for 1,525 automobiles. A letter of intent has been executed for the sale of this property. See "Proposed Plan of Complete Liquidation and Dissolution—Real Estate Dispositions—Properties Under Letters of Intent or Contract for Sale".

The Company's subsidiaries own the fee and leasehold estates in the property separately. The leasehold is encumbered by a first mortgage with a principal balance as of December 31, 1983 of $6,224,236 currently held by The Equitable Life Assurance Society of the United States

("Equitable"). The mortgage matures on February 1, 1995. The terms of the mortgage do not limit Equitable's recourse in the event of a default to the real property and therefore the maker, Canal-Randolph Pacific, Inc., is liable for its repayment. The mortgage is not currently subject to a "due-on-sale" provision. The mortgage includes a right to prepay subject to a prepayment premium in the current loan year of 2½%, reduced by ¼% for each loan year to not less than 1%.

A second leasehold mortgage with an outstanding principal balance as of December 31, 1983 of $2,514,298, currently held by The Traveler's Insurance Company, further encumbers the leasehold. The mortgage, which matures on February 1, 1995, contains a prohibition against sale or conveyance without the mortgagee's consent, which consent is not to be unreasonably withheld. The mortgage includes a right to prepay in any loan year, upon 60 days' notice, with a prepayment premium in the current loan year of 5%, reduced by ½% for each loan year to not less than 1%.

PT&T leases 200,137 square feet of space in the buildings under four leases expiring between April 1986 and January 1988, at an aggregate current annual rental of $1,698,500, plus escalation and charges for utilities. PT&T has an option to renew its lease for space in the South Tower of the Union Bank complex for either two five-year periods (with a rental increase of $2.00 per square foot for the first five-year renewal period, and $1.00 per square foot for the second five-year renewal period) or one ten-year period (with a rental increase of $2.00 per square foot). Union Bank leases 50,799 square feet of space in the buildings under three leases expiring between November 1989 and October 1992 at an aggregate current annual rental of $326,500 plus escalation and charges for utilities. Union Bank has an option to renew its lease for a portion of its space for two 15-year periods at 75% of the then prevailing market rental rate for similar space. Aetna Casualty & Surety Company ("Aetna") leases 42,219 square feet in the buildings under a lease expiring in November 1987 at a current annual rental of $348,400, plus escalation and charges for utilities. The leases to PT&T, Union Bank and Aetna cover approximately 75% of the space in the buildings. The buildings' other tenants are primarily nonprofit organizations and service firms. In the aggregate, these other tenants occupy approximately 24% of the building (or approximately 94,065 square feet) under leases which provide for annual rentals of $1,290,980 and expire ratably from 1984 through 1989.

The annual real estate tax to be assessed against the premises for the tax year ending June 30, 1984 will be $164,050.

First Alabama Bank Building, Birmingham, Alabama. The First Alabama Bank Building is a 17-story office tower located at the intersection of Fifth Avenue and 20th Street in downtown Birmingham, Alabama. Completed in 1976, the building contains approximately 208,109 net rentable square feet of office space.

Canal-Randolph Birmingham, Inc., a wholly-owned subsidiary of the Company, and Exchange Company, an affiliate of First Alabama Bank, as tenants-in-common, own this property in fee. Each of the tenants-in-common holds an undivided 50% interest in the property pursuant to a tenancy-in-common agreement.

Each of the tenants-in-common has a right of first refusal to purchase the property. Upon notice by a tenant-in-common naming a real estate appraiser, the tenant-in-common receiving such notice selects a second real estate appraiser, who, with the first appraiser, selects a third. The three real estate appraisers, by a majority vote, set a fair market value for the property (*i.e.*, the land and improvements). The notified tenant-in-common then opts to sell its entire interest to, or purchase the entire interest of, the initiating tenant-in-common. The purchase price to be paid to the selling tenant-in-common is equal to one-half of the appraised value of the property after deduction of the then outstanding principal balance of the permanent mortgage.

The property is encumbered by a mortgage currently held by Equitable. The mortgage, which had a principal balance as of December 31, 1983 of $8,042,671, matures on June 28, 1998. Prepayment may be made up to $425,000 in any one loan year without a fee. Beginning October 11, 1985, the

entire balance may be prepaid subject to a prepayment charge of 5% of the amount so prepaid in excess of $425,000. The prepayment charge declines at the rate of ½% each loan year thereafter to not less than 1%. There is no "due-on-sale" provision contained in the mortgage. Pursuant to the terms of a Management Agreement with the tenants-in-common, Canal-Randolph Birmingham, Inc. is entitled to an annual management fee equal to 1½% of gross receipts of the property.

The Exchange Security Bank ("Exchange Security") leases 64,156 square feet of space in the building under a lease expiring in April 2009 at a current annual rental of $520,599.96 plus escalation and charges for utilities. Exchange Security has an option to renew its lease for two ten-year renewal periods at the then prevailing market rental rates for similiar space. Lange, Simpson, Robinson & Somerville ("Lange, Simpson") leases 20,241 square feet of space in the building under two leases expiring in 1986 and 1991 at a current annual rental of $152,268 plus escalation. Lange, Simpson has the option to renew one of its leases covering 4,718 square feet for one five-year period at an annual rate of $46,000 plus escalation. The leases to Exchange Security and Lange, Simpson cover approximately 41% of the space in the building. The building's other tenants are primarily accounting and investment firms and utility companies. In the aggregate, these other tenants occupy approximately 59% of the building (or approximately 123,712 square feet) under leases which provide for annual rentals of $1,075,500 and expire ratably from 1984 through 1992.

The annual real estate tax assessed against the premises for the year ended September 30, 1983 was $147,198.

156 William Street, New York, New York. 156 William Street is a 12-story office building with a six-story addition located on 18,100 square feet of land in downtown Manhattan at 156 William Street, between Beekman Street and Ann Street. Constructed in 1955 and subsequently added to in 1957, the building contains approximately 193,983 square feet of net rentable space. A contract for the sale of this property has been executed. See "Proposed Plan of Complete Liquidation and Dissolution—Real Estate Dispositions—Properties Under Letters of Intent or Contract for Sale".

BWA Corp. ("BWA"), a wholly-owned subsidiary of the Company, owns 100% of this property in fee.

The property is encumbered by a first mortgage, which had an outstanding principal balance as of December 31, 1983 of $646,000, granted to Bankers Trust Company, as trustee, for the purpose of securing a bond offering of $5,000,000. All of the bonds currently are held by New York Life Insurance Company. The mortgage has a maturity date of April 30, 1984 and provides for a prepayment right, in whole or in part, on any interest date with 30 days notice. There are no prepayment premiums currently applicable and no "due-on-sale" provisions contained in the mortgage.

Zurich Insurance Company ("Zurich") leases 70,122 square feet of space in the building under a lease expiring in November 1985 at a current annual rental of $330,363.60 plus escalation. Commercial Union Insurance Company ("Union") leases 45,865 square feet of space in the building under a lease expiring in December 1985 at a current annual rental of $199,724 plus escalation. Lloyd Bush leases 27,950 square feet of space in the building under two leases expiring on June 30, 1988 and August 31, 1991, at a current annual rental of $316,824 plus escalation and charges for utilities. Lloyd Bush has an option to renew the lease expiring in 1991 for one five-year period at a base annual rental of $396,263. The leases to Zurich, Union and Lloyd Bush cover approximately 74% of the space in the building. The building's other tenants are primarily software and service-related firms. In the aggregate, these other tenants occupy approximately 26% of the building (or approximately 50,046 square feet) under leases which provide for annual rentals of $485,288 and expire ratably from 1989 through 1994.

The annual real estate tax to be assessed against the premises for the tax year ending June 30, 1984 will be $376,649.

BWA instituted litigation against Altrans Express U.S.A., Inc. ("Altrans"), a subtenant, in late 1983 seeking to recover approximately $422,000 in electricity billings for a period beginning in 1967. Altrans has counterclaimed against BWA, alleging a breach of its sublease and fraud on the part of BWA. Management believes that Altrans' claim is without merit.

Broadway Bank Building, Paterson, New Jersey. The Broadway Bank Building is a 14-story office tower located on 64,469 square feet of land in downtown Paterson, New Jersey within the Alexander Hamilton Plaza. Completed in 1974, the building contains approximately 187,234 net rentable square feet of space. Canal-Randolph Urban Renewal Corporation One, a wholly-owned subsidiary of the Company, owns 100% of this property in fee.

The property is encumbered by a first mortgage with an outstanding principal balance as of December 31, 1983 of $6,051,003 currently held by The Prudential Insurance Company of America ("Prudential") with a maturity date of June 1, 2009. The terms of the mortgage do not limit Prudential's recourse in the event of a default to the real property and therefore the maker, Canal-Randolph Urban Renewal Corporation One, is liable for its repayment. The mortgage contains a prohibition against a sale of the property without the mortgagee's prior consent. The mortgage also provides for a right of prepayment on any interest date with no prepayment premium.

Broadway Bank and Trust Company ("Broadway Bank") leases 83,675 square feet of space in the building under a lease expiring in March 2009 at a current annual rental of $507,696, plus escalation. The State of New Jersey leases 36,729 square feet of space in the building under a lease expiring in March 1994 at a current annual rental of $257,317 plus escalation and charges for utilities. The General Services Administration ("G.S.A.") leases 24,398 square feet of space in the building under three leases which will expire between May 1984 and February 1987 at a current annual rental of $194,528. The leases to Broadway Bank, The State of New Jersey and G.S.A. cover approximately 77% of the space in the building. The building's other tenants are primarily utility companies and service-related firms. In the aggregate, these other tenants occupy approximately 18% of the building (approximately 33,070 square feet) under leases which provide for annual rentals of $237,360 and expire principally from 1984 through 1987.

The annual real estate tax assessed against the premises for the year ended October 31, 1983 was $179,538.

Broadway Bank instituted litigation against Canal-Randolph Urban Renewal Corporation One in May 1983 relating to alleged water leaks in the Broadway Bank building. The plaintiff seeks repair of the leaks, damages and reformation of the lease to reduce the rent for the entire term "to reasonably reflect the reduced value of the structurally defective demised premises." The Company has made a claim against its insurance carrier with respect to this litigation which the carrier has denied in part. The Company has also made claims against the general contractor and the architect. Management believes the claim is covered by insurance and in any event is not material, although the pendency of this litigation may impact the price at which the Company could sell the property.

Bank of America Building, Anaheim, California. The Bank of America Building is a 10-story office tower located on approximately 110,572 square feet of land in downtown Anaheim, California, bordered by Broadway Street to the north, Harbor Boulevard to the west, Elm Street to the south and Helena Street to the east. Completed in 1970, the building contains approximately 112,061 rentable square feet of office space and an adjacent parking deck for 400 automobiles.

Canal-Randolph Anaheim, Inc., a wholly owned subsidiary of the Company, and BankAmerica Corporation, an affiliate of BankAmerica Company, as tenants-in-common, own the building and lease the underlying land under a ground lease from Bank of America National Trust and Savings Association ("Bank of America") for a term expiring in 2009, with renewal options which, if exercised, would extend the lease term to 2068. Each of the tenants-in-common holds an undivided 50% interest in the property. Each tenant-in-common has the right to initiate the sale of its interest to the other co-tenant,

or the purchase of such other co-tenant's interest, by notice from the initiating tenant-in-common setting the proposed purchase or sale price. The tenant-in-common so notified has the option to sell its entire interest to the initiating tenant-in-common or buy the entire interest of the initiating tenant-in-common at the price set in the notice. On February 10, 1984, Canal-Randolph Anaheim, Inc. initiated the purchase-sale procedure. See "Proposed Plan of Complete Liquidation and Dissolution—Real Estate Dispositions—Remaining Real Estate Dispositions".

The ground lease from Bank of America provides that the ground lessee's interest in the ground lease can be transferred upon the sale of the building on the condition that the buyer of the building assumes the ground lessee's obligations under the ground lease.

Prudential is the current holder of the first mortgage on the property, which mortgage had an outstanding principal balance as of December 31, 1983 of $3,615,826. The mortgage, which has a maturity date of December 15, 2002, includes a right to prepay subject to a prepayment premium in the current loan year of 2%, reduced by ½% per year for each of the next two years, and remaining at 1% thereafter. There is no "due-on-sale" provision contained in the mortgage. Pursuant to a Management Agreement with the tenancy-in-common, Canal-Randolph Anaheim, Inc. manages the property for a management fee equal to 6% of gross revenues.

Bank of America leases 48,142 square feet of space in the building under five separate leases. Four of the leases, covering about 9% of the total area rented by the tenant, will expire from April 1984 through January 1989. The remaining lease covering the rest of the area rented by the tenant will expire in May 2009. The aggregate annual rental for all of Bank of America's space is currently $373,048, plus escalation with respect to the four leases referred to above. Each of the leases to Bank of America provides the tenant with options to renew for substantial periods of time at the then prevailing market rental rates for similar space. The building's other tenants are primarily marketing, real estate and insurance firms. In the aggregate, these other tenants occupy approximately 49% of the building (approximately 54,954 square feet) under leases which provide for annual rentals of $665,252 and expire ratably from 1984 through 1987.

The annual real estate tax to be assessed against the premises for the tax year ending June 30, 1984 will be $57,933.

Vacant Land

In addition to its commercial operating properties, the Company, through subsidiaries, owns three other saleable or developable properties in New York, Illinois and California.

Stockbriar Farm, which consists of 2,300 acres in northern Dutchess County, New York, is owned by Stockbriar, Inc., a wholly owned subsidiary of the Company. The farm, which has a varied terrain of farmlands, wetlands, and woodlands, is the site of a large house with swimming pool and tennis court as well as a variety of outbuildings, some of which are habitable. The farm was purchased in 1968 and operated as a farm and cattle operation. It was contracted for sale in 1979 at a contract price of $2,100,000. On the stipulated closing date in March 1982, the purchaser did not have sufficient funds to complete the purchase and failed to close. Litigation was commenced by Stockbriar, Inc. to regain possession of the farm. In one action, the purchaser has asserted various counterclaims which, in essence, seek specific performance, compensatory damages for breach of contract, fraud, rents, improvements to Stockbriar Farm made by the purchaser, tortious interference with the purchaser's rights and libel. Management believes that the counterclaims are without merit. The trial of the action has been completed and decision is pending. The property is now being offered at a purchase price of $2.75 million. The Company might consider holding a purchase money mortgage for a period of up to one year in order to facilitate a sale of this property. Such sale could be delayed until the above-mentioned litigation has been resolved.

The Company, through a wholly owned subsidiary, owns approximately 24,300 square feet of land in Chicago, Illinois abutting N. West Water Street on the west, between Randolph and Lake Streets

and extending east to the Chicago River. The Company currently is negotiating to acquire certain additional related parcels and development rights.

The Company, through two of its wholly owned subsidiaries, is the fee owner of 28,043 square feet of land adjacent to the Barker Brothers Building. A 9,756 square foot portion of this property is improved with a two-story structure. Additionally, the Company controls, under a long-term sublease, another adjacent land parcel of 10,040 square feet improved by a one-story building. The letter of intent relating to the sale of the Barker Brothers Building also provides for the sale of these interests. See "Proposed Plan of Complete Liquidation and Dissolution—Real Estate Dispositions—Properties Under Letters of Intent or Contract for Sale".

Other Assets

In addition to its commercial office buildings and developable sites, the Company owns certain other assets relating to the 1982 sale of one of its real estate properties.

In October, 1982, Fordham Hill Properties ("FHP"), a subsidiary of the Company, sold its apartment and office building complex in the Bronx. In connection with the sale, the project was converted to cooperative ownership primarily through the efforts of an individual, whose purchase of a block of unsold shares (representing ownership of apartments not purchased by tenants) enabled the conversion to take place. FHP deposited $3,000,000 with Citibank, N.A. ("Citibank") to secure FHP's guaranty in such amount of a loan made by Citibank to such individual (the "Borrower") to enable him to buy the unsold shares on conversion. FHP is entitled to the return of $1,000,000 of its collateral (and a proportionate reduction of its guaranty) on April 1, 1984 if the loan to the Borrower is not then in default and if certain other conditions are met, and is entitled to the balance of its collateral (and cancellation of its guaranty) upon full repayment of the loan scheduled to occur September 30, 1985. However, Citibank took the position on November 30, 1983 that the loan is in arrears in the amount of $354,083.50, which is the amount of the first payment due on the loan in February 1983. The ability of the Company to obtain a release of all or any portion of the $3,000,000 is therefore in question. The Company has the right to acquire Citibank's loan position should the Borrower default. Additionally, the $3,000,000 so pledged was part of the sale proceeds, but was not recognized for accounting or income tax purposes due to the uncertainty of future performance by the Borrower. Upon release to the Company such proceeds would be subject to applicable taxes.

The other asset of FHP is a retained 20% net profits interest in the sales by the Borrower of the unsold shares. Since the bulk of the unsold shares represent ownership of apartments occupied by senior citizens and possibly handicapped non-buyers who are not evictable, the timing of the dispositions and the value of the shares currently is impossible to predict. The Company currently anticipates that it will not sell this interest, but will retain it and transfer it to the Liquidating Entity.

Headquarters Lease

The Company leases an aggregate of approximately 7,200 square feet at 277 Park Avenue, New York, New York which is the location of its principal executive offices. The lease and certain subleases for this space expire in April 1985. It is contemplated that the Company, United and the Liquidating Entity will have offices and personnel located there during the period following adoption of the Plan.

CANAL-RANDOLPH CORPORATION AND SUBSIDIARIES

SELECTED FINANCIAL DATA

(Thousands of Dollars, except per share data)

The following table summarizes certain selected financial data with respect to the Company and is qualified in its entirety by reference to the historical, consolidated financial statements of the Company and its subsidiaries included elsewhere herein. The financial information for the three months ended January 31, 1984 and January 31, 1983, in the opinion of management, reflects all adjustments (consisting only of normal accruals) considered necessary for a fair presentation of the results for interim periods. The results of operations for the interim periods are not necessarily indicative of the results of operations for the related fiscal years.

Operating Data

	Three months ended January 31,		Years ended October 31,				
	1984	1983	1983	1982	1981	1980	1979
	(unaudited)						
Revenues	$ 13,166	$ 12,091	$ 47,643	$ 48,769	$ 46,568	$ 40,136	$ 37,190
Net income	$ 943	$ 649	$ 1,805	$ 8,560	$ 2,014	$ 1,484	$ 1,285
Per share*	$ .61	$ .42	$ 1.17	$ 5.54	$ 1.30	$ .96	$ .83
Cash dividends	$ 247	$ 247	$ 990	$ 990	$ 990	$ 990	$ 990
Per share	$ .16	$ .16	$ .64	$ .64	$ .64	$ .64	$ .64
Property additions and improvements	$ 755	$ 1,031	$ 4,917	$ 5,948	$ 9,671	$ 5,596	$ 4,585

* Computed on weighted average number of shares outstanding during the period.

Balance Sheet Data

	January 31, 1984	October 31, 1983	1982	1981	1980	1979
	(unaudited)					
Current assets	$ 14,087	$ 14,017	$ 8,130	$ 9,145	$ 7,685	$ 6,675
Operating properties, net	68,749	68,995	68,004	65,935	59,492	57,015
Other assets	5,921	5,882	5,910	17,638	12,668	13,141
Total assets	$ 88,757	$ 88,894	$ 82,044	$ 92,718	$ 79,845	$ 76,831
Current liabilities	$ 8,424	$ 8,739	$ 8,823	$ 12,473	$ 17,095	$ 10,009
Long-term debt	48,968	49,527	43,199	57,849	41,925	48,239
Other	7,147	7,107	7,340	7,285	6,729	5,013
Stockholders' equity	24,218	23,521	22,682	15,111	14,096	13,570
Total liabilities and stockholders' equity	$ 88,757	$ 88,894	$ 82,044	$ 92,718	$ 79,845	$ 76,831
Common shares outstanding at period-end	1,546,555	1,546,480	1,545,605	1,545,605	1,545,605	1,545,605

CANAL-RANDOLPH CORPORATION AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Three Years Ended October 31, 1983

General

Canal-Randolph's net income increased in 1983 as compared with 1982 after excluding gains from the sale of properties. The real estate operations grew increasingly profitable while the stockyards experienced a 7% decline in operating profits. Compared to 1981, 1983 reflected a 62% improvement in real estate operations, but a 16% reduction in stockyard operating profits.

At the consolidated level, 1983 net earnings were well below those of 1982, and slightly lower than 1981. Net income for 1983 was $1,804,573 ($1.17 a share) compared with $8,560,352 ($5.54 a share) for 1982 and $2,014,461 ($1.30 a share) for 1981.

The major differences between the three years are expenses and income at the corporate level. These are detailed in the "Other Income (Expense)" section of the Company's consolidated statements of income which appear in the historical Consolidated Financial Statements of the Company appearing elsewhere herein.

In brief, 1982 was an exceptional year primarily because two properties were sold which provided the Company with a pre-tax capital gain of $10,096,228. These gains represented 80%, or $4.45 a share, of 1982's net income, and normal operations represented $1.09 per share.

By comparison, during 1983 there were no capital gains, but the Company incurred $2,430,000, or $0.84 per share net, of non-recurring legal fees and other costs incident to the 1983 proxy contest. Offsetting those unusual proxy costs was a $1.5 million reduction in interest costs ($0.50 a share net), which was primarily the result of the 1982 sale of a New York City apartment complex and a reduction in corporate borrowings. Accordingly, comparisons between 1983 and 1982 become complex because of these non-comparable elements.

Contrasting 1983 with 1981 is more straightforward. Neither year had capital gains of any consequence. Net interest expense was very similar at $4.2 million in 1983 vs. $3.8 million in 1981, and the sum of net interest costs and corporate general and administrative expenses in 1983 was virtually identical with those of 1981. A comparison between the net incomes of 1983 and 1981 shows that the principal difference was that 1983 included the proxy contest costs which 1981 did not.

Real Estate

While 1983 revenues decreased 4.9%, operating profits increased 4.6% over 1982 and 62.1% over 1981. Revenues decreased $1.05 million in 1983 principally because there were seven income producing properties that year compared to eight in 1982, as an apartment complex in New York City which contributed $4.9 million in revenues in 1982, was sold October 1, 1982. A comparison of the seven remaining buildings on a year-to-year basis shows that average revenues per building were 20.6% higher in 1983.

Operating earnings for 1983 were higher than those of 1982 due to higher lease rates and a higher aggregate occupancy which was 95% of total available office space compared to 92% in 1982.

1983 real estate revenues were 10.5% above those of 1981 even though the 1983 portfolio contained one less property. The revenue differences between the two years reflect a 4% increase in aggregate occupancy and higher per foot lease rates. In 1981, a number of tenants were paying lower than market rates on leases executed in earlier years. As the leases expired, tenants renewed leases at higher rates or new tenants took occupancy at market rates.

Occupancy gains over the past two years have been the result of aggressive leasing efforts and the Company's refurbishing of its properties. Income was higher because the Company now has more aggregate square feet under lease at higher rates than in previous years.

Real estate operating expenses were lower in 1983 than in either 1982 or 1981 principally because the Company owned and operated one less property. The relationship of expenses to revenue showed a steady improvement from 1981 to 1983, moving progressively downward from 83.4% in 1981 to 75% in 1982 and then to 72.5% in 1983.

This relationship reflects an essential nature of real estate properties, in that once the significant fixed costs such as mortgage interest, depreciation, insurance and taxes are covered, the incremental costs to service additional tenants is modest compared to the rental income provided. This is what has occurred as the aggregate occupancy at the Company's properties has increased over the past several years.

Stockyards

Although still quite profitable, income from stockyards operations has declined in each of the past two years from $5.6 million in 1981 to $4.7 by 1983, a shortfall of $866 thousand. The decline is closely related to an $841 thousand reduction in revenues. Revenues are dependent on a variety of sources, but the critical element is the number of animals brought to United's facilities.

That number declined from 13,600,000 head in 1981 to 12,500,000 head in 1982 to 10,900,000 head in 1983. Revenues are also influenced by the mix of species (cattle, hogs, sheep), with cattle generating the highest fees and sheep the lowest.

Volume is dependent basically on two factors: the number of animals produced in areas reasonably near United's stockyards, and the degree to which a producer is convinced he will get a better price for his livestock at a United stockyard facility than he will by negotiating directly with a meat packer or by selling through a competing, but usually smaller, auction market.

United has no influence on the number of livestock a farmer chooses to raise. These decisions are conditioned by economic forces and weather conditions, which have not been favorable during the past two years, and constitute the principal reason for the downturn in livestock volume.

However, United, which estimates that it handles less than 10% of all livestock marketed in the United States, believes it has an opportunity to increase its market share through advertising, public relations and the refurbishing of its facilities. It has embarked on an increased advertising campaign aimed at producers and buyers, and has invested over $1.7 million in the past two years upgrading its facilities to provide more efficient, clean and secure facilities for its customers' livestock, factors which management believes are important to the producer when he chooses a market for the sale of his livestock.

In general, management has been successful in controlling expenses, and the decline in revenues has generally been accompanied by a reduction in controllable operating and maintenance costs.

In addition to United's basic stockyard operation, it has for many years been engaged in other related agri-business ventures and development of land not needed for stockyard operations. Such projects include the proposed lease of excess land in Fort Worth, land fill projects at the South St. Paul stockyard and a hog feeding venture in Sioux Falls. Management believes that some of these ventures may make a contribution to income in future years.

Capital Resources

The financial condition of the Company at October 31, 1983 was the strongest in its history. Cash and marketable securities of nearly $7 million were more than four times greater than the prior year. Further, the Company had unused lines of credit of $6.5 million and $6.0 million as of October 31, 1983 and 1982.

Inflation

The effect of inflation is more noticeable at the stockyards on a day to day basis and on the real estate properties over the long term. Real estate market values generally increase with inflation over the long term, and short-term effects are now largely offset with escalation provisions written into all

new leases which provide for automatic increases in lease payments corresponding with increases in operating costs and real estate taxes. The stockyards do not have a similar contractual right to pass along increases in operating costs to their customers. To reduce the effect of inflation, they can either attempt to cut costs, principally by reducing labor costs through matching work force schedules with operating volume, or increase their service charges.

Three Months Ended January 31, 1984 and January 31, 1983

General

Canal-Randolph's net income for the three months ended January 31, 1984, was $943,000 or $.61 per share, as compared to $649,000 or $.42 per share for the corresponding period of fiscal 1983. This increase came largely from the Company's real estate operations.

Consolidated revenues for the first quarter of 1984 increased $1,075,000 or 9% to $13,166,000, as compared to $12,091,000 during 1983. Consolidated operating expenses increased $807,000 to $10,092,000 for the first quarter of 1984, as compared to $9,285,000 during 1983.

Real Estate

Real estate revenues for the three months ended January 31, 1984, advanced $666,000 to $5,328,000, or 14% over the corresponding period of fiscal 1983. Real estate operating expenses increased $437,000 to $3,658,000, or 15% over fiscal 1983. The resulting 16% net increase in real estate profitability reflects increased occupancy at certain locations, and higher per square foot rates on new or renegotiated leases at each of the Company's seven properties.

Stockyards

Stockyards revenues increased $408,000 for the three months ended January 31, 1984 to $7,838,000, or 6% over the corresponding period of fiscal 1983. Stockyards operating expenses similarly increased $369,000 to $6,434,000, or 6% over fiscal 1983. The 3% net increase in stockyards operations is reflective of income from the lease of the Company's Fort Worth facility which commenced in July, 1983 offset by volume declines at several stockyards.

Capital Resources

The financial condition of the Company continued to be strong at January 31, 1984. The ratio of debt to equity remained at approximatly 2:1, and current assets increased to exceed current liabilities by a ratio of 1.7:1. Further, the Company had $6,000,000 in short-term investments, as well as substantial lines of bank credit available.

UNITED STOCKYARDS CORPORATION

Business

General

United, a Delaware corporation, is a wholly owned subsidiary of the Company which, directly and through its wholly owned subsidiaries, owns, and operates or leases, 11 central public stockyards in the United States. United's principal revenues are derived from a per head charge ("yardage charge") imposed on all livestock using the eight stockyard facilities owned and operated by it, and from the lease of three stockyards it owns and leases to third parties, land owned by United adjacent to certain of the stockyards and leased to meat packing plants, and certain property owned by United located in Fort Worth and leased to a third party for commercial development. See "Operations". In addition, revenues are derived from feed sales, other leases and related services provided by the stockyards.

United was formed in May 1936 to invest in central public stockyards. Its creation and initial acquisitions resulted from the opportunity afforded by Federal antitrust consent decrees which required, among other things, that major meat packaging firms divest their interests in stockyards. During 1936 and 1937 United acquired majority interests in 11 stockyards from Swift & Company and Armour and Company and commenced operations. By 1964 the Company had acquired the remaining minority interests in eight (and had sold its interest in three) of those stockyards and by 1976 had acquired additional stockyards in St. Joseph, Missouri, Indianapolis, Indiana and Omaha, Nebraska.

United's principal executive offices currently are located at 165 North Canal Street, Chicago, Illinois 60606, and its telephone number is (312) 263-1010. Following the United Distribution Date, United's principal executive offices will be located at 277 Park Avenue, New York, New York 10017.

Operations

The following table sets forth, with respect to each stockyard, its location and the year in which a majority interest in such stockyard was acquired.

Stockyard	Location	Year Acquired
Stockton Union Stockyards*	Stockton, California	1936
Sioux City Stockyards	Sioux City, Iowa	1937
Indianapolis Stockyards Corporation	Indianapolis, Indiana	1968
Saint Paul Union Stockyards	South St. Paul, Minnesota	1937
Saint Joseph Stockyards	St. Joseph, Missouri	1942
Omaha Livestock Market, Inc.	Omaha, Nebraska	1976
Union Stockyard Company of Fargo	West Fargo, North Dakota	1937
Portland Union Stockyards*	Portland, Oregon	1936
Sioux Falls Stock Yards Company	Sioux Falls, South Dakota	1937
Fort Worth Stockyards*	Fort Worth, Texas	1937
Milwaukee Stockyards	Milwaukee, Wisconsin	1936

* Each of these three stockyards is owned by United and leased to a third party which operates the stockyard. The lessee of the Stockton stockyard is a corporation, 50% of which is owned by United and 50% of which is owned by an employee of United. The lessees of the Portland and Fort Worth stockyards are unaffiliated third parties. See "Leased Stockyards".

Stockyards Operated by United. The eight stockyards operated by United provide a service to the buyers and sellers of livestock by furnishing the services, facilities and personnel required to operate an independent market for the sale of livestock. The stockyard services and facilities include veterinary

facilities, auction arenas, auctioneers, weighmasters and scales, feed and personnel to safeguard livestock while it is on the stockyard premises. The livestock handled by the stockyards includes cattle, hogs, and to a lesser degree, sheep. Cattle and hogs may come through stockyard facilities at two different stages: as feeder livestock or slaughter livestock. Feeder livestock are livestock which are not yet ready for slaughter and which are sold on behalf of the livestock producer for concentrated feeding prior to slaughter.

Livestock generally is delivered to the stockyards by the seller and accepted by stockyard employees for delivery to the pens at the stockyards assigned to the independent market agency ("market agency") to which the livestock has been consigned for sale on behalf of the seller. Generally, the stockyard mandates whether the livestock is to be sold by private sale ("private treaty") or by auction. If the method of sale is not mandated by the stockyard, the market agency generally chooses the method of sale on behalf of the seller. The private treaty method of sale requires almost no involvement by the stockyard other than the weighing and handling of the livestock. Auctions, on the other hand, principally are operated by stockyard personnel and the stockyard receives an additional charge for livestock sold by auction. After livestock is sold and weighed, it is moved by stockyard employees to pens assigned to the buyer. The livestock generally is removed from the stockyard by the buyer on the day it is sold.

Market agencies receive a commission from the seller for the sale of livestock on a per head basis and operate at the stockyards subject to regulation under the Packers and Stockyards Act of 1921 (the "Stockyards Act") and the availability of pen space at the stockyard. See "Regulation". The number of market agencies at the stockyards ranges from six at Indianapolis and Milwaukee to 26 at Omaha.

The seller is responsible for all stockyard charges, including yardage charges, incurred in connection with the receipt, handling and sale of the livestock. Payment to the stockyard typically is made, however, on the sellers behalf by the market agency to which the livestock is consigned for sale. On the day on which sale occurs, the market agency prepares an account of sale for the seller from which stockyard charges, including yardage charges and other additional fees, the market agency's commission and any fees required to be paid to the state, are deducted, makes payment to the seller, and on the next succeeding day makes payment to the stockyard on behalf of the seller.

The stockyards' principal source of revenues is the yardage charges which are assessed for the receiving, handling and general care of the livestock on a per head basis and vary depending upon the type of animal, the extent of handling services provided by the stockyard and local competition. Revenues derived from yardage charges are not directly dependent on the fluctuating market price of livestock but rather are dependent upon the volume of livestock handled by the stockyard. However, the stockyards have little control over the volume of livestock handled and are dependent upon the market agencies which operate at, but are independent of, the stockyard to solicit business for the stockyards and on general conditions affecting livestock production for market. The stockyards must rely on the market agencies since the market agency generally has the first contact with the seller, enters into an agreement with the seller for the sale of the livestock, and is the entity on which the seller must rely for the profitable sale of its livestock. In recent years there has been a decline in the number of market agencies and market agency personnel operating at the stockyards and their ability to compete effectively with other marketing methods, such as direct buying from producers by meat packers. See "Competition". United has tried to offset the adverse effects of this decline and its dependence on market agencies in various ways, including increasing its own use of public relations and advertising on behalf of the stockyards, providing additional services at the stockyards to attract sellers and buyers, increasing the use of auction markets which require less involvement by market agencies and frequently provide a more competitive market, helping market agencies attract new personnel to the industry, providing incentives to market agencies for increased business and, at certain stockyards, requiring market agencies to guarantee the payment of minimum annual aggregate yardage charges to the stockyard.

Livestock production is dependent on a number of factors, including the period of time required to raise livestock for market, the cost of feed, interest rates and the prevailing and anticipated market prices for livestock. The stockyards generally receive the greatest number of head of livestock during periods in which these factors are adversely affecting producers because the producers are forced to liquidate their inventory of livestock. During such periods, however, producers are reducing livestock production and therefore such periods generally are followed by a period of decreased volume at the stockyards. Generally, the number of head of livestock handled by the stockyards is higher, and therefore revenues are greater, during the first and fourth quarters of each fiscal year due to the time period required to raise livestock for market and the fact that cattle producers generally sell feeder cattle prior to the onset of winter.

The stockyards also receive revenues, in addition to basic yardage charges, from feed sales, charges for other stockyard services, the lease of office space in the stockyard office buildings, the lease of land to packing plants and other business and certain yardage charges paid by meat packing plants located at, or adjacent to, the stockyards. Also, see "Lease Agreement with Barnett".

The stockyards sell feed at a fixed charge above their cost and, accordingly, the profits therefrom are unaffected by price fluctuations for feed, which are passed along to the user. Other fees are levied for services provided, such as the use of auction facilities, veterinary facilities, and the providing of health care to livestock which in some cases may be mandated by state livestock authorities. All stockyard charges are subject to regulation under the Stockyards Act, and all changes in such rates must be filed with the Department of Agriculture. See "Regulation".

At six of the stockyards United receives a yardage charge from meat packers ("direct yardage charge") who use stockyard pens for the receiving and storing of livestock not purchased at the stockyard prior to slaughter. At the South St. Paul, Sioux City and Fargo stockyards, these direct yardage charges are a part of the rental payments made to United for the lease of the land on which the packing plants are located. However, the leases provide that the lessee must pay a direct yardage charge on all livestock passing through the processing plant regardless of whether the animal actually uses the stockyard's pens. The loss of revenues derived from direct yardage charges at South St. Paul or Sioux City could have a material adverse effect on United. Direct yardage charges accounted for approximately 14% and 20% of the total yardage charges at South St. Paul and Sioux City, respectively, and aggregated more than 4% of United's gross revenues for the fiscal year ended October 31, 1983, and are believed to account for a substantially larger percentage of United's net income. In addition, the two packing plants at Sioux City, although owned by two separate parties, have the same single customer for their products. If this customer should cease to do business neither packing plant would have a market for its products. However, management believes that if United lost the direct yardage charges from any of these packing plants, such loss could be offset, in part, by increased yardage charges.

Leased Stockyards. Each of the stockyards at Stockton, California, Portland, Oregon and Fort Worth, Texas are leased by United to third parties. The lessees at Stockton and Portland, and the sublessee at Fort Worth, are market agencies and, in Portland and Fort Worth, are the only market agencies operating at such stockyards. Unlike the per head yardage charge imposed by the stockyards operated by United as described above, sellers of livestock at each of the leased stockyards pay a unitary charge combining the yardage charge and market agency commission, and at Stockton and Portland that charge is equal to a fixed percentage of the proceeds received for the sale of livestock.

The Stockton stockyard is leased to Stockton Livestock Market, Inc. ("Stockton Livestock"), which is 50% owned by United and 50% owned by an employee of United. The lease covers the stockyard proper, the office building and all adjacent land owned by United and expires in 1988 with two five year renewal options. The lease provides for a fixed rental of $7,500 per annum plus 85% of Stockton Livestock's net income before income taxes.

At Portland, the lease covers only the stockyard proper and United maintains, operates and leases the office buildings and other non-stockyard property located there. United, pursuant to the Portland

lease, receives as rent a percentage of the total gross revenues derived from stockyard operations with a guaranteed minimum of $73,200 per annum, plus an additional $5,000 per annum. The lease extends until terminated at any time by either party upon 60 days' notice, or, if United desires to sell the property, upon one year's notice.

As of July 1, 1983, United leased the Fort Worth Stockyard together with its other property in Fort Worth to a corporation owned by a Fort Worth businessman. Pursuant to such lease, the lessee has assumed United's obligations and rights as lessor under the existing lease with the operator of the Fort Worth Stockyard. See "Lease Agreement with Barnett" below.

Lease Agreement with Barnett. On March 1, 1984, United and a wholly owned subsidiary (herein, together, "United") entered into an agreement effective July 1, 1983 with a corporation controlled by Billy-Bob Barnett, a Fort Worth businessman, (the "Barnett Corporation"), pursuant to which United leases (with an option to purchase) to the Barnett Corporation all of the property owned by United in Fort Worth (including the Fort Worth Stockyard). The Barnett Corporation will assume United's rights and obligations under the existing lease with the stockyard operator and intends to develop the remaining property as an Old West entertainment and tourist attraction. The lease expires on the earlier of February 28, 2039 or the date on which the Barnett Corporation exercises its purchase option. The annual rental for the first year is $387,945 and increases yearly to $3,000,000 in the last year of the lease term. United will receive additional rent if during the term of the lease the property is used for certain specified purposes. The purchase option is not exercisable unilaterally by the Barnett Corporation until July 1, 1993, at which time the purchase price would be $8,888,889 escalating to $33,333,333 at the end of the lease term. If permitted by United to exercise the purchase option in 1984, the purchase price would be $4,444,444. In accordance with the terms of a supplemental agreement, United has granted to the Barnett Corporation a right to cancel the lease as of July 31, 1984 upon notice given any time on or prior to such date. If the Barnett Corporation should exercise its right to cancel the lease, United is entitled to retain all rents and deposits paid and to receive certain other amounts which in the aggregate would total $818,000. In addition, the Barnett Corporation has the right to cancel the lease if United has not obtained the consent to the lease of a company holding a mortgage on a portion of the leased premises prior to May 31, 1984. If United is unable to obtain such consent and the Barnett Corporation cancels the lease, United is entitled to retain all rents received but must refund to the Barnett Corporation a $75,000 deposit previously paid.

Properties

The physical properties of all the stockyards are similar and consist of developed and undeveloped land, paved cattle pens and alleys, auction facilities, truck and rail loading docks and chutes, hog and sheep barns, water wells, water and sewer systems, dipping and vaccinating facilities, office buildings and other related facilities. The following table sets forth certain information with respect to United's properties at October 31, 1983.

		Acreage			
Stockyard	Site	Stockyard Operations	Leased to Third Parties(2)	Undeveloped	Ownership(3)
St. Joseph, Missouri	220	78	3	139	Fee
West Fargo, North Dakota	210	102	10	98	Fee
South St. Paul, Minnesota	157	81	22	54	Fee
Sioux City, Iowa	145	49	79	17	(4)
Omaha, Nebraska	124	76	38	10	Fee
Fort Worth, Texas	80	17(1)	63	—	Fee
Sioux Falls, South Dakota	49	33	16	—	Fee
Portland, Oregon	48	16(1)	15	17	Fee
Stockton, California	24	24(1)	—	—	Fee
Indianapolis, Indiana	16	16	—	—	(5)
Milwaukee, Wisconsin	13	13	—	—	(6)

Footnotes on Following Page

(1) Stockyard is leased by United to a third party.

(2) Property (other than stockyard proper) leased to third parties for businesses other than stockyard operations.

(3) For information with respect to mortgages and the pledge of subsidiary stock, see Note 2 to United Stockyards Corporation and Subsidiaries Consolidated Financial Statements.

(4) 75 acres of the total site were conveyed to the City of Sioux City, Iowa in 1972 to secure $3.5 million in Po... ...tion Control Revenue Bonds. The Company has leased the 75 acres from the City for a period of 20 years at rentals adequate to repay the bond indebtedness, at which time the 75 acres, as well as improvements thereto, revert to the Company. The Company's leasehold interest in the property secures the Company's rental obligations.

(5) Land is leased through 1998 with renewal and purchase options.

(6) Land and some improvements are leased through 1986 with a five-year renewal option.

United leases approximately 1,588 square feet of office space in Chicago, Illinois from the Company as United's headquarters at an annual rent of $11,116 plus a proportionate share of operating costs and real estate taxes. The lease expires in 1988.

Competition

Although United is the large..t owner and operator of central public stockyards and handles nearly one-third of the livestock marketed through central public stockyards in the United States, central public stockyards handle less than 25% of all livestock marketed in the United States. United competes primarily with meat packers which buy directly from the producers of livestock. The trend in favor of direct sales to meat packers has increased in recent years as the meat packing plants have moved from the stockyards to the areas in which livestock is produced and as smaller family farms have been replaced by larger farms which are more accessible to the meat packers. A primary factor in United's ability to offset the loss of slaughter livestock to direct buying by meat packers has been the development of the feeder livestock market in which meat packers do not compete. In addition, United competes locally with other central public stockyards and small country auction markets.

United competes primarily based on its ability to provide an independent market in which sellers may obtain better prices due to the large number of competing buyers, the independence of the auctioneers and weighmasters and the selling expertise of the market agencies operating at the stockyards. United also competes on the basis of convenience and service, such as providing facilities for health care and the receipt and handling of livestock 24 hours a day, seven days a week.

Regulation

United's stockyard operations are subject to regulation by various federal and state agricultural and environmental authorities.

United and each of its stockyard subsidiaries are regulated under the Stockyards Act with respect to each stockyard they operate. Pursuant to the Stockyards Act, the Secretary of Agriculture has broad authority to prescribe rates and charges and to regulate trade practices in the marketing of livestock. The Department of Agriculture takes an active role in regulating trade practices at the stockyards and, in the past, has limited the rate of return that stockyards could receive for their services. Pursuant to regulations recently promulgated by the Department of Agriculture, however, the Department's current policy is to accept any stockyard charges proposed by a stockyard absent objection from stockyard users that such rates are unfair, unreasonable or discriminatory after due notice to such users. There is no assurance, however, that in the future the Department of Agriculture will not reinstate its policy of restricting stockyard charges.

United's operations are subject to a variety of environmental regulations, including principally those related to water quality. All stockyards operated by United are believed to be in compliance with applicable environmental requirements.

Each of the stockyards also is subject to regulation in varying degrees by state livestock and environmental authorities.

Employees

At October 31, 1983 United and its subsidiaries had approximately 501 employees. Approximately 341 such employees are covered by eight collective bargaining agreements with locals of the United Food and Commercial Workers International Union at the stockyards it operates. These agreements generally run for a term of three years and have varying expiration dates. One of these agreements will expire in 1986 and three will expire in 1987. The remaining agreements, which expire in 1984, currently are being negotiated with the union. United considers its relations with employees good.

It is anticipated that a substantial number of the Company's approximately 24 current employees will become employees of United following the United Distribution Date.

Management

Directors and Officers. The table below sets forth the names of United's directors and executive officers, each of whom was elected prior to the date of this proxy statement and holds office until the date of the next annual meeting of stockholders and until his successor is elected or qualified:

Name	Age	Title	First became Executive Officer and/or Director	Principal Occupation During the Past 5 Years
Raymond French	63	Chairman of the Board, President	1962	(1)
Asher B. Edelman	44	Vice Chairman of the Board	1984	(1)
Robert W. Hunt	60	Director, Executive Vice President and Secretary	1955	(1)
Burton Lehman	43	Director	1984	(1)
Clark Mandigo	40	Director	1984	President and Director since June 1983 of Energy Reserves Group, which explores for and produces oil and natural gas, and served in various executive capacities for such company for more than five years prior thereto
Dwight D. Sutherland	61	Director	1984	Partner and Chief Executive Officer for more than the past five years of Sutherland Lumber Co., a retail lumber chain. He is a director of First National Charter Corp., Employers Reinsurance Corp., and National Fidelity Life Insurance Company(2)
Charles P. Stevenson, Jr.	37	Director	1984	(1)
Jocelin Harris	38	Director	1984	(1)
David W. Bent	48	Vice President	1982	Director of Sales and Development for Simone Corporation, a developer of medical office buildings from May 1977 to March 1981 and Vice President of the Company since March 1981 and of United since 1982

Name	Age	Title	First became Executive Officer and/or Director	Principal Occupation During the Past 5 Years
Charles E. Liggio	43	Vice President and Treasurer	1980	Executive Vice President of JHI, Inc., a supplier of building materials, from 1976 to 1979 and Vice President and Treasurer of the Company since 1979 and of United since 1980
Lukas P. Georgiadis	35	Vice President	1984	Assistant Vice President of the Company from 1978 to 1981 and Vice President of the Company since 1981
Martin Nystrom	40	Vice President	1984	Assistant Vice President of the Company from 1978 to 1981 and Vice President of the Company since 1981
Eve Thomson	46	Vice President and Assistant Secretary	1984	Served the Company in various capacities since 1976 and United since 1980 and became a Vice President of the Company in 1983 and of United in 1984

(1) See "Election of Directors—Information Concerning Directors, Nominees and Share Ownership".

(2) Sutherland Home Improvement Company, Inc., the capital stock of which is owned by Mr. Sutherland's brother and brother's family, leases approximately 35,000 square feet of vacant land from a subsidiary of United at a current rental of $6,300 per year. Effective May 1, 1984 the rent will increase to $9,450 per year for the next five years. The lease also provides for two renewal terms of five years each at the tenant's option and at an increased rental determined by reference to the consumer price index.

United has three standing committees of the Board. Set forth below is a description of the functions of those committees and the members of the Board serving on such committees.

Audit Committee. The functions of the Audit Committee include review of the results of the audit of United's financial statements by the independent accountants, and the review, monitoring and approval of the auditing services and fees. The members of the Audit Committee are Messrs. Stevenson (Chairman) and Lehman.

Compensation Committee. The Compensation Committee approves the salaries and bonuses of all officers of United and will administer any stock-related incentive compensation plans. The members of the Compensation Committee are Messrs. Edelman (Chairman), French and Stevenson.

Executive Committee. The Executive Committee may exercise all the authority of the Board of Directors of United in the management of the business and affairs of United, except for matters related to the composition of the Board, changes in the By-laws and certain other significant corporate matters. The members of the Executive Committee are Messrs. Edelman (Chairman), French and Stevenson.

Directors Compensation

Directors who are not officers of United receive an annual retainer of $10,000 and a $500 fee for each meeting of the Board of Directors and each Committee meeting not held in conjunction with a Board meeting. Directors will be reimbursed for expenses incurred in attending Board and Committee meetings, including those for travel, food and lodging.

Executive Compensation

The following table sets forth all information concerning cash compensation (which is the same compensation described under "Executive Compensation" from the Company) attributable to (i) each of the four most highly compensated executive officers of United whose aggregate cash compensation for services in all capacities to the Company and United during fiscal 1983 exceeded $60,000 and (ii) all executive officers of United as a group for services in all capacities to the Company and United:

Name of Individual or Number of Persons in Group	Capacities in which served United*	Cash compensation
Raymond French	President	$198,750
Robert W. Hunt	Executive Vice President and Secretary	$ 87,500
David W. Bent	Vice President	$ 81,208
Charles E. Liggio	Vice President and Treasurer	$ 72,917
All executive officers as a group (4 persons)		$440,375

* For a description of the capacities in which such persons served the Company in fiscal 1983, see "Executive Compensation".

Subsequent to the United Distribution Date, Raymond French, Chairman and President of United, will receive an annual salary of $250,000 and Asher B. Edelman, Vice Chairman of the Board, will receive an annual salary of $150,000.

Employee Benefit Plans

United Stockyards Retirement Plan. The United Stockyards Corporation Retirement Plan (the "Retirement Plan") provides benefits to eligible employees, including officers of United (other than officers of United participating in the Company's pension plan) and its subsidiaries. Directors who are not employees are not eligible to participate in the Retirement Plan. The Retirement Plan is administered by United and all United contributions under the Retirement Plan are deposited with an insurance company and invested in a group annuity contract.

Employees generally are eligible to participate on the first day of the first month following the completion of one year of service and the attainment of age 25. Participants become fully vested after 15 years of service (25% after five years, plus 5% for each of the next five years and 10% per year thereafter until 15 years of service) or upon attaining age 65.

A participant accrues monthly benefits under the Retirement Plan on the basis of 35% of the participant's average salary for the last preceding ten years of employment, reduced proportionately if the participant has less than 20 years of service. The monthly retirement benefit is not reduced by social security benefits. Participants may retire and begin to receive benefits on an early retirement date after attaining age 55 and completing 20 years of service. The Retirement Plan also provides disability benefits and a death benefit for a participant's spouse.

Upon approval of the Plan, employees of the Company who become employees of United and certain persons employed by both the Company and United will become entitled to participate in the Retirement Plan. The Retirement Plan will be amended so that participants will be credited for years of service and earnings with the Company. See "Proposed Plan of Complete and Liquidation and Dissolution—Effect on the Company's Stock Option Plan and Pension Plan".

The following table sets forth estimated annual benefits payable upon normal retirement at age 65 to persons in specified compensation and years of credited service classifications. The amounts shown in the table assume that the employee does not elect a joint and survivor annuity (which would on an actuarial basis reduce benefits to the employee but provide benefits to a surviving beneficiary). ERISA limitations on the maximum amount payable under a defined benefit plan may reduce the benefits otherwise accruing to particular employees under the Retirement Plan.

Average Annual Salary in Last 10 Years	Estimated Annual Pension Based on Years of Credited Service at Age 65*		
	10 years	15 years	20 years and thereafter
$20,000	$ 2,800	$ 4,200	$ 7,000
40,000	5,600	8,400	14,000
60,000	8,400	12,600	21,000
75,000	10,500	15,750	26,250

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* The amounts set forth generally apply to participants who were employed on October 31, 1975. As a result of revisions to the Retirement Plan in 1975, participants employed after October 31, 1975 who have less than 25 years of service will be entitled to slightly reduced benefits.

Mr. Hunt has 30 years of credited service and his current average annual salary for the highest ten years is $61,400. The other executive officers of United during fiscal 1983 were not participants in the Retirement Plan, but were participants in a pension plan maintained by the Company. See "Executive Compensation".

Options. United does not maintain any stock option plans. However, certain executive officers of United have received, or are eligible to receive, options under plans maintained by the Company. See "Executive Compensation".

Description of Capital Stock

The authorized capital stock of United consist of 10,000,000 shares of Common Stock, par value $.01 per share ("United Common Stock"), and 5,000,000 shares of Preferred Stock, par value $.01 per share ("United Preferred Stock"), issuable in series. United's Board of Directors is authorized to approve the issuance of one or more series of United Preferred Stock without further authorization of United stockholders (except as may be required under applicable stock exchange requirements), and to fix the number of shares, the designations, the relative rights and the limitations of any such series. Immediately after the United Distribution Date there will be no United Preferred Stock outstanding. The only outstanding capital stock initially will be shares of United Common Stock, of which three shares will be issued for each share of the Company's Common Stock outstanding. Based on the number of shares of the Company's Common Stock outstanding on February 24, 1984, there will be 4,639,665 shares of United Common Stock outstanding immediately after the United Distribution Date, and no such shares reserved for issuance.

The holders of United Common Stock will be entitled to receive dividends when and as declared by the Board of Directors of United out of funds legally available therefor, provided that if any of United's Preferred Stock is outstanding at the time, the payment of dividends on United Common Stock or other distributions (including purchases of United Common Stock) may be subject to the declaration and payment of full cumulative dividends, and the absence of arrearages in any mandatory sinking fund, on outstanding shares of United Preferred Stock. See "Dividends".

The holders of United Common Stock will be entitled to one vote for each share on all matters voted on by stockholders, including election of directors (unlike the Company which has cumulative voting for Directors). The absence of cumulative voting wil' .able the holders of a majority of the United Common Stock, voting at a stockholders' meeting at which a quorum is present, to elect the entire slate of directors. Certain of the Company's directors have objected to the lack of cumulative voting at United, and have indicated that they may make a proposal at a later date to United's stockholders regarding cumulative voting.

The holders of United Common Stock will not have any conversion, redemption or preemptive rights. In the event of the dissolution, liquidation or winding up of United, holders of United Common Stock would be entitled to share ratably in any assets remaining after the satisfaction in full of the

prior rights of creditors, including holders of United indebtedness, and the aggregate liquidation preference of any United Preferred Stock then outstanding.

The shares of United Common Stock are expected to be listed on the AMEX prior to the United Distribution Date, although there can be no assurance to such effect. Morgan Guaranty Trust Company, 30 West Broadway, New York, New York 10015, will be the transfer agent and registrar for United Common Stock.

Beneficial Ownership of Management and Principal Stockholders

As of the United Distribution Date, there will be issued to stockholders of the Company three shares of United Common Stock for each share of the Company's Common Stock held on the record date with respect thereto. Directors (or nominees) and officers of the Company who are also directors and officers of United and the principal stockholders of the Company will each hold the same pro rata percentage of United Common Stock as the Company's Common Stock and three times as many shares. See "Election of Directors—Information Concerning Directors, Nominees and Share Ownership" and "Certain Beneficial Owners" for a description of the share ownership by such persons of the Company as of March 1, 1984. Clark Mandigo and Dwight D. Sutherland, directors of United, did not beneficially own any shares of the Common Stock of the Company as of such date. All directors and officers of United (13 persons) beneficially owned 483,494 shares (approximately 31%) of the Common Stock of the Company as of March 1, 1984.

Diversification of Business

The Board of Directors of United anticipates that, in addition to its stockyard operations, United may, in the future, engage in real estate acquisition, development and management, various forms of arbitrage and other financial transactions.

Dividends

United currently intends to retain earnings to finance the operation and expansion of United's business. However, United intends to review this policy from time to time and will consider United's earnings, financial condition and other factors relevant to future dividends. Among other restrictions under its principal mortgage loan agreements, United must maintain tangible net worth, as defined, of at least $6,000,000, and is subject to further restrictions on the payment of dividends if net income available for the payment of fixed charges (as computed under such agreements) for the preceding fiscal year was less than 250% of the fixed charges (as so computed) for such year. As net income available for the payment of fixed charges was 207% of fixed charges for fiscal 1983, United is prohibited from paying dividends in fiscal 1984. However, this deficiency resulted from increased management fees charged by the Company as a result of non-recurring proxy expenses incurred in 1983.

UNITED STOCKYARDS CORPORATION AND SUBSIDIARIES

SELECTED FINANCIAL DATA

(Thousands of Dollars, except per share data)

The following table summarizes certain selected financial data with respect to United and its subsidiaries and is qualified in its entirety by reference to the historical Consolidated Financial Statements of United and its subsidiaries included elsewhere herein. The financial information for the three months ended January 31, 1984 and January 31, 1983, in the opinion of management, reflects all adjustments (consisting only of normal accruals) considered necessary for a fair presentation of the results for interim periods. The results of operations for the interim periods are not necessarily indicative of the results of operations for the related fiscal years.

Operating Data

	Three Months ended January 31,		Years ended October 31,				
	1984	1983	1983	1982	1981	1980	1979
	(unaudited)						
Revenues	$ 7,838	$ 7,430	$27,382	$27,453	$28,223	$25,328	$24,302
Operating Income	$ 1,404	$ 1,365	$ 4,716	$ 5,086	$ 5,582	$ 4,866	$ 4,539
Net Income	$ 354	$ 230	$ 609	$ 1,313	$ 2,311	$ 2,879	$ 2,717
Per Share*	$ .54	$ .35	$ .92	$ 1.99	$ 3.50	$ 4.35	$ 4.11
Cash Dividends to Parent	—	—	$ 727	$ 727	$ 727	$ 727	$ 727
Per Share*	—	—	$ 1.10	$ 1.10	$ 1.10	$ 1.10	$ 1.10
Property Additions and Improvements	$ 123	$ 107	$ 733	$ 1,060	$ 817	$ 1,163	$ 823

* Computed on the basis of 661,117 shares outstanding during all periods.

Balance Sheet Data

	January 31, 1984	October 31, 1983	1982	1981	1980	1979
	(unaudited)					
Current assets	$ 2,657	$ 2,215	$ 2,022	$ 2,279	$ 2,812	$ 3,123
Operating properties, net	21,140	21,317	21,857	22,077	22,461	22,540
Other assets	1,748	1,535	1,826	1,602	29,125	27,969
Total assets	$25,545	$25,067	$25,705	$25,958	$54,398	$53,632
Current liabilities	$ 2,792	$ 2,498	$ 2,350	$ 2,532	$ 2,681	$ 3,493
Long-term debt	9,734	9,928	10,692	11,442	12,186	12,911
Other	1,865	1,841	1,745	1,652	1,520	1,369
Stockholder's equity	11,154	10,800	10,918	10,332	38,011	35,859
Total liabilities and stockholder's equity	$25,545	$25,067	$25,705	$25,958	$54,398	$53,632

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Three Years Ended October 31, 1983

General

Net income in 1983 decreased by $704,000 or 54% from 1982 and by $1,700,000 or 74% from 1981. In addition to the effects of lower volume each year, the principal causes of this decline were an increase in the management fee charged by the parent company of $1,100,000 in 1983 reflecting the non-recurring proxy contest expenses, and the elimination of $1,400,000 of interest income included in the 1981 results related to inter-company receivables which were distributed in the form of a dividend to the Company at the end of 1981. Income from stockyards operations has also declined in each of the past two years from $5,582,000 in 1981 to $4,716,000 by 1983, a shortfall of $866,000. The decline is closely related to an $841,000 reduction in revenues. Revenues are dependent on a variety of sources, but the critical element is the number of animals brought to United's facilities.

That number declined from 13,600,000 head in 1981 to 12,500,000 head in 1982 to 10,900,000 head in 1983. Revenues are also influenced by the mix of species (cattle, hogs, sheep), with cattle generating the highest fees and sheep the lowest.

Volume is dependent basically on two factors: the number of animals produced in areas reasonably near the United's stockyards, and the degree to which a producer is convinced he will get a better price for his livestock at a United facility than he will by negotiating directly with a meat packer or by selling through a competing, but usually smaller, auction market.

United has no influence on the number of livestock a farmer chooses to raise. These decisions are conditioned by economic forces and weather conditions, which have not been favorable during the past two years, and constitute the principal reason for the downturn in livestock volume.

However, United, which estimates that it handles less than 10% of all livestock marketed in the United States, believes it has an opportunity to increase its market share through advertising, public relations and the refurbishing of its facilities. It has embarked on an increased advertising campaign aimed at producers and buyers, and has invested over $1,700,000 in the past two years upgrading its facilities to provide more efficient, clean and secure facilities for its customers' livestock, factors which management believes are important to the producer when he chooses a market for the sale of his livestock.

In general, management has been successful in controlling expenses, and the decline in revenues has generally been accompanied by a reduction in controllable operating and maintenance costs.

In addition to United's basic stockyard operation, it has for many years been engaged in other related agri-business ventures and development of land not needed for stockyard operations. Such projects include the proposed lease of excess land in Fort Worth, land fill projects at the South St. Paul stockyard and a hog feeding venture in Sioux Falls. Management believes that some of these ventures may make a contribution to income in future years.

Capital Resources

Although earnings declined slightly during the last two years, United's cash flow has remained strong and in excess of its annual operating requirements. United's earnings, cash flow and net asset values are, in the opinion of management, sufficient to provide for the capital which may be required for future growth at reasonable rates. Further, United has available an unused line of credit of $1 million, and does not currently have any material commitments for capital expenditures.

Inflation

Inflation has affected stockyards operations in that its revenues are based on fixed per-head yardage fees which, while adjustable, generally cannot be adjusted as frequently as necessary during periods of high inflation. While some major operating costs such as labor are in part controlled by

contract, other costs such as utilities, employee benefit expenses and waste treatment costs can vary directly with inflationary trends. Accordingly, to offset inflation United must attempt to lower its cost of operation principally by reducing labor costs through matching work force schedules with operating volume to the extent it is impractical to increase its service and yardage fees.

Three Months Ended January 31, 1984 and January 31, 1983

General

Stockyard revenues for the three months ended January 31, 1984, increased $408,000 to $7,838,000, or 6% over the first quarter of fiscal 1983. Correspondingly, stockyard operating expenses increased 6% over fiscal 1983 from $6,065,000 to $6,434,000. The 3% net increase in stockyard profitability is reflective of income from the lease of the Company's Fort Worth facility which commenced in July, 1983 offset by volume declines resulting in lower operating income at several stockyards.

Net interest expense remained unchanged between the periods at $218,000, while management fees charged by the Parent declined by $194,000 in 1984 as proxy contest expenses incurred in 1983 were non-recurring.

United's net income for the first quarter of 1984 was $354,000 or $.54 per share, as compared to $230,000 or $.35 per share for the corresponding period of fiscal 1983. This 54% increase in profitability is primarily attributable to the aforementioned reduction in intercompany management fees.

UNITED STOCKYARDS CORPORATION AND SUBSIDIARIES

CONDENSED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

The following condensed, pro forma consolidated financial statements of United are based on the historical, consolidated financial statements of United for the year ended October 31, 1983, and the quarter ended January 31, 1984, appearing elsewhere in this Proxy Statement, adjusted to reflect the actual cost of corporate expenses expected to be transferred to United after the distribution of the United Shares to the Company's stockholders. These pro forma statements are unaudited and should be read in conjunction with the accompanying notes thereto and with the historical, consolidated financial statements appearing elsewhere in this Proxy Statement. These pro forma statements should not be considered indicative of the results which will be achieved since they are based on historical rather than prospective information and include certain assumptions which are subject to change.

CONDENSED PRO FORMA CONSOLIDATED BALANCE SHEETS
January 31, 1984

	Historical United Stockyards Corporation and Subsidiaries (Unaudited)	Pro Forma Eliminations and Adjustments (Note 2)	Pro Forma United Stockyards Corporation and Subsidiaries (Unaudited) (Note 1)
ASSETS			
CURRENT ASSETS	$ 2,657,468	$ 346,367 (a)	$ 3,003,835
PROPERTIES:			
Land	8,571,146	1,703,558 (b)	10,274,704
Buildings and equipment	36,252,765	—	36,252,765
Less—Accumulated depreciation	(23,684,172)	—	(23,684,172)
	21,139,739	1,703,558	22,843,297
ADVANCES TO PARENT AND AFFILIATE	346,367	(346,367)(a)	—
OTHER ASSETS	1,401,523	—	1,401,523
	$25,545,097	$ 1,703,558	$27,248,655
LIABILITIES AND EQUITY			
CURRENT LIABILITIES	$ 2,792,368	$ —	$ 2,792,368
LONG-TERM DEBT, less current portion (Note 4)	9,733,972	—	9,733,972
OTHER LIABILITIES	1,864,560	—	1,864,560
STOCKHOLDER'S EQUITY (Note 4):			
Preferred stock; 5,000,000 shares authorized	—	— (c)	—
Common stock $1.00 par value; 1,000,000 shares authorized; 661,117 shares issued and outstanding	661,117	(661,117)(c)	—
Common stock, $.01 par value; 10,000,000 shares authorized; 4,639,665 shares issued and outstanding	—	46,397 (c)	46,397
Paid-in capital	6,169,046	2,318,278 (c)	8,487,324
Retained earnings	4,324,034	—	4,324,034
	11,154,197	1,703,558	12,857,755
	$25,545,097	$ 1,703,558	$27,248,655
Book value per common share (Note 3)	$16.87	$2.57	$19.44
Book value per common share, as recapitalized (Note 3)	$ 2.40	$ .37	$ 2.77

The accompanying Notes to Condensed Pro Forma Consolidated Financial Statements are an integral part of these balance sheets.

CONDENSED PRO FORMA CONSOLIDATED STATEMENTS OF INCOME

For the Fiscal Year Ended October 31, 1983

	Historical United Stockyards Corporation and Subsidiaries (Audited)	Pro Forma Eliminations and Adjustments (Note 2)	Pro Forma United Stockyards Corporation and Subsidiaries (Unaudited) (Note 1)
STOCKYARD OPERATIONS:			
Revenues	$27,382,283	$	$27,382,283
Expenses	22,666,187		22,666,187
Income from stockyards operations	4,716,096	—	4,716,096
OTHER INCOME (EXPENSES):			
Interest and other income	108,789	552,000 (e)	660,789
Interest expense	(986,947)	—	(986,947)
Corporate expense	—	(830,984)(d)	(830,984)
	(878,158)	(278,984)	(1,157,142)
Income (loss) before management fee and provision for income taxes	3,837,938	(278,984)	3,558,954
MANAGEMENT FEE	(2,777,800)	2,777,800 (d)	—
Income before provision for income taxes	1,060,138	2,498,816	3,558,954
PROVISION FOR INCOME TAXES	451,000	1,146,000	1,597,000
Net income	$ 609,138	$ 1,352,816	$ 1,961,954
Net income per common share (Note 3)	$.92	$2.04	$2.96
Net income per common share, as recapitalized (Note 3)	$.13	$ .29	$ .42

CONDENSED PRO FORMA CONSOLIDATED STATEMENTS OF INCOME

For the Quarter Ended January 31, 1984

	Historical United Stockyards Corporation and Subsidiaries (Unaudited)	Pro Forma Eliminations and Adjustments (Note 2)	Pro Forma United Stockyards Corporation and Subsidiaries (Unaudited) (Note 1)
STOCKYARD OPERATIONS:			
Revenues	$ 7,838,342	$	$ 7,838,342
Expenses	6,434,188		6,434,188
Income from stockyards operations	1,404,154	—	1,404,154
OTHER INCOME (EXPENSES):			
Interest and other income	17,155	170,000 (e)	187,155
Interest expense	(236,047)	—	(236,047)
Corporate expense	—	(216,000)(d)	(216,000)
	(218,892)	(46,000)	(264,892)
Income (loss) before management fee and provision for income taxes	1,185,262	(46,000)	1,139,262
MANAGEMENT FEE	(500,000)	500,000 (d)	—
Income before provision for income taxes	685,262	454,000	1,139,262
PROVISION FOR INCOME TAXES	331,000	219,000	550,000
Net income	$ 354,262	$ 235,000	$ 589,262
Net income per common share (Note 3)	$.54	$.35	$.89
Net income per common share, as recapitalized (Note 3)	$.08	$.05	$.13

The accompanying Notes to Condensed Pro Forma Consolidated Financial Statements are an integral part of these statements.

PRO FORMA CONSOLIDATED STATEMENT OF CAPITALIZATION
January 31, 1984

CURRENT PORTION OF LONG-TERM DEBT	$ 778,000
LONG-TERM DEBT:	
9% mortgage notes due in annual installments to 1995	4,675,000
6% pollution control bonds due in annual installments to 1992	1,875,000
10¼% mortgage notes due in annual installments to 1997	1,625,000
9¾% mortgage note due in monthly installments to 1992	1,083,436
9⅜% mortgage note due in monthly installments to 1996	475,536
Total long-term debt	9,733,972
TOTAL TERM DEBT	$10,511,972
STOCKHOLDERS' EQUITY:	
Preferred stock, $.01 par value, 5,000,000 shares authorized	— (c)
Common stock, $.01 par value; 10,000,000 shares authorized; 4,639,665 shares issued and outstanding	46,397(c)
Paid-in capital	8,487,324(c)
Retained earnings	4,324,034
	$12,857,755

The accompanying Notes to Condensed Pro Forma Consolidated Financial Statements are an integral part of this statement.

UNITED STOCKYARDS CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

October 31, 1983 and January 31, 1984

1. *Distribution of United Shares.*

The condensed, pro forma consolidated financial statements reflect management's intention to distribute to stockholders of the Company all of the outstanding shares of United (the "United Stock") in accordance with the Plan. It is currently anticipated that such distribution will occur within 60 days of adoption of the Plan; however, such distribution could be delayed if a substantial portion of the Company's real estate assets have not been sold prior thereto.

The shares of United Stock, par value $.01 per share, are expected to be approved for listing on the American Stock Exchange, subject to notice of issuance, and will be distributed on the basis of three shares of United Stock for each share of stock in Canal-Randolph Corporation. The stockholders are expected to receive a total distribution of approximately 4,640,000 United shares.

Management is unable to estimate the initial market price of the United Stock, which will be subject to general economic and market conditions at the time, as well as the financial performance and prospects of United as an independent entity. The initial market price of the shares is likely to fix for Federal income tax purposes the fair market value of the United Stock being distributed under the Plan.

2. *Pro Forma Adjustments.*

The condensed, pro forma consolidated financial statements reflect certain eliminations and adjustments as follows:

(a) The collection of amounts due from the Company and an affiliate.

(b) The adjustment of stockyards land values to reflect goodwill recorded in consolidation with the Company.

(c) The recapitalization of United by increasing the authorized number of shares of Common Stock from 1,000,000 shares, $1.00 par value per share to 10,000,000 shares, $.01 par value per share and by authorizing 5,000,000 shares of Preferred Stock, $.01 par value per share.

(d) The elimination of management fees charged against the operations of United by Canal-Randolph Corporation, and the recognition of corporate expenses currently expected to be transferred to United after the distribution. The management fees charged against the operations of United by Canal-Randolph Corporation were increased $1,080,800 during 1983 reflecting an allocation of non-recurring proxy expenses.

(e) The return on the investment of accumulated cash flow.

3. *Book Value and Net Income per Common Share.*

Book value per common share on an historical and pro forma basis has been computed using both 661,117 common shares (the number of shares of United Stock outstanding at January 31, 1984) and 4,639,665 common shares (reflecting three shares of United Stock to be issued for each share of Canal-Randolph Corporation stock outstanding at January 31, 1984) respectively. Net income per common share on an historical and pro forma basis for the fiscal year ended October 31, 1983, has been computed using both 661,117 common shares and 4,638,672 weighted average common shares, respectively, assumed outstanding during fiscal 1983. Net income per common share on an historical and pro forma basis for the quarter ended January 31, 1984, has been computed using both 661,117 common shares and 4,639,590 weighted average common shares, respectively, assumed outstanding during the period.

4. *Long-Term Debt.*

Substantially all of the operating properties of United and the stock of certain subsidiaries are pledged as collateral to secure long-term deot. Among other restrictions under their principal mortgage loan agreements, United and its subsidiaries must maintain tangible net worth, as defined, of at least $6,000,000, and are subject to certain restrictions on the payment of dividends which restrictions would preclude the payment of a dividend in fiscal 1984.

THE LIQUIDATING ENTITY

Introduction

As discussed above under "Income Tax Consequences", gain or loss will not be recognized for Federal income tax purposes on sales of assets under the Plan only if the Company distributes all its assets (other than those reaso ly retained to meet claims) within the one-year Liquidation Period. Management believes that a substantial portion of the Company's properties will be sold within the Liquidation Period. However in view of the numerous properties held by the Company, it is unlikely that the Company will be able to dispose of all of its assets during the Liquidation Period, particularly because such assets include a net profits interest in future sales of certain co-operative apartments and a contingent right to the return of cash collateral, which are not readily saleable. See "Business of the Company—Other Assets". Moreover, if the Company were forced to sell every property within that time, properties unsold near the end of the period might be required to be sold at distressed prices. Accordingly, the Liquidating Entity will be organized to hold temporarily any such assets not sold within the Liquidation Period. The Company will transfer its assets (other than the Reserve Fund) which remain unsold at the end of the 12-month Liquidation Period, subject to all liabilities not covered by the Reserve Fund, to the Liquidating Entity, as well as cash for working capital purposes if required, subject to the Board's discretion to determine to distribute to the Company's stockholders the shares of one or more subsidiaries owning unsold properties. See "Proposed Plan of Complete Liquidation and Dissolution—Possible Distribution of Real Estate Subsidiaries' Stock". The Liquidating Entity also will be assigned any rights or obligations of the Company under the tax allocation agreement between the Company and United. See "Proposed Plan of Complete Liquidation and Dissolution—Contingent Liabilities; Reserve Fund". The principal objective of the Liquidating Entity will be to sell or otherwise dispose of the assets it will acquire pursuant to the Plan and distribute the proceeds to the Interestholders.

Pursuant to existing Treasury Regulations and Revenue Procedures, the transfer of unsold assets to a liquidating trust prior to the Liquidation Date will satisfy the requirement of Section 337 of the Code that the Company dispose of such assets within 12 months from adoption of the Plan. However, the Service will not issue an advance ruling that a liquidating trust will be treated as a trust rather than an association taxable as a corporation unless certain restrictive criteria are satisfied. One such criteria is that the assets held by a liquidating trust must be "passive" and not constitute operating assets. Should the Company's unsold assets include operating assets such as operating real estate, there could be no assurance that the liquidating trust would be treated as a trust for Federal income tax purposes rather than an association taxable as a corporation. Accordingly, if the unsold assets include operating assets, the Liquidating Entity will be a limited partnership (the "Partnership"), and otherwise it will be a liquidating trust (the "Trust").

No determination has been made as to whether the Interests in the Liquidating Entity will be transferable. The Board of Directors of the Company will make such determination prior to the transfer of unsold assets to the Liquidating Entity based upon, among other factors, the Board's estimate of the value of the assets so transferred, tax implications, and compliance with applicable securities laws. Non-transferability of the Interests means that they may not be assigned, pledged, hypothecated or otherwise transferred, and the Liquidating Entity will not be bound by any attempted assignment or transfer, except that Interests may be assigned upon the death, bankruptcy, or legal incapacity of an Interestholder. In such case transfers may be made only to the person who shall succeed under law to the Interest. Therefore, Interestholders will not be able to liquidate their investments in the Liquidating Entity and Interests probably will not be accepted as collateral for loans. See "Listing and Trading of the Common Stock, United Shares and Interests in the Liquidating Entity".

No modifications in the terms of the Partnership (if the Interests are not transferable) or Trust, as set forth in the proposed forms of Limited Partnership Agreement or the Agreement and Declaration of Trust attached hereto as Exhibits B and C, respectively, are contemplated prior to formation. However, prior to formation, the Company's Board of Directors may make any modifications it

determines necessary or appropriate in the best interests of the Company, including a change in the persons indicated to be general partners or trustees, as the case may be, subject to further stockholder approval in the case of any amendment which could materially and adversely affect the interests of the stockholders. As discussed below, the jurisdiction and structure of the Partnership and certain provisions of the Partnership Agreement may be significantly modified if the Interests are transferable. See "The Limited Partnership—General".

The address of the Liquidating Entity will be 277 Park Avenue, New York, New York 10017, and its phone number will be 212-826-6040.

The Limited Partnership

General

If the Interests are not transferable, the Partnership will be organized under the Delaware Revised Uniform Limited Partnership Act, and the proposed form of the Partnership Agreement of the Partnership is annexed to this Proxy Statement as Exhibit B (the "Partnership Agreement").

If the Interests are transferable, however, the Partnership will be formed under the laws of a state determined at the time by the Board of Directors as having a limited partnership law facilitating the transfer of interests in the Partnership and not requiring that partnership documents be amended each time an interest is transferred. For example, under Maryland law, the sole limited partner of the Partnership could be a nominee (and could be affiliated with the General Partners) which assigns its interest in the Partnership to stockholders of the Company. The stockholders would then own "assignee units" of limited partnership interests but, although not technically limited partners, would have substantially the same interest in profits, gains and losses, voting and other rights, and limited liability, as if they were limited partners. Amendments to the Delaware Revised Uniform Limited Partnership Act also are contemplated, which, if adopted, similarly would facilitate the transferability of interests.

Should the Interests be transferable, the Company will furnish to all stockholders, prior to the distribution of the Interests, current information with respect to the Partnership, including the form of Partnership Agreement which will be in effect. Unless otherwise indicated, the following discussion assumes that the Interests are not transferable and that the stockholders become limited partners of the Partnership. As indicated above, however, it is anticipated that the rights of an Interestholder of transferable Interests and the management and other aspects of the Partnership will be substantially equivalent to those described herein with respect to limited partners in a partnership with non-transferable interests, except for such transferability and possible technical differences in the nature of the Interests and status of their holders.

It currently is anticipated that the general partners of the Partnership will be Raymond French, as managing general partner, and a corporation controlled by Asher B. Edelman. The initial limited partner of the Partnership will be the Company. Limited Partner Interests will be distributed to stockholders of the Company on the basis of one Interest for each share of Common Stock held on the Final Record Date. The initial general partners, the initial limited partner and the persons subsequently admitted to the Partnership as general and limited partners sometimes are referred to as the "General Partners" and the "Limited Partners", respectively, and the General Partners and Limited Partners sometimes are referred to collectively as the "Partners". References herein to "Interests" refer to the limited partnership interests of the Partnership, and all those who hold Interests, whether as Partners or as transferees of Interests who have not been admitted as Partners, sometimes are referred to collectively as "Interestholders".

It is anticipated that the Partnership will dissolve and terminate on the disposition of all or substantially all of its assets. However, it also may dissolve on the occurrence of certain other events or upon the expiration of its term at December 31, 2014. See "Summary of Partnership Agreement—Dissolution" below.

Federal Income Tax Treatment

While no Federal income tax will be imposed on the Partnership, Interestholders will be required to take into account, in computing their Federal income tax, their allocable share (as determined pursuant to the Partnership Agreement) of the Partnership's income, gains, losses, deductions and credits, without regard to whether they receive any cash distributions from the Partnership.

The Federal income tax payable by an Interestholder by reason of a sale of Partnership property or upon the liquidation of the Partnership may exceed the cash available to the Interestholder as a result of such transactions. If, for example, an Interestholder had received a distribution from the Partnership of the proceeds of the mortgaging of a property or of cash flow reflecting depreciation or had recognized substantial losses from Partnership operations, the Interestholder might be required to recognize gain exceeding the proceeds on the liquidation of the Partnership.

While the Partnership will not be subject to Federal income tax, its returns may be audited by the Service, which may result in adjustments to or audits of the tax returns of the Interestholders.

The above tax consequences are dependent upon the Partnership's being treated as a partnership, rather than as an association taxable as a corporation, for Federal income tax purposes. See "Federal Income Taxes—Partnership Status".

Future legislative or administrative changes or court decisions could change significantly the tax treatment of the Partnership and the Interestholders.

See "Federal Income Taxes".

Possible Insufficiency of Reserve Fund

If the Reserve Fund retained by the Company is insufficient to satisfy the Company's liabilities, the remaining liabilities would be provided for out of the Partnership's anticipated cash flow from operations, the proceeds of sales of Partnership properties, and other Partnership assets, which would adversely affect the value of the Interests.

Possible Liability of Interestholders to Creditors of the Partnership

Limited Partners generally are not liable for the debts or losses of a limited partnership beyond the amount of their contributions to the capital of the limited partnership. Under the Partnership Agreement, the General Partners are vested with exclusive authority to manage and conduct the business and affairs of the Partnership. Limited Partners are not permitted to take any part in the control of the Partnership's business and are entitled to vote only in certain limited circumstances. Pursuant to the Partnership Agreement and the Partnership's Certificate of Limited Partnership to be filed with the Delaware Secretary of State, certain matters may be submitted to a vote of the Partners upon request of holders of 10% of the Interests or in certain other events. The Company has received an opinion from its Delaware counsel, Messrs. Prickett, Jones, Elliott, Kristol & Schnee, that under Delaware law the existence and exercise of voting rights granted by the Partnership Agreement to the Limited Partners and set forth in the Partnership Certificate will not cause the Limited Partners to be treated as General Partners of the Partnership.

There is uncertainty as to whether Limited Partners exercising the powers granted to the Limited Partners by the Partnership Agreement could, under certain circumstances, be treated as General Partners under the laws of jurisdictions other than Delaware in which the Partnership may conduct business. Since the limited partnership statutes of certain states in which the Partnership may do business do not expressly grant or deny certain voting rights which may be possessed or exercised by Limited Partners, it may be argued that the existence of such rights in the Partnership Agreement and Certificate of Limited Partnership may cause Limited Partners with respect to the operation of the Partnership business in such states to be deemed to take part in the control of the Partnership business. If a court so held, all or some of the Limited Partners could be subject to a risk of broader liability above the agreed value of their Limited Partnership contributions and to a risk of being liable together

with the General Partners for any civil judgment which could not be satisfied by the Partnership assets. However, in the opinion of Prickett, Jones, Elliott, Kristol & Schnee, recognizing (a) that they are not acting as experts in the law of any jurisdiction other than Delaware, and (b) that a court of law might reach a different conclusion, a court considering the matter in a state other than Delaware, which state has a choice of law policy comparable to that of Delaware, should determine that Delaware law, permitting such voting rights, would govern and be applied with regard to the effect that such voting rights would have upon the limitation of liability of Limited Partners.

Under the Delaware Revised Uniform Limited Partnership Act, a partner may not receive a distribution from a limited partnership to the extent that, after giving effect to the distribution, all liabilities of the limited partnership, other than liabilities to partners on account of their partnership interests, exceed the fair value of the Partnership assets. The Delaware Revised Uniform Limited Partnership Act further provides that a partner who has received distributions representing the return in whole or in part of his capital contribution without violation of the partnership agreement or the Delaware Revised Uniform Limited Partnership Act is liable to the limited partnership for a period of one year thereafter for the amount of the returned contribution, but only to the extent necessary to discharge the limited partnership's liabilities to creditors who extended credit to the limited partnership during the period the contribution was held by the Partnership. If a partner has received the return of any part of his contribution in violation of the partnership agreement or the Delaware Revised Uniform Limited Partnership Act, he is liable to the limited partnership for a period of six years thereafter for the amount of the contribution wrongfully returned. A partner receives a return of his contribution to the extent that a distribution to him reduces his share of the fair value of the net assets of the limited partnership below the agreed value (as set forth in the Certificate of Limited Partnership) of his contribution which has not been distributed to him. At such time as a person is admitted or substituted as a limited partner, such person possessing or exercising the voting rights set forth in the partnership agreement and the certificate of limited partnership will not be legally obligated for the liabilities of the partnership in an amount in excess of the agreed value of his contribution to the partnership (or in the case of a substituted limited partner, such contribution of his predecessor in interest).

The Certificate of Limited Partnership of the Partnership will state that the agreed value of the property to be contributed to the Partnership by the Company, as the initial Limited Partner, shall be the sum by which the value of the property as initially recorded on the books of the Partnership exceeds that amount at which the liabilities of the Partnership are initially recorded on the books of the Partnership.

The Partnership will seek to obtain provisions in all of its agreements limiting recourse for Partnership liabilities to the assets of the Partnership. Even where the liability of the Partnership is not limited to the assets of the Partnership, creditors would be obligated to look first to the assets of the Partnership (which may be substantial until the Partnership has disposed of most of its assets and distributed the proceeds to Interestholders) before attempting to collect from the Interestholders. The Partnership also will seek to maintain insurance coverage against liability for personal injury and property damage occasioned by its activities. The amount of insurance coverage will be determined by the General Partners based on their experience, the advice of independent insurance agents, and the requirements of mortgage lenders on the Partnership's properties.

Economic Risks of Real Estate Operations

The business of operating real estate is highly competitive and is subject to numerous inherent risks, including (i) uncertainty of cash flow sufficient to cover increases in interest and tax rates, labor and fuel costs, and other operating expenses; (ii) adverse market conditions resulting from changes in general or local economic conditions, neighborhood characteristics, availability of mortgage funds for refinancing, and laws and government rules and fiscal policies; (iii) the possibility of competitive overbuilding; (iv) the financial failure of major tenants; and (v) casualties (which may result in uninsured losses) and other factors which are beyond the control of the General Partners.

Use of Leverage

As the interest rates payable under the Company's existing mortgage indebtedness are favorable compared to interest rates currently available, the refinancing of the properties is unlikely. Should any refinancings occur, they will permit the Partnership to make additional cash distributions to Partners, but also will increase the Partnership's exposure to losses if its cash flow is insufficient to satisfy the additional payment requirements for such indebtedness.

Risks of Tenancies-in-Common

Two of the Company's properties are owned pursuant to tenancy-in-common agreements between subsidiaries of the Company and others. Holding properties in this manner may involve risks not otherwise present, including, for example, risks associated with the possibility that another interestholder in the property might become bankrupt, or have economic or business interests or goals inconsistent with those of the Partnership. In addition, one property is held by a limited partnership in which a subsidiary of the Company is general partner, and such position imposes fiduciary duties and other responsibilities which could result in liability.

Policies and Objectives

General. The principal objective of the Partnership will be to sell or otherwise dispose of the real properties and other assets it will acquire pursuant to the Plan and distribute the proceeds to the Interestholders. It is also contemplated that additional cash distributions may be made from cash flow. It is anticipated that these distributions will exceed taxable income because of non-cash deductions such as depreciation. Any cash distribution which does not represent taxable income will result in a reduction in an Interestholder's tax basis in his Interests and be treated for tax purposes as a return of capital. See "Federal Income Taxes" below.

No assurance can be given that the Partnership's objective will be attained.

Types of Investment. The Partnership generally will not invest in any new properties except for the possible acquisition of property interests or parcels which would directly enhance the value or marketability of unsold properties transferred to it from the Company. For example, the Partnership may acquire the remaining parcels necessary to complete the assemblages in Los Angeles and Chicago (see "Business of the Company—Vacant Land"). It also is possible, although not considered likely at this time, that the Partnership would undertake the development of the land parcels which it acquires from the Company pursuant to the Plan, but only to the extent necessary to effect their disposition on the most favorable terms available.

Sales and Refinancing of Properties—No Reinvestment. In deciding whether to sell or refinance properties, the General Partners primarily will consider the facilitation of the sale of all Partnership assets. They also will consider any possible adverse tax consequences to Interestholders on the sale of any particular property. See "Federal Income Taxes" below. The Partnership will have no obligation to sell any assets at any particular time.

The net proceeds of any refinancing or sale will not be reinvested in properties except that the Partnership may, to the extent necessary to facilitate the disposition of its properties, use such proceeds to finance improvements of or additions to its properties, to purchase additional interests in its properties from co-tenants, or to repay indebtedness. Subject to the payment or creation of reserves for the payment of expenses, the remaining proceeds will be distributed as described under the caption "Summary of Partnership Agreement—Cash Distributions" below. Thus, the Partnership is intended to be self-liquidating in nature. To the extent that purchase money obligations are taken by the Partnership on sales of properties, the receipt and distribution of proceeds would be delayed.

Other Policies. The Partnership generally does not intend to take purchase money obligations in payment when it sells properties. The Partnership will not underwrite securities of other issuers, offer securities in exchange for property (other than cash), or invest in securities of other issuers (except for joint ventures or partnerships as noted below). The Partnership may repurchase or otherwise acquire

Interests. Except for borrowings to refinance properties, the Partnership will not issue any other senior securities.

The Partnership is not a real estate investment trust and therefore is not subject to the restrictions on its activities imposed on real estate investment trusts qualified under the Code. The Partnership intends to operate in such a manner as to not be required to register as an investment company under the Investment Company Act of 1940. It also intends to seek to conduct its business in such a manner as to not be deemed a "dealer" in real estate for Federal income tax purposes. See "Federal Income Taxes" below.

For information concerning the distribution policy of the Partnership, see "Summary of Partnership Agreement—Cash Distributions" below.

Properties and Other Assets

For information concerning the real properties and other assets which are expected to be transferred to the Partnership pursuant to the Plan, see "Proposed Plan of Complete Liquidation and Dissolution—Transfer to the Liquidating Entity" and "Business of the Company".

Summary of Partnership Agreement

The full text of the proposed form of the Partnership Agreement is included as Exhibit B to this Proxy Statement, and the following summary of some of the provisions thereof is qualified in its entirety by reference thereto. Other provisions are discussed elsewhere herein under "The Limited Partnership".

Initial Distributions of Interests. Interests will be assigned to each stockholder of the Company as of the Final Record Date. Each person so receiving Interests will be admitted as a Partner after furnishing to the Partnership evidence that he is the holder of record of such Interests, a written acceptance and adoption of the Partnership Agreement, a Power of Attorney discussed below, and any other documents the General Partners consider necessary or desirable. See "Proposed Plan of Complete Liquidation and Dissolutionurrender of Certificates for Common Stock". No consent of the General Partners will be required for the admission of any such person as a Limited Partner, although the General Partner will be responsible for filing the amendments to the Certificate of Limited Partnership with the Delaware Secretary of State whereby such Interestholders become Limited Partners under the Delaware Revised Uniform Limited Partnership Act. Except for the Interests held by the General Partners as such, all Interests will be held by Limited Partners or assignees of Limited Partners.

Limited Partner Interests. The Limited Partner Interests, plus the General Partner Interests, will represent the entire economic interest in the Partnership and will share pro rata in all of the Partnership's income, gains, losses, deductions, credits and cash distributions. Each Interest will have equal voting rights, except that an Interestholder may not vote until and unless he has qualified as a Limited Partner and executed the documents referred to under "Initial Distributions of Interests" above, and votes may not be cumulated. The Interests have no conversion rights, are not subject to redemption and have no preemptive rights to subscribe for additional Interests. The Interests are non-callable and non-assessable. Interestholders will have no personal liability for partnership debts, obligations or losses, except as discussed under "Possible Liability of Interestholders to Creditors of the Partnership".

The current principal stockholders of the Company will hold Limited Partner Interests equivalent to their respective stockholdings of the Company as of the Final Record Date, and Asher B. Edelman will control the corporation which will be one of the Partnership's two general partners. See "Certain Beneficial Owners".

Transferability of Interests; Tax Allocations. If the Board of Directors of the Company determines that the Interests are to be transferable (see "Proposed Plan of Complete Liquidation and

Dissolution—Listing and Trading of the Common Stock, United Shares and Interests in the Liquidating Entity"), certificates will be issued representing the Interests (or assignee units of limited partnership interest, as discussed under "General" above) and they may be assigned by surrender to the Partnership of the certificate or certificates, properly endorsed for assignment, and payment of all necessary transfer taxes. If the Interests are not transferable, they may not be assigned, pledged, hypothecated or otherwise transferred except upon the death, bankruptcy or legal incapacity of a holder or upon the occurrence of such other circumstances as shall result in the involuntary alienation of such Interests, and under any such circumstances, such transfer may be made only to the person as shall succeed under the law to the interest of such Limited Partner, or to a trust for the benefit of any minor or incompetent assignee or transferee. See "Federal Income Taxes" for a discussion of possible adverse tax consequences upon transfer.

The assignee (to the extent assignment is permitted) of non-transferable Interests from a Limited Partner shall not have the right to become a substituted Limited Partner unless the assignor has consented to the admission of the assignee as a Limited Partner, the assignee has executed an instrument satisfactory in form and substance to the General Partners whereby the assignee accepts and agrees to be bound by all of the terms and provisions of the Partnership Agreement then in effect, the assignee and assignor have executed and, if required by the General Partners, acknowledged, such other documents which the General Partners may deem necessary or desirable in connection with the transfer and substitution, including, without limitation, a Power of Attorney in substance generally as provided for in the Partnership Agreement and, except for an assignee who already is a Limited Partner, the General Partners' consent to the assignment in their sole discretion. Except for the consent of the General Partners, these requirements also apply in connection with the assignment of Interests by the Company to its stockholders pursuant to the Plan. See "Proposed Plan of Complete Liquidation and Dissolution—Surrender of Certificates for Common Stock". To avoid premature termination of a Partnership tax year, transfers will be temporarily deferred if they would result in 50% or more of the Interests being transferred within a 12-month period.

An assignee of non-transferable Interests who has not become a substituted Limited Partner shall be entitled only to receive distributions from the Partnership attributable to the Interests acquired, and shall have no rights to require any information or account of Partnership transactions, receive notices or reports, inspect Partnership books and records, vote or exercise any other rights of a Limited Partner.

Assignments of Interests will be effective when recorded on the books of the Partnership (not later than the last day of the calendar month following the month of receipt by the Partnership of all required documents and transfer tax payments). However, under the Partnership Agreement, 25% of Partnership income, gains, losses, deductions and credits for each fiscal year will be allocated among the Interestholders of record at the end of each of the four fiscal quarters in question, without regard to the results of the Partnership's operations or the distributions made during particular quarters, except that (i) any gain or loss of more than $100,000 from a single transaction which would otherwise be included in gains or losses of the Partnership for Federal income tax purposes for the fiscal year in which the transaction took place will be allocated among the record holders of Interests at the end of the fiscal quarter in which such gains or losses would have been included if each quarter were a separate taxable year and (ii) for the purposes of this sentence, gains which are deferred pursuant to Section 453 of the Code or any similar provision or doctrine of law will be taken into account only when required to be recognized for Federal income tax purposes. Consequently, when Interests are assigned, the shares of Partnership income or loss required to be reported on the holder's personal income tax returns may differ from the amount of the distributions they have received during the period of their ownership.

Substitutions of Limited Partners will be effective only on a date established at least once each month. From the date of substitution, such persons will have all of the rights of Limited Partners.

Additional restrictions are imposed by the Federal securities laws on the disposition of Interests by the officers and directors of the Company, the General Partners, and their affiliates.

Cash Distributions. All distributions of cash or other property by the Partnership shall be made at such times as the General Partners shall determine, in their sole discretion. In general, decisions as to the timing and amount of distributions will be made with a view to achieving the principal objectives of the Partnership, taking into account the Federal income tax consequences to the Interestholders. See "Policies and Objectives" above. It is intended that the Partnership will make cash distributions within 90 days after the end of each fiscal quarter to the holders of Interests on the last day of such quarter; and it is anticipated that each such distribution will be equal to at least 50% of the Partnership's taxable income estimated to be allocable to that quarter. Also, the Partnership Agreement prohibits the reinvestment of Distributable Cash (as defined therein). However, the payment of such distributions necessarily will depend on the availability of sufficient cash for this purpose. Barring unforeseen developments, the Partnership's cash flow is expected to exceed its taxable income.

Voting Rights; Meetings. Any proposal submitted to the vote of the Partners shall be approved if, at a meeting of both the General and Limited Partners at which Partners having a right to cast a majority of the votes eligible to be cast are present in person or by proxy, such proposal is approved by a majority of the votes cast with respect to such proposal. The following actions may be taken only if approved at such a meeting:

(1) Removal of a General Partner and election of a successor to fill the vacancy so created;

(2) Approval of certain transactions in which a General Partner or an affiliate has an interest; and

(3) Certain amendments of the Partnership Agreement, or dissolution of the Partnership on a basis not otherwise provided in the Partnership Agreement.

Meetings of the Partners to vote on the above specified matters may be called by any General Partner and must be called by the General Partners upon the written request by Limited Partners holding 10% or more of the outstanding Interests. Such meetings also may be called by Limited Partners holding 10% or more of the outstanding Interests if there is no remaining General Partner at such time. Each Partner will be entitled to one vote for each Interest held, except that an assignee of an Interest who does not become a substituted Limited Partner shall have no voting rights. See "Transferability of Interests" above in this section.

No vote by the General and Limited Partners shall be effective if the Partnership shall have received an opinion of the Partnership's counsel (or an opinion of an attorney satisfactory to such counsel in form and substance satisfactory to such counsel), or a ruling from the Service, that such action will cause the Partnership to cease being characterized as a partnership, rather than an association, taxable as a corporation, for Federal income tax purposes.

Limited Partners will have no voting rights except as stated above or as otherwise set forth in the Partnership Agreement.

There is uncertainty as to whether a Limited Partner exercising the rig[illegible] vote on the removal of a General Partner or any of the other voting rights of the Limited Partners the[illegible] deemed to have become liable as a General Partner for the debts of the Partnership under the law [illegible] jurisdictions other than the State of Delaware. See "Possible Liability of Interestholders to Creditors of the Partnership".

The Partnership Agreement does not provide for annual meetings of the Limited Partners.

Term. The Partnership will terminate on the first to occur of the following: (a) December 31, 2014, or (b) upon the death, retirement, dissolution, bankruptcy, mental illness, incompetency or removal of any General Partner, unless any remaining General Partner, including a successor General Partner who becomes a General Partner upon such event, elects to continue the business of the Partnership, or (c) on the sale or other disposition of all or substantially all of the Partnership's assets, or (d)

upon the vote in favor of dissolution by the General and Limited Partners in accordance with terms of the Partnership Agreeme ', or (e) upon the death, retirement, dissolution, bankruptcy, mental illness, incompetency or rem al of the last remaining General Partner without there being a designated successor to such General Partner, unless the Limited Partners elect a successor General Partner within 90 days.

Dissolution. In settling accounts after dissolution, the liabilities of the Partnership shall be entitled to payment in the following order:

(a) those to creditors, including Partners who are creditors;

(b) those to Partners and former Partners by reason of interim distributions or distributions upon withdrawal, generally pursuant to the Partnership Agreement; and

(c) those to Partners first for the return of their contributions and second pro rata in respect to their Interests.

The General Partners shall not be personally liable for the payment of the amount standing in the individual accounts of the Limited Partners or any portion thereof or for the return of all or any part of the contribution of the Limited Partners to the capital of the Partnership. Any such payment or return shall be made solely from the Partnership assets.

Management. The Partnership will be managed by the General Partners: Raymond French, who will be the Managing General Partner, and Canran Corp., a New York corporation controlled by Asher B. Edelman (the "Corporate General Partner").

If a General Partner (a "Terminating General Partner") dies, becomes incompetent, withdraws or is bankrupt, or, in the case of an entity, dissolves, then (i) if such Terminating General Partner is Mr. French, his successor shall be designated by the Corporate General Partner, and (ii) if such Terminating General Partner is the Corporate General Partner, its successor shall be designated by Mr. Edelman. The General Partners also are authorized to increase the number of General Partners and to fill the vacancy so created. If a General Partner is removed by vote of the Partners, the Partners collectively will elect a successor.

Mr. Edelman has agreed not to voluntarily encumber, transfer, or otherwise dispose of the stock in the Corporate General Partner without first offering to sell his shares to Mr. French (or his successor as Managing General Partner) or any person satisfactory to him, and his shares are also to be so offered upon Mr. Edelman's death or disability.

The General Partners will have responsibility for all aspects of the Partnership's operations, including the administration of the Partnership's business, the management of its properties, and (except in certain limited situations in which Limited Partners are entitled to vote thereon) determinations with respect to the sale and refinancing of its properties.

The General Partners may be deemed to be the "parents" of the Partnership within the meaning of Rule 405 under the Securities Act of 1933.

Managing General Partner. The Partnership Agreement provides that consent of both General Partners (or, if there are more than two General Partners, the consent of a majority of them) is required for Partnership action to be taken, except as to matters where Mr. French can act alone as Managing General Partner. If Mr. French shall cease for any reason to be the Managing General Partner, then the senior remaining General Partner shall become the Managing General Partner, but such senior remaining General Partner may decline to accept the office and may convene a meeting of the Partners for the purpose of electing a new Managing General Partner.

The Managing General Partner is empowered to direct the day-to-day affairs of the Partnership and to act on such matters on behalf of the Partnership without the approval of the other General

Partner. The Partnership Agreement specifies that the following actions require the consent of both General Partners (or, if there are more than two General Partners, the consent of a majority of them):

(a) The sale, exchange, or other disposition of Partnership property having a value in excess of $100,000;

(b) Leasing Partnership property, except leases having a term not exceeding ten years or an aggregate rental of not more than $1,000,000;

(c) Borrowing money for the prepayment, refinancing, or extension of any indebtedness of the Partnership;

(d) Construction of property for a cost exceeding $100,000;

(e) The purchase of Partnership property, or the assumption of a Partnership liability, by a General Partner in its own name;

(f) Entering into a joint venture;

(g) Investment of funds of the Partnership, other than in liquid asset or money market funds previously approved by all General Partners, short term treasury bills, bankers' acceptances or bank certificates of deposit;

(h) The making of any tax elections; or

(i) The designation of agents to act for the Partnership.

Fiduciary Responsibility and Indemnification of the General Partners. A general partner is accountable to a limited partnership as a fiduciary and consequently must exercise good faith and integrity in handling partnership affairs. Some courts have held that a limited partner may institute legal action either on his own behalf or as a class action on behalf of all similarly situated limited partners to recover damages for the breach by a general partner of his fiduciary duty. The Delaware Revised Uniform Limited Partnership Act provides that a limited partner may institute a derivative action on behalf of a partnership to recover damages from third parties. Certain decisions by federal courts also may be construed to support the right of a limited partner to bring such actions under the Securities Exchange Act of 1934 for the recovery of damages (including losses incurred in connection with the purchase or sale of a partnership interest) resulting from a breach by a general partner of his fiduciary duty. This area of the law is rapidly developing and changing, and Limited Partners who have questions concerning the duties of the General Partners should consult their counsel.

The Partnership Agreement provides that the General Partners will be liable to the Partnership or other Partners for acts or omissions committed or occurring by them in their capacities as General Partners only for their gross negligence or willful malfeasance. This provision may limit the rights of action which Interestholders might otherwise have against the General Partners. The Agreement also provides for indemnification by the Partnership of the General Partners and certain related persons against liabilities arising out of their activities with respect to the Partnership, except (i) in instances involving derivative actions on behalf of the Partnership, for fraud, gross negligence or willful malfeasance and (ii) in instances involving third party actions, if the General Partners did not act in good faith in what they believed to be in or not opposed to the best interest of the Partnership. The criteria for indemnification will be deemed satisfied to the extent that the defense by a General Partners or other person against any claim has been successful. In other circumstances, the determination of whether such criteria have been satisfied may be made by any General Partner who was not party to the proceeding or by counsel or a court of appropriate jurisdiction. In the opinion of the Securities and Exchange Commission, indemnification for liabilities arising under the Securities Act of 1933 is contrary to public policy and therefore unenforceable. If a claim for indemnification against liabilities arising under the Securities Act of 1933 (other than the payment of expenses incurred in a successful defense) is asserted against the Partnership by any General Partner, any agent of a General Partner, or any of their heirs or legal representatives, and a determination is required to be made by counsel or a court of appropriate jurisdiction, the Partnership will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the

question of whether such indemnification is against public policy as expressed in that Act and will be governed by the final adjudication of the issue. The Partnership Agreement also provides that the Partnership may pay expenses incurred in defending suits in which indemnification may be appropriate as they are incurred upon receipt of an undertaking by or on behalf of the relevant indemnified party to repay such amounts, unless it is ultimately determined that the indemnified party is entitled to indemnification by the Partnership. The Partnership, at its expense, may insure the General Partners and agents of the Partnership against liabilities arising out of their status as such, whether or not the Partnership would have the power to indemnify them against particular liabilities.

Conflicts of Interest. The Partnership Agreement and the Certificate of Limited Partnership will provide that the approval of the General and Limited Partners at a meeting as described above is required to authorize the Partnership to enter into any agreement or arrangement with the General Partner or its affiliates or relating to assets in which such persons have an interest (other than an interest by reason of the ownership of Interests or Common Stock of the Company, or by reason of such persons serving as a partner, officer, director, employee or other agent of the Partnership, the Company or any of their affiliates), unless at least one General Partner and all of its affiliates have no interest in such transaction and the terms of such transaction are fair and reasonable as determined by such disinterested General Partner.

Remuneration. The General Partners are to receive aggregate compensation from the Partnership of $100,000 during each year of the Partnership's operations, allocated $66,000 to Mr. French and $34,000 to the Corporate General Partner. The General Partners also are entitled, upon presentation of an itemized accounting for such expenses, to be reimbursed by the Partnership for expenses reasonably incurred by them in the performance of their duties.

It is expected that the Partnership, the Company and United may share personnel, office space, office equipment and other operating facilities. All expenses arising in respect to such shared facilities will be reasonably allocated between the Company and the Partnership on the basis of the actual percentage used by each party.

Federal Income Taxes

The following summary of the Federal income tax aspects of ownership of an interest in the Partnership is applicable to all Interestholders, including the General Partners and transferees who have not been admitted to the Partnership as successor Limited Partners. This summary is based upon the opinion of Counsel to the Company.

Partnership Status. The Company intends to request a ruling from the Service that the Partnership will be treated as a partnership, rather than as an association taxable as a corporation, for Federal income tax purposes. Although neither the Company nor Counsel are aware of any reason why the requested ruling should not be issued, stockholders should not assume that such a ruling will be obtained. Counsel expects to render an opinion that the Partnership will be characterized as a partnership, rather than as an association taxable as a corporation, for Federal income tax purposes. However, Counsel also has advised the Company that its opinion will be based upon existing legal authorities (with the result that their opinion may not be relied upon if there is a material change in the relevant authorities) and that the continued efficacy of that ruling, if received, and of their opinion will depend upon the continued existence of certain facts (including particularly that one or more of the General Partners continue to have a substantial net worth, other than its Interests in the Partnership, which may be reached by creditors of the Partnership).

If, at any time after the transfer of assets from the Company to the Partnership, the Partnership were characterized as an association taxable as a corporation, rather than as a partnership: the Partnership itself would be taxed on its profits; partnership losses, if any, would be allowed only to the Partnership, rather than being passed through to the Interestholders; and distributions to the Interestholders would be treated (i) first, as a dividend, to the extent of current and accumulated earnings and profits of the Partnership, (ii) then, as a return of capital, to the extent of the recipient's basis for

his Interests in the Partnership, and (iii) then, as capital gain (assuming the Interestholder's Interest in the Partnership was a capital asset in his hands). In addition, if, at the time the Partnership were characterized as an association taxable as a corporation, the Partnership's liabilities exceeded its basis for its assets for Federal income tax purposes, the Interestholders would realize taxable gain without receiving any cash distributions.

Taxation of the Partnership and Interestholders. The Partnership itself will not be subject to Federal income tax but will file annual Federal information returns setting forth, among other things, its income, gain, loss, deductions, credits and items of tax preference. Each Interestholder will be required to take into account in computing his Federal income tax liability his proportionate share (determined in accordance with the Partnership Agreement) of all such Partnership items for each Partnership taxable year ending with or within his taxable year, without regard to whether he has received or will receive any distribution from the Partnership. Cash distributions by the Partnership will not give rise to taxable income, gain or loss unless the amount of any such distribution exceeds an Interestholder's basis for his Interest or the distribution is in liquidation of the Partnership.

Basis of Partnership Interests. A Company stockholder who receives an Interest in the Partnership pursuant to the Plan will take, as his initial basis for his Interest in the Partnership, the sum of (i) his pro rata share of the net fair market value, on the date of distribution, of the property transferred to the Partnership by the Company, and (ii) his pro rata share of the Partnership's non-recourse liabilities (including non-recourse liabilities of other partnerships or joint ventures in which the Partnership is a participant) which do not exceed the fair market value of the properties securing such liabilities. Each Interestholder's share of the non-recourse liabilities of the Partnership will be proportionate to his share of Partnership profits. Any recourse liabilities will be added to the basis of the General Partners.

Mortgage debt secured by the properties which may be transferred to the Partnership by the Company may be both recourse and non-recourse. It is expected that any future mortgage liabilities to which these properties are subject will be non-recourse, so that such mortgages will be includible in determining the basis of the Interests in the Partnership of all Interestholders. Since substantially all of the properties which will be held by the Partnership subject to non-recourse debt are expected to have a fair market value which exceeds such non-recourse debt, all of such debt should be taken into account in determining an Interestholder's basis for his Interest in the Partnership. However, the Limited Partners of the Partnership will not be entitled to include in their basis any portion of the recourse liabilities to which Partnership properties are subject.

A Limited Partner's basis for his Interest in the Partnership (a) will be increased by his allocable share of Partnership taxable income and any increases in the Partnership's non-recourse liabilities, and (b) will be decreased by his allocable share of distributions from the Partnership, any decreases in the amount of the Partnership's non-recourse liabilities, and Partnership losses.

Depreciation. It is anticipated that Partnership property will be depreciated on the straight-line basis. Due to the absence of explanatory Treasury Regulations it is not certain whether any portion of Partnership property placed in service by the Company or any of its subsidiaries before January 1, 1981 would be subject to the Accelerated Cost Recovery System ("ACRS") under Section 168 of the Code. It is anticipated that the Partnership will utilize ACRS with respect to such property, but there is no assurance that the Service will agree with such treatment. If the Partnership were not entitled to utilize ACRS with respect to all or any portion of such property, the Partnership would be required to recover the cost of such property over a longer period than provided under ACRS.

Disposition of Property by the Partnership. It is expected that substantially all the property held by the Partnership will be characterized either as a capital asset in its hands or, once it has been held by the Partnership for more than one year, as "Section 1231 property," *i.e.*, real property held for use in a trade or business.

In computing his Federal income tax liability, each Interestholder will be required to take into account his proportionate share of (a) the net amount of the Partnership's gain or loss from disposition

of capital assets held by the Partnership for one year or less (short-term capital gain or loss), (b) the net amount of the Partnership's gain or loss from disposition of capital assets held by the Partnership for more than one year (long-term capital gain or loss), (c) the net amount of the Partnership's gain or loss from real property held for use in its trade or business which has not been held by the Partnership for more than one year (ordinary income or loss), and (d) the net amount of the Partnership's gain or loss from disposition of Section 1231 property. If an Interestholder's share of the Partnership's gain or loss from the disposition of Section 1231 property, when added to or subtracted from the Interestholder's other net gain or loss from disposition of Section 1231 property for the taxable year, results in an overall gain for the year, such gain will be taxed as long-term capital gain; if it results in an overall loss from the disposition of such property, the loss will be an ordinary loss.

Under certain circumstances, the cash proceeds from the sale or other disposition of a property by the Partnership might be insufficient to pay the tax liabilities of the Interestholders arising from the sale. This might occur if the Partnership disposed of a property when its basis was less than the amount of any mortgage indebtedness to which it was subject, so that the gain would necessarily exceed the cash proceeds of sale.

No Section 754 Election. Section 754 of the Code allows a partnership to elect to adjust the basis of partnership property to reflect the effects of certain transfers of partnership interests. However, because of the tax accounting complexities that would be involved, the Partnership does not currently intend to make a Section 754 election.

If the election is not made, any difference between a transferee's basis for an Interest in the Partnership and his transferor's basis for such Interest will not be reflected in the Partnership's basis for its assets. As a result, a transferee's share of the Partnership's depreciation deductions and gain or loss from the sales of assets may be greater or less than such share would have been had the election been made.

Accounting Methods. It has not been determined whether the Partnership will utilize the cash or accrual method of accounting for Federal income tax purposes and for financial reporting purposes. The Partnership will report on a calendar year basis both for tax and financial purposes.

Alternative Minimum Tax. Prior to 1983, the Code provided for a 15% minimum tax on items of tax preference and an alternative minimum tax. In the case of individuals, the Tax Equity and Fiscal Responsibility Act of 1982 replaced both such taxes with an expanded alternative minimum tax of 20% imposed on a tax base consisting of the excess of alternative minimum taxable income over $30,000 ($40,000 on a joint return). A taxpayer is liable for the alternative minimum tax only if such tax exceeds his regular Federal income tax. Alternative minimum taxable income is equal to adjusted gross income plus specified tax preference items, minus a limited number of itemized deductions. The "items of tax preference" of an individual include, among other things, the deduction of 60% of the excess of net long-term capital gains for the year over net short-term capital losses for the year. Accordingly, the operations of the Partnership may generate an item of tax preference.

Partnership Tax Returns and Tax Information. The Partnership's tax return may be audited by the Service and adjustments resulting from such an audit might result in adjustments in the tax liability of the Interestholders and could result in audits of the returns of Interestholders. Any such audit of an Interestholder's tax return could result in an adjustment of items unrelated to the Partnership.

The Partnership will provide to Interestholders appropriate tax return information for the filing of Federal and state income tax return within 75 days after the close of each calendar year. See "Reports" below.

Consultation with Tax Advisors. In view of the complexities of the Federal tax considerations involved in the ownership of an Interest in the Partnership (and the state and local tax consequences discussed below), stockholders are urged to consult their tax advisors with respect to the tax consequences of the ownership of such Interests.

State and Local Income Taxes

Delaware counsel to the Partnership has advised that the Partnership will not be subject to any Delaware unincorporated business tax and, assuming that the Partnership derives no income from or connected with sources within Delaware, neither the Partners, other than those who reside or are domiciled in Delaware, nor the Partnership will be subject to Delaware personal income tax on income earned by the Partnership. Those Partners who are considered under Delaware tax law to reside or to be domiciled in Delaware will be subject to Delaware income tax on their entire taxable income. For such purposes entire taxable income means the Partner's Federal adjusted gross income with certain modifications and less certain deductions and personal exemptions provided by Delaware law.

Interestholders may be subject to income taxes imposed by states in which the Partnership owns properties, in which cases they would be required to file tax returns in those states even if they are not resident within the state. Taxes to a state may be due even though the Partnership does not produce an overall profit because of losses sustained from properties in other states.

An Interestholder who pays tax to a state by virtue of Partnership operations within that state may be entitled to a deduction or credit against income tax owned to his state of residence with respect to the same income. State income taxes are deductible for Federal income tax purposes by taxpayers who itemize deductions.

Reports

Within 120 days after the end of each fiscal year, the Partnership will send to each Partner of record an annual report containing a balance sheet as of the end of that year and statements of profit and loss, Partners' equity and changes in financial position for the year, audited by an independent public accounting firm, and a summary of the Partnership's activities during such year. Within 75 days after the end of each fiscal year, the Partnership will send to each person who was a holder of record (i.e., Partner or assignee) on the last day of any fiscal quarter during that year the information necessary for the preparation of his Federal income tax returns and any state and local returns required of him as a result of the operations of the Partnership. Financial information contained in the annual reports will be prepared on the cash or accrual basis of accounting in accordance with generally accepted accounting principles and will include, where applicable, a reconciliation to the information furnished for income tax purposes (which may be on a cash basis). The Partnership also will furnish quarterly financial information to each Partner within 60 days after the end of each quarter.

The General Partners shall not be required to deliver or mail a copy of the Certificate of Limited Partnership or any amendment to the Certificate of Limited Partnership to any limited partner, unless a limited partner requests a copy of the Certificate or any amendments thereto.

The Liquidating Trust

If the unsold assets of the Company at the end of the Liquidation Period do not include operating assets, the Company will transfer such unsold assets to the Liquidating Trust pursuant to the Agreement and Declaration of Trust of the Canal Randolph Liquidating Trust substantially in the form annexed as Exhibit C (the "Liquidating Trust Agreement") for the pro rata benefit of stockholders. References herein to "Interests" refer to beneficial interests in the Trust. The Trust will be governed by New York law.

Management

The Trust will be administered by two trustees (the "Liquidating Trustees"), who will have broad authority to administer the Trust and dispose of its assets, subject to certain limitations set forth in the Liquidating Trust Agreement. Raymond French and Asher B. Edelman will serve as the initial Liquidating Trustees, and each has agreed to serve in such capacity. Should a Liquidating Trustee resign, be removed, die or become mentally incompetent or bankrupt, a vacancy is deemed to exist and a successor will be appointed by the remaining Liquidating Trustee. If the vacancy is not filled within

30 days, a majority of the beneficiaries of the Liquidating Trust (the "Beneficiaries") may call a meeting to appoint a successor Liquidating Trustee.

The Liquidating Trustees will attempt to dispose of the assets which they are holding (the "Trust Estate") and to distribute the income and proceeds from the sale of such assets pro rata to the Beneficiaries, after the payment of or provision for claims, liabilities and obligations. From the Trust Estate, the Liquidating Trustees will pay all expenses, liabilities and obligations of the Trust Estate, including liabilities and obligations (and contingent liabilities) of the Company which the Liquidating Trustees assume and agree to pay under the Liquidating Trust Agreement. The Liquidating Trustees may determine to make provisions by reserve or otherwise out of the Trust Estate for amounts which may be necessary to meet present or future claims and liabilities of the Trust, fixed or contingent. The Liquidating Trustees will make interim distributions, from time to time in their discretion, to the Beneficiaries in proportion to their respective Interests, of cash or other property comprising a portion of the Trust Estate as the Liquidating Trustees may in their discretion determine may be distributed without detriment to the protection of the Trust Estate. At such time as the Trust has disposed of all of the non-cash assets in the Trust Estate and the Liquidating Trustees determine that all claims, expenses, liabilities, charges and obligations of the Trust and of the Company have been paid or discharged, the Liquidating Trustees will distribute the Trust Estate pro rata to the Beneficiaries and terminate the trust.

Under the Liquidating Trust Agreement, the powers, duties and authority of the Liquidating Trustees include holding title to the assets of the Liquidating Trust, the disposition or preservation of such assets, the prosecution or collection of any claim or contingent right of the Trust, the collection of proceeds, income and revenue from time to time accruing to or otherwise payable in respect to the assets of the Trust and the distribution to Beneficiaries from time to time of the assets of the Trust to which they are respectively entitled. In the exercise of such powers and the discharge of such duties, the Liquidating Trustees are prohibited from engaging in any trade or business on behalf of the Trust and are prohibited from investing any of the funds held in the Trust Estate except as set forth in the Liquidating Trust Agreement.

Additional powers and duties of the Liquidating Trustees are set forth in the Liquidating Trust Agreement.

Each Liquidating Trustee, employee and agent is indemnified out of the Trust Estate against all liabilities and expenses incurred by him in performance of his duties except if he is adjudicated to have acted in bad faith or with willful misfeasance, gross negligence, or in reckless disregard of his duties and provided that, as to any matter settled by such Liquidating Trustee, employee or agent, the Trust shall have received a written opinion of counsel that if the matter were adjudicated, no bad faith, willful misfeasance, gross negligence or reckless disregard would have been found.

As compensation for services, the Liquidating Trustees shall receive an aggregate salary of $50,000 per year, allocated $33,000 to Mr. French and $17,000 to Mr. Edelman. The Liquidating Trustees also will be reimbursed from the Trust Estate for all expenses reasonably incurred by them in the performance of their duties under the Liquidating Trust Agreement. The Liquidating Trustees may employ such additional personnel and retain accountants, legal counsel and other consultants as they deem necessary or appropriate to effectuate the purpose of the Trust.

The Liquidating Trust Agreement may be amended or terminated with the consent of Beneficiaries having an aggregate Beneficial Interest of at least a majority of the total Beneficial Interest provided that no amendment shall affect a Beneficiary's right to receive his pro rata share of the Trust Estate at the time of distribution.

Termination

Unless earlier terminated by the Beneficiaries or if required by the applicable laws of the State of New York, the Trust will continue until the first to occur of (a) the distribution of all the Trust Estate, or (b) the expiration of three years from the effective date of the Liquidating Trust Agreement, except

that the Trustees may extend the existence of the Trust to such later date as they may designate (i) if they determine that an extension is reasonably necessary to pay or make provision for then known liabilities, actual or contingent, provided they promptly distribute to the Beneficiaries that portion of the Trust Estate which in their judgment need not be retained to provide for such known liabilities, or (ii) if they determine, after a good faith effort to reduce the Trust Estate to cash for final distribution to Beneficiaries, that an extension is in the best interests of the Beneficiaries in order to reduce the Trust Estate to cash, provided they promptly distribute to the Beneficiaries that portion of the Trust Estate consisting of cash except for an amount which in their judgment is necessary to pay the expenses of the Liquidating Trustees during the existence of the Trust, as so extended.

The Interests

The Interest of each Beneficiary in the Trust will be based on the pro rata stockholdings in the Company of its stockholders as of the Final Record Date. Each stockholder will be notified to surrender his Common Stock certificates in exchange for the rights of a Beneficiary as set forth in the Liquidating Trust Agreement. The Interest of the Beneficiary is personal property and will pass on the Beneficiary's death to his legal representative. A Beneficiary has no title to or right to possession of or management or control of the Trust Estate. Unless the Trust receives a ruling from the Internal Revenue Service or an opinion of counsel acceptable to the Liquidating Trustees to the effect that transferability by Beneficiaries of their Interests will not affect the Trust's qualification as a "liquidating trust" for purposes of the Code and Treasury Regulation Section 301.7701-4, the Interest of a Beneficiary may not be transferred or assigned except by will or under the conditions set forth in the Liquidating Trust Agreement. The Beneficiaries have certain rights, set forth in the Liquidating Trust Agreement, to call meetings of all Beneficiaries upon certain conditions and to vote in person or by proxy at a meeting (with the vote of each Beneficiary weighed in proportion to his proportionate Interest in the Trust).

The Board of Directors of the Company cannot predict whether it will prove necessary to transfer assets to the Trust. In the event that a distribution of the Company's assets to the Trust is made, the possibility exists that the final distribution to stockholders will not be made until four years after the adoption of the Plan, or later if the existence of the Trust is extended by the Liquidating Trustees, as described above.

Federal Income Taxes

Counsel expects to render an opinion that the Liquidating Trust will be treated as a trust for Federal income tax purposes. Counsel also expects to render an opinion that the stockholders will be considered the owners of the Liquidating Trust and will be taxed directly on their allocable share of the Liquidating Trust's taxable income or loss. The income or loss will retain the same character as it has to the Liquidating Trust. The Liquidating Trust itself will not be subject to Federal income tax. Stockholders will be advised periodically of the amount of their allocable share of the Liquidating Trust's taxable income or loss.

Reports

As soon as practicable after the end of each fiscal year, and after termination of the Trust, the Liquidating Trustees will make an annual report to the Beneficiaries and will mail to each Beneficiary a statement reflecting information which may be helpful in determining the amount of taxable income from the Trust that such Beneficiary should include in his Federal income tax return for the preceding year. See "Federal Income Taxes".

ELECTION OF DIRECTORS

A Board of six directors is to be elected at the Meeting. The Board's nominees are Asher B. Edelman, Hans J. Frank, Raymond French, Jocelin Harris, Burton Lehman and Charles P. Stevenson, Jr. Each of the foregoing persons, other than Mr. Harris, is currently a member of the Board of Directors and was elected by the stockholders at the last annual meeting of stockholders. Mr. Harris has been nominated by the Board to fill the vacancy which will be created by the resignation of Sir Walter Salomon who has informed the Board that he has decided not to stand for re-election to the Board. All nominees are to be elected to serve until the Annual Meeting of Stockholders of the Company in 1985, if any, and until their successors are duly elected and qualified.

If any nominee unexpectedly shall become unavailable for election, the Proxy Committee reserves the right to cast votes in its discretion for a substitute nominee designated by the Board of Directors. The Company has no reason to believe that any of its nominees will be unavailable. Cumulative voting will apply with respect to the election of directors. Accordingly, each stockholder will be entitled to as many votes as equal the number of his shares multiplied by the number of directors (6) to be elected, and each stockholder will be entitled to cast all of his votes for a single nominee or distribute them among any two or more nominees to be elected, as such stockholder may see fit. For a stockholder to distribute his votes on a cumulative basis in a particular manner he must indicate the manner of such distribution in the space provided on the proxy. Unless such manner of distribution is indicated, such shares will be voted cumulatively in the discretion of the Proxy Committee of the Board of Directors so as to elect the maximum number of the Board's nominees.

Information Concerning Directors, Nominees and Share Ownership

Name		(x) Principal Occupation or Employment and (y) other Directorships(a)	Has Served as Director Since	Age	Shares Beneficially Owned (b) on March 1, 1984	Percentage of Common Stock
Raymond French (c)(d)	(x)	President of the Company for more than five years and Chairman of the Board since June, 1983.	January 5, 1962	63	30,550(g)	1.98%
	(y)	Director, Blue Ridge Real Estate Company and Big Boulder Corporation.				
Asher B. Edelman (c)(e)(f)	(x)	Vice Chairman of the Board of Directors of the Company and Chairman of the Executive Committee since April 20, 1983; General Partner, Plaza Securities Company since July, 1979 and Arbitrage Securities Company since January, 1977, broker-dealers, New York, New York.	April 20,1983	44	443,300(h)	28.66%
	(y)	Director, Datatrak, Inc.				
Burton Lehman (d)(j)	(x)	Attorney, partner in Schulte Roth & Zabel, law firm, New York, New York, for more than five years.	April 20, 1983	43	200	(i)
Hans J. Frank (c)(d)(m)	(x)	Attorney, partner in and currently counsel to Fried, Frank, Harris, Shriver & Jacobson, law firm, New York, New York, for more than five years.	May 9, 1983	72	—	—
Charles P. Stevenson, Jr. (c)(d)(e)(f)	(x)	President of Capcor, Inc., diversified financial activities, Southhampton, New York, since 1982; President, Stevenson Capital Management Corp., financial services, New York, New York, since 1975; Managing Partner, Zebra Associates, investment partnership, New York, New York, February, 1972 to December, 1978.	April 20, 1983	37	2,000(k)	(i)
Jocelin Harris	(x)	Director of Rea Brothers Plc., bankers, King's House, London, England, for more than five years.	(l)	38	50(l)	(i)(l)
All current directors and officers as a group (13 persons) including shares listed above					484,494	31.33%

(a) Includes generally directorships held in public companies which are subject to certain requirements under the federal securities laws.

(b) Under applicable regulations of the Securities and Exchange Commission ("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, except that Mr. French shares the power to vote and dispose of 5,000 shares held by his spouse.

Under applicable regulations of the SEC, a person who has the right to acquire beneficial ownership of a security within 60 days through the exercise of an option is deemed the beneficial owner of such security. Mr. French has the right to acquire up to 500 shares and all officers of the Company as a group have the right to acquire an aggregate of up to 2,300 shares of the Company's common stock through the exercise of currently exercisable options, which, as of March 1, 1984, were not exercised, and the above table does not include the shares subject thereto. For information respecting stock options, see "Executive Compensation—Stock Options", and for information concerning an offer by the Company to pay cash to optionees in exchange for the surrender of their options, see "Proposed Plan of Complete Liquidation and Dissolution—Effect on the Company's Stock Option Plan and Pension Plan".

(c) Member of the Executive Committee.

(d) Member of the Audit Committee. Mr. French is a member ex officio.

(e) Member of the Compensation Committee. In addition, Sir Walter Salomon, who is not standing for re-election, is a member of the Committee.

(f) Member of the Stock Option Plan Committee. In addition, Sir Walter Salomon, who is not standing for re-election, is a member of the Committee.

(g) Includes 5,000 shares held by Mr. French's spouse.

(h) Mr. Edelman, as the controlling general partner of Plaza Securities Company ("Plaza"), Canran Associates I, L.P. ("Canran") and Arbitrage Securities Company ("Arbitrage Securities") (Plaza, Canran and Arbitrage Securities being hereinafter referred to collectively as the "Partnerships"), owns beneficially the 247,700, 73,700 and 120,900 shares held, respectively, by each of the Partnerships for purposes of Rule 13d-3 under the Securities Exchange Act of 1934 (the "Exchange Act"). Mr. Edelman has sole voting power and sole investment power over 443,300 shares (the 442,300 shares held by the Partnerships and 1,000 shares held in his own name). The Company has been advised that Mr. Edelman and the Partnerships intend to vote their shares in favor of the Plan and the nominees of the Board of Directors. Plaza has pledged all but 100 of the shares it owns to a domestic bank to secure a loan of $8,000,000; Arbitrage has pledged all of the shares it owns to the same bank to secure a loan of $4,000,000, and Canran has pledged all of the shares it owns to the same bank to secure a loan of $2,000,000. Such loans are payable on demand, are subject to usual default provisions and bear interest at prime. Should a default occur under the loans, the lender would be entitled to foreclose on the pledged stock. Also, see "Certain Litigation—Settlement of Proxy Contest".

(i) The percentage of outstanding common stock owned is less than 1%.

(j) The law firm of Schulte Roth & Zabel, of which Mr. Lehman is a partner, received legal fees of approximately $75,000 from the Company during fiscal 1983. It is anticipated that Schulte Roth & Zabel will provide certain legal services to the Company and United during the current fiscal year.

(k) Capcor, Inc., of which Mr. Stevenson is President and a stockholder, is a limited partner in Canran, which owns beneficially 73,700 shares of the Company's common stock. See (h) above.

(l) As noted above, Mr. Harris is not currently a director and his term, if elected, would commence upon the date of the Meeting. Mr. Harris is the record holder of the 50 shares indicated on the table but has no economic interest in these shares. For information with respect to shares beneficially owned (within the meaning of Rule 13d-3 under the Exchange Act), by Rea Brothers Plc., of which Mr. Harris is a director, see "Certain Beneficial Owners".

(m) The law firm of Fried, Frank, Harris, Shriver & Jacobson, of which Mr. Frank is of counsel, acts as counsel to Rea Brothers Plc. and certain of its affiliates and customers in connection with their investments in the Company.

Other than as set forth under "Certain Beneficial Owners", the Company has been informed that none of the present directors or their associates beneficially owns (within the meaning of the applicable regulations of the SEC) more than five percent of its outstanding stock. The nominees have stated that there is no arrangement or agreement of any kind between them or any other person or persons relating to their election as directors, except to the extent that such nominees have agreed to serve as directors of the Company, if elected, and as otherwise set forth in this proxy statement. For information with respect to an agreement ending the proxy contest initiated in connection with the 1983 Annual Meeting of Stockholders and the settlement of related litigation in which certain of the nominees were involved, see "Certain Litigation—Settlement of Proxy Contest".

Mr. Edelman and certain partnerships controlled by him, including Plaza and Arbitrage Securities Company (the "Edelman Group"), and Messrs. French and Stevenson are defendants with certain other persons (including Clark Mandigo, a director of United) in a lawsuit commenced by Management Assistance Inc. ("MAI") on January 30, 1984 in the United States District Court for the Southern District of New York. The Edelman Group is currently involved in a proxy contest with the management of MAI and is soliciting proxies for the election of Messrs. Edelman, French, Stevenson and Mandigo to the Board of Directors of MAI. In substance, MAI's complaint, as amended, asserts that the defendants have embarked upon a plan to obtain control of MAI by making false and misleading statements and material omissions in their Schedule 13D filings, manipulating the price of MAI stock, illegally soliciting proxies from shareholders in violation of the rules and regulations of the SEC and by means of communications containing false and misleading statements, and engaging in a pattern of racketeering activity, certain of which claims involve allegations that the defendants have manipulated the prices of MAI stock and the Company's stock. The Edelman Group and Messrs. French and Mandigo have filed an answer to the complaint denying the allegations therein and have filed certain counterclaims against MAI.

Committees; Meetings. The Board of Directors has established a Compensation Committee, an Audit Committee, an Executive Committee and a Stock Option Plan Committee to assist it in discharging its responsibilities. The members of these Committees are indicated above in the table presenting information concerning nominees.

The Compensation Committee reviews and determines the compensation of the Company's officers. The Audit Committee reviews the results of the audit of the Company's financial statements by the independent accountants and reviews, monitors and approves the nature and extent of auditing services and related fees. The Executive Committee has among its functions the recommendation to the Board of Directors of nominees for election as directors. The Executive Committee will consider nominees recommended by stockholders provided the stockholder submits the nominee's name in writing addressed to the Secretary of the Company by November 1 together with the written consent of the nominee and a resume listing the nominee's qualifications. The Stock Option Plan Committee was established pursuant to the 1981 Non-Qualified Stock Option Plan in order to administer the Option Plan.

During the last fiscal year, the Board of Directors held eleven meetings, the Audit Committee held three meetings, the Compensation Committee held one meeting, the Executive Committee held three meetings and the Stock Option Plan Committee did not hold any meetings.

CERTAIN BENEFICIAL OWNERS

The following are the only persons known to the Company who owned beneficially (within the meaning of Rule 13d-3 under the Exchange Act) more than five percent of the Company's common stock as of March 1, 1984:

	Shares Beneficially Owned(a)	Percentage of Common Stock(a)
Asher B. Edelman 717 Fifth Avenue New York, New York 10022	443,300	28.7%
Rea Brothers Plc. King's House 36-37 King Street London, EC2V 8DR, England	264,066(b)(c)	17.1%(b)(c)
Rea Brothers (Guernsey)Limited P.O. Box 116 Commerce House Les Banques St. Peter Port, Guernsey	142,300(c)	9.2%(c)
The Scottish and Mercantile Investment Plc. King's House 36-37 King Street London, EC2V 8DR, England	85,000(b)	5.5%(b)

(a) The table does not include Rea Brothers (Isle of Man) Limited, located at 29 Athol Street, Douglas, Isle of Man, which holds 1,800 shares (0.1% of outstanding) and is a subsidiary of Rea. Also, see note (c) below.

(b) The holdings of Rea Brothers Plc. include the 85,000 shares beneficially owned by The Scottish and Mercantile Investment Plc.

(c) Rea Brothers Plc., Rea Brothers (Guernsey) Limited and Rea Brothers (Isle of Man) Limited have informed the Company that they may sell all or some of the shares of the Company's Common Stock held by them.

Rea and Subsidiaries. Rea Brothers Plc. ("Rea") is a diversified private bank incorporated under the laws of England and Wales whose shares are traded on The Stock Exchange, London (the "London Exchange"). Rea provides a wide variety of banking and financial services, both in the United Kingdom and internationally. These include a full range of banking services and investment advice to both corporate and private customers. Rea provided investment banking services to the Company for a number of years and provided such services through June 1983 for a monthly fee of $3,166. In this connection, the Company maintained an interest bearing account with Rea from which Rea withdrew its monthly fee. The highest balance of such account during fiscal 1983 was $18,932, and as of March 1, 1984, the balance of such account was $470. Also, see "Certain Litigation—Settlement of Proxy Contest".

The Company has been informed that Rea Brothers (Insurance) Limited, an English insurance brokerage firm which is a subsidiary of Rea, received during fiscal 1983 amounts aggregating less than $20,000 in fees and brokerage commissions from the Company's unaffiliated insurance broker and insurance carriers in connection with some of the Company's insurance policies. These policies are renewed every one to three years. Another subsidiary of Rea which is in the business of providing

travel services, has booked travel arrangements for certain directors of the Company and others travelling on business for the Company involving an aggregate of approximately $42,000 in travel arrangements during fiscal 1983. In November 1982, the Company invested $4,500,000 on a short-term basis with Rea at an interest rate based on bids equal to or higher than U.S. rates. Thereafter, this amount was periodically reduced and on May 18, 1983, the full remaining balance was withdrawn.

Rea Brothers (Guernsey) Limited ("Guernsey") and Rea Brothers (Isle of Man) Limited ("I.o.M.") are wholly-owned subsidiaries of Rea, organized under the laws of the Bailiwick of Guernsey and the Isle of Man, respectively. Guernsey and I.o.M. are both private banks and provide substantially similar services as Rea. Under the laws of their respective jurisdictions of organization, both Guernsey and I.o.M. are managed by independent boards of directors. Two of the six directors of Guernsey, W. O. Hartley and E. C. Teideman, are also directors of Rea. Mr. Teideman also serves as a director of I.o.M.

Sir Walter Salomon currently a director of the Company, is also Chairman of the Board of Rea and owns approximately 9.5% of the ordinary shares of Rea. Mr. Harris is a director of Rea and has been nominated to replace Sir Walter Salomon on the Board of the Company.

The Investment Companies. The Scottish and Mercantile Investment Plc. ("Scottish"), Fashion & General Investment Plc. ("Fashion"), Jastlin Limited ("Jastlin"), Lancashire & London Investment Trust Plc. ("Lancashire"), Scottish Cities Investment Trust Plc. ("Cities") and Ocean Wilsons (Holdings) Plc. ("Ocean") (such companies being herein referred to collectively as the "Investment Companies") are all United Kingdom companies engaged, among other things, in investment or trading in securities. The ordinary shares of each of the Investment Companies are listed and traded on the London Exchange, except for the shares of Jastlin (which is wholly owned by Fashion). Some of the Investment Companies also own shares of each other as follows: (a) in Fashion: Scottish and Lancashire own 76.4% and 1%, respectively; (b) in Lancashire: Cities and Ocean own 14.4% and 12.5%, respectively; (c) in Cities: Scottish, Lancashire and Ocean own 49.9%, 15.2% and 0.3%, respectively, of the ordinary voting shares, and Scottish, Lancashire and Fashion own 24.3%, 1.2% and 0.6%, respectively, of the non-voting ordinary shares; (d) in Scottish: Ocean, Cities and Lancashire own 1.5%, 4.5% and 3.5%, respectively, of the ordinary voting shares, and Lancashire owns 2.2% of the non-voting ordinary shares; and (e) in Ocean: Scottish, Cities, Lancashire and Fashion own 7.7%, 5.0%, 1.6% and 1.9%, respectively. Certain Rea directors are directors of some of the Investment Companies as follows: 3 out of 5 directors of Scottish, 2 out of 5 directors of Fashion, 2 out of 3 directors of Jastlin, 2 out of 4 directors of Lancashire, 2 out of 4 directors of Cities, and 2 out of 5 directors of Ocean. Fashion's, Jastlin's and Lancashire's addresses are King's House, 36-37 King Street, London, EC2V 8DR, England; Cities' address is 26a York Place, Edinburgh, EH13EY; and Ocean's address is 13/14 King Street, London, EC2V 8EA, England.

The Company has been advised by Rea that Rea serves as banker and manager for the Investment Companies, and that a subsidiary of Rea, Rea Brothers (Registrars) Limited, is registrar and transfer agent for Scottish, Fashion, Ocean and Lancashire. The Company has been further advised by Rea that Scottish owns 4% of Rea, Scottish's subsidiary, Fashion (including shares owned by Fashion's subsidiary, Jastlin) owns 5.3% of Rea, and Cities owns 6.2% of Rea. Rea advises that, for purposes of United Kingdom disclosure requirements, the aforementioned holdings have been publicly disclosed together with a further holding of 7.6% of Rea owned by a private company in which Scottish has a 40% interest and Ocean and Cities each has a 10% interest. The remaining 40% shareholder of such private company is a public trading company which also owns directly 2.3% of Rea. Cities owns 27.2%, Scottish owns 12.2% and Ocean owns 9.9% of this company, and, of its four directors, one is also a director of Rea and one is the company secretary of Rea. Additionally, various of the Investment Companies own shares in Rea which are not required to be disclosed by United Kingdom law, as follows: Ocean owns 4.8% and Lancashire owns 1.6%. The foregoing ownership of shares of Rea aggregates to 31.8%.

The Company has been advised that both discretionary and non-discretionary account customers of Rea may, from time to time, hold shares in Rea and the Investment Companies. The shares of Rea and the various Investment Companies owned by the various Investment Companies as set forth above are subject to the discretionary management agreements described below under the caption "The Rea 13D".

By virtue of their holdings of the Company's shares and their common directors, Rea and Scottish may be deemed to be a "group" within the meaning of Section 13(d) of the Exchange Act and the rules promulgated by the SEC thereunder, which group includes Sir Walter Salomon.

In the ordinary course of its business, Rea has acted in the United Kingdom to provide a market for its customers in the shares of the Company, and, accordingly, from time to time, has owned such shares for its own account; has recommended investment therein to its non-discretionary customers as a long term investment; and has bought shares on behalf of such customers. Further, it has bought and sold shares of the Company for its discretionary account customers and for the Investment Companies.

The Rea 13D. Rea, Guernsey and I.o.M. have filed a joint Schedule 13D and, subsequently, amendments thereto (the "Rea 13D") with the SEC with respect to shares beneficially owned. Sir Walter Salomon subsequently was added as a party to the Rea 13D. Rea, Guernsey and I.o.M. hold such shares on behalf of discretionary account customers, except for 237,750 shares which Rea holds for the accounts of the Investment Companies pursuant to discretionary management agreements (the "Management Agreements"). Copies of the Management Agreements are filed as Exhibit 2 to the Rea 13D. Pursuant to customary agreements between Rea and its discretionary account customers (the "Customer Agreements"), each of Rea, Guernsey and I.o.M. shares with its respective discretionary account customers power to dispose of the shares each of them holds for such customers, and each of them has the full authority, in its absolute discretion, to sell any investments held by each of them on behalf of such customers and to invest any funds as it sees fit. The Customer Agreements do not contain provisions with respect to the manner in which stock held by Rea, Guernsey or I.o.M. on behalf of the applicable discretionary account customer is to be voted and, accordingly, such customer retains the right to vote such shares himself. However, Rea, Guernsey and I.o.M. have general instructions from their customers to vote the stock of any company (including the Company) held for such customers in favor of management, if such stock is voted, unless otherwise directed by the customers. In the past, it has been the practice of Rea, Guernsey and I.o.M. to vote the shares of the Company held on behalf of discretionary account customers (if voted) in accordance with the recommendation of the Board of Directors of the Company. Under the Management Agreements, Rea shares the power to dispose of the shares held for the Investment Companies and to enter into such transactions as are in its opinion expedient and in the best interests of the applicable Investment Company. The Management Agreements do not contain provisions with respect to the manner in which stock held by Rea on behalf of the applicable Investment Company is to be voted, and accordingly, the Investment Companies retain the right to vote such shares themselves. In practice, however, with respect to matters concerning the Company, the Investment Companies have authorized and Rea has exercised the power to vote the shares held on behalf of the Investment Companies, if such stock is voted, in favor of management's recommendations. With respect to matters which are the subject of a contested solicitation, it is Rea's policy to consult the boards of directors of the Investment Companies as to the manner in which shares held on their behalf should be voted. With respect to shares held by Rea, Guernsey and I.o.M., by reason of the power of disposition alone, Rea, Guernsey and I.o.M. beneficially own shares as indicated in the table above for purposes of Section 13(d) of the Exchange Act. The Rea 13D states that Rea, Guernsey and I.o.M. do not have any economic interest in such shares.

The officers of the investment department of Rea (which administers the discretionary customer accounts and the investments of the Investment Companies) are subject to the control of the managing directors of Rea, and, ultimately, of the Chairman of Rea, Sir Walter Salomon. Certain of the discretionary account customers have long-standing professional and/or personal relations with Sir Walter Salomon, and he is involved in the supervision and management of such accounts. As a result

of the foregoing, the shares of the Company owned by such discretionary accounts and the Investment Companies are subject to Sir Walter Salomon's influence. In addition, by virtue of (i) his current position as a director of the Company and (ii) his involvement in the control of Rea and the shares of the Company beneficially owned by Rea, Sir Walter Salomon is directly involved in control of the Company.

The Investment Companies 13D. A Schedule 13D and, subsequently, amendments thereto (the "Investment Companies 13D") have been filed with the SEC on behalf of the Investment Companies, indicating that Scottish owns 85,000 shares (5.5% of outstanding), Fashion owns 30,000 shares (1.9% of outstanding), Jastlin owns 5,000 shares (0.3% of outstanding), Lancashire owns 26,000 shares (1.7% of outstanding), Cities owns 47,500 shares (3.1% of outstanding) and Ocean owns 44,250 shares (2.9% of outstanding). The Investment Companies 13D states that the shares are held for investment purposes and that all of the shares are held for the order of Rea which acts as investment advisor and holds the shares for the Investment Companies pursuant to discretionary management agreements. Each of the Investment Companies has the sole power to vote the shares and shares the power to dispose of the shares with Rea, and, as stated above, has in the past authorized Rea, and Rea has exercised the power, to vote the shares of the Company held on behalf of the Investment Companies.

CERTAIN LITIGATION

Settlement of Proxy Contest

As part of the proxy contest initiated in connection with the 1983 Annual Meeting of Stockholders, Mr. Asher B. Edelman commenced an action in January 1983 against the Company, Rea and certain of its subsidiaries and certain of the Company's directors (the "Proxy Litigation"). The complaint alleged violations of the Exchange Act and Delaware law, principally involving the failure of certain defendants to file a Schedule 13D and the publication by the Company of misleading proxy statements. The Federal District Court decision sustained certain of these allegations. Thereafter, the Company and certain of its principal stockholders including Rea, Sir Walter Salomon, a director of the Company and Chairman of the Board of Directors of Rea, and Mr. Edelman and three partnerships controlled by him (the "Partnerships"), entered into an agreement (the "Settlement Agreement") pursuant to which the Proxy Litigation and proxy contest commenced by Mr. Edelman were discontinued. Pursuant to the Settlement Agreement, on April 20, 1983, Mr. Edelman and two of his nominees, Mr. Burton Lehman and Mr. Charles P. Stevenson, Jr., were elected to the Board, and Mr. Edelman was elected Vice Chairman of the Board and Chairman of the Executive Committee. The committees of the Board also were reconstituted under the Settlement Agreement and their present members are indicated in the table "Information Concerning Directors, Nominees and Share Ownership" under "Election of Directors". The Settlement Agreement also provided that, to the extent permissible by law, the Company would bear the proper costs and expenses with respect to the solicitation and litigation expenses of the participants in the proxy contest. In June, 1983, the Company engaged independent legal counsel to review the amounts the Company had advanced on behalf of or reimbursed certain directors and stockholders. In accordance with the report of independent counsel, the Company demanded and received repayment of certain amounts previously advanced or reimbursed, including approximately $290,000 from Rea and approximately $45,000 from Mr. Edelman. The net amount advanced on behalf of or reimbursed by the Company to Mr. Edelman and the Partnerships was approximately $1,360,000 which independent counsel found to be appropriate. The Company expended an additional approximately $1,070,000 in defending the Proxy Litigation. Certain directors of the Company at the time, including Sir Walter Salomon, benefitted from this expenditure since they were named defendants in the litigation and the attorneys who were engaged to defend the lawsuit acted on behalf of the Company and these directors. These directors were found by independent counsel to have met the standard of conduct under Delaware law for indemnification of their litigation expenses. In addition, the Company reimbursed Rea for out-of-pocket expenses incurred by Rea in connection with the proxy contest in the amount of approximately $24,500 which

independent counsel found to be appropriate. Rea had also submitted a bill to the Company in the amount of approximately 67,500 English Pounds which, according to Rea, was due to Rea for investment banking services performed in connection with the proxy contest. Independent counsel concluded that the Company should not pay this bill, and the Company has informed Rea that, in accordance with the conclusion of independent counsel, the Company does not intend to pay the bill. Rea maintains its position that the bill is properly payable.

SEC Actions

On February 28, 1983, the SEC filed a complaint against the Partnerships which alleged certain violations of the Exchange Act. Concurrently with the filing of the complaint, solely for purposes of settlement and without trial of any issue of fact or law, the Partnerships agreed to the entry of a final order (the "Partnership Final Order"). The Partnership Final Order, in essence, requires the Partnerships, their general partners and employees, and persons acting in concert with them, to file complete and accurate Schedule 13D's and amendments after they acquire beneficial ownership of 5% or more of a company whose securities are registered with the SEC under Section 12 of the Exchange Act.

On March 2, 1983, the SEC filed a complaint (the "SEC Complaint") against the Company, Rea and The Scottish and Mercantile Investment Plc. ("Scottish"), which alleged certain violations of the Exchange Act. Concurrently with the filing of the complaint, solely for purposes of settlement and without trial of any issue of fact or law, the Company, Rea and Scottish consented to entry of a final order (the "Final Order"). The Final Order, in essence, requires Rea and Scottish to comply promptly and fully with Section 13(d) of the Exchange Act and requires the Company to comply with the proxy solicitation provisions of the Exchange Act and regulations issued thereunder and to cause all annual and quarterly reports of the Company to be complete and accurate and contain all of the information required by the rules and regulations of the SEC. Rea and Scottish also entered into Consents and Undertakings with the SEC pursuant to which they filed the SEC Complaint, the Final Order and the Undertakings as amendments to Schedule 13D's then on file with the SEC. The Company also entered into a Consent and Undertaking pursuant to which it filed the SEC Complaint, the Final Order and the Undertaking with a Current Report on Form 8-K of the Company.

Section 16(b) Litigation

On March 2, 1983, a purported stockholder, Mr. Marvin Margolies, commenced an action in the United States District Court for the Southern District of New York against Rea, Guernsey, Sir Walter Salomon and the Company as a nominal defendant. This action, brought under Section 16(b) of the Exchange Act, seeks recovery by the Company of short-swing profits allegedly realized by Rea and Guernsey in connection with transactions in the common stock of the Company, as well as an award to Mr. Margolies of costs, disbursements and legal fees.

Rea and Guernsey have filed an answer to the complaint denying the material allegations and asserting certain defenses. Sir Walter Salomon's motion to dismiss the complaint for failure to state a claim against him has been granted. The Company has filed an amended answer and has maintained a neutral position with respect to the claims made in the complaint. With the prior knowledge and consent of the Company's Board of Directors, Rea, Guernsey and Sir Walter Salomon are being represented in this litigation by the law firm which serves as general counsel to the Company. The Company is being represented by special counsel in this litigation and in the litigation described under the caption "Stockholder Suit" below.

Stockholder Suit

On or about April 11, 1983, a purported stockholder of the Company commenced a suit in Delaware Chancery Court, which allegedly was brought derivatively on behalf of the Company against the directors of the Company at the time of such suit, Guernsey, Rea Brothers (Isle of Man) Limited, a wholly-owned subsidiary of Rea, the Investment Companies and the Company as a nominal defendant. The complaint in the suit recites certain portions of the Federal District Court decision in the Proxy

Litigation and seeks (i) an order directing the defendants besides the Company to account jointly and severally to the Company for the expenses incurred in connection with the proxy solicitations in 1981, 1982 and 1983, including the legal expenses paid by the Company on behalf of the defendants in the Proxy Litigation, (ii) an award of reasonable costs and expenses, including counsel and accounting fees, and (iii) such other relief as may be just and proper. An answer has not yet been filed on behalf of any of the defendants and discovery has not yet commenced. On application of the Company, a court order has been signed scheduling a hearing on March 15, 1984 to consider whether a stipulation signed by all the parties providing for the entry of an order and final judgment dismissing the action and extinguishing all claims relating to the matters discussed in the report of independent legal counsel in connection with the Settlement Agreement and the Proxy Litigation should be approved by the court and to consider an application by the plaintiff for attorney's fees in the amount of $25,000 with accrued interest. The Company has set aside this amount in an interest bearing account in anticipation of the application.

EXECUTIVE COMPENSATION

The following table sets forth the cash compensation for services to the Company and its subsidiaries during fiscal 1983 of the five most highly compensated executive officers of the Company whose aggregate cash compensation equalled or exceeded $60,000 and of all executive officers as a group:

Cash Compensation Table

Name of Individual or Number in Group	Capacities in Which Served	Cash Compensation
Raymond French	Chairman of the Board and President of the Company and subsidiaries.	$198,750
Robert W. Hunt	Vice-President and Secretary of the Company and Executive Vice-President and Secretary of United Stockyards Corporation, a subsidiary.	$ 87,500
David W. Bent	Vice-President of the Company and subsidiaries.	$ 81,208
Charles E. Liggio	Vice-President and Treasurer of the Company and subsidiaries.	$ 72,917
Lukas P. Georgiadis	Vice President of the Company and subsidiaries.	$ 62,625
All 8 executive officers as a group	Executive officers of the Company and subsidiaries.	$583,300

Directors who are not officers of the Company receive a fee of $400 for each meeting of the Board of Directors and each meeting of any Committee attended other than immediately before or after a Board Meeting.

Pension Plan

The Company has a pension plan which covers employees of the Company and subsidiaries other than United Stockyards Corporation, which has a separate pension plan covering its employees. All current officers of the Company are covered by the Company's plan, except for Mr. Hunt, who is covered by the United plan. For a description of the United plan, see "United Stockyards Corporation—Management". Contributions to the plan are determined on an actuarial basis, without individual allocation. The compensation covered by the Company's plan consists of all compensation reported on Form W-2 except for incentive compensation such as bonuses and commissions. All of the cash compensation to executive officers under "Cash Compensation" in the above table is compensation covered by the Company's plan. Retirement benefits under the Company's plan are based on average

annual compensation. The benefits payable under the plan are not subject to any deduction for Social Security or other offset amounts.

The following table sets forth the estimated annual pensions payable under the Company's pension plan, upon retirement at age 65, to employees at various compensation levels and in representative years-of-service classifications:

Average Annual Compensation	Estimated Annual Pension Based on Years of Credited Service at Age 65			
	10 years	20 years	30 years	40 years
$ 20,000	$ 3,760	$ 7,520	$ 11,280	$ 15,040
50,000	9,760	19,520	29,280	39,040
100,000	19,760	39,520	59,280	79,040
125,000	24,760	49,520	74,280	99,040
150,000	29,760	59,520	89,280	119,040
175,000	34,760	69,520	104,280	139,040

Mr. French has 21 years of credited service and his current average annual compensation is $97,347, Mr. Liggio has 4 years and his current average annual compensation is $51,992, Mr. Bent has 2 years and his current average annual compensation is $57,300 and Mr. Georgiadis has 8 years and his current average annual compensation is $35,064 under the respective pension plans. For information with respect to Mr. Hunt, see "United Stockyards Corporation—Management". It is expected that consummation of the Plan will result in a termination of the Company's pension plan and that those employees who are also employees, or become employees, of United will become participants in United's pension plan. See "Proposed Plan of Complete Liquidation and Dissolution—Effect on the Company's Stock Option Plan and Pension Plan".

Stock Options

On March 11, 1981, the stockholders of the Company approved a Non-Qualified Stock Option Plan for officers and key employees of the Company and its subsidiaries (the "Option Plan"). The Stock Option Plan Committee of the Board of Directors administers the Option Plan and determines the officers and key employees who will be granted options and the exercise price of such options. During fiscal 1983, the net value of securities (market value less exercise price) realized by all executive officers as a group pursuant to the exercise of stock options granted under the Option Plan was approximately $8,050. Messrs. French, Hunt, Bent, Liggio and Georgiadis held options to purchase 2,000, 1,000, 400, 500 and 375 shares, respectively, of the Company's Common Stock as of March 1, 1984. See "Proposed Plan of Complete Liquidation and Dissolution—Effect on the Company's Stock Option Plan and Pension Plan" for information concerning provisions of the Plan with respect to the treatment of outstanding stock options and the proposed cash offer to be made to optionees for the surrender of all such outstanding options.

SELECTION OF AUDITORS

The Board of Directors, upon the recommendation of its Audit Committee, again proposes the designation of Arthur Andersen & Co. as auditors of the Company for the fiscal year ending October 31, 1984. Arthur Andersen & Co. is a well-known and well-qualified firm of independent public accountants and has served as auditors of the Company since its formation in 1955. Representatives of Arthur Andersen & Co., are expected to be present at the Meeting. They will have an opportunity to address the Meeting if they so desire and they are expected to be available to respond to appropriate questions. The aggregate fee to Arthur Andersen & Co. with respect to the 1983 fiscal year audit of the consolidated financial statements is expected to be $85,000.

STOCKHOLDER PROPOSAL

Messrs. Lewis D. Gilbert and John J. Gilbert, 1165 Park Avenue, New York, New York, each of whom is the owner of 12 shares of common stock of the Company and who state that they represent an additional family interest of 22 shares and act as co-trustees of a trust owning 110 shares, have informed the Company that one or both of them will propose the following resolution, which the Board of Directors opposes, from the floor at the Meeting. In accordance with applicable regulations, the proposed resolution and the supporting statement prepared by Messrs. Gilbert, for which the Board of Directors and the Company accept no responsibility, are set forth below:

"RESOLVED: The stockholders of Canal-Randolph Corporation, hereby request any new stock option plans be made subject to the following provisions:

(a) Shares to be optioned will be optioned in yearly installments; the right to purchase shares in each installment will not be cumulative and will expire to the extent not exercised during the applicable installment period.

(b) The aggregate purchase price of the shares covered by an option may not exceed 150% of an individual's annual cash compensation.

(c) No options will be granted in any year to executives within 18 months of their automatic retirement date.

(d) It shall be a negative factor in granting new options if an optionee has sold optioned stock to pay off a loan, enabling optionee to pick up new options.

(e) Option price be not less than the per share net working capital value.

(f) There shall be no "performance shares" offered to executives without cost.

(g) Each optionee will be required, at the time of exercise of an option, to certify in writing to the Company that at least 60% of the stock theretofore and then being acquired pursuant to options was and is purchased for investment purposes, and the Company reserves the right to cause a legend to this effect to be placed on the certificates issued at time of exercise to evidence and implement this certification.

(h) That there shall be a maximum number of options any one person is allowed.

(i) No options shall be granted to outside directors.

(j) The aggregate number of outstanding stock options held by any officer or director of each such corporation shall not exceed two percent (2%) of the outstanding stock of such corporation on whose stock he has an option.

(k) The aggregate number of outstanding stock options held by all officers and directors (as a group) of each such corporation shall not at any time exceed five percent (5%) of the outstanding stock of any such corporation on which stock they have options."

In 1978, 547 owners of 94,964 shares voted in favor of our similar resolution. The vote against included the unmarked proxies.

In the June 21, 1976 issue of Business Week, Mr. James H. Wiborg, President of Univar Corporation was quoted as saying he does not believe in stock options because they are "too expensive for the shareholders, and they put the incentive on the price of the stock rather than its value."

We were glad to see this comment from the head of a big company. We think executives of all companies should give more consideration to this aspect.

If you agree, please mark your proxy for this resolution; otherwise it is automatically cast against it, unless you have marked to abstain."

THE BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST THIS RESOLUTION. In 1978, the stockholders of the Company, by more than 90% of the votes cast, overwhelmingly rejected a similar resolution proposed by the same stockholders for the fourth consecutive year. The vote against included signed but unmarked proxy cards, which provided, in bold face type, that unmarked cards would be voted against this proposal. The Board of Directors believes most, if not all, unmarked cards reflected an informed decision by the stockholders to vote against this proposal.

The Board of Directors believes that nothing has transpired over the years that would make the proposed resolution more suitable for the Company or more attractive to stockholders.

On a number of occasions in the past, the stockholders of the Company have demonstrated their confidence in the judgment of the Board with respect to employee stock plans of several types by ratifying the plans proposed by the Board, including the Company's 1981 Non-Qualified Stock Option Plan which is currently in effect. Employee stock plans, including option plans, have been an important feature of the Company's efforts to attract and keep motivated, exceptional executive personnel. The Board believes the terms of any plan it may recommend to stockholders should reflect the best interests of the Company, and it is the Board's policy that all new stock plans, of whatever type, ultimately be approved by stockholders. The adoption of the suggested resolution would limit the Board's flexibility and reduce the value of any stock options which the stockholders may approve.

Accordingly, the Board of Directors recommends that stockholders vote "AGAINST" the suggested resolution.

The affirmative vote of the holders of a majority of the outstanding shares of common stock present in person or by proxy at the meeting is required to approve the proposed stockholder resolution.

ADDITIONAL INFORMATION

The Annual Report of the Company for the fiscal year ended October 31, 1983 was mailed to stockholders on January 31, 1984.

Each stockholder can obtain a copy, without charge, of the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 1983, including the financial statements and the schedules thereto, by written request mailed to the Company's New York office, 277 Park Avenue, New York, New York 10017, to the attention of the Treasurer of the Company.

By order of the Board of Directors,

ROBERT W. HUNT
Secretary

New York, New York
March 16, 1984