CANAL CAPITAL CORP
Form 10-Q
June 12, 2009

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

|X| QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) of THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended April 30, 2009

|_| TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 002-96666

CANAL CAPITAL CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	51-0102492
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
490 WHEELER ROAD SUITE 185 HAUPPAUGE, NY	11788
(Address of principal executive offices)	(Zip Code)

(Registrant's telephone number, including area code) (631) 234-0140

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $.01 par value

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes |X| No |_|

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes |X| No |_|

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer |_| Accelerated filer |_| Non-accelerated filer |X|

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes |_| No |X|

The number of shares of Common Stock, $.01 par value, outstanding at May 31, 2009 was 4,326,929.

CANAL CAPITAL CORPORATION AND SUBSIDIARIES
FORM 10-Q APRIL 30, 2009

INDEX

The following documents are filed as part of this report:

PART I

FINANCIAL INFORMATION

CANAL CAPITAL CORPORATION & SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
APRIL 30, 2009 AND OCTOBER 31, 2008

	APR. 30, 2009 (UNAUDITED)	OCT. 31, 2008 (AUDITED)
ASSETS:		
CURRENT ASSETS:		
CASH AND CASH EQUIVALENTS	$ 191,673	$ 21,115
NOTES AND ACCOUNTS RECEIVABLE, NET OF AN ALLOWANCE FOR DOUBTFUL ACCOUNTS OF $ZERO AT BOTH APRIL 30, 2009 AND OCTOBER 31, 2008,	241,861	147,140
ART INVENTORY, NET OF A VALUATION ALLOWANCE OF $396,522 AT APRIL 30, 2009 AND OCTOBER 31, 2008	100,000	100,000
STOCKYARDS INVENTORY	22,187	24,426
PREPAID EXPENSES	53,013	12,955
TOTAL CURRENT ASSETS	608,734	305,636
NON-CURRENT ASSETS:		
PROPERTY ON OPERATING LEASES, NET OF ACCUMULATED DEPRECIATION OF $439,099 AND $427,799 AT APRIL 30, 2009 AND OCTOBER 31, 2008, RESPECTIVELY	1,634,708	1,645,807
PROPERTY USED IN STOCKYARD OPERATIONS, NET OF ACCUMULATED DEPRECIATION OF $240,596 AND $230,687 AT APRIL 30, 2009 AND OCTOBER 31, 2007, RESPECTIVELY	1,114,962	1,124,871
OTHER ASSETS:		
PROPERTY HELD FOR DEVELOPMENT OR RESALE	52,250	91,510
RESTRICTED CASH - LETTER OF CREDIT	100,000	100,000
RESTRICTED CASH - TRANSIT INSURANCE	66,430	26,736
DEPOSITS AND OTHER ASSETS	2,700	2,700
	221,380	220,946
	$3,579,784	$3,297,260

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

CANAL CAPITAL CORPORATION & SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
APRIL 30, 2009 AND OCTOBER 31, 2008

	APR.30, 2009 (UNAUDITED)	OCT.31, 2008 (AUDITED)
LIABILITIES & STOCKHOLDERS' EQUITY:		
CURRENT LIABILITIES:		
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	$ 400,099	$ 363,306
PENSION PLAN PAYABLE	104,895	149,919
SALARIES AND INTEREST PAYABLE - OFFICERS	233,417	27,317
ACCRUED PROFESSIONAL FEES	101,649	113,523
PREFERRED STOCK DIVIDEND PAYABLE	120,712	84,712
INCOME TAXES PAYABLE	10,000	10,000
TOTAL CURRENT LIABILITIES	970,772	748,777
NON-CURRENT LIABILITIES:		
LONG-TERM PENSION LIABILITY	440,156	440,156
REAL ESTATE TAXES PAYABLE	145,798	115,165
TOTAL NON-CURRENT LIABILITIES	585,954	555,321
LONG-TERM DEBT, RELATED PARTY	1,262,000	1,262,000
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
PREFERRED STOCK, $0.01 PAR VALUE: 10,000,000 SHARES AUTHORIZED; 9,102,655 SHARES ISSUED AND OUTSTANDING AT APRIL 30, 2009 AND OCTOBER 31, 2008, RESPECTIVELY AND AGGREGATE LIQUIDATION PREFERENCE OF $10 PER SHARE FOR $ 91,026,550 AT APRIL 30, 2009 AND OCTOBER 31, 2008, RESPECTIVELY	91,027	91,027
COMMON STOCK, $0.01 PAR VALUE: 10,000,000 SHARES AUTHORIZED; 5,313,794 SHARES ISSUED AND 4,326,929 SHARES OUT-STANDING AT APRIL 30, 2009 AND OCTOBER 31, 2008, RESPECTIVELY	53,138	53,138
ADDITIONAL PAID-IN CAPITAL	28,322,341	28,322,341
ACCUMULATED DEFICIT	(15,055,431)	(15,025,327)
986,865 SHARES OF COMMON STOCK HELD IN TREASURY, AT COST	(11,003,545)	(11,003,545)
COMPREHENSIVE INCOME:		

PENSION VALUATION RESERVE	(1,646,472)	(1,706,472)
	761,058	731,162
	$ 3,579,784	$ 3,297,260

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

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CANAL CAPITAL CORPORATION & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS & COMPREHENSIVE INCOME (LOSS)
FOR THE SIX MONTHS ENDED APRIL 30, 2009 AND 2008

	2009 (UNAUDITED)	2008 (UNAUDITED)
REAL ESTATE OPERATIONS:		
REAL ESTATE REVENUES:		
SALE OF REAL ESTATE	262,720	200,000
OUTSIDE REAL ESTATE RENT	193,044	247,288
EXCHANGE BUILDING RENTAL INCOME	15,387	16,635
	471,151	463,923
REAL ESTATE EXPENSES:		
COST OF REAL ESTATE SOLD	69,069	72,567
LABOR, OPERATING AND MAINTENANCE	29,630	37,971
DEPRECIATION AND AMORTIZATION	11,100	11,100
TAXES OTHER THAN INCOME TAXES	12,300	10,800
GENERAL AND ADMINISTRATIVE	19,800	22,040
	141,899	154,478
INCOME FROM REAL ESTATE OPERATIONS	329,252	309,445
STOCKYARD OPERATIONS:		
STOCKYARD REVENUES:		
YARD HANDLING AND AUCTION	$ 1,479,436	$ 1,526,329
FEED AND BEDDING INCOME	115,691	111,067
RENTAL & OTHER INCOME	89,675	88,132
	1,684,802	1,725,528
STOCKYARD EXPENSES:		
LABOR AND RELATED COSTS	679,897	733,725
OTHER OPERATING AND MAINTENANCE	405,622	444,988
FEED AND BEDDING EXPENSE	92,148	103,540
DEPRECIATION AND AMORTIZATION	9,909	9,909
TAXES OTHER THAN INCOME TAXES	90,021	87,363
GENERAL AND ADMINISTRATIVE	223,412	221,110

	1,501,009	1,600,635
INCOME FROM STOCKYARD OPERATIONS	183,793	124,893
GENERAL AND ADMINISTRATIVE EXPENSE	(449,428)	(551,360)
INCOME (LOSS) FROM OPERATIONS	63,617	(117,022)

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

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CANAL CAPITAL CORPORATION & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS & COMPREHENSIVE INCOME (LOSS)
FOR THE SIX MONTHS ENDED APRIL 30, 2009 AND 2008
Continued ...

	2009 (UNAUDITED)	2008 (UNAUDITED)
OTHER (EXPENSE) INCOME:		
INTEREST & OTHER INCOME	7,779	26,784
INTEREST EXPENSE	(63,100)	(105,841)
ART SALES AND OPERATIONS	(2,400)	(2,400)
	(57,721)	(81,457)
(LOSS) INCOME BEFORE PROVISION FOR INCOME TAXES	5,896	(198,479)
PROVISION FOR INCOME TAXES	0	0
NET INCOME (LOSS)	5,896	(198,479)
OTHER COMPREHENSIVE INCOME:		
MINIMUM PENSION LIABILITY ADJUSTMENT	60,000	126,000
COMPREHENSIVE INCOME	$ 65,896	$ 72,479
EARNINGS (LOSS) PER COMMON SHARE:		
NET INCOME (LOSS)	$ 5,896	$ (198,479)
LESS PREFERRED STOCK DIVIDEND	(36,000)	(54,000)
(LOSS) AVAILABLE TO COMMON STOCKHOLDERS	$ (30,104)	$ (252,479)
NET (LOSS) PER COMMON SHARE		

BASIC AND DILUTED	$ (0.01)	$ (0.06)
AVERAGE SHARES OUTSTANDING - BASIC AND DILUTED	4,326,929	4,326,929

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

CANAL CAPITAL CORPORATION & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS & COMPREHENSIVE INCOME (LOSS)
FOR THE THREE MONTHS ENDED APRIL 30, 2009 AND 2008

	2009 (UNAUDITED)	2008 (UNAUDITED)
REAL ESTATE OPERATIONS:		
REAL ESTATE REVENUES:		
SALE OF REAL ESTATE	262,720	0
OUTSIDE REAL ESTATE RENT	97,045	124,727
EXCHANGE BUILDING RENTAL INCOME	7,674	8,917
	367,439	133,644
REAL ESTATE EXPENSES:		
COST OF REAL ESTATE SOLD	69,069	0
LABOR, OPERATING AND MAINTENANCE	14,464	20,202
DEPRECIATION AND AMORTIZATION	5,550	5,550
TAXES OTHER THAN INCOME TAXES	6,150	5,400
GENERAL AND ADMINISTRATIVE	9,900	11,100
	105,133	42,252
INCOME FROM REAL ESTATE OPERATIONS	262,306	91,392
STOCKYARD OPERATIONS:		
STOCKYARD REVENUES:		
YARD HANDLING AND AUCTION	$ 763,564	$ 725,898
FEED AND BEDDING INCOME	57,657	53,373
RENTAL & OTHER INCOME	49,066	45,323
	870,287	824,594
STOCKYARD EXPENSES:		
LABOR AND RELATED COSTS	329,891	358,943
OTHER OPERATING AND MAINTENANCE	221,753	228,567
FEED AND BEDDING EXPENSE	49,271	47,324
DEPRECIATION AND AMORTIZATION	4,955	4,955
TAXES OTHER THAN INCOME TAXES	45,858	45,663
GENERAL AND ADMINISTRATIVE	123,249	112,979
	774,977	798,431

INCOME FROM STOCKYARD OPERATIONS	95,310	26,163
GENERAL AND ADMINISTRATIVE EXPENSE	(224,745)	(267,510)
INCOME (LOSS) FROM OPERATIONS	132,871	(149,955)

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

CANAL CAPITAL CORPORATION & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS & COMPREHENSIVE INCOME (LOSS)
FOR THE THREE MONTHS ENDED APRIL 30, 2009 AND 2008
Continued ...

	2009 (UNAUDITED)	2008 (UNAUDITED)
OTHER (EXPENSE) INCOME:		
INTEREST & OTHER INCOME	7,602	3,182
INTEREST EXPENSE	(31,550)	(42,312)
ART SALES AND OPERATIONS	(1,200)	(1,200)
	(25,148)	(40,330)
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	107,723	(190,285)
PROVISION FOR INCOME TAXES	0	0
NET INCOME (LOSS)	107,723	(190,285)
OTHER COMPREHENSIVE INCOME:		
MINIMUM PENSION LIABILITY ADJUSTMENT	30,000	63,000
COMPREHENSIVE INCOME (LOSS)	$ 137,723	$ (127,285)
EARNINGS (LOSS) PER COMMON SHARE:		
NET INCOME (LOSS)	$ 107,723	$ (190,285)
LESS PREFERRED STOCK DIVIDEND	(18,000)	(27,000)
INCOME (LOSS) AVAILABLE TO COMMON STKHDRS	$ 89,723	$ (217,285)
NET INCOME (LOSS) PER COMMON SHARE BASIC AND DILUTED	$ 0.02	$ (0.05)

AVERAGE SHARES OUTSTANDING - BASIC AND DILUTED	4,326,929	4,326,929

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

CANAL CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED OCTOBER 31, 2008 (AUDITED) AND
FOR THE SIX MONTHS ENDED APRIL 30, 2009 (UNAUDITED)

	COMMON STOCK		PREFERRED STOCK	
	NUMBER OF SHARES	AMOUNT	NUMBER OF SHARES	AMOUNT
BALANCE, OCTOBER 31, 2007	5,313,794	$53,138	9,102,655	$91,027
NET LOSS	0	0	0	0
PREFERRED STOCK DIVIDEND	0	0	0	0
MINIMUM PEN. LIAB. ADJ.	0	0	0	0
BALANCE, OCTOBER 31, 2008	5,313,794	$53,138	9,102,655	$91,027
NET LOSS	0	0	0	0
PREFERRED STOCK DIVIDEND	0	0	0	0
MINIMUM PEN. LIAB. ADJ.	0	0	0	0
BALANCE, APRIL 30, 2009	5,313,794	$53,138	9,102,655	$91,027

	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	COMPREHENSIV LOSS	TREASURY STOCK, AT COST
BALANCE, OCTOBER 31, 2007	$28,322,341	($14,885,103)	($1,592,262)	($11,003,545
NET LOSS	0	(55,512)	0	0
PREFERRED STOCK DIVIDEND	0	(84,712)	0	0
MINIMUM PEN. LIAB. ADJ.	0	0	(114,210)	0
BALANCE, OCTOBER 31, 2008	$28,322,341	($15,025,327)	($1,706,472)	($11,003,545
NET LOSS	0	5,896	0	0
PREFERRED STOCK DIVIDEND	0	(36,000)	0	0
MINIMUM PEN. LIAB. ADJ.	0	0	60,000	0
BALANCE, APRIL 30, 2009	$28,322,341	($15,055,431)	($1,646,472)	($11,003,545

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

CANAL CAPITAL CORPORATION & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED APRIL 30, 2009 AND 2008

	APR. 2009	APR. 2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
NET INCOME (LOSS)	$ 5,896	$ (198,479)
ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH (USED IN) OPERATING ACTIVITIES:		
DEPRECIATION AND AMORTIZATION	21,009	21,009
GAIN ON SALES OF REAL ESTATE	(193,651)	(127,433)
MINIMUM PENSION LIABILITY ADJUSTMENT	60,000	126,000
DECREASE (INCREASE) IN ASSETS:		
MORTGAGE NOTE RECEIVABLE - PROCEEDS	0	1,600,000
NOTES AND ACCOUNTS RECEIVABLE	(94,721)	(50,832)
STOCKYARDS INVENTORY	2,239	7,799
PREPAID EXPENSES	(40,058)	(52,065)
RESTRICTED CASH - TRANSIT INSURANCE	(39,694)	(4,839)
INCREASE (DECREASE) IN LIABILITIES:		
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	36,793	(80,968)
PENSION PLAN PAYABLE	(45,024)	(94,677)
SALARIES AND INTEREST PAYABLE - OFFICERS	206,100	(213,916)
ACCRUED PROFESSIONAL FEES	(11,874)	(53,459)
REAL ESTATE TAXES PAYABLE	30,633	(43,497)
TOTAL ADJUSTMENTS	(68,248)	1,033,122
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(62,352)	834,643

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

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CANAL CAPITAL CORPORATION & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED APRIL 30, 2009 AND 2008
Continued ...

	APR. 2009	APR. 2008
CASH FLOWS FROM INVESTING ACTIVITIES:		
PROCEEDS FROM SALES OF REAL ESTATE	262,720	200,000
COSTS RELATING TO SALES OF REAL ESTATE	(29,810)	(52,567)
CAPITAL EXPENDITURES	0	(4,740)
NET CASH PROVIDED BY INVESTING ACTIVITIES	232,910	142,693
CASH FLOWS USED BY FINANCING ACTIVITIES:		
REPAYMENT OF LONG-TERM DEBT OBLIGATION	0	(1,000,000)
NET CASH USED BY FINANCING ACTIVITIES	0	(1,000,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	170,558	(22,664)
CASH AND CASH EQUIVALENTS AT BEGN OF YEAR	21,115	27,925
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 191,673	$ 5,261

	APRIL 30, 2009	APRIL 30, 2008
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
CASH PAID DURING THE YEAR FOR:		
INTEREST	$ 63,100	$ 105,841
INCOME TAXES	$ 0	$ 0
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
PREFERRED STOCK DIVIDENDS	$ 36,000	$ 54,000

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

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CANAL CAPITAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED APRIL 30, 2009

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Canal Capital Corporation ("Canal"), incorporated in the state of Delaware in 1964, commenced business operations through a predecessor in 1936.

General - While the Company is currently operating as a going concern, certain significant factors raise substantial doubt about the Company's ability to continue as a going concern. The Company has suffered recurring losses from operations and is obligated to continue making substantial annual contributions to its defined benefit pension plan. The financial statements do not include any adjustments that might result from the resolution of these uncertainties. Additionally, the accompanying financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Canal continues to closely monitor and reduce where possible its operating expenses and plans to continue its program to develop or sell the property it holds for development or resale as well as to reduce the level of its art inventories to enhance current cash flows. Management believes that its income from operations combined with its cost cutting program and planned reduction of its art inventory will enable it to finance its current business activities. There can, however, be no assurance that Canal will be able to effectuate its planned art inventory reductions or that its income from operations combined with its cost cutting program in itself will be sufficient to fund operating cash requirements.

Canal is engaged in two distinct businesses - real estate and stockyard operations.

Real Estate Operations - Canal's real estate properties are located in Sioux City, Iowa, South St Paul, Minnesota, St Joseph, Missouri, Omaha, Nebraska and Sioux Falls, South Dakota. The properties consist, for the most part, of an Exchange Building (commercial office space), land and

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structures leased to third parties (rail car repair shops, lumber yards and various other commercial and retail businesses) as well as vacant land available for development or resale. Its principal real estate operating revenues are derived from lease income from land and structures leased to various commercial and retail enterprises, rental income from its Exchange Building, and proceeds from the sale of real estate properties. In addition to selling what was excess stockyard property, the company entertains any offers to purchase, develop and restructure real estate lots surrounding its existing operating lease properties, stockyard operating properties and properties held for development or resale in order to enhance the value of the existing properties and surrounding real estate.

Real estate operations resulted in operating income of $329,000 and $309,000 for the six month periods ended April 30, 2009 and 2008, respectively. Included in the fiscal 2009 results is a 194,000 gain on the sale of approximately 16 acres of vacant land located in St. Joseph, Missouri. Included in the 2008 real estate operating income is a $127,000 gain on the sale of approximately 1 acre of land and the associated improvements located in South Saint Paul, Minnesota. Additionally, real estate operations contributed $471,000 and $464,000 to Canal's revenues for the six month periods ended April 30, 2009 and 2008, respectively.

As of April 30, 2009, there are approximately 2 acres of undeveloped land owned by Canal adjacent to its stockyard properties. In addition to selling what was excess stockyard property, the company entertains any offers to purchase, develop and restructure real estate lots surrounding its existing operating lease properties, stockyard operating properties and properties held for development or resale in order to enhance the value of the existing properties and surrounding real estate.

Stockyard Operations - Through an August 1, 1999 asset repurchase agreement, Canal now operates two central public stockyards located in St. Joseph, Missouri and Sioux Falls, South Dakota.

Public stockyards act much like a securities exchange, providing markets for all categories of livestock and fulfilling the economic functions of assembly, grading, and price discovery. The livestock handled by the Company's stockyards include cattle, hogs, and sheep. Cattle and hogs may come through the stockyard facilities at two different stages, either as feeder livestock or slaughter livestock. The Company's stockyards provide all services and facilities required to operate an independent market for the sale of livestock, including veterinary services facilities, auction arenas, auctioneers, weigh masters and

scales, feed and bedding, and security personnel. In addition, the stockyards provide other services including pure bred and other specialty sales for producer organizations. The Company promotes its stockyard business through public relations efforts, advertising, and personal solicitation of producers.

Actual marketing transactions at a stockyard are managed for livestock producers by market agencies and independent commission sales people to which the livestock are consigned for sale. These market agencies (some of which are owned and operated by the Company) and independent sales people receive commissions from the seller upon settlement of a transaction and the stockyard receives a yardage fee on all livestock using the facility which is paid within twenty-four hours of the sale. Yardage fees vary depending upon the type of animal, the extent of services provided by the stockyard, and local competition. Yardage revenues are not directly dependent upon market prices, but rather are a function of the volume of livestock handled. In general, stockyard livestock volume is dependent upon conditions affecting livestock production and upon the market agencies and independent commission sales people which operate at the stockyards. Stockyard operations are seasonal, with greater volume generally experienced during the first and fourth quarters of each fiscal year, during which periods livestock is generally brought to market.

Virtually all of the volume at Canal's Sioux Falls stockyards is handled through market agencies and independent commission sales people, while the St. Joseph stockyards has solicitation operations of its own which account for approximately 50% of its livestock volume annually. Canal intends to continue its soliciting efforts at its St. Joseph stockyards in fiscal 2009. Further, Canal tries to balance its dependence on market agencies and independent commission sales people in various ways, including: developing solicitation operations of its own; direct public relations; advertising and personal solicitation of producers on behalf of the stockyards; providing additional services at the stockyards to attract sellers and buyers; and providing incentives to market agencies and independent commission sales people for increased business.

Canal maintains an inventory of feed and bedding which is comprised primarily of hay, corn and straw. The value of this inventory was $22,000 and

$24,000 at April 30, 2009 and October 31, 2008, respectively.

Stockyard operations resulted in operating income of $184,000 and $125,000 for the six month periods ended April 30, 2009 and 2008, respectively. Additionally, stockyard operations contributed $1,685,000 and $1,726,000 to Canal's revenues for the six month periods ended April 30, 2009 and 2008, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Principles of Consolidation -- The consolidated financial statements include the accounts of Canal Capital Corporation ("Canal") and its wholly-owned subsidiaries ("the Company"). All material intercompany balances and transactions have been eliminated in consolidation.

B) Properties and Related Depreciation -- Properties are stated at cost less accumulated depreciation. Depreciation is provided on the straight-line method over the estimated useful lives of the properties. Such lives are estimated from 35 to 40 years for buildings and from 5 to 20 years for improvements and equipment.

Property held for Development or Resale -- Property held for development or resale consist of approximately 2 acres located in the Midwest of undeveloped land not currently utilized for corporate purposes nor included in any of the present operating leases. The Company constantly evaluates proposals received for the purchase, leasing or development of this asset. The land is valued at cost which does not exceed the net realizable value.

Long-Lived Assets - The Company reviews the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company considers historical performance and future estimated results in its evaluation of potential impairment and then compares the carrying amount of the assets to the estimated future cash flows expected to result from the use of the asset. The measurement of the loss, if any, will be calculated as the amount by which the carrying amount of the asset exceeds the fair value of the asset.

C) Expenditures for maintenance and repairs are charged to operations as incurred. Significant renewals and betterments are capitalized. When properties are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is reflected in current income.

D) Reclassification -- Certain prior year amounts have been reclassified to conform to the current year presentation.

E) Art Inventory Held for Sale - Inventory of art is valued at the lower of cost, including direct acquisition and restoration expenses, or net realizable value on a specific identification basis. The nature of art makes it difficult to determine a replacement value. The most compelling evidence of a value in most cases is an independent appraisal. The net realizable value of Canals remaining art inventory has been estimated by

management based in part on the Company's history of art sales in the current and previous years and in part on the results of the independent appraisals done in previous years. However, because of the nature of art inventory, such determination is very subjective and, therefore, the estimated values could differ significantly from the amount ultimately realized.

F) Income Taxes -- Canal and its subsidiaries file a consolidated Federal income tax return. The Company accounts for income taxes under the liability method. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities.

G) Stockyard Inventory - Inventory is stated at the lower of cost or market. Cost is determined using the first-in, first-out method.

H) Accounting Estimates -- The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

I) Revenue Recognition -- Lease and rental revenues are recognized ratably over the period covered. All real estate leases are accounted for as operating leases. Revenues from the sale of real estate are recognized at the time the sale has been consummated on the full accrual method wherein the seller has transferred to the buyer the usual risks and rewards of ownership in a transaction that is in substance a sale and does not have a substantial continuing involvement with the property; the seller's receivable is not subject to future subordination and the buyer's initial and continuing investments are adequate to demonstrate a commitment to pay for the property. Revenues from stockyard operations which consist primarily of yardage fees (a standard per head charge for each animal sold through the stockyards) and sale of feed and bedding are recognized at the time the service is rendered or the feed and bedding are delivered.

Other Income (Expense) Items -- Art sales are recognized using the specific identification method, when the piece is shipped to the purchaser. Art owned by Canal which is on consignment, joint venture, or being examined in contemplation of sale is not removed from inventory and not recorded as a sale until notice of sale or acceptance has been received. The sale of investments available for sale, if any, are recognized on a specific identification method, on a trade date basis.

J) Statements of Cash Flows -- The company considers all short-term investments with a maturity of three months or less to be cash equivalents. Cash equivalents primarily include bank, broker and time deposits with an original maturity of less than three months. These investments are carried at cost, which approximates market value. Canal made state income tax payments of $0, and $0, and interest payments of $63,000, and $106,000 for the six month period ended April 30, 2009 and 2008, respectively.

K) Comprehensive Income (Loss) -- The Company's only adjustments for each classification of the comprehensive income was for minimum pension liability.

L) Earnings (Loss) Per Share -- Basic earnings (loss) per share is computed by dividing the net income (loss) applicable to common shares by the weighted average of common shares outstanding during the period. Diluted earnings (loss) per share adjusts basic earnings (loss) per share for the effects of convertible securities, stock options and other potentially dilutive financial instruments, only in the period in which such effect is dilutive. There were no dilutive securities in any of the periods presented herein. The shares issuable upon the exercise of stock options are excluded from the calculation of net income (loss) per share as their effect would be antidilutive.

M) Recently Issued Accounting Pronouncements -- In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a frame work for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 does not require any new fair value measurements. SFAS No. 157 becomes effective for fiscal years beginning after November 15, 2007, which is the Company's 2009 fiscal year beginning on November 1, 2008. In February 2008, the FASB issued FASB staff position No. 157-2, effective date of FASB statement No. 157 (FSP 157-2), which delayed the effective date of SFAS 157 for certain non-financial assets and non-financial liabilities to fiscal years beginning after November 15, 2008. The Company evaluated the impact of SFAS No. 157 and FSP 157-2 on its consolidated financial statements, and has determined the impact of adopting this standard does not have a material effect on the Company's financial position, results of operations or cash flows.

3. INTERIM FINANCIAL STATEMENTS

The interim consolidated financial statements included herein have been prepared by Canal and in the opinion of Management, contain all

adjustments necessary to present fairly its financial position as of April 30, 2009 and the results of its operations and its cash flows for the six month period ended April 30, 2009. All of the above referenced adjustments were of a normal recurring nature. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These financial statements should be read in conjunction with the consolidated financial statements for the three years ended October 31, 2008 and the notes thereto which are contained in Canal's 2008 Annual Report on Form 10-K. The results of operations for the period presented is not necessarily indicative of the results to be expected for the remainder of fiscal 2009.

4. MORTGAGE NOTE RECEIVABLE

On November 1, 2004 Canal sold its Exchange Building and the associated five acres of land located in South Saint Paul, Minnesota on a contract for deed for $1,750,000, generating operating income of approximately $850,000. Canal issued a mortgage note for the full sales price, which note carries interest at a rate of 4.12% per annum, payable in equal monthly installments. The mortgage note was due and payable in full on October 31, 2007.

In March, 2007 Canal received a $50,000 payment on this note as the result of the mortgagee having sold a small piece (0.1 acres of land) of the underlying collateral. On October 31, 2007 Canal received a $100,000 payment on this note, at which time Canal extended the due date to December 17, 2007 at an interest rate of 10% per annum. On December 17, 2007 Canal received a $1,400,000 payment on this note and issued a 90 day note for the balance due of $200,000 at an interest rate of 12% per annum. This note was paid in full in March 2008.

5. STOCK OPTION PLAN

Under Canal's 1984 Employee and 1985 Directors Stock Option Plans, $550,000 and 264,000 shares, respectively, of Canal's common stock have been reserved for option grants. The purchase price of shares subject to each option granted, under the Employee and Directors Plans, will not be less than 85% and 100%, respectively, of their fair market value at the date of grant. Options granted under both plans are exercisable for 10 years from the date of grant, but no option will be exercisable earlier than one year from the date of grant. Under the Employee Plan, stock appreciation rights may be granted in connection with stock options, either at the time of grant of the options or at any time thereafter. No stock appreciation rights have been granted under this plan. There were no exercisable options outstanding under either of these plans at April 30, 2009 or 2008.

6. BORROWINGS

The Company's variable rate mortgage notes (originally issued in 1998) are due May 15, 2012 and are held entirely by the Company's Chief Executive Officer and members of his family. These notes carry interest at the rate of ten percent per annum. These notes, among other things, prohibit Canal from becoming an investment company as defined by the Investment Company Act of 1940; require Canal to maintain minimum net worth; restricts Canal's ability to pay cash dividends or repurchase stock and require principal prepayments to be made only out of the proceeds from the sale of certain assets. The Company is in the process of negotiating a three year extension of these notes and anticipates this will be achieved prior to year end. Accordingly, as of April 30, 2009, the balance due under these notes was $1,262,000, all of which is classified as long-term debt-related party.

At April 30, 2009, substantially all of Canal's real properties, the stock of certain subsidiaries, the investments and a substantial portion of its art inventories are pledged as collateral for the following obligations:

($ 000's Omitted)	Apr. 30, 2009	October 31, 2008
Variable rate mortgage notes due May 15, 2012 - related party	$ 1,262	$ 1,262
Less -- current maturities	0	0
Long-term debt	$ 1,262	$ 1,262

The following table summarizes the Company's commitments as of April 30, 2009 to make future payments under its debt agreements and other contractual obligations (in 000's):

	Total	Less Than 1 year	1 - 3 Years	3 - 5 Years	More Than 5Yrs.
Pension Plan Liability (a)	$ 545	$ 105	$ 210	$ 230	$ 0
Mortgage Notes Payable (b)	1,262	0	1,262	0	0
	$1,807	$ 105	$1,472	$ 230	$ 0

(a) See Note 16.

(b) The mortgage notes are due May 15, 2012 and are held entirely by the Company's Chief Executive Officer and members of his family. These notes carry annual interest of 10% and are collateralized by substantially all of Canal's property, the stock of certain subsidiaries and its art inventories.

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7. RESTRICTED CASH

Letter of Credit - This is a $100,000 deposit with Chase Bank to secure a Letter of Credit issued by the bank to the Hartford Insurance Company for bonds issued in relation to the St. Joseph Stockyards clearing operation. This deposit is maintained in an interest bearing account.

Transit Insurance - Transit insurance covers livestock for the period that they are physically at the stockyards and under the care of stockyard personnel. This self insurance program is funded by a per head charge on all livestock received at the stockyard. The restricted cash - transit insurance balances of approximately $66,000 and $27,000 at April 30, 2009 and October 31, 2008, respectively, represents the excess of per head fees charged over actual payments made for livestock that was injured or died while at the stockyards.

8. INCOME TAXES

At April 30, 2009, the Company has net operating loss carryforwards of approximately $10,800,000 that expire through 2028. For financial statement purposes, a valuation allowance has been provided to offset the net deferred tax assets due to the cumulative net operating losses incurred during recent years. The valuation allowance will be reduced when and if, in the opinion of management, significant positive evidence exists which indicates that it is more likely than not that the Company will be able to realize its deferred tax assets.

In July 2006, the FASB issued FASB Interpretation No. 48 (FIN 48), "Accounting for Uncertainty in Income Taxes." FIN 48 prescribes detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes." The Company applied the provisions of this interpretation on November 1, 2007. The provisions of FIN 48 were applied to all existing uncertain income tax provisions on the effective date. Upon the implementation of FIN 48, any cumulative effect of this Interpretation would be required to be reported as an adjustment to the opening balance of retained earnings. The implementation of FIN 48 did not have any impact on the Company's financial statements.

9. IMPAIRMENT LOSS ON LONG-LIVED ASSETS

The Company reviews the values of its long-lived assets annually. There was no impairment in the value of Canal's long-lived assets to be recorded as of April 30, 2009 and October 31, 2008.

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10. ART INVENTORY HELD FOR SALE

Canal is in the process of selling, in an orderly manner, its remaining art inventory. This will be accomplished primarily through consignment arrangements with various independent art dealers and through sale at public art auctions. The Company's ability to dispose of its art inventory is dependent primarily on general economic conditions and the competitiveness of the art market itself. Accordingly, there can be no assurance that Canal will be successful in selling its art inventory. Canal had no sales of art in the first three months of fiscal 2009 or 2008. Canal's art operations have generated an operating losses of approximately $2,000 and $2,000 in the six month periods ended April 30, 2009 and 2008, respectively.

Antiquities art valued at $100,000 represented 100% of total art inventory at both April 30, 2009 and October 31, 2008. The Company records a valuation allowance against the current portion of its inventory to reduce it to its estimated net realizable value based on the history of losses sustained on inventory items sold in the current and previous years. As of April 30, 2009 the valuation allowance is approximately $397,000.

11. LEASE COMMITMENTS

In June 2004 Canal entered into a lease for approximately 1,000 square feet of office space in Hauppauge, New York at a monthly rental of approximately $1,900. This lease expires May 31, 2010.

Canal's future minimum payments for the next five years required under operating leases that have initial or remaining noncancellable terms in excess of one year as of April 30, 2009 are $24,000 and $14,000 in fiscal 2009 and 2010, respectively. There are no commitments extending past fiscal 2010. Net rent expense under these and other operating leases was $12,000 and $11,000 for the six month periods ended April 30, 2009 and 2008, respectively.

12. MINIMUM FUTURE RENTALS ON OPERATING LEASES

Minimum future rentals consist primarily of rental income from leased land and structures, Exchange Building rents (commercial office space) and other rental activities, all of which are accounted for as operating leases. The estimated minimum future rentals on operating leases are $450,000, $475,000, $500,000, $525,000 and $550,000 for fiscal years 2009, 2010, 2011, 2012 and 2013, respectively.

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13. PROPERTY ON OPERATING LEASES

Property on operating leases consist of approximately 30 acres of land located in Omaha, Nebraska; S. St. Paul, Minnesota; Sioux City, Iowa as well as furniture and equipment used in the Hauppauge, New York office. Land and structures leased to third parties include vacant land, exchange buildings (commercial office space), meat packing facilities, railcar repair shops, lumber yards and various other commercial and retail businesses.

A schedule of the Company's property on operating leases at April 30, 2009 is as follows (000's omitted):

	Current Year
	(Retirements

Description (1)	Historical Cost Land	Historical Cost Bldgs. & Imprvmts.	Additions Land	Additions Bldgs. & Imprvmts.	Accum. Depr.	Carrying Value 04/30/09
New York office Leasehold assets	$ 0	$ 8	$ 0	$ 0	$ (8)	$ 0
9 acres of land in Omaha, NE Acquired in 1976	1,150	21	0	0	(15)	1,156
3 acres of land in S. St. Paul, MN Acquired in 1937	10	485	0	0	(416)	79
18 acres of land in Sioux City, IA Acquired in 1937	400	0	0	0	0	400
	$ 1,560	$ 514	$ 0	$ 0	$ (439)	$ 1,635

A schedule of the Company's reconciliation of property on operating leases carried for the six months ended April 30, 2009 and the year ended October 31, 2008 is as follows (000's omitted):

	Apr. 30, 2009	October 31, 2008
Balance at beginning of year	$ 1,646	$ 1,741
Acquisitions and Improvements	0	0
Cost of property sold	0	(73)
Depreciation	(11)	(22)
Reclassifications	0	0
Balance at end of the period	$ 1,635	$ 1,646

(1) Substantially all of Canal's real property is pledged as collateral for its debt obligations.

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14. PROPERTY USED IN STOCKYARD OPERATIONS

Property used in stockyard operations consist of approximately 60 acres of land located in St. Joseph, Missouri and Sioux Falls, South Dakota. The Company's stockyards provide all services and facilities required to operate an independent market for the sale of livestock. Stockyard facilities include exchange buildings (commercial office space), auction arenas, scale houses, veterinary facilities, barns, livestock pens and loading docks.

A schedule of the Company's property used in stockyard operations at April 30, 2009 is as follows (000's omitted):

Description (1)	Historical Cost Land	Historical Cost Bldgs. & Imprvmts.	Current Year (Retirements) Additions Land	Current Year (Retirements) Additions Bldgs. & Imprvmts.	Accum. Depr.	Carrying Value 04/30/09
30 acres of land in St. Joseph, MO Acquired in 1942	$ 902	$ 265	$ 0	$ 0	$ (171)	$ 996
30 acres of land in Sioux Falls, SD Acquired in 1937	100	89	0	0	(70)	119
	$ 1,002	$ 354	$ 0	$ 0	$ (241)	$ 1,115

A schedule of the Company's reconciliation of property used in stockyard operations carried for the six months ended April 30, 2009 and the year ended October 31, 2008 is as follows (000's omitted):

	Apr. 30, 2009	October 31, 2008
Balance at beginning of year	$ 1,125	$ 1,080
Acquisitions and Improvements	0	65
Cost of property sold	0	0
Depreciation	(10)	(20)
Balance at end of the period	$ 1,115	$ 1,125

(1) Substantially all of Canal's real property is pledged as collateral for its debt obligations.

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15. PROPERTY HELD FOR DEVELOPMENT OR RESALE

Property held for development or resale consist of approximately 2 acres of land located in the Midwest of undeveloped land not currently utilized for corporate purposes and not included in any of the present operating leases. The Company constantly evaluates proposals received for the purchase, leasing or development of this asset. The land is valued at cost which does not exceed the net realizable value.

A schedule of the Company's property held for development or resale at April 30, 2009 is as follows (000's omitted):

Current Year

Description (1)	Historical Cost Land	Historical Cost Bldgs. & Imprvmts.	(Retirements) Additions Land	(Retirements) Additions Bldgs. & Imprvmts.	Accum. Depr.	Carrying Value 04/30/09
16 acres of land in St. Joseph, MO Acquired in 1942	$ 40	N/A	$ (40)	N/A	N/A	$ 0
2 acres of land in Sioux City, IA Acquired in 1937	52	N/A	$ 0	N/A	N/A	52
	$ 92	$ 0	$ (40)	$ 0	$ 0	$ 52

A schedule of the Company's reconciliation of property held for development or resale carried for the six months ended April 30, 2009 and the year ended October 31, 2008 is as follows (000's omitted):

	Apr. 30, 2009	October 31, 2008
Balance at beginning of year	$ 92	$ 92
Acquisitions and Improvements	0	0
Cost of property sold	(40)	0
Reclassification of property	0	0
Balance at end of the period	$ 52	$ 92

(1) Substantially all of Canal's real property is pledged as collateral for its debt obligations.

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16. PENSION VALUATION RESERVE

The Pension Valuation Reserve represents the excess of additional minimum pension liability required under the provisions of Statement of Financial Accounting Standards ("SFAS") No. 87 amended by SFAS 158 over the unrecognized prior service costs of former stockyard employees. Such excess arose due to the decline in the market value of pension assets available for pension benefits of former employees, which benefits were frozen at the time the stockyard operations were sold in 1989. The additional minimum pension liability will be expensed as actuarial computations of annual pension cost recognize the deficiency that exists.

The components of net periodic benefit cost are as follows:

	Six Months Ended 4/30/09	Six Months Ended 4/30/08

Service cost	4,000	3,000
Interest cost	52,000	50,000
Expected return on plan assets	(56,000)	(54,000)
Amortization of prior service cost	0	0
Recognized net actuarial loss	60,000	135,000
Net periodic benefit cost	60,000	134,000

For the six months ended April 30, 2009 amounts have been estimated, actual amounts will be based on the discount rate and assets available at year end.

The Company's required contribution to its pension plan fiscal 2009 is approximately $150,000. A contribution of $45,000 was made in fiscal 2009. Additionally, the Company expects to make the full required contribution before the end of the fiscal year.

17. 401(k) PLAN

The Company has a defined contribution 401(k) plan covering substantially all of its full time stockyard employees. The plan provides for employee contributions and 401(k) matching contributions of up to 2 1/2% of the employee's annual salary by the Company. The Company made 401(k) matching contributions of approximately $10,000 for each of the six month periods ended April 30, 2009 and 2008.

18. RELATED PARTY TRANSACTIONS

Interest Expense Related Party - At April 30, 2009, all of Canal's Long-Term Debt is held by the company's Chief Executive Officer and members of his family. These notes pay interest at a rate of 10% per annum and come due May 15, 2012. Canal has incurred interest expense on these notes of $63,000 and $106,000 and for the six month periods ended April 30, 2009 and 2008, respectively. At various times during fiscal 2009 and 2008 certain holders of these notes have agreed to defer interest payments due them to help Canal with its cash flow. All deferred interest liability for fiscal 2009 and 2008 plus accrued interest at a rate of 10% per annum, will be repaid as funds become available. As of April 30, 2009, the balance due under these notes was $1,262,000 all of which is classified as long-term debt related party.

19. LITIGATION

Canal and its subsidiaries are from time to time involved in litigation incidental to their normal business activities, none of which, in the opinion of management, will have a material adverse effect on the consolidated financial condition and operations of the Company. Canal was not a party to any ongoing litigation at April 30, 2009. The following situation did arise in fiscal 2005:

Environmental Protection Agency - Special Notice Letter for Investigation, Portland, Oregon Property

In 1989, the Company sold its 48 acre Portland, Oregon stockyard to Oregon Waste Systems, Inc. On September 29, 2003, the United States Environmental Agency (EPA) placed a 4.2 acre portion of that property on the National Priorities List pursuant to the Comprehensive Environmental Response Compensation and Liability Act (CERCLA), commonly known as the Superfund Act. In a letter from the EPA dated June 27, 2005 the Company, along with approximately 13 other parties, including the current owner and operator of the site, was notified that it might be liable to perform or pay for the remediation of environmental contamination found on and around the site. Since the receipt of the letter, the Company has been in periodic communications with the other parties who received a similar letter with respect to what action, collectively or individually, should be taken in response to the EPA assertion of liability. The Company believes that the remediation of contamination of the site is properly the responsibility of other parties that have occupied and used it for waste recycling purposes since 1961, although under CERCLA the EPA is able to assert joint and several liability against all parties who ever owned or operated the site or generated or transported wastes to it. This investigation is in its preliminary stages and the Company intends to vigorously defend any liability for remediation. At April 30, 2009, the liability for remediation, if any, is not estimatable and therefore no accrual has been recorded in the financial statements.

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ITEM II. MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION FOR THE SIX MONTHS ENDED APRIL 30, 2009

You should read the following discussion together with the more detailed business information and consolidated financial statements and related notes that appear elsewhere in this report and in the documents that we incorporate by reference into this report. This report may contain certain "forward-looking" information within the meaning of the Private Securities Litigation Reform Act of 1995. This information involves risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in "Risk factors".

Company Overview

The Registrant, Canal Capital Corporation ("Canal" or the "Company"), incorporated in the state of Delaware in 1964, commenced business operations through a predecessor in 1936.

Canal is engaged in two distinct businesses -- real estate and stockyard operations.

Real Estate Operations - Canal's real estate properties are located in Sioux City, Iowa, South St Paul, Minnesota, St Joseph, Missouri, Omaha, Nebraska and Sioux Falls, South Dakota. The properties consist, for the most part, of an Exchange Building (commercial office space), land and structures leased to third parties (meat packing facilities, rail car repair shops, lumber yards and various other commercial and retail businesses) as well as vacant land available for development or resale. Its principal real estate operating revenues are derived from lease income from land and structures leased to various commercial and retail enterprises, rental income from its Exchange Building, and proceeds from the sale of real estate properties. In addition to selling what was excess stockyard property, the company entertains any offers to purchase, develop and restructure real estate lots surrounding its existing operating lease properties, stockyard operating properties and properties held for development or resale in order to enhance the value of the existing properties and surrounding real estate. See "Real Estate Operations".

Stockyard Operations - As a result of an August 1, 1999 asset purchase agreement, Canal now operates two central public stockyards located in St. Joseph, Missouri and Sioux Falls, South Dakota (collectively the "Stockyards"). Public stockyards act much like a securities exchange, providing markets for all categories of livestock and fulfilling the economic functions of assembly, grading, and price discovery. The Company's principal stockyard revenues are derived from a per head charge ("yardage charge") imposed on all livestock consigned for sale at the stockyards and the sale of feed and bedding. See "Stockyard Operations".

Real Estate Operations

Real estate operations resulted in operating income of $329,000 and $309,000 for the six month periods ended April 30, 2009 and 2008, respectively. Included in the fiscal 2009 results is a 194,000 gain on the sale of approximately 16 acres of vacant land located in St. Joseph, Missouri. Included in the 2008 real estate operating income is a $127,000 gain on the sale of approximately 1 acre of land and the associated improvements located in South Saint Paul, Minnesota. Additionally, real estate operations contributed $471,000 and $464,000 to Canal's revenues for the six month periods ended April 30, 2009 and 2008, respectively.

As of April 30, 2009, there are approximately 2 acres of undeveloped land owned by Canal adjacent to its stockyard properties. In addition to selling what was excess stockyard property, the company entertains any offers to purchase, develop and restructure real estate lots surrounding its existing operating lease properties, stockyard operating properties and properties held for development or resale in order to enhance the value of the existing properties and surrounding real estate.

Risk - Real estate activities in general may involve various degrees of risk, such as the ability to collect receivables, competition for tenants, general market conditions and interest rates. Furthermore, there can be no assurance that Canal will be successful in the development, lease or sale of its real estate properties.

Competition - Canal competes in the area of real estate development with other regional developers, some of which are substantially larger and have significantly greater financial resources than Canal. To a certain extent, Canal's real estate revenues are dependent on the ability of the stockyard operations and the various meat packers located adjacent to Canal's properties to successfully compete in their respective businesses.

Stockyard Operations

General - Through an August 1, 1999 asset repurchase agreement, Canal now operates two central public stockyards located in St. Joseph, Missouri and Sioux Falls, South Dakota.

Public stockyards act much like a securities exchange, providing markets for all categories of livestock and fulfilling the economic functions of assembly, grading, and price discovery. The livestock handled by the Company's stockyards include cattle, hogs, and sheep. Cattle and hogs may come through the stockyard facilities at two different stages, either as feeder livestock or slaughter livestock. The Company's stockyards provide all services and facilities required to operate an independent market for the sale of livestock, including veterinary facilities, auction arenas, auctioneers, weigh masters and scales, feed and bedding, and security personnel. In addition, the stockyards provide other services including pure bred and other specialty sales for producer organizations. The Company promotes its stockyard business through public relations efforts, advertising, and personal solicitation of producers.

Actual marketing transactions at a stockyard are managed for livestock producers by market agencies and independent commission sales people to which the livestock are consigned for sale. These market agencies (some of which are owned and operated by the Company) and independent sales people receive commissions from the seller upon settlement of a transaction and the stockyard receives a yardage fee on all livestock using the facility which is paid within twenty-four hours of the sale. Yardage fees vary depending upon the type of animal, the extent of services provided by the stockyard, and local competition. Yardage revenues are not directly dependent upon market prices, but rather are a function of the volume of livestock handled. In general, stockyard livestock volume is dependent upon conditions affecting livestock production and upon the market agencies and independent commission sales people which operate at the stockyards. Stockyard operations are seasonal, with greater volume generally experienced during the first and fourth quarters of each fiscal year, during which periods livestock is generally brought to market.

Virtually all of the volume at Canal's Sioux Falls stockyards is handled through market agencies and independent commission sales people, while the St. Joseph stockyards has solicitation operations of its own which account for approximately 50% of its livestock volume annually.

Canal intends to continue its soliciting efforts at its St. Joseph stockyards in fiscal 2009. Further, Canal tries to balance its dependence on market agencies and independent commission sales people in various ways, including: developing solicitation operations of its own; direct public relations; advertising and personal solicitation of producers on behalf of the stockyards; providing additional services at the stockyards to attract sellers and buyers; and providing incentives to market agencies and independent commission sales people for increased business.

Stockyard operations resulted in operating income of $184,000 and $125,000 for the six month periods ended April 30, 2009 and 2008, respectively. Additionally, stockyard operations contributed $1,685,000 and $1,726,000 to Canal's revenues for the six month periods ended April 30, 2009 and 2008, respectively.

Risk - Stockyard activities face a variety of risks and uncertainties related to the safeguarding of the national food supply which are beyond our control. Public confidence in the government's efforts to safeguard the food supply is essential for the success of our stockyard operations. An outbreak of a disease such as bovine spongiform encephalopathy (BSE) better known as Mad Cow Disease could have a devastating impact on stockyard operations. For the company's part we strictly follow all USDA regulations to ensure to the extent we can the safety of the food supply. Furthermore, stockyard activities in general may involve various degrees of risk, such as competition from other regional stockyards and sale barns, general market conditions and to a lesser extent interest rates.

Competition - Canal competes in the area of public stockyards with other regional public stockyards and sale barns, some of which are substantially larger and have greater financial resources than Canal. To a certain extent, Canal's stockyard revenues are dependent on the ability of the market agencies and independent commission sales people at each of Canal's stockyard locations to compete within the region.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. These generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses during the reporting period. We continually evaluate our estimates, including those related to revenue recognition, bad debts, income taxes, fixed assets, restructuring, contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the facts and circumstances. Actual results may differ from these estimates under different assumptions or conditions.

Management believes the following critical accounting policies impact our most difficult, subjective and complex judgments used in the preparation of our consolidated financial statements, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. For a further discussion of these and other accounting policies, please see Note 2 of the Notes to Consolidated Financial Statements included elsewhere in this Quarterly Report.

Revenue Recognition -- Lease and rental revenues are recognized ratably over the period covered. All real estate leases are accounted for as operating leases. Revenues from the sale of real estate are recognized at the time the sale has been consummated on the full accrual method wherein the seller has transferred to the buyer the usual risks and rewards of ownership in a transaction that is in substance a sale and does not have a substantial continuing involvement with the property; the seller's receivable is not subject to future subordination and the buyer's initial and continuing investments are adequate to demonstrate a commitment to pay for the property. Revenues from stockyard operations which consist primarily of yardage fees (a standard per head charge for each animal sold through the stockyards) and sale of feed and bedding are recognized at the time the service is rendered or the feed and bedding are delivered.

Art Inventory Held for Sale -- The nature of art makes it difficult to determine a replacement value. The most compelling evidence of a value in most cases is an independent appraisal. Canal has had varying percentages of its art inventory appraised by independent appraisers in previous years. For fiscal 2009 the net realizable value of Canals remaining art inventory has been estimated by management based in part on the Company's history of art sales in the current and previous years and in part on the results of the independent appraisals done in previous years.

Properties and Related Depreciation -- Properties are stated at cost less accumulated depreciation. Depreciation is provided on the straight-line method over the estimated useful lives of the properties. Such lives are estimated from 35 to 40 years for buildings and from 5 to 20 years for improvements and equipment.

Property held for Development or Resale -- Property held for development or resale consist of approximately 2 acres located in the Midwest of undeveloped land not currently utilized for corporate purposes nor included in any of the present operating leases. The Company constantly evaluates proposals received for the purchase, leasing or development of this asset. The land is valued at cost which does not exceed the net realizable value.

Long-Lived Assets -- The Company reviews the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company considers historical performance and future estimated results in its evaluation of potential impairment and then compares the carrying amount of the assets to the estimated future cash flows expected to result from the use of the asset. The measurement of the loss, if any, will be calculated as the amount by which the carrying amount of the asset exceeds the fair value of the asset.

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Results of Operations

The following tables set forth certain items in our statement of operations for the periods indicated:

	Six Months Ended April 30,	
	2009	2008
	(In Thousands)	
Revenues:		
Real Estate Revenues	$ 471	$ 464
Stockyard Revenues	1,685	1,725
Total Revenues	2,156	2,189
Costs and Expenses:		
Real Estate Expenses	142	154
Stockyard Expenses	1,501	1,601
General and Administrative Expenses	449	551
Total Costs and Expenses	2,092	2,306
Income from Operations	64	(117)
Other Income	8	27
Other Expenses	(66)	(108)
Net Income (Loss)	$ 6	$ (198)

While the Company is currently operating as a going concern, certain significant factors raise substantial doubt about the Company's ability to continue as a going concern. The Company has suffered recurring losses from operations and is obligated to continue making substantial annual contributions to its defined benefit pension plan. The financial statements do not include any adjustments that might result from the resolution of these uncertainties. Additionally, the accompanying financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Canal recognized net income of approximately $6,000 in the first six months of fiscal 2009 as compared to a net loss of $198,000 for the same period in fiscal 2008. After recognition of accrued preferred stock dividends of $36,000 and $54,000 in 2009 and 2008, respectively, the results attributable to common stockholders were a net loss of $30,000 in 2009 and a net loss of $252,000 in 2008.

Canal's revenues from continuing operations consist of revenues from its real estate and stockyard operations. Revenues for the first six months of fiscal 2009 decreased by $33,000 to $2,156,000 as compared with 2008 revenues of $2,189,000. The fiscal 2009 decrease in revenues is due primarily to a $40,000 decrease in stockyard revenues due.

COMPARISON OF FISCAL PERIODS ENDED APRIL 30, 2009 AND 2008

Real Estate Revenues

Real estate revenues for the six months ended April 30, 2009 of $471,000 accounted for 21.9% of the fiscal 2009 revenues as compared to real estate revenues of $464,000 or 21.2% for the same period in fiscal 2008. Real estate revenues are comprised of sale of real estate (55.8% and 43.1%), rentals and other lease income from the rental of vacant land and certain structures (41.0% and 53.3%) and rental income from commercial office space in its Exchange Buildings (3.2% and 3.6%) for the six months ended April 30, 2009 and 2008, respectively. The percentage variations in the year to year comparisons are due to the increase in sales of real estate combined with a decrease in outside real estate rent (due to a fiscal 2008 property sale) in the first six months of fiscal 2009.

Real Estate Revenues

Real estate revenues for the three months ended April 30, 2009 of $367,000 accounted for 29.7% of the fiscal 2009 revenues as compared to real estate revenues of $134,000 or 13.9% for the same period in fiscal 2008. Real estate revenues are comprised of sale of real estate (71.5% and 0.0%), rentals and other lease income from the rental of vacant land and certain structures (26.4% and 93.3%) and rental income from commercial office space in its Exchange Buildings (2.1% and 6.7%) for the three months ended April 30, 2009 and 2008, respectively. The percentage variations in the year to year comparisons are due to the increase in sales of real estate in the second quarter of fiscal 2009.

Real Estate Expenses

Real estate expenses for the six months ended April 30, 2009 of $142,000 decreased by $12,000 (8.1%) from real estate expenses of $154,000 for the same period in fiscal 2008. The decrease in real estate expenses is consistent with the 2009 decrease in outside real estate rent. Real estate expenses are comprised of the cost of real estate sold (48.7% and 47.0%), labor, operating and maintenance (20.9% and 24.6%), depreciation and amortization (7.8% and 7.2%), taxes other than income taxes (8.7% and 7.0%) and general and administrative expenses (13.9% and 14.2%) for the six months ended April 30, 2009 and 2008, respectively. The percentage variations in the year to year comparisons are consistent with the decrease in the cost of real estate sold in the first fiscal quarter of 2009.

Real Estate Expenses

Real estate expenses for the three months ended April 30, 2009 of $105,000 increased by $63,000 (148.8%) from real estate expenses of $42,000 for the same period in fiscal 2008. The increase in real estate expenses is consistent with the 2009 increase in real estate revenues. Real estate expenses are comprised of the cost of real estate sold (65.7% and 0.0%), labor, operating and maintenance (13.8% and 47.8%), depreciation and amortization (5.3% and 13.1%), taxes other than income taxes (5.8% and 12.8%) and general and administrative expenses (9.4% and 26.3%) for the three months ended April 30, 2009 and 2008, respectively. The percentage variations in the year to year comparisons are consistent with the increase in the cost of real estate sold in the second fiscal quarter of 2009.

Stockyard Revenues

Stockyard revenues for the six months ended April 30, 2009 of $1,685,000 accounted for 78.1% of the fiscal 2009 revenues as compared to stockyard revenues of $1,726,000 or 78.8% for the same period in fiscal 2008. The 2009 decrease in stockyard revenue was due primarily to the severity of the weather experienced in the mid-west. Stockyard revenues are comprised of yard handling and auction (87.8% and 88.5%), feed and bedding income (6.9% and 6.4%) and rental and other income (5.3% and 5.1%) for the six month periods ended April 30, 2009 and 2008, respectively. There were no significant percentage variations in the year to year comparisons.

Stockyard Revenues

Stockyard revenues for the three months ended April 30, 2009 of $870,000 accounted for 70.3% of the fiscal 2009 revenues as compared to stockyard revenues of $825,000 or 86.1% for the same period in fiscal 2008. The 2009 decrease in stockyard revenue was due primarily to the severity of the weather experienced in the mid-west. Stockyard revenues are comprised of yard handling and auction (87.7% and 88.0%), feed and bedding income (6.6% and 6.5%) and rental and other income (5.7% and 5.5%) for the three month periods ended April 30, 2009 and 2008, respectively. The 2009 decrease in the stockyard revenues as a percent of total revenues, is due primarily to the $263,000 increase in sales of real estate in the second fiscal quarter of 2009. There were no significant percentage variations in the year to year comparisons.

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Stockyard Expenses

Stockyard expenses for the six months ended April 30, 2009 of $1,501,000 decreased by $100,000 (6.2%) from stockyard expenses of $1,601,000 for the same period in fiscal 2008. Stockyard expenses are comprised of labor and related costs (45.3% and 45.8%), other operating and maintenance (27.0% and 27.8%), feed and bedding expense (6.1% and 6.5%), depreciation and amortization (0.7% and 0.6%), taxes other than income taxes (6.0% and 5.5%) and general and administrative expense (14.9% and 13.8%) for the six month periods ended April 30, 2009 and 2008, respectively. There were no significant percentage variations in the year to year comparisons.

Stockyard Expenses

Stockyard expenses for the three months ended April 30, 2009 of $775,000 decreased by $23,000 (2.9%) from stockyard expenses of $798,000 for the same period in fiscal 2008. Stockyard expenses are comprised of labor and related costs (42.6% and 45.0%), other operating and maintenance (28.6% and 28.6%), feed and bedding expense (6.4% and 5.9%), depreciation and amortization (0.6% and

0.6%), taxes other than income taxes (5.9% and 5.7%) and general and administrative expense (15.9% and 14.2%) for the three month periods ended April 30, 2009 and 2008, respectively. There were no significant percentage variations in the year to year comparisons.

General and Administrative

General and administrative expenses for the six months ended April 30, 2009 of $449,000 decreased by $102,000 (18.5%) as compared to $551,000 for the same period in fiscal 2008. The major components of general and administrative expenses are officers salaries (52.7% and 43.0%), pension expense (13.4% and 22.9%), insurance expense (5.9% and 6.5%), office salaries (10.5% and 8.5%), travel expense (4.3% and 3.5%), rent (2.6% and 2.0%) and professional fees (3.2% and 2.6%) for the six month periods ended April 30, 2009 and 2008, respectively. The percentage variations in the year to year comparisons are due primarily to the sharp decrease in pension expenses in fiscal 2009.

General and Administrative

General and administrative expenses for the three months ended April 30, 2009 of $225,000 decreased by $43,000 (16.0%) as compared to $268,000 for the same period in fiscal 2008. The major components of general and administrative expenses are officers salaries (52.7% and 44.3%), pension expense (13.3% and 23.6%), insurance expense (5.9% and 6.7%), office salaries (10.5% and 8.8%), travel expense (4.5% and 3.1%), rent (2.6% and 2.1%) and professional fees (3.2% and 2.7%) for the three month periods ended April 30, 2009 and 2008, respectively. The percentage variations in the year to year comparisons are due primarily to the sharp decrease in pension expenses in fiscal 2009.

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Interest and Other Income

Interest and other income for the six months ended April 30, 2009 of $8,000 decreased by $19,000 (70.9%) from $27,000 for the same period in fiscal 2008. Interest and other income in fiscal 2008 was comprised primarily of interest income on the $1,600,000 note receivable associated with the fiscal 2005 sale of the company's South St. Paul, Minnesota Exchange Building. As more fully described in note 4 the terms of this mortgage note were amended, including an increase of the rate of interest to 12% per annum. The 2009 decrease in interest and other income is due primarily to the principal reduction of this mortgage note receivable, which was repaid in full in March, 2008.

Interest Expense

Interest expense for the six months ended April 30, 2009 of $63,000 decreased by $43,000 (40.4%) from $106,000 for the same period in fiscal 2008. The 2009 decrease is due primarily to Canal's $1,425,000 partial repayment of this debt in fiscal 2008. The principal balance outstanding at both April 30, 2009 and October 31, 2008 was $1,262,000 all of which is classified as long-term debt-related party. The interest rate (10%) on Canal's variable rate mortgage notes has remained unchanged for the past 12 months.

(Expense) Income from Art Sales & Operations

Other expense from art sales & operations for the six months ended April 30, 2009 was $2,000, while the same period in fiscal 2008 also generated an loss from art sales & operations of $2,000. Canal had no art sales in the first six months of fiscal 2009 or fiscal 2008. Art revenues, if any, are comprised of the proceeds from the sale of antiquities and contemporary art. Art expenses are comprised of the cost of inventory sold and selling, general and administrative expenses. Canal incurred selling, general and administrative expenses of $2,000 and $2,000 for the six month periods ended April 30, 2009 and 2008, respectively. It is the Company's policy to use the adjusted carrying value for sales, thereby reducing the valuation reserve proportionately as the inventory is sold.

Liquidity and Capital Resources

While the Company is currently operating as a going concern, certain significant factors raise substantial doubt about the Company's ability to continue as a going concern. The Company has suffered recurring losses from operations and is obligated to continue making substantial annual

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contributions to its defined benefit pension plan. The financial statements do not include any adjustments that might result from the resolution of these uncertainties. Additionally, the accompanying financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company's variable rate mortgage notes (originally issued in 1998 and amended several times since then) are due May 15, 2012 and are held entirely by the Company's Chief Executive Officer and members of his family. These notes carry interest at the rate of ten percent per annum. These notes, among other things, prohibit Canal from becoming an investment company as this is defined by the Investment Company Act of 1940;restricts Canal's ability to pay cash dividends or repurchase stock and require principal prepayments to be made only out of the proceeds from the sale of certain assets. The Company is in the process of negotiating a three year extension of these notes and anticipates this will be achieved prior to year end. Accordingly, as of April 30, 2009, the balance due under these notes was $1,262,000, all of which is classified as long-term debt-related party.

Cash and cash equivalents of $192,000 at April 30, 2009 increased $171,000 from $21,000 at October 31, 2008. Net cash used in operating activities in fiscal 2009 was $62,000. Substantially all of the net proceeds from the sales of real estate or art, if any, will be used in operating activities or to reduce debt. During fiscal 2009 the balance of Canal's liabilities increased by a total of $253,000.

At April 30, 2009 the Company's current liabilities exceed current assets by approximately $0.4 million which was unchanged as compared to October 31, 2008 when the Company's current liabilities exceeded current assets by $0.4 million. The only required principal repayments under Canal's debt agreements for fiscal 2009 will be from the proceeds (if any) of the sale of certain assets.

As discussed above, Canal's cash flow position has been under significant strain for the past several years. Canal continues to closely monitor and reduce where possible its operating expenses and plans to continue its program to develop or sell the property it holds for development or resale as well as to reduce the level of its art inventories to enhance current cash flows. Management believes that its income from operations combined with its cost cutting program and planned reduction of its art inventory will enable it to finance its current business activities. There can, however, be no assurance that Canal will be able to effectuate its planned art inventory reductions or that its income from operations combined with its cost cutting program in itself will be sufficient to fund operating cash requirements.

Other Factors

Some of the statements in this Form 10-Q, as well as statements by the Company in periodic press releases, oral statements made by the Company's officials to analysts and stockholders in the course of presentations about the Company and conference calls following earning releases, constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involved known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

ITEM III. Quantitative and Qualitative Disclosures About Market Risk

The Securities and Exchange Commission's rule related to market risk disclosure requires that we describe and quantify our potential losses from market risk sensitive instruments attributable to reasonably possible market changes. Market risk sensitive instruments include all financial or commodity instruments and other financial instruments (such as investments and debt) that are sensitive to future changes in interest rates, currency exchange rates, commodity prices or other market factors. We are not exposed to market risks from changes in foreign currency, exchange rates or commodity prices. As of April 30, 2009, we do not hold derivative financial instruments nor do we hold securities for trading or speculative purposes. Under our current policies, we do not use interest rate derivative instruments to manage our exposure to interest rate changes.

At April 30, 2009, the following long-term debt-related party financial instruments are sensitive to changes in interest rates by expected maturity dates:

As of April 30,	Fixed rate ($ US)	Average Interest Rate	Fair Value
2009	$ 0	N/A	
2010	0	N/A	
2011	0	N/A	
2012	1,262	10%	
2013	0	N/A	
Thereafter	0	N/A	
Total	$ 1,262		N/A (A)

(A) Long-term debt related party: it is not practicable to estimate the fair value of the related party debt.

ITEM IV. Controls and Procedures

Our management, which includes our Chief Executive Officer and Chief

Financial Officer, has conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13(a)-14(c) promulgated under the Securities Exchange Act of 1934) as of April 30, 2009 ("the Evaluation Date") within 45 days prior to the filing date of this report. Based upon that evaluation our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective for timely gathering, analyzing and disclosing the information we are required to disclose in our reports filed under the Securities Exchange Act of 1934, as amended. There have been no significant changes made in our internal controls or other factors that could significantly effect our internal controls subsequent to the Evaluation Date.

PART II

OTHER INFORMATION

Item 1: Legal Proceedings:

Also see Item 3 of Canal's October 31, 2008 Form 10-K.

Canal and its subsidiaries are from time to time involved in litigation incidental to their normal business activities, none of which, in the opinion of management, will have a material adverse effect on the consolidated financial condition and operations of the Company. Canal was not a party to any ongoing litigation at April 30, 2009.

The following situation did arise in fiscal 2005:

Environmental Protection Agency - Special Notice Letter for Investigation, Portland, Oregon Property

In 1989, the Company sold its 48 acre Portland, Oregon stockyard to Oregon Waste Systems, Inc. On September 29, 2003, the United States Environmental Agency (EPA) placed a 4.2 acre portion of that property on the National Priorities List pursuant to the Comprehensive Environmental Response Compensation and Liability Act (CERCLA), commonly known as the Superfund Act. In a letter from the EPA dated June 27, 2005 the Company, along with approximately 13 other parties, including the current owner and operator of the site, was notified that it might be liable to perform or pay for the remediation of environmental contamination found on and around the site. Since the receipt of the letter, the Company has been in periodic communications with the other parties who received a similar letter with respect to what action, collectively or individually, should be taken in response to the EPA assertion of liability. The Company believes that the remediation of contamination of the site is properly the responsibility of other parties that have occupied and used it for waste recycling purposes since 1961, although under CERCLA the EPA is able to assert joint and several liability against all parties who ever owned or operated the site or generated or transported wastes to it. This investigation is in its preliminary stages and the Company intends to vigorously defend any liability for remediation. At April 30, 2009, the liability for remediation, if any, is not estimatable and therefore no accrual has been recorded in the financial statements.

Item 2 and 3: Not applicable.

Item 4: Submission of Matters to a Vote of Security Holders: None.

Item 5: Other Information: None.

Item 6: Exhibits and Reports on Form 8-K: (A) Not applicable.
(B) None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 11th day of June, 2009.

CANAL CAPITAL CORPORATION

By: /S/ Michael E. Schultz
Michael E. Schultz
President and Chief
Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/S/ Michael E. Schultz Michael E. Schultz	President and Chief Executive Officer and Director (Principal Executive Officer)	June 11, 2009
/S/ Reginald Schauder Reginald Schauder	Vice President-Finance Secretary and Treasurer (Principal Financial and Accounting Officer)	June 11, 2009
/S/ Asher B. Edelman Asher B. Edelman	Chairman of the Board and Director	June 11, 2009