

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2016

OR

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 001-08499

CAPITAL PROPERTIES, INC.

(Exact name of registrant as specified in its charter)

Rhode Island

(State or other jurisdiction of incorporation or organization)

05-0386287

(IRS Employer Identification No.)

100 Dexter Road

East Providence, Rhode Island

(Address of principal executive offices)

02914

(Zip Code)

(401) 435-7171

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the 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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.) Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

As of June 30, 2016, the Company had 6,599,912 shares of Class A Common Stock outstanding.

CAPITAL PROPERTIES, INC.
FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2016

TABLE OF CONTENTS

	<u>Page</u>
PART I – FINANCIAL INFORMATION	
Item 1. Financial Statements.....	3
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	13
Item 4. Controls and Procedures	17
PART II – OTHER INFORMATION	
Item 6. Exhibits.....	18
Signatures	19
Exhibit 3.2 By-laws as amended, April 26, 2016.....	20
Exhibits 31 Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	24
Exhibits 32 Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	26

PART I

Item 1. Financial Statements

**CAPITAL PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS**

	June 30, 2016 (unaudited)	December 31, 2015
ASSETS		
Properties and equipment (net of accumulated depreciation).....	\$ 19,503,000	\$ 19,833,000
Cash	1,972,000	2,225,000
Income taxes receivable.....	126,000	--
Prepaid and other	<u>599,000</u>	<u>623,000</u>
	<u>\$22,200,000</u>	<u>\$ 22,681,000</u>
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Dividend notes payable	\$ 10,608,000	\$ 11,787,000
Accounts payable and accrued expenses:		
Property taxes	295,000	282,000
Environmental remediation	79,000	79,000
Other	252,000	501,000
Income taxes payable	--	66,000
Deferred income taxes, net.....	<u>4,602,000</u>	<u>4,720,000</u>
	<u>15,836,000</u>	<u>17,435,000</u>
 Shareholders' equity:		
Class A common stock, \$.01 par; authorized 10,000,000 shares; issued and outstanding 6,599,912 shares	66,000	66,000
Capital in excess of par	782,000	782,000
Retained earnings	<u>5,516,000</u>	<u>4,398,000</u>
	<u>6,364,000</u>	<u>5,246,000</u>
	<u>\$22,200,000</u>	<u>\$ 22,681,000</u>

See notes to consolidated financial statements.

CAPITAL PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
THREE AND SIX MONTHS ENDED JUNE 30, 2016 AND 2015
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Revenues:				
Leasing	\$1,367,000	\$1,334,000	\$2,618,000	\$2,514,000
Petroleum storage facility	<u>890,000</u>	<u>880,000</u>	<u>1,772,000</u>	<u>1,755,000</u>
	<u>2,257,000</u>	<u>2,214,000</u>	<u>4,390,000</u>	<u>4,269,000</u>
Expenses:				
Leasing	215,000	221,000	429,000	446,000
Petroleum storage facility	588,000	621,000	1,166,000	1,304,000
General and administrative	331,000	253,000	647,000	573,000
Interest on notes:				
Bank loan	--	23,000	--	48,000
Dividend notes	<u>166,000</u>	<u>147,000</u>	<u>313,000</u>	<u>295,000</u>
	<u>1,300,000</u>	<u>1,265,000</u>	<u>2,555,000</u>	<u>2,666,000</u>
Income before income taxes	<u>957,000</u>	<u>949,000</u>	<u>1,835,000</u>	<u>1,603,000</u>
Income tax expense (benefit):				
Current	417,000	446,000	835,000	800,000
Deferred	<u>(43,000)</u>	<u>(71,000)</u>	<u>(118,000)</u>	<u>(171,000)</u>
	<u>374,000</u>	<u>375,000</u>	<u>717,000</u>	<u>629,000</u>
Net income	<u>\$ 583,000</u>	<u>\$ 574,000</u>	<u>\$1,118,000</u>	<u>\$ 974,000</u>
Basic income per common share based upon 6,599,912 shares outstanding	<u>\$.09</u>	<u>\$.09</u>	<u>\$.17</u>	<u>\$.15</u>

See notes to consolidated financial statements.

CAPITAL PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2016 AND 2015
(Unaudited)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Net income	\$ 1,118,000	\$ 974,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	347,000	436,000
Amortization of deferred costs	18,000	23,000
Deferred income taxes	(118,000)	(171,000)
Other, principally net changes in prepaids, accounts payable, accrued expenses and current income taxes	<u>(422,000)</u>	<u>(61,000)</u>
Net cash provided by operating activities	<u>943,000</u>	<u>1,201,000</u>
Cash flows from investing activities:		
Purchases of properties and equipment	<u>(17,000)</u>	<u>(230,000)</u>
Cash flows from financing activities:		
Partial redemption of dividend notes payable	(1,179,000)	--
Principal payments on note payable, bank	<u>--</u>	<u>(1,143,000)</u>
Cash used in financing activities	<u>(1,179,000)</u>	<u>(1,143,000)</u>
Decrease in cash	(253,000)	(172,000)
Cash, beginning	<u>2,225,000</u>	<u>2,927,000</u>
Cash, ending	<u>\$ 1,972,000</u>	<u>\$ 2,755,000</u>
Supplemental disclosures:		
Cash paid for:		
Income taxes	<u>\$ 1,027,000</u>	<u>\$ 753,000</u>
Interest	<u>\$ 295,000</u>	<u>\$ 339,000</u>
Non-cash investing and financing activities, capital expenditures financed through accounts payable	<u>\$ --</u>	<u>\$ 98,000</u>

See notes to consolidated financial statements.

CAPITAL PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED JUNE 30, 2016 AND 2015
(Unaudited)

1. Description of business:

Capital Properties, Inc. and its wholly-owned subsidiaries, Tri-State Displays, Inc., Capital Terminal Company and Dunellen, LLC (collectively referred to as “the Company”), operate in two segments, leasing and petroleum storage.

The leasing segment consists of the long-term leasing of certain of its real estate interests in downtown Providence, Rhode Island (upon the commencement of which the tenants are required to construct buildings thereon, with the exception of a parking garage and Parcels 6B and 6C), the leasing of a portion of its building (“Steeple Street Building”) under short-term leasing arrangements and the leasing of locations along interstate and primary highways in Rhode Island and Massachusetts to Lamar Outdoor Advertising, LLC (“Lamar”) which has constructed outdoor advertising boards thereon. The Company anticipates that the future development of its remaining properties in and adjacent to the Capital Center area will consist primarily of long-term ground leases. Pending this development, the Company leases these parcels for public parking under short-term leasing arrangements to Metropark, Ltd. (“Metropark”).

The petroleum storage segment consists of operating the petroleum storage terminal (the “Terminal”) containing 1,004,000 shell barrels and the Wilkesbarre Pier (the “Pier”), both of which are owned by the Company and are collectively referred to as the “Facility,” located in East Providence, Rhode Island for Sprague Operating Resources LLC (“Sprague”), a wholly-owned subsidiary of Sprague Resources LP, which stores and distributes petroleum products.

The principal difference between the two segments relates to the nature of the operations. In the leasing segment, the tenants under long-term land leases incur substantially all of the development and operating costs of the assets constructed on the Company’s land, including the payment of real property taxes on both the land and any improvements constructed thereon. In the petroleum storage segment, the Company is responsible for the operating and maintenance expenditures and real estate taxes up to \$290,000, as well as capital improvements at the Facility.

2. Principles of consolidation and basis of presentation:

The accompanying condensed consolidated financial statements include the accounts and transactions of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

The accompanying condensed consolidated balance sheet as of December 31, 2015, has been derived from audited financial statements and the unaudited interim condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with United States generally accepted accounting principles (“GAAP”) have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. It is suggested that these condensed financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company’s latest Form 10-K. In the opinion of management, the accompanying condensed consolidated financial statements contain all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the financial position as of June 30, 2016, the results of operations for the three and six months ended June 30, 2016 and 2015, and the cash flows for the six months ended June 30, 2016 and 2015.

The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year.

Environmental incidents:

The Company accrues a liability when an environmental incident has occurred and the costs are estimable. The Company does not record a receivable for recoveries from third parties for environmental matters until it has determined that the amount of the collection is reasonably assured. The accrued liability is relieved when the Company pays the liability or a third party assumes the liability. Upon determination that collection is reasonably assured or a third party assumes the liability, the Company records the amount as a reduction of expense.

The Company charges to expense those costs that do not extend the life, increase the capacity or improve the safety or efficiency of the property owned or used by the Company.

New accounting standards:

The Company reviews new accounting standards as issued. Although some of these accounting standards may be applicable to the Company, the Company expects that none of the new standards will have a significant impact on its consolidated financial statements.

3. Use of estimates:

The preparation of consolidated financial statements in conformity with GAAP 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 consolidated financial statements. Estimates also affect the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

4. Properties and equipment:

Properties and equipment consists of the following:

	June 30, 2016	December 31, 2015
Properties on lease or held for lease:		
Land and land improvements	\$ 4,701,000	\$ 4,701,000
Building and improvements, Steeple Street	<u>5,820,000</u>	<u>5,808,000</u>
	<u>10,521,000</u>	<u>10,509,000</u>
Petroleum storage facility, on lease:		
Land and land improvements	6,081,000	6,076,000
Buildings and structures	1,867,000	1,867,000
Tanks and equipment	<u>14,770,000</u>	<u>14,770,000</u>
	<u>22,718,000</u>	<u>22,713,000</u>
Office equipment	<u>112,000</u>	<u>112,000</u>
	<u>33,351,000</u>	<u>33,334,000</u>
Less accumulated depreciation:		
Properties on lease or held for lease	1,323,000	1,214,000
Petroleum storage facility, on lease	12,434,000	12,199,000
Office equipment	<u>91,000</u>	<u>88,000</u>
	<u>13,848,000</u>	<u>13,501,000</u>
	<u>\$19,503,000</u>	<u>\$19,833,000</u>

5. Notes payable:

Dividend notes:

In 2012, the Company issued \$11,787,000 in principal face amount of 5% dividend notes due December 26, 2022 (the "Dividend Notes"). The Dividend Notes are unsecured general obligations of the Company bearing interest at the annual rate of 5% payable semi-annually on June 15 and December 15 to note holders of record on June 1 and December 1 of each year. The Dividend Notes may be redeemed in whole or in part at any time and from time to time at the option of the Company. The Dividend Notes are subject to mandatory redemption in an amount equal to the Net Proceeds from the sale of any real property owned by the Company or any of its subsidiaries. Net Proceeds is defined as the gross cash received by the Company from any such sale reduced by the sum of (a) costs relating to the sale, (b) federal and state income taxes as a result of the sale, and (c) the amount used by the Company to pay in whole or in part financial institution debts secured by a mortgage of the Company's or any subsidiary's real property regardless of whether such mortgage encumbers the property sold. The Company has obligated itself not to grant any mortgages on any of its property located in the Capitol Center District in Providence, Rhode Island, and to cause its subsidiaries not to grant any such mortgages, in each case without the consent of the holders of two-thirds of the outstanding principal face amount of the Dividend Notes. The Dividend Notes contain other customary terms and conditions.

On June 15, 2016, the Company redeemed 10 percent of the face value of its outstanding Dividend Notes (\$1,179,000) to note holders of record on June 2, 2016. At June 30, 2016, the remaining balance is \$10,608,000.

6. Description of leasing arrangements:

Long-term land leases:

As of June 30, 2016, the Company had entered into nine long-term land leases. Of the nine parcels, seven have had improvements constructed thereon.

Under the nine land leases, the tenants are required to negotiate any tax stabilization treaties or other arrangements, appeal any changes in real property assessments, and pay real property taxes assessed on land and improvements under these arrangements. Accordingly, real property taxes payable by the tenants are excluded from leasing revenues and leasing expenses on the accompanying consolidated statements of income. Real property taxes attributable to the Company's land under these leases totaled \$367,000 and \$605,000, respectively, for the three and six months ended June 30, 2016, and \$307,000 and \$615,000, respectively, for the three and six months ended June 30, 2015.

With respect to the Parcel 6B and 6C leases, each lessee has the right to terminate its lease at any time during the remaining term of that lease upon thirty days' notice. To date, no notice of termination has been received by the Company. The current annual rent on Parcel 6B and 6C are \$195,000 and \$200,000, respectively.

Lamar lease:

The Company, through a wholly-owned subsidiary, leases 23 outdoor advertising locations containing 44 billboard faces along interstate and primary highways in Rhode Island and Massachusetts to Lamar under a lease which expires in 2045. The Lamar lease provides, among other things, for the following: (1) the base rent will increase annually at the rate of 2.75% for each leased billboard location on June 1 of each year, and (2) in addition to base rent, for each 12-month period commencing each June 1, Lamar must pay to the Company within thirty days after the close of the lease year 30% of the gross revenues from each standard billboard and 20% of the gross revenues from each electronic billboard for such 12-month period, reduced by the sum of (a) commissions paid to third parties and (b) base monthly rent for each leased billboard display for each 12-month period. For the lease years ended May 31, 2016 and 2015, the percentage rent totaled \$118,000 and \$155,000, respectively, which amounts are included in leasing revenues on the accompanying consolidated statements of income for the three and six months ended June 30, 2016 and 2015.

Short-term leases:

The Company leases the undeveloped parcels of land in or adjacent to the Capital Center area for public parking purposes to Metropark under a short-term cancellable lease.

At June 30, 2016, the Company has three tenants occupying 54 percent of the Steeple Street Building under short-term leases of five years or less at a current annual rental of \$125,000. The Company is recognizing the revenue from these leases on a straight-line basis over the terms of the leases. At June 30, 2016, there was no excess of straight-line over contractual rentals; at December 31, 2015, the excess of straight-line over contractual rentals was \$1,000, which is included in prepaid and other on the accompanying consolidated balance sheet. The Company also reports as revenue from tenants reimbursements for common area costs and real property taxes. The Company is currently marketing the remaining portions of the building for lease.

7. Petroleum storage facility and environmental incidents:

Leasing of the Facility:

On May 1, 2014, the Company entered into a Petroleum Storage Services Agreement ("the Agreement") with Sprague Operating Resources, LLC ("Sprague") for the lease of its entire storage capacity of 1,004,000 barrels for a term of five years. The base rent is \$3,500,000, subject to annual cost-of-living adjustments on May 1 of each year. On May 1, 2016, the annual rent increased \$39,000. There was no change in the base rent on May 1, 2015 because the cost-of-living decreased from May 1, 2014. In addition, the Company will receive an additional \$.15 for each barrel of throughput at the facility in excess of 3,500,000 barrels in any contract year (May 1 to April 30). The total throughput for the years ended April 30, 2016 and 2015 did not exceed 3,500,000 barrels. Sprague had the right to extend the Agreement for two additional terms of five years each, provided that Sprague gives at least twelve months' notice prior to the expiration of the initial or the extension term, as applicable. Commencing April 1, 2016 and on each April 1 thereafter during the initial term and any extension term, either party during the following thirty days had the right to terminate the Agreement as of April 30 of the year next following the year in which notice of termination is given. On April 28, 2016, the Company received notice from Sprague that, effective April 30, 2017, Sprague is terminating the Agreement. The Company is reviewing its options for the petroleum storage facility upon termination of the Sprague lease.

Commencing May 1, 2015, Sprague is obligated to reimburse the Company for any real property taxes in excess of \$290,000. For the year 2016, there was an increase in the assessment but a decrease in the tax rate, resulting in no additional payment being due from Sprague. For the year 2015, there was no increase in the assessment or tax rate and therefore no additional payment was due from Sprague.

The Company incurred \$108,000 in fees in connection with the execution of the Agreement, which amounts are being amortized on the straight-line method over the three-year non-cancellable portion of the term of the Agreement and are included in petroleum storage facility expenses on the accompanying consolidated statements of income for the three and six months ended June 30, 2016 and 2015. At June 30, 2016 and December 31, 2015, unamortized deferred agreement costs were \$30,000 and \$48,000, respectively, which are included in prepaid and other on the accompanying consolidated balance sheets.

Wilkesbarre Pier:

The Pier is a deep-water pier in East Providence, Rhode Island owned by the Company which is integral to the operation of the Terminal. The Pier and the Terminal are connected by two petroleum pipelines which the Company has a permanent right to use.

Environmental incident (2002):

In 2002, during testing of monitoring wells at the Terminal, the Company's consulting engineer discovered free floating phase product in a groundwater monitoring well located on that portion of the Terminal purchased in 2000. Laboratory analysis indicated that the product was gasoline, which is not a product the Company ever stored at the Terminal. The Company commenced an environmental investigation and analysis, the results of which indicate that the gasoline did not come from the Terminal. The Company notified the Rhode Island Department of Environmental Management ("RIDEM"). RIDEM subsequently identified Power Test Realty Partnership ("Power Test"), the owner of an adjacent parcel, as a potentially responsible party for the contamination. Getty Properties Corp. is the general partner of Power Test. Power Test challenged that determination and, after an administrative hearing, in October 2008 a RIDEM Hearing Officer determined that Power Test is responsible for the discharge of the petroleum product under the Rhode Island Oil Pollution Control Act, R.I.G.L. Section 46-12.5.1-3 and Rule 6(a) and 12(b) of the Oil Pollution Control Regulations. The RIDEM Decision and Order requires Power Test to remediate the contamination as directed by RIDEM. In November 2008, Power Test appealed the decision. In March 2016, the Rhode Island Supreme Court affirmed the RIDEM decision.

In April 2009, the Company sued Power Test and Getty Properties Corp. in the Rhode Island Superior Court seeking remediation of the site or, in the alternative, the cost of the remediation. On May 1, 2009, Power Test and Getty Properties Corp. removed the action to the United States District Court for the District of Rhode Island ("the Court"). On May 22, 2009, Power Test and Getty Properties Corp. answered the Complaint and filed a Counterclaim against Dunellen, LLC and Capital Terminal Company alleging that Dunellen, LLC and Capital Terminal Company are responsible for the contamination. Getty Properties Corp. and Power Test joined Getty Petroleum Marketing, Inc., the tenant under a long-term lease with Getty Properties Corp. of the adjacent property, as a defendant. The Company amended its Complaint to add Getty Petroleum Marketing, Inc. as a defendant. Getty Petroleum Marketing, Inc. moved for summary judgment against the Company, Getty Properties Corp. and Power Test. On December 5, 2011, Getty Petroleum Marketing, Inc. filed for bankruptcy under Chapter 11 of the United States Bankruptcy Act. Thereafter, with Bankruptcy Court approval, Getty Petroleum Marketing, Inc. rejected its lease with Getty Properties Corp. On August 24, 2012, the Bankruptcy Court approved a plan to liquidate Getty Petroleum Marketing, Inc. On January 15, 2013, the Court granted Getty Petroleum Marketing, Inc.'s motion for summary judgment against the Company, Getty Properties Corp. and Power Test, dismissing the Company's third-party complaint.

The parties agreed to stay the litigation pending a determination by the Rhode Island Supreme Court on the Power Test appeal. The Company and Power Test are currently negotiating resolution of the litigation in light of the decision of the Supreme Court referred to above.

Since January 2003, the Company has not incurred significant costs in connection with this matter, other than ongoing litigation costs, and is unable to determine the costs it might incur to remedy the situation, as well as any costs to investigate, defend and seek reimbursement from the responsible party with respect to this contamination.

Environmental remediation (1994):

In 1994, a leak was discovered in a 25,000 barrel storage tank at the Terminal which allowed the escape of a small amount of fuel oil. All required notices were made to RIDEM. In 2000, the tank was demolished and testing of the groundwater indicated that there was no large pooling of contaminants. In 2001, RIDEM approved a plan pursuant to which the Company installed a passive system consisting of three wells and commenced monitoring the wells.

In 2003, RIDEM decided that the passive monitoring system previously approved was not sufficient and required the Company to design an active remediation system for the removal of product from the contaminated site. The Company and its consulting engineers began the pre-design testing of the site in the fourth quarter of 2004. The consulting engineers estimated a total cost of \$200,000 to design, install and operate the system, which amount was accrued in 2004. Through 2006, the Company had expended \$119,000 and has not incurred any significant costs since then. In 2011, RIDEM notified the company to proceed with the next phase of the approval process, notifying the abutters of the proposed remediation system even though RIDEM has not yet taken any action on the Company's proposed plan. As designed, the system will pump out the contaminants which will be disposed of in compliance with applicable regulations. After a period of time, the groundwater will be tested to determine if sufficient contaminants have been removed. In 2014, the Company engaged new consultants to work with RIDEM to develop the next phase of the approval process. While the Company and its consulting engineers believe that the proposed active remediation system will correct the situation, it is possible that RIDEM could require the Company to expand remediation efforts, which could result in the Company incurring costs in excess of the remaining accrual of \$79,000.

8. Income taxes:

Deferred income taxes are recorded based upon differences between financial statement and tax basis amounts of assets and liabilities. The tax effects of temporary differences which give rise to deferred tax assets and liabilities were as follows:

	June 30, 2016	December 31, 2015
Gross deferred tax liabilities:		
Property having a financial statement basis in excess of tax basis	\$ 4,659,000	\$ 4,725,000
Insurance premiums and accrued leasing revenues	<u>80,000</u>	<u>137,000</u>
	4,739,000	4,862,000
Deferred tax assets	<u>(137,000)</u>	<u>(142,000)</u>
	<u>\$ 4,602,000</u>	<u>\$ 4,720,000</u>

9. Operating segment disclosures:

The Company operates in two segments, leasing and petroleum storage.

The Company makes decisions relative to the allocation of resources and evaluates performance based on each segment's respective income before income taxes, excluding interest expense and certain corporate expenses.

Inter-segment revenues are immaterial in amount.

The following financial information is used for making operating decisions and assessing performance of each of the Company's segments for the three and six months ended June 30, 2016 and 2015:

	Three Months Ended		Six Months Ended	
	June 30	June 30	June 30	June 30
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<i>Leasing:</i>				
Revenues:				
Long-term land leases:				
Contractual	\$ 1,000,000	\$ 940,000	\$ 1,993,000	\$ 1,875,000
Contingent	142,000	175,000	169,000	200,000
Short-term leases	<u>225,000</u>	<u>219,000</u>	<u>456,000</u>	<u>439,000</u>
Total revenues	<u>\$ 1,367,000</u>	<u>\$ 1,334,000</u>	<u>\$ 2,618,000</u>	<u>\$ 2,514,000</u>
Property tax expense	<u>\$ 117,000</u>	<u>\$ 102,000</u>	<u>\$ 224,000</u>	<u>\$ 210,000</u>
Depreciation	<u>\$ 55,000</u>	<u>\$ 53,000</u>	<u>\$ 109,000</u>	<u>\$ 107,000</u>
Income before income taxes	<u>\$ 1,152,000</u>	<u>\$ 1,113,000</u>	<u>\$ 2,189,000</u>	<u>\$ 2,068,000</u>
Assets	<u>\$ 9,487,000</u>	<u>\$ 9,810,000</u>	<u>\$ 9,487,000</u>	<u>\$ 9,810,000</u>
Properties and equipment, additions	<u>\$ 1,000</u>	<u>\$ 257,000</u>	<u>\$ 12,000</u>	<u>\$ 257,000</u>

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
<i>Petroleum storage:</i>				
Revenues, contractual.....	\$ 890,000	\$ 880,000	\$ 1,772,000	\$ 1,755,000
Property tax expense.....	\$ 67,000	\$ 69,000	\$ 141,000	\$ 144,000
Depreciation	\$ 118,000	\$ 164,000	\$ 235,000	\$ 326,000
Income (loss) before income taxes	\$ 302,000	\$ 259,000	\$ 606,000	\$ 451,000
Assets	\$10,901,000	\$10,960,000	\$10,901,000	\$10,960,000
Properties and equipment, additions.....	\$ --	\$ 71,000	\$ 5,000	\$ 71,000

The following is a reconciliation of the segment information to the amounts reported in the accompanying consolidated financial statements for the three and six months ended June 30, 2016 and 2015:

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Revenues for operating segments:				
Leasing.....	\$ 1,367,000	\$ 1,334,000	\$ 2,618,000	\$ 2,514,000
Petroleum storage.....	890,000	880,000	1,772,000	1,755,000
Total consolidated revenues	\$ 2,257,000	\$ 2,214,000	\$ 4,390,000	\$ 4,269,000
Property tax expense:				
Property tax expense for operating segments:				
Leasing	\$ 117,000	\$ 102,000	\$ 224,000	\$ 210,000
Petroleum storage.....	67,000	69,000	141,000	144,000
	184,000	171,000	365,000	354,000
Unallocated corporate property tax expense	1,000	1,000	2,000	2,000
Total consolidated property tax expense	\$ 185,000	\$ 172,000	\$ 367,000	\$ 356,000
Depreciation:				
Depreciation for operating segments:				
Leasing	\$ 55,000	\$ 53,000	\$ 109,000	\$ 107,000
Petroleum storage segment:	118,000	164,000	235,000	326,000
	173,000	217,000	344,000	433,000
Unallocated corporate depreciation.....	1,000	1,000	3,000	3,000
Total consolidated depreciation.....	\$ 174,000	\$ 218,000	\$ 347,000	\$ 436,000
Income (loss) before income taxes:				
Income (loss) before income taxes for operating segments:				
Leasing	\$ 1,152,000	\$ 1,113,000	\$ 2,189,000	\$ 2,068,000
Petroleum storage	302,000	259,000	606,000	451,000
	1,454,000	1,372,000	2,795,000	2,519,000
Unallocated corporate expenses	(331,000)	(253,000)	(647,000)	(573,000)
Interest expense.....	(166,000)	(170,000)	(313,000)	(343,000)
Total consolidated income before income taxes	\$ 957,000	\$ 949,000	\$ 1,835,000	\$ 1,603,000
Assets:				
Assets for operating segments:				
Leasing	\$ 9,487,000	\$ 9,810,000	\$ 9,487,000	\$ 9,810,000
Petroleum storage.....	10,901,000	10,960,000	10,901,000	10,960,000
	20,388,000	20,770,000	20,388,000	20,770,000
Corporate cash	1,665,000	2,299,000	1,665,000	2,299,000
Other unallocated amounts.....	147,000	29,000	147,000	29,000
Total consolidated assets.....	\$22,200,000	\$23,098,000	\$22,200,000	\$23,098,000

	Three Months Ended June 30		Six Months Ended June 30	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Properties and equipment:				
Additions to properties and equipment for operating segments:				
Leasing	\$ 1,000	\$ 257,000	\$ 12,000	\$ 257,000
Petroleum storage	--	71,000	5,000	71,000
Total consolidated additions	<u>\$ 1,000</u>	<u>\$ 328,000</u>	<u>\$ 17,000</u>	<u>\$ 328,000</u>

10. Fair value of financial instruments:

The Company believes that the fair values of its financial instruments, including cash, receivables and payables, approximate their respective book values because of their short-term nature. Upon review of current market conditions and other factors, the Company believes that the fair value of the dividend notes payable approximates their book value. The fair values described herein were determined using significant other observable inputs (Level 2) as defined by GAAP.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD LOOKING STATEMENTS

Certain portions of this report, and particularly the Management's Discussion and Analysis of Financial Condition and Results of Operations, contain forward-looking statements within the meaning of Sections 27A of the Securities Act of 1933, as amended, and Sections 21E of the Securities Exchange Act of 1934, as amended, which represent the Company's expectations or beliefs concerning future events. The Company cautions that these statements are further qualified by important factors that could cause actual results to differ materially from those in the forward-looking statements, including, without limitation, the following: the ability of the Company to generate adequate amounts of cash; the collectibility of the accrued leasing revenues when due over the terms of the long-term land leases and the early termination of the Parcel 6B and Parcel 6C land leases; the commencement of additional long-term land leases; changes in economic conditions that may affect either the current or future development on the Company's parcels; the marketing of the petroleum terminal for lease; and exposure to contamination, remediation or similar costs associated with the operation of the petroleum storage facility. The Company does not undertake the obligation to update forward-looking statements in response to new information, future events or otherwise.

1. Overview:

Critical accounting policies:

The Company believes that its revenue recognition policy for long-term leases with scheduled rent increases (leasing segment) meets the definition of a critical accounting policy which is discussed in the Company's Form 10-K for the year ended December 31, 2015. There have been no changes to the application of this accounting policy since December 31, 2015.

Segments:

The Company operates in two segments, leasing and petroleum storage.

The leasing segment consists of the long-term leasing of certain of its real estate interests in downtown Providence, Rhode Island (upon the commencement of which the tenants have been required to construct buildings thereon, with the exception of a parking garage and Parcels 6B and 6C), the leasing of a portion of the Steeple Street Building under short-term leasing arrangements and the leasing of locations along interstate and primary highways in Rhode Island and Massachusetts to Lamar Outdoor Advertising, LLC ("Lamar") which has constructed outdoor advertising boards thereon. The Company anticipates that the future development of its remaining properties in and adjacent to the Capital Center area will consist primarily of long-term ground leases. Pending this development, the Company leases these parcels for public parking under short-term leasing arrangements to Metropark, Ltd. ("Metropark").

The petroleum storage segment consists of operating the petroleum storage terminal (the "Terminal") containing 1,004,000 shell barrels and the Wilkesbarre Pier (the "Pier"), both of which are owned by the Company and are collectively referred to as the "Facility," located in East Providence, Rhode Island for Sprague Operating Resources LLC ("Sprague"), a wholly-owned subsidiary of Sprague Resources LP, which stores and distributes petroleum products.

The principal difference between the two segments relates to the nature of the operations. In the leasing segment, the tenants under long-term land leases incur substantially all of the development and operating costs of the assets constructed on the Company's land, including the payment of real property taxes on both the land and any improvements constructed thereon. In the petroleum storage segment, the Company is responsible for the operating and maintenance expenditures and real estate taxes up to \$290,000 as well as capital improvements at the Facility.

2. Liquidity and capital resources:

Dividend notes:

On December 7, 2012, the Board of Directors of the Company declared an extraordinary dividend of \$2.25 per share on its Class A and Class B common stock to shareholders of record on December 17, 2012. On December 27, 2012, the Company paid out \$3,063,000 in cash and issued \$11,787,000 in principal face amount of 5% dividend notes due December 26, 2022 (the "Dividend Notes"). The Dividend Notes are unsecured general obligations of the Company bearing interest at the annual rate of 5% payable semi-annually on June 15 and December 15 to note holders of record on June 1 and December 1 of each year. The Dividend Notes may be redeemed in whole or in part at any time and from time to time at the option of the Company. The Dividend Notes are subject to mandatory redemption in an amount equal to the Net Proceeds from the sale of any real property owned by the Company or any of its subsidiaries. Net Proceeds means the gross cash received by the Company from any such sale reduced by the sum of (a) costs relating to the sale, (b) federal and state income taxes as a result of the sale, and (c) the amount used by the Company to pay in whole or in part financial institution debts secured by a mortgage of the Company's or any subsidiary's real property regardless of whether such mortgage encumbers the property sold. The Company has obligated itself not to grant any mortgages on any of its property located in the Capitol Center District in Providence, Rhode Island, other than Parcels 3S and 5, and to cause its subsidiaries not to grant any such mortgages, in each case without the consent of the holders of two-thirds of the outstanding principal face amount of the Dividend Notes. The Dividend Notes contain other customary terms and conditions. On June 15, 2016, the Company redeemed 10 percent of the face value of its outstanding Dividend Notes (\$1,179,000) to note holders of record on June 2, 2016. At June 30, 2016, the remaining balance is \$10,608,000. Interest payments on an annual basis after the partial redemption total \$530,000.

Petroleum storage facility:

On May 1, 2014, the Company entered into a Petroleum Storage Services Agreement ("the Agreement") with Sprague Operating Resources, LLC ("Sprague") for the lease of its entire storage capacity of 1,004,000 barrels for a term of five years. The base rent is \$3,500,000, subject to annual cost-of-living adjustments on May 1 of each year. On May 1, 2016, the annual rent increased \$39,000. In addition, the Company will receive an additional \$.15 for each barrel of throughput at the facility in excess of 3,500,000 barrels in any contract year (May 1 to April 30). The total throughput for the years ended April 30, 2016 and 2015 did not exceed 3,500,000 barrels. Sprague had the right to extend the Agreement for two additional terms of five years each, provided that Sprague gives at least twelve months' notice prior to the expiration of the initial or the extension term, as applicable. Commencing April 1, 2016 and on each April 1 thereafter during the initial term and any extension term, either party during the following thirty days had the right to terminate the Agreement as of April 30 of the year next following the year in which notice of termination is given. On April 28, 2016, the Company received notice from Sprague that, effective April 30, 2017, Sprague is terminating the Agreement. The Company is reviewing its options for the petroleum storage facility upon termination of the Sprague lease.

Commencing May 1, 2015, Sprague is obligated to reimburse the Company for any real property taxes in excess of \$290,000. For the year 2016, there was an increase in the assessment and a decrease in the rate, resulting in no additional payment being due from Sprague. There was no increase in the assessment or tax rate for the year 2015 and therefore no additional payment was due from Sprague.

During the first six months of 2016, the Company's operating activities provided \$943,000 of cash which was \$258,000 less than the cash provided by operating activities for the six months ended June 30, 2015. At June 30, 2016, cash decreased \$253,000 from yearend due substantially to the partial redemption payment on the Dividend Notes.

Historically, the Company has had adequate liquidity to fund its operations.

Cash and cash commitments:

At June 30, 2016, the Company had cash of \$1,972,000. The Company and its three subsidiary companies each maintain a checking account in the same bank, each of which accounts is insured by the Federal Deposit Insurance Corporation to a maximum of \$250,000. The Company periodically evaluates the financial stability of the financial institution at which the Company's funds are held.

On April 1, 2016, under the terms of the long-term land lease on Parcel 9, the scheduled annual contractual rent increased \$18,000. On May 1, 2016, under the terms of the Agreement with Sprague, the annual rent increased \$39,000.

At June 30, 2016, the Company has three tenants occupying 54 percent of the Steeple Street Building under short-term leases (five years or less) at a current annual rental of \$125,000. The Company is currently marketing the remaining portions of the building for lease.

In light of the extraordinary dividend paid in December 2012, at each of the quarterly Board meetings held in 2015 and 2016, the Board of Directors voted to omit the regular quarterly dividend of \$0.03 per share. The Board will review the declaration of future dividends on a quarterly basis. The declaration of future dividends will depend on future earnings and financial performance.

3. Results of operations:

Three months ended June 30, 2016 compared to three months ended June 30, 2015:

Leasing segment:

	<u>2016</u>	<u>2015</u>	<u>Difference</u>
Leasing revenues.....	\$1,367,000	\$1,334,000	\$ 33,000
Leasing expense	<u>215,000</u>	<u>221,000</u>	\$ (6,000)
	<u>\$1,152,000</u>	<u>\$1,113,000</u>	

Leasing revenue increased due to scheduled increases in rentals under long-term land leases and increases under short-term leases, offset in part by a decrease in the percentage rent under the Lamar lease. Leasing expense remained at approximately the same level. However, a decrease in repairs and maintenance at the Steeple Street Building was offset in part by an increase in the City of Providence real estate taxes.

Petroleum storage segment:

	<u>2016</u>	<u>2015</u>	<u>Difference</u>
Petroleum storage facility revenues	\$ 890,000	\$ 880,000	\$ 10,000
Petroleum storage facility expense.....	<u>588,000</u>	<u>621,000</u>	\$ (33,000)
	<u>\$ 302,000</u>	<u>\$ 259,000</u>	

Petroleum storage facility revenues increased due to a scheduled cost-of-living rent adjustment under the Sprague lease effective May 1, 2016. Petroleum storage facility expense decreased due to lower depreciation expense due to certain assets becoming fully depreciated in 2015 and a decrease in insurance premiums.

General:

For the three months ended June 30, 2016, general and administrative expense increased \$78,000 due to an increase in legal fees and costs associated with the partial redemption payment on the Dividend Notes.

Interest expense:

For the three months ended June 30, 2016 and 2015, the interest expense, dividend notes was \$166,000 and \$147,000, respectively. In November 2015, the Company paid the bank loan in full. The interest expense, bank loan for the three months ended June 30, 2015 was \$23,000.

Six months ended June 30, 2016 compared to six months ended June 30, 2015:

Leasing segment:

	<u>2016</u>	<u>2015</u>	<u>Difference</u>
Leasing revenues.....	\$2,618,000	\$2,514,000	\$ 104,000
Leasing expense	<u>429,000</u>	<u>446,000</u>	\$ (17,000)
	<u>\$2,189,000</u>	<u>\$2,068,000</u>	

Leasing revenue increased due to scheduled increases in rentals under long-term land leases and increases under short-term leases, offset in part by a decrease in the percentage rent under the Lamar lease. Leasing expense decreased due to a decrease in repairs and maintenance at the Steeple Street Building and insurance offset in part by an increase in the City of Providence real estate taxes.

Petroleum storage segment:

	<u>2016</u>	<u>2015</u>	<u>Difference</u>
Petroleum storage facility revenues	\$1,772,000	\$1,755,000	\$ 17,000
Petroleum storage facility expense.....	<u>1,166,000</u>	<u>1,304,000</u>	\$ (138,000)
	<u>\$ 606,000</u>	<u>\$ 451,000</u>	

Petroleum storage facility revenues increased due to a scheduled cost-of-living rent adjustment under the Sprague lease effective May 1, 2016 and miscellaneous reimbursements. Petroleum storage facility expense decreased due to lower depreciation expense due to certain assets becoming fully depreciated in 2015 and a decrease in insurance premiums.

General:

For the six months ended June 30, 2016, general and administrative expense increased \$74,000 due to an increase in legal fees and costs associated with the partial redemption payment on the Dividend Notes.

Interest expense:

For the six months ended June 30, 2016 and 2015, the interest expense, dividend notes was \$313,000 and \$295,000, respectively. In November 2015, the Company paid the bank loan in full. The interest expense, bank loan for the six months ended June 30, 2015 was \$48,000.

Item 4. Controls and Procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report. This evaluation was carried out under the supervision and with the participation of the Company's management, including the Company's principal executive officer and the Company's principal financial officer. Based upon that evaluation, the principal executive officer and the principal financial officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms.

There was no significant change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to affect, the Company's internal control over financial reporting. The Company continues to enhance its internal controls over financial reporting, primarily by evaluating and enhancing process and control documentation. Management discusses with and discloses these matters to the Audit Committee of the Board of Directors and the Company's auditors.

PART II – OTHER INFORMATION

Item 6. Exhibits

(b) Exhibits:

- 3.1** Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the registrant's report on Form 8-K filed on April 24, 2013).
- 3.2** By-laws, as amended, April 26, 2016
- 10** Material contracts:
 - (a) Petroleum Storage Services Agreement between Sprague Operating Resources LLC and Company:**
 - (i) Dated April 18, 2014 (incorporated by reference to Exhibit 10(a) to the registrant's Quarterly report on Form 10-Q for the quarter ended March 31, 2014)
 - (b) Form of Dividend Note:**
 - (i) Dated December 27, 2012 (incorporated by reference to Exhibit 10.2 to the registrant's report on Form 8-K filed on December 27, 2012)
 - (c) Lease between Metropark, Ltd. and Company:**
 - (i) Dated January 1, 2005 (incorporated by reference to Exhibit 10(a) to the registrant's annual report on Form 10-KSB for the year ended December 31, 2004), as amended.
- 31.1** Rule 13a-14(a) Certification of President and Principal Executive Officer
- 31.2** Rule 13a-14(a) Certification of Treasurer and Principal Financial Officer
- 32.1** Certification of President and Principal Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2** Certification of Treasurer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 101†** The following financial information from the Company's Quarterly Report on Form 10-Q for the Quarter ended June 30, 2016, filed with the Securities and Exchange Commission on July 29, 2016, formatted in eXtensible Business Reporting Language:
 - (i) Consolidated Balance Sheets as of June 30, 2016 and December 31, 2015
 - (ii) Consolidated Statements of Income for the Three Months and Six Months ended June 30, 2016 and 2015
 - (iii) Consolidated Statements of Cash Flows for the Six Months ended June 30, 2016 and 2015
 - (iv) Notes to Consolidated Financial Statements.

SIGNATURE

In accordance with the requirements of the Exchange Act, the Issuer caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CAPITAL PROPERTIES, INC.

By /s/ Robert H. Eder
Robert H. Eder
President and Principal Executive Officer

By /s/ Barbara J. Dreyer
Barbara J. Dreyer
Treasurer and Principal Financial Officer

DATED: July 29, 2016

Exhibit 3.2
BY-LAWS
OF
CAPITAL PROPERTIES, INC.
(Amended April 26, 2016)

ARTICLE I
OFFICES

Section 1. The principal offices of the corporation shall be in the County of Providence and State of Rhode Island.

Section 2. The corporation may also have offices at such other places both within and without the State of Rhode Island as the Board of Directors may from time to time determine or the business of the corporation may require.

ARTICLE II
MEETINGS OF STOCKHOLDERS

Section 1. All annual meetings of the stockholders for the election of directors shall be held within or without the State of Rhode Island at such place as may be fixed from time to time by the Board of Directors; at least ten days' notice shall be given to the stockholders of the place so fixed. Meetings of stockholders for any other purpose may be held at such time and place, within or without the State of Rhode Island, as shall be stated in the notice of the meeting.

Section 2. Annual meetings of stockholders, commencing with the year 1986, shall be held on the Tuesday next preceding the last Wednesday in April, if not a legal holiday in the State of Rhode Island, and if a legal holiday in the State of Rhode Island, then on the secular day next following, at which they shall elect a Board of Directors and transact such other business as may properly be brought before the meeting.

Section 3. Written notice of the annual meeting shall be given to each stockholder of record at least ten days before the date of the meeting.

Section 4. Special meetings of the stockholders, for any purpose or purposes, may be called by the President and shall be called by the President or Secretary at the request in writing of a majority of the Board of Directors. Such request shall state the purpose or purposes of the proposed meeting.

Section 5. Written notice of any special meeting of stockholders, stating the time, place and purpose thereof, shall be given to each stockholder of record at least ten days before the date fixed for the meeting.

Section 6. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 7. Stockholders representing a majority of the shares entitled to vote, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted at the meeting as originally notified.

ARTICLE III
DIRECTORS

Section 1. The number of directors which shall constitute the whole Board of Directors shall be not less than five nor more than nine. Within the foregoing limits, the number of directors to constitute the whole Board shall be fixed by vote of the Board of Directors at any regular or special meeting of the Board of Directors, or by the stockholders at the annual meeting. If, pursuant to the foregoing authority, the number of directors constituting the whole Board shall be decreased, such decrease shall not be effective with respect to the terms of directors then holding office until the next annual meeting of stockholders. The directors shall be elected at the annual meeting of the stockholders, except as provided in Section 2 of this Article, and each director elected shall hold office until his successor is elected and qualified.

Section 2. Vacancies may be filled by a majority of the directors then in office though less than a quorum, and the directors so chosen shall hold office until the next annual election and until their successors are duly elected and shall qualify. A vacancy or vacancies shall be deemed to exist at any time the number of directors then in office is less than the whole Board as provided in Section 1, above.

Section 3. The business of the corporation shall be managed by its Board of Directors which may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the articles of incorporation or by these by-laws directed or required to be exercised or done by the stockholders.

Section 4. The Board of Directors of the corporation may hold meetings, both regular and special, either within or without the State of Rhode Island.

Section 5. The Board of Directors shall hold a meeting immediately after each annual meeting of stockholders, at which meeting they shall elect a President, a Vice President, a Treasurer and a Secretary, provided, however, that they may adjourn said meeting to such time as they see fit, and elect said officers at said adjourned meeting. They may also, at any annual meeting or at any adjournment thereof, transact any other business which may be properly brought before them. Regular quarterly meetings of directors shall be held on the Tuesday next preceding the last Wednesday in each of the months of January, July and October. Special meetings of the directors shall be held upon the call of the Chairman of the Board, the President, any Vice President or the Treasurer. The Secretary shall give each director notice, by mail, telephone or teletype, at least twenty-four hours before any meeting, whether regular or special, of the time and place of such meeting; provided, that in the case of necessity, such notice may be given at such time and in such manner as the President may direct.

Section 6. At all meetings of the Board of Directors the presence of a majority of the directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 7. The Board of Directors may, by resolution passed by a majority of the directors, designate one or more committees, each committee to consist of three or more of the directors of the corporation, which, to the extent provided in the resolution, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the corporation and may authorize the seal of the corporation to be affixed to all papers which may require it. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors.

Section 8. The committees shall keep regular minutes of their proceedings and report the same to the Board of Directors when required.

Section 9. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors, such fixed sum to be determined by the Board of Directors. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefore.

Section 10. Any or all of the directors may be removed with or without cause by vote of the holders of a majority of the outstanding common stock of the Company.

ARTICLE IV OFFICERS

Section 1. The initial officers of the corporation shall be chosen by the incorporator or the Board of Directors and shall be a President, a Vice President, a Secretary and a Treasurer. The offices of Treasurer and Secretary may be held by the same person. The President shall be a director of the corporation.

Section 2. The Board of Directors may appoint such other officers and agents as it shall deem necessary who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board.

Section 3. The salaries of all officers of the corporation shall be fixed by the Board of Directors.

Section 4. The officers of the corporation shall hold office until their successors are chosen and qualify. Any officer elected or appointed by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors. Any vacancy occurring in any office of the corporation by death, resignation, removal or otherwise shall be filled by the Board of Directors.

Section 5. The President shall be the chief executive officer of the corporation. He shall preside at all meetings of the Board and of the corporation, but, in his absence, either of said bodies may elect a president pro tem. The President shall be a member of all standing committees and shall have general and active management of the business of the corporation and shall see that all orders and resolutions of the Board of Directors are carried into effect. The President may call a special meeting of the Board at any time, and shall call such a special meeting whenever requested to do so by a majority of the directors. He shall, with the Treasurer or Secretary, sign all certificates of stock in the corporation, and shall perform all other duties required of him by law or by the articles of incorporation.

Section 6. The Secretary shall attend all meetings of the Board of Directors and all meetings of the stockholders and record all the proceedings of the meetings of the corporation and of the Board of Directors in a book to be kept for that purpose and shall perform like duties for the standing committees. He shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or President, under whose supervision he shall be. He shall keep in safe custody the seal of the corporation, and, when authorized by the Board of Directors, affix the same to any instrument requiring it and, when so affixed, it shall be attested by his signature or by the signature of the Treasurer.

Section 7. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the Board of Directors. He shall disburse the funds of the corporation, taking proper vouchers for such disbursements, and shall render to the President and the Board of Directors when requested an account of all his transactions as Treasurer and of the financial condition of the corporation. If required by the Board of Directors, he shall give the corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the corporation, in case of his death, resignation, retirement or removal from office of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the corporation.

ARTICLE V CERTIFICATE OF STOCK

Section 1. Every holder of stock in the corporation shall be entitled to have a certificate, signed by, or in the name of, the corporation, by the President and Treasurer or Secretary, certifying the number of shares owned by him in the corporation; provided that the Board of Directors may provide by resolution or resolutions that some or all of any classes of stock shall be uncertificated shares. No authorization of uncertificated shares shall affect previously issued and outstanding shares represented by certificates until such certificates shall have been surrendered to the Corporation. Stock represented by a certificate shall be signed by the Chairman of the Board of Directors or the President or a Vice President and the Treasurer or any Assistant Treasurer or the Secretary or any Assistant Secretary of the Corporation and may be sealed with the seal of the Corporation or a facsimile thereof. Any or all of the signatures on the certificate may be a facsimile. In case an officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed on such certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent, or registrar at the date of its issue. No shares shall be issued until such shares are fully paid.

Section 2. Where a certificate is signed (1) by a transfer agent or an assistant transfer agent or (2) by a transfer clerk acting on behalf of the corporation and a registrar, the signature of any such President, Secretary or Treasurer may be facsimile. In case any officer or officers who have signed, or whose facsimile signature or signatures have been used on, any such certificate or certificates shall cease to be such officer or officers of the corporation, whether because of death, resignation or otherwise, before such certificate or certificates have been delivered by the corporation, such certificate or certificates may nevertheless be adopted by the corporation and be issued and delivered as though the person or persons who signed such certificate or certificates or whose facsimile signature has been used thereon, had not ceased to be such officer or officers of the corporation.

Section 3. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost or destroyed.

Section 4. Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the

duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books. If shares of stock to be transferred are uncertificated, such shares will be transferred upon proper instructions from the holder of such shares and in accordance with such other rules as the Board of Directors may impose. In each case, instructions for the transfer of shares will be accompanied by such proof of authenticity of signature as the Board of Directors or the transfer agent of the Corporation may reasonably require.

Section 5. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof.

ARTICLE VI GENERAL PROVISIONS

Section 1. The President shall present at each annual meeting a statement of the business and condition of the corporation.

Section 2. All checks or demand for money and notes of the corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Section 3. The fiscal year of the corporation shall commence the first day of January in each year.

Section 4. The corporate seal shall have inscribed thereon the name of the corporation, the year of its organization and the words "Corporate Seal, Rhode Island". The seal may be used by causing it or a facsimile thereof to be impressed, affixed or reproduced or otherwise.

Section 5. Exclusive Forum. Unless the corporation consents in writing to the selection of an alternative forum, the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the corporation, (ii) any action asserting a claim of breach of a fiduciary duty owned by any director or officer or other employee of the corporation to the corporation or the corporation's stockholders, (iii) any action asserting a claim against the corporation or any director or officer or other employee of the corporation arising pursuant to any provision of the Rhode Island Business Corporation Act or the corporation's charter, as heretofore amended, or Bylaws (as each may be amended from time to time), or (iv) any action asserting a claim against the corporation or any director or officer or other employee of the corporation governed by the internal affairs doctrine shall be a state court located within the State of Rhode Island (or, if no state court located within the State of Rhode Island has jurisdiction, the United States District Court for the District of Rhode Island).

ARTICLE VII REPEAL AND AMENDMENT OF BY-LAWS

These By-laws may be altered, amended or repealed, or new By-laws may be adopted at any annual or special meeting of the shareholders by an affirmative vote of a majority of the shares issued and outstanding and entitled to vote; provided, however, that notice of such alteration, amendment, repeal or adoption of new By-laws shall be contained in the notice of such meeting. The Board of Directors shall have like authority to alter, amend, repeal or adopt new By-laws by an affirmative vote of majority of the number of Directors fixed as provided in these By-laws; provided, however, that any action in that respect by the Board of Directors may be changed thereafter by the shareholders.

ARTICLE VIII INDEMNIFICATION OF DIRECTORS

The corporation shall indemnify, to the full extent permitted by law from time to time, any person who is or was a director of the corporation and any person who, while a director of the corporation, is or was serving at the request of the corporation as a director, officer, partner, trustee, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust, other enterprise or employee benefit plan, against all judgments, penalties, fines, settlements and reasonable expenses actually incurred by such person in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, in which such person was, is or is threatened to be made a named defendant or respondent by reason of the fact that such person is serving or at any time was serving in one or more of the capacities set forth above.

Exhibit 31.1

CAPITAL PROPERTIES, INC. AND SUBSIDIARIES
Certification Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Robert H. Eder, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Capital Properties, Inc. and Subsidiaries;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that was materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 2016

/s/ Robert H. Eder
Robert H. Eder
President and Principal Executive Officer

Exhibit 31.2

CAPITAL PROPERTIES, INC. AND SUBSIDIARIES
Certification Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Barbara J. Dreyer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Capital Properties, Inc. and Subsidiaries;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant's as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that was materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 2016

/s/Barbara J. Dreyer
Barbara J. Dreyer
Treasurer and Principal Financial Officer

Exhibit 32.1

CAPITAL PROPERTIES, INC. AND SUBSIDIARIES
Certification Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Capital Properties, Inc. (the Company) on Form 10-Q for the quarterly period ended June 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Robert H. Eder, President and Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert H. Eder
Robert H. Eder
President and Principal Executive Officer
July 29, 2016

Exhibit 32.2

CAPITAL PROPERTIES, INC. AND SUBSIDIARIES
Certification Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Capital Properties, Inc. (the Company) on Form 10-Q for the quarterly period ended June 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Barbara J. Dreyer, Treasurer and Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Barbara J. Dreyer
Barbara J. Dreyer, Treasurer
and Principal Financial Officer
July 29, 2016