

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 March 31, 2017**

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.)

**5 Steeple Street, Unit 303**

**Providence, Rhode Island**

(Address of principal executive offices)

**02903**

(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

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

As of March 31, 2017, the Company had 6,599,912 shares of Class A Common Stock outstanding.

**CAPITAL PROPERTIES, INC.**  
**FORM 10-Q**  
**FOR THE QUARTER ENDED MARCH 31, 2017**

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## PART I

### Item 1. Financial Statements

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

	March 31, 2017 <u>(unaudited)</u>	December 31, 2016 <u>                    </u>
<b>ASSETS</b>		
Properties and equipment (net of accumulated depreciation).....	\$ 9,092,000	\$ 9,127,000
Cash and cash equivalents .....	10,843,000	3,124,000
Prepaid and other .....	353,000	184,000
Assets held for sale (Note 10).....	<u>          --</u>	<u>11,195,000</u>
	<u>\$ 20,288,000</u>	<u>\$ 23,630,000</u>
 <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Liabilities:		
Dividend notes payable (Note 5).....	\$ --	\$ 10,608,000
Property taxes .....	227,000	224,000
Other .....	385,000	164,000
Income taxes payable.....	40,000	63,000
Deferred taxes, net .....	929,000	1,078,000
Liabilities associated with discontinued operations (Notes 8 and 10).....	<u>6,592,000</u>	<u>4,422,000</u>
	<u>8,173,000</u>	<u>16,559,000</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>11,267,000</u>	<u>6,223,000</u>
	<u>12,115,000</u>	<u>7,071,000</u>
	<u>\$ 20,288,000</u>	<u>\$ 23,630,000</u>

See notes to consolidated financial statements.

**CAPITAL PROPERTIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**THREE MONTHS ENDED MARCH 31, 2017 AND 2016**  
**(Unaudited)**

	<u>2017</u>	<u>2016</u>
Revenues.....	\$ <u>1,251,000</u>	\$ <u>1,251,000</u>
Expenses:		
Operating.....	263,000	214,000
General and administrative .....	709,000	385,000
Interest on dividend notes .....	<u>112,000</u>	<u>146,000</u>
	<u>1,084,000</u>	<u>745,000</u>
Income from continuing operations before income taxes.....	<u>167,000</u>	<u>506,000</u>
Income tax expense (benefit):		
Current .....	215,000	190,000
Deferred .....	<u>(149,000)</u>	<u>(18,000)</u>
	<u>66,000</u>	<u>172,000</u>
Income from continuing operations.....	<u>101,000</u>	<u>334,000</u>
Income (loss) from discontinued operations, net.....	<u>(267,000)</u>	<u>201,000</u>
Gain on sale of discontinued operations, net of \$3,430,000 of taxes.....	<u>5,210,000</u>	<u>--</u>
Net income.....	<u>\$ 5,044,000</u>	<u>\$ 535,000</u>
Basic income per common share based upon 6,599,912 shares outstanding:		
Continuing operations .....	\$.01	\$.05
Discontinued operations .....	(.04)	.03
Gain on sale of discontinued operations.....	<u>.79</u>	<u>--</u>
Total basic income per common share.....	<u>\$.76</u>	<u>\$.08</u>

See notes to consolidated financial statements.

**CAPITAL PROPERTIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**THREE MONTHS ENDED MARCH 31, 2017 AND 2016**  
**(Unaudited)**

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Continuing operations:		
Income from continuing operations.....	\$ 101,000	\$ 334,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation .....	46,000	56,000
Deferred income taxes.....	(149,000)	(18,000)
Income taxes payable .....	(23,000)	317,000
Other, principally net changes in prepaids, accounts payable and accrued expenses.....	<u>105,000</u>	<u>(43,000)</u>
Net cash provided by operating activities, continuing operations.....	80,000	646,000
Net cash provided by (used in) operating activities discontinued operations.....	<u>(1,536,000)</u>	<u>182,000</u>
Net cash provided by (used in) operating activities .....	<u>(1,456,000)</u>	<u>828,000</u>
Cash flows from investing activities:		
Continuing operations, purchases of properties and equipment.....	<u>(11,000)</u>	<u>(11,000)</u>
Discontinued operations:		
Purchases of properties and equipment .....	--	(5,000)
Sale of assets .....	<u>19,794,000</u>	<u>--</u>
	<u>19,794,000</u>	<u>(5,000)</u>
Net cash provided by (used in) investing activities.....	<u>19,783,000</u>	<u>(16,000)</u>
Cash flows from financing activities:		
Redemption of dividend notes payable .....	<u>(10,608,000)</u>	<u>--</u>
Increase in cash and cash equivalents.....	7,719,000	812,000
Cash and cash equivalents, beginning .....	<u>3,124,000</u>	<u>2,225,000</u>
Cash and cash equivalents, ending .....	<u>\$ 10,843,000</u>	<u>\$ 3,037,000</u>
Supplemental disclosures:		
Cash paid for:		
Income taxes:		
Continuing operations.....	\$ --	\$ 167,000
Discontinuing operations, sale of assets.....	<u>655,000</u>	<u>--</u>
	<u>\$ 655,000</u>	<u>\$ 167,000</u>
Interest.....	<u>\$ 156,000</u>	<u>\$ --</u>

See notes to consolidated financial statements.

**CAPITAL PROPERTIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**THREE MONTHS ENDED MARCH 31, 2017 AND 2016**  
**(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”) operated in two segments, leasing and petroleum storage, for many years. On December 20, 2016, the Company’s Board of Directors authorized the sale of the Company’s petroleum storage facility and related assets, including the Wilkesbarre Pier and petroleum transmission pipelines owned or controlled by the Company’s subsidiaries, Capital Terminal Company and Dunellen, LLC, to Sprague Operating Resources, LLC, a subsidiary of Sprague Resources, LP (collectively referred to as “Sprague”) for \$23 Million subject to certain adjustments. The Company concluded that the sale of the petroleum storage facility met the criteria of a discontinued operation in conformity with United States generally accepted accounting principles (“GAAP”) and therefore the petroleum storage segment is reported as a discontinued operation for all periods presented. On January 24, 2017, the Company and Sprague entered into a definitive purchase and sale agreement (the “Sale Agreement”). The sale closed on February 10, 2017. See Note 10 herein.

The Board’s decision to authorize the sale to Sprague, which had been exclusively leasing the petroleum storage facility and related assets since May 1, 2014, was based on an evaluation of the facility’s economic future as solely a distillate terminal and the significant capital investment and substantial risk related to converting the facility to gasoline in order to increase revenue. The Board concluded that a sale to Sprague was in the best interest of the Company’s shareholders. As a result of the sale of its petroleum storage and related assets, the Company’s operations are limited to leasing its real estate interests.

The Company’s continuing operations consist 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 the parking garage and Parcel 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.

**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, 2016, 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 consolidated 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 March 31, 2017 and the results of operations and cash flows for the three months ended March 31, 2017 and 2016.

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.

*Cash and cash equivalents:*

For purposes of the statements of cash flows, the Company considers all highly liquid deposits purchased with a maturity of three months or less to be cash equivalents.

*Retrospective adjustment:*

Certain amounts in the consolidated financial statements for 2016 have been retrospectively adjusted as described in Note 10 hereof.

*Recent accounting pronouncements:*

In November 2015, the FASB issued ASU No. 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*. The new standard eliminates the current requirement for organizations to present deferred tax liabilities and assets as current and noncurrent in a classified balance sheet. Instead, organizations will be required to classify all deferred tax assets and liabilities as noncurrent. The amendments are effective for financial statements issued for annual periods beginning after December 15, 2016 and interim periods within those annual periods. ASU 2015-17 will not affect the Company's balance sheet presentation in future periods because the Company does not present a classified balance sheet. See Note 9 herein.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing all lease transactions (with terms in excess of 12 months) on the balance sheet as a lease liability and a right-of-use asset (as defined). The ASU requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with earlier application permitted. Upon adoption, the lessee and lessor will apply the new standard retrospectively to all periods presented or retrospectively using a cumulative effect adjustment in the year of adoption. The Company is still assessing the impact of adopting the ASU but expects that its leases where it is the lessor will be accounted for as operating leases similar to its current accounting. For additional information on the Company's leases, see Note 6 herein.

**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 (exclusive of assets held for sale) consist of the following:

	March 31, 2017	December 31, 2016
Properties on lease or held for lease:		
Land and land improvements .....	\$ 4,701,000	\$ 4,701,000
Building and improvements, Steeple Street .....	<u>5,831,000</u>	<u>5,820,000</u>
	10,532,000	10,521,000
Office equipment .....	<u>95,000</u>	<u>95,000</u>
	<u>10,627,000</u>	<u>10,616,000</u>
Less accumulated depreciation:		
Properties on lease or held for lease .....	1,458,000	1,413,000
Office equipment .....	<u>77,000</u>	<u>76,000</u>
	<u>1,535,000</u>	<u>1,489,000</u>
	<u>\$ 9,092,000</u>	<u>\$ 9,127,000</u>

## 5. Dividend notes payable:

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 were unsecured general obligations of the Company.

In June 2016, the Company redeemed 10 percent of the face value of the outstanding Dividend Notes (\$1,179,000) to noteholders of record on June 2, 2016.

On February 24, 2017, following the sale of the Company's petroleum storage facility (the "Terminal") and related assets to Sprague on February 10, 2017, the Company issued a notice of mandatory redemption of 100% of the remaining Dividend Notes for a redemption price equal to the outstanding principal face amount of \$10,608,000 plus accrued interest of \$156,000. The Notes were redeemed on March 31, 2017.

## 6. Description of leasing arrangements:

### *Long-term land leases:*

As of March 31, 2017, the Company had entered into nine long-term land leases. Of the nine parcels, seven have had improvements constructed thereon and construction commenced on a 169-unit residential building on Parcel 6B in November 2016.

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. For the three months ended March 31, 2017 and 2016, the real property taxes attributable to the Company's land under these leases totaled \$304,000 and \$238,000, respectively.

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. The current annual rent on Parcel 6B and 6C is \$195,000 and \$200,000, respectively. The Company has not received any notice of termination with respect to either parcel.

### *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.

### *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 March 31, 2017, 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 \$126,000. The Company is recognizing the revenue from these leases on a straight-line basis over the terms of the leases. At March 31, 2017 and 2016, there was no excess of straight-line over contractual rentals. The Company also reports as revenue tenant 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:

### *Terminal and pier facility:*

On February 10, 2017, the Company sold its petroleum storage facility and related assets (the Facility) to Sprague. See Note 10. The Facility had been leased to Sprague under a Petroleum Storage Services Agreement ("the Services Agreement") since May 1, 2014. The annual base rent under the Services Agreement was \$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. Commencing on April 1, 2016 and each April 1 thereafter during the initial term and any extension term of the Services Agreement, either party during the following thirty days had the right to terminate the Services Agreement as of April 30 of the year next following the year in which notice of termination was given. On April 28, 2016, the Company received notice from Sprague that, effective April 30, 2017, Sprague would terminate the Services Agreement.

Commencing May 1, 2015, Sprague was 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.

The Company incurred \$108,000 in fees in connection with the execution of the Services Agreement, which amounts were being amortized using the straight-line method over the three-year non-cancellable portion of the term of the Services Agreement and were included in income (loss) from discontinued operations, net on the accompanying consolidated statements of income for the three months ended March 31, 2017 and 2016. At March 31, 2017, the balance was fully written off.

#### *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 certain other firms with respect to the gasoline discharge. All other parties other than Power Test and the Company were dismissed from the proceedings. On September 12, 2016, the Company and Power Test entered into a Tolling Agreement under which the statute of limitations is tolled to not later than sixty days following the implementation by Power Test of a RIDEM approved remediation plan. On September 19, 2016, the parties dismissed the litigation.

Since January 2003, the Company has not incurred significant costs in connection with this matter, other than ongoing litigation costs.

## **8. Environmental remediation:**

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. The Company and RIDEM are working to complete a remediation plan. Pursuant to the Sale Agreement and related documentation between the Company and Sprague, the Company is required to secure an approved remediation plan to remediate the contamination at its expense. At March 31, 2017, the Company had accrued \$445,000 to cover these costs. Any subsequent increase or decrease to the expected cost of

remediation will be recorded in the Company's consolidated income statement as income or expense from discontinued operations.

**9. Income taxes, continuing operations:**

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:

	March 31, 2017	December 31, 2016
Gross deferred tax liabilities:		
Property having a financial statement basis in excess of tax basis .....	\$ 1,171,000	\$ 1,140,000
Insurance premiums and accrued leasing revenues .....	<u>21,000</u>	<u>28,000</u>
	1,192,000	1,168,000
Less deferred tax assets .....	<u>263,000</u>	<u>90,000</u>
	<u>\$ 929,000</u>	<u>\$ 1,078,000</u>

**10. Discontinued operations:**

On December 20, 2016, the Company's Board of Directors voted to authorize the sale of its East Providence petroleum storage facility and related assets, including the Pier and petroleum transmission pipelines owned or controlled by its wholly-owned subsidiaries, Capital Terminal Company ("CTC") and Dunellen, LLC ("Dunellen") ("Petroleum Segment") to Sprague Operating Resources, LLC for \$23 Million (the "Sale Price"), subject to certain adjustments. On January 24, 2017, the Company and Sprague entered into the Sale Agreement. The sale closed on February 10, 2017.

Pursuant to the Sale Agreement, the Sale Price was reduced by \$1,040,000, the estimated cost of a turning dolphin to be constructed by Sprague in order to provide access to Wilkesbarre Pier for larger vessels; \$1,725,000 of the Sale Price was placed in escrow to secure the Company's indemnity obligations under the Sale Agreement. The Company has elected to report as a gain from sale amounts held in escrow only when, and if, such amounts are released therefrom. In addition, the Company incurred normal closing adjustments, transfer taxes, investment banking and other fees, other than federal and state income taxes, of \$441,000.

In accordance with ASC 205-20, *Presentation of Financial Statements – Discontinued Operations* the Petroleum Segment is accounted for as a discontinued operation. Accordingly, the Petroleum Segment assets and liabilities that were to be sold were recorded as held for sale in 2016. The liabilities associated with the discontinued operations are separately identified on the Company's consolidated balance sheets. These liabilities were not assumed by Sprague and remain obligations of the Company until settled. The Petroleum Segment discontinued operations are reported after income from continuing operations.

A reconciliation of the major classes of assets reported held for sale as of March 31, 2017 and December 31, 2016 is as follows:

	March 31, 2017	December 31, 2016
Carrying amounts of major classes of assets included as part of discontinued operations:		
Properties and equipment, net .....	\$ --	\$ 10,116,000
Prepaid and other .....	<u>--</u>	<u>1,079,000</u>
Total assets of the disposal group classified as held for sale on the consolidated balance sheets .....	<u>\$ --</u>	<u>\$ 11,195,000</u>

A reconciliation of the major classes of liabilities associated with the discontinued operations as of March 31, 2017 and December 31, 2016 is as follows:

	<u>March 31</u> <u>2017</u>	<u>December 31</u> <u>2016</u>
Carrying amounts of major classes of liabilities included as part of discontinued operations:		
Property taxes.....	\$ --	\$ 71,000
Accounts payable and other .....	133,000	715,000
Income taxes payable .....	6,014,000	--
Environmental remediation .....	445,000	459,000
Deferred income taxes, net.....	<u>--</u>	<u>3,177,000</u>
Total liabilities of the disposal group classified as associated with discontinued operations on the consolidated balance sheets.....	<u>\$ 6,592,000</u>	<u>\$ 4,422,000</u>

The operating results of the Petroleum Segment, including those related to prior years, have been retrospectively adjusted from continuing operations in the accompanying consolidated statements of income. Revenue and income before income taxes attributable to discontinued operations for the three months ended March 31, 2017 and 2016 are as follows:

	<u>March 31</u>	
	<u>2017</u>	<u>2016</u>
Revenue.....	\$ 474,000	\$ 882,000
Operating expenses .....	<u>(917,000)</u>	<u>(510,000)</u>
Income (loss) from discontinued operations before income tax....	(443,000)	372,000
Less income tax benefit (expense) .....	176,000	(171,000)
Income (loss) from discontinued operations, net of taxes .....	<u>\$ (267,000)</u>	<u>\$ 201,000</u>

The net gain from sale of discontinued operations as of March 31, 2017, was calculated as follows:

Gain from sale of discontinued operations before income taxes...	<u>\$ 8,640,000</u>
Less income tax expense:	
Current.....	6,607,000
Deferred.....	<u>(3,177,000)</u>
	<u>3,430,000</u>
Net gain from sale of discontinued operations .....	<u>\$ 5,210,000</u>

#### 11. Fair value of financial instruments:

The Company believes that the fair values of its financial instruments, including cash and cash equivalents, receivables and payables, approximate their respective book values because of their short-term nature. Upon review of current market conditions and other factors, at December 31, 2016, the Company believed that the fair value of the dividend notes payable approximated 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 collectability 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; and exposure to contamination, remediation or similar costs associated with the former 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, 2016. There have been no changes to the application of this accounting policy since December 31, 2016.

#### 2. Liquidity and capital resources:

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

##### *Cash and cash commitments:*

At March 31, 2017, the Company had cash and cash equivalents of \$10,843,000. 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.

Under the terms of a long-term land lease on Parcel 7A, the land is being appraised which may result in an increase in rent. If such increase is 20 percent or less than the existing rent, the increase will be effective April 1, 2017. Any increase in excess of 20 percent will be effective ratably over four years, beginning April 1, 2018.

At March 31, 2017, 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 \$126,000. 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 2016 and 2017, 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.

On February 24, 2017, the Company issued a notice of mandatory redemption of the entire remaining outstanding balance of its Dividend Notes. The principal balance plus accrued interest to the date of redemption was \$10,764,000. The Company received \$19,794,000 from the sale of its petroleum storage business after giving effect to escrows, a credit to Sprague for the cost of constructing a turning dolphin adjacent to the Pier, and other customary closing costs. The Company estimates that the cash outlay for federal and state income taxes arising

from the sale will total approximately \$6,600,000. The balance of the proceeds from the sale was used to effect the redemption of the Dividend Notes on March 31, 2017.

3. **Results of operations:**

**Three months ended March 31, 2017 compared to three months ended March 31, 2016:**

Revenues remained at the 2016 level. Operating expenses increased \$49,000 due to increases in insurance premiums, property taxes and repairs and maintenance at the Steeple Street Building, offset in part by a decrease in depreciation due to certain assets becoming fully depreciated in 2016.

General and administrative expense increased \$394,000 principally due to bonuses for officers totaling \$245,000 and an increase in professional fees.

For the three months ended March 31, 2017 and 2016, the interest expense on the Dividend Notes was \$112,000 and \$147,000, respectively.

For information relating to the sale of the petroleum storage facility and related assets to Sprague, see Note 10 in the Notes to Consolidated Financial Statements. Any further expenses and increases or reduction in retained liabilities relating to the petroleum storage facility and related assets will be recognized within discontinued operations.

#### **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 25, 2017
- 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.
  - (d) **Purchase and Sale Agreement between the Company and Sprague Operating Resources, LLC:**
    - (i) Dated January 24, 2017 (incorporated by reference to Exhibit 2.1 to the registrant's report on Form 8-K filed on January 25, 2017)
- 31.1 Rule 13a-14(a) Certification of Chairman and Principal Executive Officer
- 31.2 Rule 13a-14(a) Certification of Treasurer and Principal Financial Officer
- 32.1 Certification of Chairman 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 March 31, 2017, filed with the Securities and Exchange Commission on May 12, 2017, formatted in eXtensible Business Reporting Language:
  - (i) Consolidated Balance Sheets as of March 31, 2017 and December 31, 2016
  - (ii) Consolidated Statements of Income for the Three Months ended March 31, 2017 and 2016
  - (iii) Consolidated Statements of Cash Flows for the Three Months ended March 31, 2017 and 2016
  - (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  
Chairman and Principal Executive Officer

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

DATED: May 12, 2017



## **Exhibit 3.2**

### **BY-LAWS OF CAPITAL PROPERTIES, INC. (Amended April 25, 2017)**

#### **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 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 three nor more than seven. 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 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 telecopy, 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: May 12, 2017

/s/ Robert H. Eder  
Robert H. Eder  
Chairman 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: May 12, 2017

/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 March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Robert H. Eder, Chairman 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  
Chairman and Principal Executive Officer  
May 12, 2017

**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 March 31, 2017, 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  
May 12, 2017