UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 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, 2022

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	**05-0386287**
(State or other jurisdiction of incorporation or organization)	(IRS Employer identification No.)

5 Steeple Street, Unit 303	
Providence, Rhode Island	**02903**
(Address of principal executive offices)	(Zip Code)

(401) 435-7171
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12 (g) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, $.01 par value	**CPTP**	**OTCQX**

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 every Interactive Data File required to be submitted 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 such files.) Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of the "large accelerated filer," "accelerated filer," "non-accelerated filer," "smaller reporting company" and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☐	Accelerated Filer	☐
Non-Accelerated Filer	☐	Smaller reporting company	☒
		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 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to it management's assessment of the effectiveness of its internal control over financial reporting under Section 404 (b) of the Sarbanes-Oxley Act (15 U.S.C.7262(b)) by the registered public accounting firm that prepared or issued it audit report. ☐

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

As of June 30, 2022, 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, 2022

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PART I

Item 1. Financial Statements

CAPITAL PROPERTIES, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS

		June 30, 2022 (Unaudited)		December 31, 2021
ASSETS				
Properties and equipment (net of accumulated depreciation)	$	6,627,000	$	6,670,000
Cash and cash equivalents		1,762,000		1,443,000
Prepaid and other		114,000		122,000
Prepaid income taxes		-		85,000
Deferred income taxes associated with discontinued operations (Note 8)		83,000		100,000
	$	8,586,000	$	8,420,000
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities:				
Property taxes	$	425,000	$	277,000
Other		449,000		350,000
Income taxes payable		5,000		-
Deferred income taxes, net		187,000		262,000
Liability associated with discontinued operations (Note 8)		298,000		358,000
		1,364,000		1,247,000
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		6,374,000		6,325,000
		7,222,000		7,173,000
	$	8,586,000	$	8,420,000

See notes to condensed consolidated financial statements.

CAPITAL PROPERTIES, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND SHAREHOLDERS' EQUITY
THREE AND SIX MONTHS ENDED JUNE 30, 2022 AND 2021
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Leasing revenue	$ 1,452,000	$ 1,216,000	$ 2,615,000	$ 2,264,000
Expenses:				
Operating	286,000	163,000	539,000	327,000
General and administrative	343,000	371,000	735,000	724,000
	629,000	534,000	1,274,000	1,051,000
Income from operations before income taxes	823,000	682,000	1,341,000	1,213,000
Income tax expense (benefit):				
Current	263,000	209,000	443,000	401,000
Deferred	(43,000)	(22,000)	(75,000)	(66,000)
	220,000	187,000	368,000	335,000
Net income	603,000	495,000	973,000	878,000
Retained earnings, beginning	6,233,000	6,255,000	6,325,000	6,334,000
Dividends on common stock ($.07 per share) based upon 6,599,912 shares outstanding	(462,000)	(462,000)	(924,000)	(924,000)
Retained earnings, ending	6,374,000	6,288,000	6,374,000	6,288,000
Class A common stock	66,000	66,000	66,000	66,000
Capital in excess of par	782,000	782,000	782,000	782,000
Shareholders' equity, ending	$ 7,222,000	$ 7,136,000	$ 7,222,000	$ 7,136,000
Basic income per common share based upon 6,599,912 shares outstanding	$ 0.09	$ 0.08	$ 0.15	$ 0.13

See notes to condensed consolidated financial statements.

CAPITAL PROPERTIES, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE AND SIX MONTHS ENDED JUNE 30, 2022 AND 2021
(Unaudited)

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Cash flows from operating activities:		
Continuing operations:		
Income from continuing operations	$ 973,000	$ 878,000
Adjustments to reconcile income from continuing operations to net cash provided by operating activities, continuing operations:		
Depreciation	43,000	43,000
Deferred income taxes	(75,000)	(66,000)
Income taxes	90,000	60,000
Other, net changes in prepaids, property tax payable and other	255,000	161,000
Net cash provided by operating activities, continuing operations	1,286,000	1,076,000
Cash flows from investing activities:		
Continuing operations:		
Deferred revenue	-	54,000
Discontinued operations:		
Cash used to settle obligations	(60,000)	(82,000)
Noncash adjustment to gain on sale of discontinued operations	17,000	22,000
Net cash used in discontinued operations	(43,000)	(60,000)
Net cash used in investing activities	(43,000)	(6,000)
Cash flows used in financing activities, payment of dividends	(924,000)	(924,000)
Increase in cash and cash equivalents	319,000	146,000
Cash and cash equivalents, beginning	1,443,000	1,642,000
Cash and cash equivalents, ending	$ 1,762,000	$ 1,788,000
Supplemental disclosure:		
Cash paid for income taxes	$ 338,000	$ 320,000

See notes to condensed consolidated financial statements.

1. Description of business:

The operations of Capital Properties, Inc. and its wholly-owned subsidiary, Tri-State Displays, Inc. (collectively "the Company") consist of the long-term leasing of certain of its real estate interests in the Capital Center area 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 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 the Capital Center area will consist primarily of long-term ground leases. Pending this development, the Company leases these undeveloped parcels (other than Parcel 6C) for public parking to Metropark, Ltd.

2. Basis of presentation and summary of significant accounting policies:

Principles of consolidation:

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

The accompanying condensed consolidated balance sheet as of December 31, 2021 has been derived from audited financial statements. 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 accounting principles generally accepted in the United States ("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 for the year ended December 31, 2021.

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, 2022 and the results of operations for the three and six months ended June 30, 2022 and 2021, and cash flows for the six months ended June 30, 2022 and 2021.

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

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 financial statements. Estimates also affect the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

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.

3. **Properties and equipment:**

Properties and equipment consist of the following:

	June 30, 2022	December 31, 2021
Properties on lease or held for lease:		
Land and land improvements	$ 4,439,000	$ 4,439,000
Building and improvements, Steeple Street	2,582,000	2,582,000
	7,021,000	7,021,000
Less accumulated depreciation:		
Land improvements on lease or held for lease	93,000	93,000
Steeple Street property (see Note 6)	301,000	258,000
	394,000	351,000
	$ 6,627,000	$ 6,670,000

4. **Liabilities, other:**

Liabilities, other consist of the following:

	June 30, 2022	December 31, 2021
Accrued professional fees	$ 126,000	$ 152,000
Deposits and prepaid rent	196,000	87,000
Accrued payroll and related costs	94,000	75,000
Other	33,000	36,000
	$ 449,000	$ 350,000

5. **Note Payable - Revolving Credit Line:**

In March 2021, the Company entered into a financing agreement ("Agreement") with BankRI that provides for a revolving line-of-credit ("Line") with a maximum borrowing capacity of $2,000,000 through March 2024. Amounts outstanding under the Agreement bear interest at the rate of the one-month LIBOR plus 200 basis points but not less than 3.25% or, at the option of the Company, the Wall Street Journal Prime Rate. Borrowings under the Line are secured by a First Mortgage on Parcel 5 in the Capital Center District in Providence, Rhode Island (the "Property"). The Line requires the maintenance of a debt service coverage ratio of not less than 1.25 to 1.0 on the Property and 1.20 to 1.0 for the Company. The Agreement contains other restrictive covenants, including, among others, a $250,000 limitation on the purchase of its outstanding capital stock in any twelve-month period. No advances have been made under the Line.

6. **Description of leasing arrangements:**

Long-term land leases:

Through June 30, 2022 the Company had entered into eight long-term land leases, all of which have completed construction of improvements thereon. The Company's leases generally have a term of 99 years or more, are triple net and provide for periodic adjustment in rent of various types depending on the particular lease, and otherwise contain terms and conditions normal for such instruments.

In September 2021, the Company sent a Notice of Default ("Default Notice") to the tenant of Parcel 20 for the nonpayment of September's rent and the 2021 first quarter property taxes. Subsequently, the tenant cured the rent default. On October 6, 2021 the tenant was sent a Notice of Lease Termination ("Termination Notice") informing the tenant that the lease would terminate on October 18, 2021 unless the failure to pay the first quarter real estate taxes along with any related penalties and interest was cured. Subsequently, it was agreed that, provided the first and second quarter real estate taxes and any related penalties and interest were paid in full by October 31, 2021, the lease would not be terminated. Since payment was not made, the lease was terminated.

The Parcel 20 Steeple Street Building ("Building") lease was originally accounted for as a sales-type lease due to the transfer of the Building to the tenant. The land directly under the Building was allocated in the determination of the value of the property transferred in accordance with ASC 360-20, *Property, Plant and Equipment - Real Estate Sales*. Since the initial investment by the tenant was insufficient to recognize the transaction as a sale, in accordance with ASC 360-20, the Company reported the acquisition period rent and an allocable portion of the ground rent collected as deferred revenue on its consolidated balance sheet. Upon termination of the lease, the $283,000 of deferred revenue through September 30, 2021 was recognized as leasing revenue in the September 30, 2021 condensed consolidated statement of income and shareholders' equity. With the termination of the Parcel 20 lease, the Company became obligated for the real property taxes which currently total $134,000 annually and the operating expense associated with its operation.

Under the eight land leases, the tenants may negotiate tax stabilization treaties or other arrangements, appeal any changes in real property assessments, and must pay real property taxes assessed on land and improvements under these arrangements. Accordingly, real property taxes payable by the tenants are excluded from both leasing revenues and leasing expenses on the accompanying condensed consolidated statements of income and shareholders' equity. For the three months ended June 30, 2022, real property taxes attributable to the Company's land leases totaled $174,000 and $384,000, respectively and were $227,000 and $454,000 for the same period in 2021.

Under two of the long-term land leases, the Company receives contingent rentals (based on a fixed percentage of gross revenue received by the tenants) which totaled $21,000 for each of the three and six months ended June 30, 2022 and 2021.

Tri-State Displays Inc. 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 2049. 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 (each 12-month period a "Lease Year"), 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 Lease Year, reduced by the sum of (a) commissions paid to unrelated third parties and (b) base rent paid to the Company for each leased billboard location. Leasing revenue includes $235,000 and $136,000 for both the three and six months ended June 30, 2022 and 2021, respectively, related to this agreement.

Parking lease:

The Company leases the undeveloped parcels of land in the Capital Center area (other than Parcel 6C) and, effective November 1, 2021 as a result of the lease termination, Parcel 20 for public parking purposes to Metropark under a ten-year lease (the "Parking Lease"). The Parking Lease is cancellable as to all or any portion of the leased premises at any time on thirty days' written notice in order for the Company or any new tenant of the Company to develop all or any portion of the leased premises. The Parking Lease provides for contingent rentals (based on a fixed percentage of gross revenue in excess of the base rent). There was no contingent rent for the three and six months ended June 30, 2022 and 2021.

The COVID-19 pandemic and the post-pandemic return to the office continues to adversely impact Metropark's parking operations. On July 31, 2020, Metropark and the Company entered into an agreement for revenue sharing at various percentages until parking revenues received by Metropark equal or exceed $70,000 per month whereupon Metropark would be obligated to resume regularly scheduled rental payments under its lease. Upon resumption of regularly scheduled rent payments, Metropark and the Company will share fifty (50) percent of the revenue in excess of $70,000 until the arrearage has been paid in full. If prior to payment in full of the arrearage one or more of the lots is removed from the Metropark lease for development, the amount of the then unpaid arrearage in the ratio of the number of parking spaces on the removed lot to the total parking spaces on all lots prior to such lot's removal shall be deemed paid in full.

At June 30, 2022 the receivable from Metropark equaled $922,000 and was fully reserved. The Company continues to recognize Metropark's rent on a cash basis and will continue to do so until the resumption of regularly scheduled rental payments under its lease. For the three and six months ended June 30, 2022, cash collections totaled $71,000 and $116,000, respectively and were $21,000 and $23,000 for the same periods in 2021 and is included in leasing revenue on the accompanying condensed consolidated statements of income and retained earnings.

Historically, the Company has made financial statement footnote disclosure of the excess of straight-line rentals over contractual payments and its determination of collectability of such excess. Included in the amount of the excess were payments which under ASC 842 are deemed variable payments. As part of its ongoing review of the requirements of ASC 842, the Company has concluded that under ASC 842 variable rental payments should not be included in the straight-line rental amount. To the extent the Company determines that, with respect to any of its leases, the excess of straight-line rentals over contractual payments is not collectible, such excess is not recognized as revenue. Consistent with prior conclusions, the Company has determined that, at this time, the excess of straight-line rentals over contractual payments is not probable of collection. Accordingly, the Company has not included any part of that amount in revenue. As a matter of information only, as of June 30, 2022 the excess of straight-line rentals (calculated by excluding variable payments) over contractual payments was $87,746,000.

7. **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 for continuing operations which give rise to deferred tax assets and liabilities are as follows:

	June 30, 2022	December 31, 2021
Gross deferred tax liabilities:		
Property having a financial statement basis in excess of tax basis	$ 362,000	$ 361,000
Accounts receivable	257,000	213,000
Deferred income - conversion to cash basis of accounting for tax purposes	28,000	38,000
Insurance premiums and accrued leasing revenues	21,000	23,000
	668,000	635,000
Gross deferred tax assets:		
Allowance for doubtful accounts	(248,000)	(206,000)
Prepaid rent	(53,000)	(23,000)
Accounts payable and accrued expenses	(66,000)	(69,000)
Accrued property taxes	(114,000)	(75,000)
	(481,000)	(373,000)
	$ 187,000	$ 262,000

8. **Discontinued operations:**

Prior to February 2017, the Company operated a petroleum storage facility ("Terminal") through two wholly owned subsidiaries. On February 10, 2017, the Terminal was sold to Sprague Operating Resources, LLC ("Sprague"). In accordance with ASC 205-20, *Presentation of Financial Statements – Discontinued Operations*, the sale of the Terminal was accounted for as a discontinued operation.

As part of the Terminal Sale Agreement, the Company agreed to retain and pay for the environmental remediation costs associated with a 1994 storage tank fuel oil leak which allowed the escape of a small amount of fuel oil. The Company continues the remediation activities set forth in the Remediation Action Work Plan ("RAWP") filed with the Rhode Island Department of Environmental Management ("RIDEM"). For the three and six months ended June 30, 2022 the Company incurred costs of $44,000 and $60,000, respectively, which reduced the remediation liability to 298,000. Any subsequent increases or decreases to the expected cost of remediation will be recorded in the Company's condensed consolidated statements of income as income or expense from discontinued operations.

The Terminal Sale Agreement also contained a cost sharing provision for a breasting dolphin whereby any cost incurred in connection with the construction of the breasting dolphin in excess of the initial estimate of $1,040,000 will be borne equally by Sprague and the Company subject to certain limitations, including, in the Company's opinion, a 20% cap on the increase from the initial estimate, subject to a sharing arrangement. In November 2019, the Company received a demand letter from Sprague asserting that it is owed $427,000, which amount represents 50% of the actual costs incurred ($1,894,008) in excess of $1,040,000. The Company asserts that its obligation cannot exceed $104,000. The mediation efforts that occurred in June 2021 were unsuccessful and on July 15, 2021, Sprague commenced an action against the Company in the Rhode Island Superior Court seeking monetary damages of $427,000, interest and attorney's fees. Interrogatories have been completed and discovery is on-going. The Company intends to vigorously defend against the claims being asserted by Sprague.

9. **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. The fair values described herein were determined using significant other observable inputs (Level 2) as defined by GAAP.

10. **Subsequent events:**

At its July 27, 2022 regularly scheduled quarterly Board meeting, the Board of Directors voted to declare a quarterly dividend of $.07 per share for shareholders of record on August 12, 2022, payable August 26, 2022.

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 excess of straight-line over contractual rents when due over the terms of the long-term leases; tenant default under one or more of the 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 impact of the COVID-19 pandemic on the economy, parking operations, and the Company's financial performance; exposure to remediation costs associated with its former operation of the petroleum storage facility and resolution of the Sprague action against the Company in connection with the construction of the breasting dolphin at the Terminal's Pier. 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 meets the definition of a critical accounting policy which is discussed in the Company's Form 10-K for the year ended December 31, 2021. There have been no changes to the application of this accounting policy since December 31, 2021.

2. Liquidity and capital resources:

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

Cash and cash commitments:

At June 30, 2022, the Company had cash and cash equivalents of $1,761,000. The Company and its subsidiary each maintain checking accounts and a money market account in one bank, all of which are insured by the Federal Deposit Insurance Corporation to a maximum of $250,000. The Company periodically evaluates the financial stability of the financial institutions at which the Company's funds are held.

Upon termination of the Parcel 20 lease effective October 31, 2021, the annual real estate taxes previously paid by the tenant of $134,000 became an obligation of the Company and the Company no longer collects the annual ground and acquisition period rent of $195,000. Annual leasing revenue to be derived from the operation of the Steeple Street Building and adjacent parking in 2022 is expected to approximate $275,000 with estimated annual operating expenses of $269,000, exclusive of depreciation expense. The Company has engaged an experienced commercial realtor to market the available space (60%) within the Steeple Street Building. The Company continues to maintain its corporate office in the Steeple Street Building.

The City of Providence ("City") conducted a City-wide property revaluation for 2022. This revaluation increased the assessed value of the Company's parcels that are available for lease by 26.5%, resulting in an annual property tax increase of $139,000 that will be borne entirely by the Company. The Company continues to evaluate whether it will appeal the City's 2022 assessed values.

As of August 3, 2022, all tenants have paid their monthly rent in accordance with their lease agreements except for Metropark. The coronavirus (COVID-19) pandemic and the post-pandemic return to the office continues to have an adverse impact on Metropark. At June 30, 2022 its total rent arrearage is $922,000 and has been fully reserved. The Company does not know when or if Metropark's operations will return to normal. Until parking revenues received by Metropark equal or exceed $70,000 per month, whereupon Metropark is obligated to resume regularly scheduled rental payments under its lease, the Company will continue to recognize revenue from Metropark on a cash basis.

For the three and six months ended June 30, 2022, cash collections totaled $71,000 and $116,000, respectively and were $21,000 and $23,000 for the same periods in 2021.

The Terminal Sale Agreement and related documentation provides that the Company is required to secure an approved remediation plan and to remediate contamination caused by a leak in 1994 from a storage tank at the Terminal. At June 30, 2022, the Company's accrual for the remaining cost of remediation was $298,000 of which $11,000 is expected to be incurred in the remaining quarters of 2022. Any subsequent increases or decreases to the expected cost of remediation will be recorded in gain (loss) on sale of discontinued operations, net of taxes.

The Terminal Sale Agreement also contained a cost sharing provision for a breasting dolphin whereby any costs incurred in connection with the construction of the breasting dolphin in excess of the initial estimate of $1,040,000 would be borne equally by Sprague and the Company subject to certain limitations, including, in the Company's opinion, a 20% cap on the increase from the initial estimate subject to the sharing arrangement. In November 2019, the Company received a demand letter from Sprague asserting that it is owed $427,000, which amount represents 50% of the actual costs incurred ($1,894,000) in excess of $1,040,000. The Company asserts that its obligation cannot exceed $104,000. On June 17, 2021 the Company and Sprague met with a mediator to review Sprague's claim. On July 15, 2021, Sprague commenced an action against the Company in the Rhode Island Superior Court seeking monetary damages of $427,000, interest and attorney's fees. The Company intends to vigorously defend against the claims being asserted by Sprague.

The declaration of future dividends will depend on future earnings and financial performance.

3. Results of operations:

Three months ended June 30, 2022 compared to three months ended June 30, 2021:

Leasing revenue increased $236,000 from 2021, due principally to increased cash collections from Metropark ($50,000), rent from the leasing of the Steeple Street building and adjacent parking lot ($69,000), and from scheduled rent increases and contingent rent from Lamar ($108,000).

Operating expenses increased $123,000 due principally to increased property taxes as a result of the City's revaluation ($54,000) and expenses associated with the ongoing operations of the Steeple Street building ($68,000).

General and administrative expense decreased $27,000 due principally to lower payroll related costs ($9,000), elimination of rental expense due to the termination of the Parcel 20 lease ($7,000) and decreases in other various expenses.

For the three months ended June 30, 2022 and 2021, the Company's effective income tax rate is approximately 28% of income before income taxes.

Six months ended June 30, 2022 compared to six months ended June 30, 2021:

Leasing revenue increased $351,000 from 2021, due principally to increased cash collections from Metropark ($93,000), rent from the leasing of the Steeple Street building and adjacent parking lot ($147,000), and scheduled rent increases and contingent rent from Lamar ($114,000).

Operating expenses increased $212,000 due to increased property taxes as a result of the City's revaluation ($54,000) and expenses associated with the ongoing operations of the Steeple Street building ($156,000).

General and administrative expense increased $11,000 due principally to greater payroll related costs ($23,000) and professional fees ($18,000), offset by reductions due to the elimination of rental expense as a result of the termination of the Parcel 20 lease ($14,000) and decreases in other various expenses.

For the six months ended June 30, 2022 and 2021, the Company's effective income tax rate is approximately 27% of income before income taxes.

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.

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, October 25, 2017 (incorporated by reference to Exhibit 3.2 to the registrant's report on Form 8-K filed October 25, 2017)

10 Material contracts:

(a) **Lease between Metropark, Ltd. and Company:**
(i) Dated January 1, 2017 (incorporated by reference to Exhibit 10 to the registrant's annual report on Form 10-K for the year ended December 31, 2017)
(ii) Letter agreement dated July 31, 2020 between the Company and Metropark, LTD modifying the rental obligations of Metropark.

(b) Loan Agreement between Bank Rhode Island and Company dated March 30, 2021.

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 June 30, 2022, filed with the Securities and Exchange Commission on August 3, 2022 formatted in iXBRL("InLine eXtensible Business Reporting Language"):

(i) Condensed Consolidated Balance Sheets as of June 30, 2022 and December 31, 2021
(ii) Condensed Consolidated Statements of Income and Shareholders' Equity for the Three Months ended June 30, 2022 and 2021
(iii) Condensed Consolidated Statements of Cash Flows for the Three Months ended June 30, 2022 and 2021
(iv) Notes to Condensed Consolidated Financial Statements.

104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

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/ Susan R. Johnson
Susan R. Johnson
Treasurer and Principal Financial Officer

DATED: August 3, 2022

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 Subsidiary;
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: August 3, 2022

/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, Susan R. Johnson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Capital Properties, Inc. and Subsidiary;

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:

   (e) 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;

   (f) 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;

   (g) 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

   (h) 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):

   (c) 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

   (d) 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: August 3, 2022

/s/ Susan R. Johnson

Susan R. Johnson
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, 2022, 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
August 3, 2022

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, 2022, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Susan R. Johnson, 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:

3) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

4) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Susan R. Johnson
Susan R. Johnson, Treasurer
and Principal Financial Officer
August 3, 2022