

**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 September 30, 2023

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)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
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	<input type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

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 is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes No

As of September 30, 2023, the Company had 6,599,912 shares of Class A Common Stock outstanding.

CAPITAL PROPERTIES, INC.
FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2023

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PART I

Item 1. Financial Statements

**CAPITAL PROPERTIES, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS**

	September 30, 2023 (Unaudited)	December 31, 2022
ASSETS		
Properties and equipment (net of accumulated depreciation)	\$ 6,520,000	\$ 6,584,000
Cash and cash equivalents	2,127,000	1,476,000
Prepaid and other	136,000	224,000
Prepaid income taxes	-	21,000
Deferred income taxes associated with discontinued operations (Note 8)	110,000	110,000
	<u>\$ 8,893,000</u>	<u>\$ 8,415,000</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Property taxes	\$ 340,000	\$ 260,000
Other	406,000	366,000
Income taxes payable	108,000	-
Deferred income taxes, net	201,000	271,000
Liability associated with discontinued operations (Note 8)	406,000	406,000
	<u>1,461,000</u>	<u>1,303,000</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	6,584,000	6,264,000
	<u>7,432,000</u>	<u>7,112,000</u>
	<u>\$ 8,893,000</u>	<u>\$ 8,415,000</u>

See notes to condensed consolidated financial statements.

CAPITAL PROPERTIES, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND SHAREHOLDERS' EQUITY
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue	\$ 1,313,000	\$ 1,206,000	\$ 4,056,000	\$ 3,821,000
Expenses:				
Operating	227,000	282,000	659,000	821,000
General and administrative	332,000	311,000	1,007,000	976,000
	<u>559,000</u>	<u>593,000</u>	<u>1,666,000</u>	<u>1,797,000</u>
Income from operations before income taxes	<u>754,000</u>	<u>613,000</u>	<u>2,390,000</u>	<u>2,024,000</u>
Income tax expense (benefit):				
Current	218,000	187,000	732,000	649,000
Deferred	-	(19,000)	(70,000)	(94,000)
	<u>218,000</u>	<u>168,000</u>	<u>662,000</u>	<u>555,000</u>
Income from continuing operations	536,000	445,000	1,728,000	1,469,000
Loss on sale of discontinued operations, net of tax (Note 8)	(2,000)	(55,000)	(22,000)	(106,000)
Net Income	534,000	390,000	1,706,000	1,363,000
Retained earnings, beginning	6,512,000	6,374,000	6,264,000	6,325,000
Dividends on common stock (\$.07 per share) based upon 6,599,912 shares outstanding	(462,000)	(462,000)	(1,386,000)	(1,386,000)
Retained earnings, ending	6,584,000	6,302,000	6,584,000	6,302,000
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	<u>\$ 7,432,000</u>	<u>\$ 7,150,000</u>	<u>\$ 7,432,000</u>	<u>\$ 7,150,000</u>
Basic income (loss) per common share based upon 6,599,912 shares outstanding				
Continuing operations	\$ 0.08	\$ 0.07	\$ 0.26	\$ 0.22
Discontinued operations	(0.00)	(0.01)	(0.00)	(0.01)
Basic income per common share based upon 6,599,912 shares outstanding	<u>\$ 0.08</u>	<u>\$ 0.06</u>	<u>\$ 0.26</u>	<u>\$ 0.21</u>

See notes to condensed consolidated financial statements.

CAPITAL PROPERTIES, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(Unaudited)

	Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities:		
Continuing operations:		
Income from continuing operations	\$ 1,728,000	\$ 1,469,000
Adjustments to reconcile income from continuing operations to net cash provided by operating activities, continuing operations:		
Depreciation	64,000	64,000
Deferred income taxes	(70,000)	(94,000)
Income taxes	129,000	102,000
Other, net changes in prepaids, property tax payable and other	208,000	306,000
Net cash provided by operating activities, continuing operations	<u>2,059,000</u>	<u>1,847,000</u>
Cash flows from investing activities:		
Investments:		
Purchase	(1,000,000)	-
Maturity	1,000,000	-
Net cash provided by investing activities, continuing operations	<u>-</u>	<u>-</u>
Discontinued operations:		
Cash used to settle obligations	(22,000)	(192,000)
Noncash adjustment to loss on sale of discontinued operations	-	24,000
Net cash used in investing activities, discontinued operations	<u>(22,000)</u>	<u>(168,000)</u>
Cash used in investing activities	<u>(22,000)</u>	<u>(168,000)</u>
Cash flows used in financing activities, payment of dividends	<u>(1,386,000)</u>	<u>(1,386,000)</u>
Increase in cash and cash equivalents	651,000	293,000
Cash and cash equivalents, beginning	1,476,000	1,443,000
Cash and cash equivalents, ending	<u>\$ 2,127,000</u>	<u>\$ 1,736,000</u>
Supplemental disclosure:		
Cash paid for income taxes	<u>\$ 595,000</u>	<u>\$ 485,000</u>

See notes to condensed consolidated financial statements.

CAPITAL PROPERTIES, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(Unaudited)

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, 2022 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, 2022.

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 September 30, 2023 and the results of operations for the three and nine months ended September 30, 2023 and 2022, and cash flows for the nine months ended September 30, 2023 and 2022.

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.

Fair value of financial instruments:

The Company believes that the fair values of its financial instruments, including cash and cash equivalents, investments, receivables and payables, approximate their respective book values because of their short-term nature. The fair values described herein were determined using quoted prices in an active market (Level 1) and significant other observable inputs (Level 2) as defined by GAAP.

Reclassification of Prior Period Presentation:

General and administrative expenses for the three and nine months ended September 30, 2022 have been reduced by \$75,000 and \$145,000, respectively to reclassify costs associated with the litigation of the cost sharing provision of the Terminal Sales Agreement (Note 8) to loss from sale of discontinued operations. This change results in reporting of a loss from sale of discontinued operations of \$55,000 and \$106,000 for the three and nine months ended September 30, 2022, respectively, which amounts are net of an income tax benefit of \$20,000 and \$39,000 for the same periods presented. The change also increased net cash provided by operating activities and cash used in investing activities by \$106,000 for the nine months ended September 30, 2022.

3. Properties and equipment:

Properties and equipment consist of the following:

	September 30, 2023	December 31, 2022
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
	<u>7,021,000</u>	<u>7,021,000</u>
Less accumulated depreciation:		
Land improvements on lease or held for lease	93,000	93,000
Steeple Street property	408,000	344,000
	<u>501,000</u>	<u>437,000</u>
	<u>\$ 6,520,000</u>	<u>\$ 6,584,000</u>

4. Liabilities, other:

Liabilities, other consist of the following:

	September 30, 2023	December 31, 2022
Accrued professional fees	\$ 147,000	\$ 155,000
Deposits and prepaid rent	180,000	93,000
Accrued payroll and related costs	35,000	75,000
Other	44,000	43,000
	<u>\$ 406,000</u>	<u>\$ 366,000</u>

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. After June 30, 2023, amounts outstanding under the Agreement bear interest at the rate of the Secured Overnight Financing Rate (“SOFR”) plus the one-month SOFR Spread Adjustment of .11448%, 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 September 30, 2023 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 rent adjustments of various types depending on the particular lease, and otherwise contain terms and conditions normal for such instruments.

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. 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 and nine months ended September 30, 2023 real property taxes attributable to the Company’s land leases totaled \$236,000 and \$708,000, respectively, and were \$174,000 and \$522,000 for the same periods in 2022.

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 \$24,000 and \$84,000 for the three and nine months ended September 30, 2023, respectively and were \$21,000 and \$63,000 for the same periods in 2022.

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 \$189,000 and \$235,000 for the nine months ended September 30, 2023 and 2022, 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 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 nine months ended September 30, 2023 and 2022.

The move by many companies to a hybrid workplace model (one that mixes in-office and remote work) has resulted in lower demand for parking spaces and continues to have an adverse impact on Metropark’s parking operations. The Company and Metropark continue to operate under the June 30, 2020 revenue sharing agreement that provides 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 September 30, 2023 the receivable from Metropark equaled \$1,115,000 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. Included in leasing revenue on the accompanying condensed consolidated statements of income and retained earnings for the three and nine months ended September 30, 2023 are cash collections from Metropark totaling \$111,000 and \$324,000, respectively, and \$71,000 and \$187,000 for the same periods in 2022.

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. 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 September 30, 2023 the excess of straight-line rentals (calculated by excluding variable payments) over contractual payments was \$91,900,000.

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:

	September 30, 2023	December 31, 2022
Gross deferred tax liabilities:		
Property having a financial statement basis in excess of tax basis	\$ 364,000	\$ 361,000
Accounts receivable	318,000	289,000
Deferred income - conversion to cash basis of accounting for tax purposes	5,000	19,000
Insurance premiums	18,000	50,000
	<u>705,000</u>	<u>719,000</u>
Gross deferred tax assets:		
Allowance for doubtful accounts	(302,000)	(279,000)
Prepaid rent	(49,000)	(25,000)
Accounts payable and accrued expenses	(61,000)	(74,000)
Accrued property taxes	(92,000)	(70,000)
	<u>(504,000)</u>	<u>(448,000)</u>
	<u>\$ 201,000</u>	<u>\$ 271,000</u>

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 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”). The estimated future cost associated with the remediation is \$406,000 and is reported separately on the consolidated balance sheets as liability associated with discontinued operations. Any subsequent increases or decreases to the expected cost of remediation will be recorded in the Company’s condensed consolidated statements of income as gain or loss from sale of discontinued operations. The Terminal Sale Agreement also contained a cost sharing provision for the breasting dolphin whereby any construction costs incurred more than the contract cost of construction 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 a sharing arrangement. In November 2019, Sprague asserted that it was owed \$427,000 and the Company asserted that its obligation under the Agreement cannot exceed \$104,000. Mediation efforts were unsuccessful and in July 2021, Sprague commenced an action against the Company in the Rhode Island Superior Court (Superior Court) seeking monetary damages of \$427,000, interest and attorney’s fees. In December 2022, the Superior Court denied Sprague’s Motion for Summary Judgment filed in September 2022 and granted in part and denied in part the Company’s Cross Motion for Summary Judgment also filed in September 2022. The Company anticipates that the matter will go to trial in the spring of 2024. The Company intends to vigorously defend against the claims being asserted by Sprague.

9. Subsequent events:

At its October 25, 2023 regularly scheduled quarterly Board meeting, the Board of Directors voted to declare a quarterly dividend of \$.07 per share for shareholders of record on November 10, 2023, payable November 20, 2023.

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 hybrid workplace model on future development, existing tenants and parking operations, and exposure to remediation and other costs associated with its 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 meets the definition of a critical accounting policy which is discussed in the Company's Form 10-K for the year ended December 31, 2022. There have been no changes to the application of this accounting policy since December 31, 2022.

2. Liquidity and capital resources:

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

Cash and cash commitments:

At September 30, 2023, the Company had cash and cash equivalents of \$2,127,000 inclusive of \$1,228,000 of U.S. Treasury Bills that yield 5.30% and mature on December 7, 2023. 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.

To date, all tenants have paid their monthly rent in accordance with their lease agreements except for Metropark, the tenant that operates public parking on the Company's undeveloped parcels other than Parcel 6C. The Company continues to report revenue from Metropark on a cash basis as the hybrid workplace model has reduced demand for parking spaces. At September 30, 2023 its total rent arrearage is \$1,115,000 and has been fully reserved. Though there has been an upward trend in cash collections from Metropark in 2023, the Company does not know when or if Metropark's operations will return to pre-pandemic levels. Accordingly, the Company will continue to recognize revenue from Metropark on a cash basis for the foreseeable future.

For the three and nine months ended September 30, 2023, cash collections from Metropark totaled \$111,000 and \$324,000, respectively and were \$71,000 and \$187,000 for the same period in 2022.

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 September 30, 2023, the Company's accrual for the remaining cost of remediation was \$406,000 of which \$50,000 is expected to be incurred in last quarter of 2023. 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 construction costs in excess of the contract cost of construction 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, Sprague asserted that it was owed \$427,000 and the Company asserted that its obligation under the Agreement could not exceed \$104,000. Mediation efforts were unsuccessful and in July 2021, Sprague commenced an action against the Company in the Rhode Island Superior Court (Superior Court) seeking monetary damages of \$427,000, plus interest and attorney's fees. In December 2022, the Superior Court denied Sprague's Motion for Summary Judgment filed in September 2022 and granted in part and denied in part the Company's Cross Motion for Summary Judgment also filed in September 2022. The Company anticipates that the matter will go to trial in the spring of 2024. 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 September 30, 2023 compared to three months ended September 30, 2022:

Revenue increased \$107,000 from 2022 and consists of increased cash collections from Metropark (\$40,000), scheduled rent increases (\$27,000), interest income (\$20,000) and a net increase in other sources of revenue (\$20,000).

Operating expenses decreased \$55,000 due principally to a reduction in property taxes as a result of the Company's successful appeal of the City's revaluation in 2022.

General and administrative expense increased \$21,000 due principally to an increase in payroll related costs (\$35,000) offset by a net decrease in various other expenses (\$14,000).

Nine months ended September 30, 2023 compared to nine months ended September 30, 2022:

Leasing revenue increased \$235,000 from 2022 due principally to increased cash collections from Metropark (\$136,000), interest income (\$50,000), scheduled rent increases and contingent rent associated with our land leases (\$73,000) and a net increase in other leasing revenue (\$22,000) offset by a decline in contingent rent from Lamar (\$46,000).

Operating expenses decreased \$162,000 due the reduction in property taxes as a result of the Company's successful appeal of the City's revaluation (\$128,000), expenses related to the ongoing operation of the Steeple Street building (\$11,000) and a net decrease in various other leasing related expenses (\$23,000).

General and administrative expense increased \$31,000 due principally to an increase in payroll related costs.

For the nine months ended September 30, 2023 and 2022, the Company's effective income tax rate is approximately 27% of income from continuing operations 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 September 30, 2023, filed with the Securities and Exchange Commission on August 3, 2023 formatted in iXBRL(“Inline eXtensible Business Reporting Language”):
 - (i) Condensed Consolidated Balance Sheets as of September 30, 2023 and December 31, 2022
 - (ii) Condensed Consolidated Statements of Income and Shareholders’ Equity for the Three and Six Months ended September 30, 2023 and 2022
 - (iii) Condensed Consolidated Statements of Cash Flows for the Six Months ended September 30, 2023 and 2022
 - (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: October 27, 2023

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):
6. 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
7. 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: October 27, 2023

/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;
 - a) 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:
 - b) 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;
 - c) 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;
 - d) 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
 - e) 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
4. 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: October 27, 2023

/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 September 30, 2023, 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
October 27, 2023

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 September 30, 2023, 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:

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/ Susan R. Johnson

Susan R. Johnson, Treasurer
and Principal Financial Officer
October 27, 2023