

Capital Properties, Inc.

A Rhode Island Corporation
5 Steeple Street, Unit 303
Providence, RI 02903

(401) 435-7171

www.cappropinc.com

info@cappropinc.com

SIC Code: 6519

Quarterly Report

For the period ending September 30, 2025
(the “Reporting Period”)

The number of shares outstanding of our Common Stock is 6,599,912 as of September 30, 2025.

The number of shares outstanding of our Common Stock was 6,599,912 as of December 31, 2024.

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act):

Yes No

Indicate by check mark whether the company’s shell status has changed since the previous reporting period:

Yes No

Indicate by check mark whether a Change in Control of the company has occurred over this reporting period:

Yes No

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; cyber penetrations; the long-term impact of the hybrid workplace model on future development, existing tenants and parking operations, and the Company's financial performance; 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.

Item 1 **Exact name of the issuer and the address of its principal executive offices.**

Capital Properties, Inc.
5 Steeple Street, Unit 303
Providence, RI 02903
Phone: (401) 435-7171
Website: www.cappropinc.com

Investor Relations
5 Steeple Street, Unit 303
Providence, RI 02903
Phone: (401) 435-7171
Email: info@cappropinc.com

Check box if principal executive office and principal place of business is the same address:

Item 2 **Shares outstanding.**

Class A common stock, \$.01 par:

| | Quarter ended September 30, 2025 | Year ended December 31, | |
|---|---|--------------------------------|-------------|
| | | 2024 | 2023 |
| Number of shares authorized | 10,000,000 | 10,000,000 | 10,000,000 |
| Number of shares outstanding | 6,599,912 | 6,599,912 | 6,599,912 |
| Freely tradeable shares (public float) | 3,145,257 | 3,145,257 | 3,145,318 |
| Number of beneficial shareholders owning at least 100 shares | ** | ** | ** |
| Total number of shareholders of record | 304 | 315 | 322 |

** The number of beneficial shareholders of Capital Properties, Inc. owning at least 100 shares exceeds 50.

PART I

Item 3 Interim financial statements.

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

| | <u>September 30,</u> <u>2025 (Unaudited)</u> | <u>December 31,</u> <u>2024</u> |
|--|---|------------------------------------|
| ASSETS | | |
| Properties and equipment (net of accumulated depreciation) (Note 4) | \$ 6,348,000 | \$ 6,412,000 |
| Cash and cash equivalents | 1,550,000 | 850,000 |
| Investments | 1,353,000 | 1,294,000 |
| Prepaid and other | 236,000 | 390,000 |
| Prepaid income taxes | - | 11,000 |
| Deferred income taxes, discontinued operations | 85,000 | 94,000 |
| | <u>\$ 9,572,000</u> | <u>\$ 9,051,000</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Liabilities: | | |
| Property taxes | \$ 222,000 | \$ 287,000 |
| Other | 362,000 | 391,000 |
| Deferred income taxes, net | 274,000 | 284,000 |
| Environmental remediation accrual, discontinued operations (Note 9) | 312,000 | 343,000 |
| | <u>1,170,000</u> | <u>1,305,000</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 | 7,554,000 | 6,898,000 |
| | <u>8,402,000</u> | <u>7,746,000</u> |
| | <u>\$ 9,572,000</u> | <u>\$ 9,051,000</u> |

See notes to the condensed consolidated financial statements.

CAPITAL PROPERTIES, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2025 AND 2024
(Unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|---------------------|------------------------------------|---------------------|
| | 2025 | 2024 | 2025 | 2024 |
| Revenues | \$ 1,461,000 | \$ 1,372,000 | \$ 4,539,000 | \$ 4,208,000 |
| Expenses: | | | | |
| Operating | 196,000 | 259,000 | 657,000 | 745,000 |
| General and administrative | 322,000 | 357,000 | 1,062,000 | 1,050,000 |
| | <u>518,000</u> | <u>616,000</u> | <u>1,719,000</u> | <u>1,795,000</u> |
| Income from continuing operations before income taxes | <u>943,000</u> | <u>756,000</u> | <u>2,820,000</u> | <u>2,413,000</u> |
| Income tax expense: | | | | |
| Current | 297,000 | 236,000 | 782,000 | 730,000 |
| Deferred | (16,000) | (27,000) | (10,000) | (69,000) |
| | <u>281,000</u> | <u>209,000</u> | <u>771,000</u> | <u>661,000</u> |
| Income from continuing operations | 662,000 | 547,000 | 2,048,000 | 1,752,000 |
| Loss on sale of discontinued operations, net of tax (Note 9) | <u>(2,000)</u> | <u>(25,000)</u> | <u>(6,000)</u> | <u>(314,000)</u> |
| Net income | 660,000 | 522,000 | 2,042,000 | 1,438,000 |
| Retained earnings, beginning | 7,356,000 | 6,735,000 | 6,898,000 | 6,743,000 |
| Dividends on common stock based on 6,599,912 shares outstanding | (462,000) | (462,000) | (1,386,000) | (1,386,000) |
| Retained earnings, ending | <u>\$ 7,554,000</u> | <u>\$ 6,795,000</u> | <u>\$ 7,554,000</u> | <u>\$ 6,795,000</u> |
| Basic income (loss) per common share based upon 6,599,912 shares outstanding: | | | | |
| Continuing operations | \$ 0.10 | \$ 0.08 | \$ 0.31 | \$ 0.27 |
| Discontinued operations | (0.00) | (0.00) | (0.00) | (0.05) |
| Total basic income per common share | <u>\$ 0.10</u> | <u>\$ 0.08</u> | <u>\$ 0.31</u> | <u>\$ 0.22</u> |

See notes to the condensed consolidated financial statements.

CAPITAL PROPERTIES, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2025 AND 2024
(Unaudited)

| | <u>Nine Months Ended September 30,</u> | |
|---|--|--------------------|
| | <u>2025</u> | <u>2024</u> |
| Cash flows from operating activities: | | |
| Continuing operations: | | |
| Income from continuing operations | \$ 2,048,000 | \$ 1,752,000 |
| Adjustments to reconcile income from continuing operations to net cash provided by operating activities, continuing operations: | | |
| Depreciation | 64,000 | 64,000 |
| Deferred income taxes | (10,000) | (69,000) |
| Changes in assets and liabilities: | | |
| Income taxes | 33,000 | 88,000 |
| Prepaid and other | 154,000 | 113,000 |
| Other liabilities | (116,000) | 150,000 |
| Net cash provided by operating activities, continuing operations | <u>2,173,000</u> | <u>2,098,000</u> |
| Cash flows from investing activities: | | |
| Investments: | | |
| Purchase | (2,677,000) | (1,294,000) |
| Maturity | 2,618,000 | 1,244,000 |
| Net cash used in investing activities, continuing operations | <u>(59,000)</u> | <u>(50,000)</u> |
| Discontinued operations: | | |
| Loss of sale of discontinued operation | (6,000) | (314,000) |
| Adjustment to loss on sale of discontinued operation | (22,000) | (27,000) |
| Net cash used in investing activities, discontinued operations | <u>(28,000)</u> | <u>(341,000)</u> |
| Net cash used in investing activities | <u>(87,000)</u> | <u>(391,000)</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 | 700,000 | 321,000 |
| Cash and cash equivalents, beginning | <u>850,000</u> | <u>652,000</u> |
| Cash and cash equivalents, ending | <u>\$ 1,550,000</u> | <u>\$ 973,000</u> |
| Supplemental disclosures: | | |
| Cash paid for income taxes | <u>\$ 742,000</u> | <u>\$ 515,000</u> |

See notes to the condensed consolidated financial statements.

CAPITAL PROPERTIES, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2025 AND 2024
(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, 2024 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, 2024.

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, 2025 and the results of operations for the three and nine months ended September 30, 2025 and 2024, and cash flows for the nine months ended September 30, 2025 and 2024.

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, 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.

3. Investments:

At September 30, 2025, Investments consist of U.S. Treasury securities that yield 3.73% and mature in September 2026. The Company classifies its U. S. Treasury securities as held-to-maturity in accordance with ASC 320 *Investments - Debt and Equity Securities*. Held-to-maturity securities are those securities which the Company has the ability and intent to hold until maturity. Held-to-maturity treasury securities are recorded at amortized cost on the accompanying consolidated balance sheet and adjusted for the amortization or accretion of premiums or discounts.

4. Properties and equipment:

Properties and equipment consist of the following:

| | Estimated Useful Life in Years | September 30, 2025 | December 31, 2024 |
|---|--------------------------------------|-----------------------|----------------------|
| Land and land improvements on lease or held for lease | | \$ 4,439,000 | \$ 4,439,000 |
| Building and improvements, Steeple Street | 30 | <u>2,582,000</u> | <u>2,582,000</u> |
| | | <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 | | <u>580,000</u> | <u>516,000</u> |
| | | <u>673,000</u> | <u>609,000</u> |
| | | <u>\$ 6,348,000</u> | <u>\$ 6,412,000</u> |

5. Liabilities, other:

Liabilities, other consist of the following:

| | September 30, 2025 | December 31, 2024 |
|--|-----------------------|----------------------|
| Deposits and prepaid rent | \$ 212,000 | \$ 135,000 |
| Other | 150,000 | 83,000 |
| Sprague judgment and prejudgment interest (Note 9) | - | 173,000 |
| | <u>\$ 362,000</u> | <u>\$ 391,000</u> |

6. Note Payable - Revolving Credit Line:

The Company's financing agreement ("Agreement") with BankRI provides for a revolving line-of-credit ("Line") with a maximum borrowing capacity of \$2,000,000 through March 2027. Amounts outstanding under the Agreement bear interest at the Secured Overnight Financing Rate ("SOFR") plus 200 basis points. Borrowings under the Line are secured by a First Mortgage on Parcel 5 in Capital Center 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.

7. Description of leasing arrangements:

Long-term land leases:

Through September 30, 2025 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 retained earnings. For the three and nine months ended September 30, 2025, real property taxes attributable to the land under lease totaled \$196,000 and \$588,000, respectively and reflect the 2025 assessment recently issued. For the three months and nine months ended September 30, 2024, the amounts totaled \$236,000 and \$708,000, respectively.

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 \$29,000 and \$89,000 for the three and nine months ended September 30, 2025, respectively and \$30,000 and \$90,000 for the same periods in 2024.

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 2057. 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 \$187,000 and \$147,000 for the nine months ended September 30, 2025 and 2024, 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, 2025 and 2024.

The COVID-19 pandemic had an adverse impact on Metropark's parking operations as the move by many companies to a hybrid workplace model (one that mixes in-office and remote work) resulted in lower demand for parking spaces. From June 2020 through December 31, 2023 the Company and Metropark operated under a Revenue Sharing Agreement, dated June 30, 2020, that provided 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. During this time, revenue was recognized on a cash basis with the difference between the regularly scheduled rental payments and amounts paid ("deferred rent") recorded as an accounts receivable and was fully reserved.

On January 9, 2024, the Company entered into a Second Amendment to its Parking Lease whereby Metropark agreed to return to a fixed monthly rental payment of \$57,000 per month effective January 1, 2024 subject to adjustment in accordance with the Parking Lease. Additionally, the Company and Metropark settled the Company's claim for deferred rent for all prior periods which amounted to \$1,127,000 (fully reserved on the Company's books) for \$150,000 payable by Metropark in twenty (20) equal quarterly installments commencing on April 1, 2024 together with interest on the unpaid balance in the amount of 4.73% per annum. At September 30, 2025 and December 31, 2024, Prepaid and other includes \$105,000 and \$128,000, respectively, related to this settlement.

Revenue from Metropark was \$176,000 and \$528,000 for the three and nine months ended September 30, 2025, respectively, and \$171,000 and \$513,000 for the same periods in 2024 and is included in Revenues on the accompanying consolidated condensed statement of income.

Historically, the Company has made financial statement 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, 2025 the excess of straight-line rentals (calculated by excluding variable payments) over contractual payments was \$98,524,000.

8. 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, 2025 | December 31, 2024 |
|--|-----------------------|----------------------|
| Gross deferred tax liabilities: | | |
| Property having a financial statement basis in excess of tax basis | \$ 364,000 | \$ 364,000 |
| Accounts receivable | 49,000 | 57,000 |
| Insurance premiums and accrued leasing revenues | 15,000 | 46,000 |
| | <u>428,000</u> | <u>467,000</u> |
| Gross deferred tax assets: | | |
| Prepaid rent | (58,000) | (36,000) |
| Accounts payable and accrued expenses | (35,000) | (69,000) |
| Accrued property taxes | (61,000) | (78,000) |
| | <u>(154,000)</u> | <u>(183,000)</u> |
| | <u>\$ 274,000</u> | <u>\$ 284,000</u> |

9. 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. In 2024, meetings were held with Rhode Island Department of Environmental Management ("RIDEM") to review system performance and it was agreed that an assessment to evaluate the stability of the oil in the ground ("plume stability") was warranted. The system was shut down in 2024 but not dismantled and minimal maintenance was provided. A revised Remediation Action Work Plan ("RWAP") is being prepared to set forth the criteria for demonstrating plume stability and eventual site closure. For the nine months ended September 30, 2025, the Company incurred costs of \$31,000 which was charged against the environmental remediation accrual resulting in a liability of \$312,000. Any subsequent increases or decreases to the expected cost of remediation will be recorded in the Company's consolidated income statements as gain or loss on sale of discontinued operations.

The Terminal Sale Agreement also contained a cost sharing provision for the breasting dolphin whereby any construction costs incurred which were 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. The matter went to trial before the Superior Court in May 2024. On October 28, 2024, the Superior Court rendered its decision and found that the Company's obligation with respect to the increased cost of constructing the breasting dolphin is \$104,000. On January 24, 2025 the Superior Court entered judgment for Sprague in the amount of \$173,000 which includes, as required by law, prejudgment interest at 12% per annum. The \$173,000 judgment was paid on January 29, 2025 and is included in Liabilities, other at December 31, 2024. Neither the Company nor Sprague appealed the judgment within the applicable time period.

Loss on sale of discontinued operations on the condensed consolidated statements of income and retained earnings includes legal and professional fees related to the Sprague Litigation of \$0 and \$8,000 for the three months and nine months ended September 30, 2025 and \$10,000 and \$386,000 for the same periods in 2024. For the three and nine months ended September 30, 2024, the loss includes prejudgment interest of \$45,000 related to the Sprague Litigation.

10. Segment information:

As the Company operates solely within the leasing industry, it constitutes a single reportable segment, with all revenues, operating expenses and assets attributable to this segment reflected in the consolidated financial statements. The Company's chief operating decision maker (CODM), Robert H. Eder, Chairman/President evaluates performance based on the consolidated results.

The following information is used by the CODM for making operating decisions and assessing the performance of the leasing segment:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|-----------------------------------|-------------------------------------|--------------------|------------------------------------|--------------------|
| | <u>2025</u> | <u>2024</u> | <u>2025</u> | <u>2024</u> |
| Revenues: | | | | |
| Long-term land leases: | | | | |
| Contractual | \$ 890,000 | \$ 832,000 | \$2,667,000 | \$2,452,000 |
| Contingent | 29,000 | 30,000 | 89,000 | 90,000 |
| Billboard leases: | | | | |
| Contractual | 277,000 | 270,000 | 820,000 | 797,000 |
| Contingent | - | - | 187,000 | 147,000 |
| Short-term leases: | | | | |
| Contractual | 237,000 | 216,000 | 702,000 | 649,000 |
| Interest income | 28,000 | 24,000 | 74,000 | 73,000 |
| | <u>\$ 1,461,000</u> | <u>\$1,372,000</u> | <u>\$4,539,000</u> | <u>\$4,208,000</u> |
| | | | | |
| Property tax expense | <u>\$ 111,000</u> | <u>\$ 143,000</u> | <u>\$ 334,000</u> | <u>\$ 430,000</u> |
| | | | | |
| Income from continuing operations | <u>\$ 662,000</u> | <u>\$ 547,000</u> | <u>\$2,048,000</u> | <u>\$1,752,000</u> |
| | | | | |
| Assets | <u>\$ 9,572,000</u> | <u>\$9,074,000</u> | <u>\$9,572,000</u> | <u>\$9,074,000</u> |

10. Subsequent events:

At the October 29, 2025 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 14, 2025, payable November 24, 2025.

Item 4 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; cyber penetrations; the long-term impact of the hybrid workplace model on future development, existing tenants and parking operations, and the Company's financial performance; 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, 2024. There have been no changes to the application of this accounting policy since December 31, 2024.

2. Liquidity and capital resources:

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

Cash and cash commitments:

At September 30, 2025, the Company had cash and cash equivalents of \$1,550,000. In addition to these funds, the Company has \$1,353,000 invested in U.S. Treasury securities that yield 3.73% and mature in September 2026. 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.

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, 2025, the Company's accrual for the remaining cost of remediation was \$312,000 of which \$40,000 is expected to be incurred during the balance of 2025. 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 the breasting dolphin whereby any construction costs incurred which were 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. The matter went to trial before the Superior Court in May 2024. On October 28, 2024, the Superior Court rendered its decision and found that the Company's obligation with respect to the increased cost of constructing the breasting dolphin is \$104,000. On January 24, 2025 the Superior Court entered judgment for Sprague in the amount of \$173,000 which includes, as required by law, prejudgment interest at 12% per annum. The \$173,000 judgment was paid on January 29, 2025 and is included in Liabilities, other at December 31, 2024. Neither the Company nor Sprague appealed the judgment within the applicable time period.

Loss on sale of discontinued operations on the condensed consolidated statements of income and retained earnings includes legal and professional fees related to the Sprague Litigation of \$0 and \$8,000 for the three and nine months ended September 30, 2025 and \$10,000 and \$386,000 for the same periods in 2024, respectively. For the three and nine months ended September 30, 2024, the loss also includes prejudgment interest of \$45,000 related to the Sprague Litigation. No additional expenses related to the Sprague Litigation are expected for the balance of 2025.

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

3. Results of operations:

Three months ended September 30, 2025 compared to three months ended September 30, 2024:

Revenue increased \$89,000 from 2024 and consists of increased revenue from Metropark (\$5,000), scheduled rent increases (\$60,000) and a net increase in other sources of revenue (\$24,000),

Operating expenses decreased \$63,000 due principally to a reduction in the 2025 property taxes assessed by the City of Providence (\$32,000), a decrease in professional fees related to the Company's billboard operations (\$24,000) and a net increase in various other expenses (\$7,000).

General and administrative expenses decreased \$35,000 due principally to decreased payroll-related costs (\$37,000) which were offset by a net increase in various other expenses (\$2,000).

Nine months ended September 30, 2025 compared to nine months ended September 30, 2024:

Leasing revenue increased \$331,000 from 2024, due principally to scheduled rent increases and contingent rent associated with our land leases (\$213,000), an increase in contingent (\$41,000) and contractual (\$22,000) rent from Lamar, increased revenue from Metropark (\$15,000), along with an increase in other revenue (\$40,000).

Operating expenses decreased \$88,000 due to reduction in the 2025 property taxes assessed by the City of Providence (\$97,000) offset by a net increase in various other operating expenses (\$9,000).

General and administrative expenses increased \$12,000 due principally to increase in office expenses (\$7,000), professional fees (\$8,000) and various other expenses (\$6,000) which were offset by a decrease in payroll-related costs (\$9,000).

For the nine months ended September 30, 2025 and 2024, the Company's effective income tax rate is approximately 27% of income before income taxes.

Item 5 Legal proceedings.

Not applicable.

Item 6 Defaults upon senior securities.

Not applicable

Item 7 Other information.

Not applicable

Item 8 Exhibits

Not applicable.

Item 9 Certifications.

I, Robert H. Eder, certify that:

- (i) I have reviewed this Quarterly Disclosure Statement of Capital Properties, Inc.;
- (ii) Based on my knowledge, this disclosure statement 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 disclosure statement; and
- (iii) Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: November 3, 2025

By: /s/ Robert H. Eder
Robert H. Eder
Chairman and Principal Executive Officer

I, Susan R. Johnson, certify that:

- (i) I have reviewed this Quarterly Disclosure Statement of Capital Properties, Inc.;
- (ii) Based on my knowledge, this disclosure statement 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 disclosure statement; and
- (iii) Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: November 3, 2025

By: /s/ Susan R. Johnson
Susan R. Johnson
Treasurer and Principal Financial Officer

DATED: November 3, 2025