

Edgar Filing: CAPITAL PROPERTIES INC /RI/ - Form 10QSB

CAPITAL PROPERTIES INC /RI/  
Form 10QSB  
April 30, 2004

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549  
FORM 10-QSB

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2004

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 0-9380

CAPITAL PROPERTIES, INC.  
(Name of small business registrant in its charter)

RHODE ISLAND  
(State or other jurisdiction of  
incorporation or organization)

05-0386287  
(IRS Employer  
Identification No.)

100 DEXTER ROAD  
EAST PROVIDENCE, RHODE ISLAND 02914  
(Address of principal executive offices) (ZipCode)

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

Check whether the registrant: (1) has filed all reports required to be filed by  
Section 13 or 15(d) of the Exchange Act during the past 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

State the number of shares outstanding of each of the Issuer's classes of common  
equity, as of the latest practicable date:

As of April 28, 2004, the Issuer had 3,000,000 shares of Class A Common Stock  
and 299,956 shares of Class B Common Stock outstanding.

Transitional Small Business Disclosure Format (Check one): Yes  No

PART I

ITEM 1. FINANCIAL STATEMENTS

CAPITAL PROPERTIES, INC. AND SUBSIDIARIES

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CONSOLIDATED BALANCE SHEET  
MARCH 31, 2004  
(UNAUDITED)

ASSETS

Properties and equipment (net of accumulated depreciation).....	\$14,914,000
Cash and cash equivalents.....	4,319,000
Receivables, tenant and other.....	318,000
Accrued rental income.....	392,000
Prepaid and other.....	216,000
	-----
	\$20,159,000
	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities:

Accounts payable and accrued expenses:

Property taxes.....	\$ 928,000
Other.....	326,000

Income taxes:

Current.....	163,000
Deferred, net.....	4,275,000

-----  
5,692,000  
-----

Commitment (Note 5)

Shareholders' equity:

Class A common stock, \$.01 par; authorized 6,000,000 shares; issued and outstanding 3,000,000 shares.....	30,000
Class B common stock, \$.01 par; authorized 300,000 shares; issued and outstanding 299,956 shares.....	3,000
Excess stock, \$.01 par; authorized 1,000,000 shares; none issued and outstanding.....	--
Capital in excess of par.....	11,795,000
Retained earnings.....	2,639,000

-----  
14,467,000  
-----

\$20,159,000  
=====

See notes to consolidated financial statements.

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(UNAUDITED)

	2004	2003
	-----	-----
Income:		
Revenues:		
Leasing, including attorneys' fees judgment of \$258,000 in 2004.....	\$1,044,000	\$ 710,000
Petroleum storage facilities.....	565,000	632,000
	-----	-----
	1,609,000	1,342,000
Condemnation proceeds, permanent, including interest of \$244,000.....	1,622,000	--
Interest.....	3,000	2,000
	-----	-----
	3,234,000	1,344,000
	-----	-----
Expenses:		
Expenses applicable to:		
Leasing.....	482,000	545,000
Petroleum storage facilities.....	432,000	523,000
General and administrative.....	266,000	268,000
	-----	-----
	1,180,000	1,336,000
	-----	-----
Income before income taxes.....	2,054,000	8,000
	-----	-----
Income tax expense		
Current.....	201,000	10,000
Deferred.....	608,000	(4,000)
	-----	-----
	809,000	6,000
	-----	-----
Net income.....	\$1,245,000	\$ 2,000
	=====	=====
Basic income per common share.....	\$ .38	\$ --
	=====	=====
Dividends on common stock.....	\$ .03	\$ --
	=====	=====

See notes to consolidated financial statements.

CAPITAL PROPERTIES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
THREE MONTHS ENDED MARCH 31, 2004 AND 2003  
(UNAUDITED)

	2004	2003
	-----	-----
Cash flows from operating activities:		
Net income .....	\$ 1,245,000	\$ 2,000
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Condemnation proceeds, permanent .....	(1,622,000)	--
Depreciation .....	98,000	105,000
Deferred income taxes .....	608,000	(4,000)
Other, principally net changes in receivables, prepaids, accounts payable, income taxes and accrued expenses .....	(133,000)	(375,000)
Net cash provided by (used in) operating activities	----- 196,000 -----	----- (272,000) -----
Cash flows from investing activities:		
Condemnation proceeds, permanent .....	1,622,000	--
Purchase of properties and equipment .....	(41,000)	(112,000)
Net cash provided by (used in) investing activities	----- 1,581,000 -----	----- (112,000) -----
Cash used in financing activities, payment of dividends	(99,000)	--
Increase (decrease) in cash and cash equivalents .....	1,678,000	(384,000)
Cash and cash equivalents, beginning .....	2,641,000	1,633,000
Cash and cash equivalents, ending .....	----- \$ 4,319,000 =====	----- \$ 1,249,000 =====
Supplemental disclosures, cash paid for income taxes ..	\$ 125,000 =====	\$ 9,000 =====

See notes to consolidated financial statements.

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CAPITAL PROPERTIES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
THREE MONTHS ENDED MARCH 31, 2004 AND 2003  
(UNAUDITED)

1. BASIS OF PRESENTATION:

The accompanying consolidated financial statements have been prepared by the Company. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted. These statements should be read in conjunction with the financial statements and notes thereto included in the Company's Form 10-KSB for the year ended December 31, 2003. In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary to present fairly the financial position as of March 31, 2004 and the results of operations and cash flows for the three months ended March 31, 2004 and 2003.

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

2. USE OF ESTIMATES:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

3. CITY OF PROVIDENCE PROPERTY TAX DISPUTE:

In each year since 1995 (with the exception of the year 2000), the Company appealed the real estate taxes assessed against one or more of the parcels of land owned by it in the City of Providence (the City). With respect to certain years, the appeals were heard by the Providence Board of Assessment Review and in each case denied. The Company appealed each such denial to the Rhode Island Superior Court. With respect to the remaining years, the Providence Board of Assessment Review never scheduled a hearing on the appeals.

In August 2003 the Company and the City engaged in mediation in an effort to resolve all property tax disputes. In September 2003, the Company and the City agreed to an omnibus settlement pursuant to which the City paid the Company \$1,700,000 in settlement of all litigation resulting from tax appeals. The omnibus settlement also set the assessed values for two parcels in the Capital Center Area.

In March 2004, the Company received notices from the City of Providence of the proposed 2004 assessment for each of its parcels in downtown Providence. The proposed assessments for the two parcels in the Capital Center Area (for which the assessed values had been set by the omnibus

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settlement) did not reflect the agreed-upon values and were assessed at approximately the same assessment value in effect prior to the omnibus settlement with the City. The proposed assessments on the remaining parcels were similarly assessed at values

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slightly higher than the assessment value in 2000. The Company is pursuing the matter with the City of Providence.

For the three months ended March 31, 2004, the Company is reporting property tax expense on the accompanying consolidated financial statements based upon its settlement agreement with the City. The Company is unable to determine what additional property tax expense it may incur in the event the Company does not prevail in having its assessments lowered since the City has not yet set its new tax rate. However, using the tax rate in effect for 2003, the additional property tax expense for the three months ended March 31, 2004 would be approximately \$90,000.

#### 4. LITIGATION JUDGMENTS:

Dispute with Amtrak:

During the 1980's, the Company, the State of Rhode Island, the City of Providence and the National Railroad Passenger Corporation (Amtrak) each conveyed parcels of land in Capital Center so that each party had the land it needed for its designated functions within Capital Center. As part of this arrangement, the Company was conveyed approximately 1.9 acres of air rights over Amtrak's Northeast Corridor, which rights began 19.3 feet above the top of rail.

In 1998, as part of Amtrak's electrification of the Northeast Corridor, Amtrak erected towers and a signal bridge within the air rights (the tops of which vary in height between 27 and 42 feet above the top of rail).

In 1999, Amtrak condemned a three-year temporary easement of all the air rights owned by the Company retroactive to August 1998 for which the Company received from Amtrak \$335,000, the sum estimated by Amtrak to be just compensation for the property taken. In 2001, Amtrak permanently condemned the air rights and a parcel of land adjacent to the air rights (with a carrying value of \$625,000) for which the Company received from Amtrak \$925,000, the amount estimated by Amtrak to be just compensation for the air rights and property taken. The Company believed that the condemnation amounts paid by Amtrak were inadequate and accordingly brought suit in the U.S. District Court against Amtrak seeking additional compensation.

In November 2002, the condemnation case was tried in the U.S. District Court and the Company was awarded additional damages resulting from the aforementioned condemnations of \$1,378,000 plus interest. In February 2003, Amtrak appealed the decision to the U.S. Court of Appeals for the First Circuit. In January 2004, the First Circuit affirmed the judgment of the U.S. District Court, and in February 2004 the Company received a payment of \$1,622,000.

Claim against City of Providence for attorneys fees:

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In 1997, the City revalued certain of the Company's properties within the Capital Center area in downtown Providence, Rhode Island, and reached back six years to assess over \$13,000,000 in back taxes, interest and penalties on the properties based upon a retroactive increase in the assessed values. These increases were not a part of a city-wide revaluation. The Company contended that this action by the City was both unprecedented and illegal.

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In another action, the City claimed that the Company was not the owner of a certain parcel of land in the Capital Center (Disputed Parcel), which the Company purchased in 1989 from the State of Rhode Island subsequent to the State's acquiring the parcel from the City. Moreover, the City attempted to condemn the Disputed Parcel. The Company contested both the City's claim of ownership and the City's attempt to condemn the Disputed Parcel.

In 1999, the Rhode Island Superior Court (Superior Court) ruled in favor of the Company and found (1) that both the City's new tax assessments and back taxes were illegal and void, and (2) that the Company is the rightful owner of the Disputed Parcel and that the City had no right to condemn same. The City appealed the judgments to the Rhode Island Supreme Court (Supreme Court), which denied and dismissed the City's appeal in 1999.

After prevailing on the merits, the Company made claim against the City for attorneys fees.

In 2000, the City filed a motion to vacate the Superior Court and Supreme Court judgments entered in favor of the Company which motion the Superior Court denied and awarded the Company attorneys fees of \$258,000. The City filed an appeal in the Supreme Court. In January 2004, the Supreme Court affirmed the judgment against the City, and the Company received the payment from the City in March 2004. No interest was awarded on the judgment.

### 5. PROPERTIES AND EQUIPMENT:

Properties on lease or held for lease:	
Land and land improvements.....	\$ 3,740,000
Parking garage.....	2,500,000
	-----
	6,240,000
	-----
Petroleum storage facilities:	
Land and land improvements.....	5,106,000
Buildings and structures.....	899,000
Tanks and equipment.....	9,023,000
	-----
	15,028,000
	-----
Office equipment.....	84,000
	-----
	21,352,000
	-----
Less accumulated depreciation:	
Properties on lease or held for lease.....	1,007,000
Petroleum storage facilities.....	5,351,000

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Office equipment.....	80,000
	-----
	6,438,000
	-----
	\$14,914,000
	=====

The Company has obtained all the necessary approvals from the City of East Providence and State of Rhode Island to construct three additional 152,000 barrel tanks at the petroleum storage facilities. In February 2004, the Company entered into a contract to construct one additional 152,000 barrel tank at an estimated total cost of \$1,300,000, which is expected to be completed in the fall of 2004. The Company expects to pay for the tank with available cash.

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6. DESCRIPTION OF LEASING ARRANGEMENTS:

At March 31, 2004, the Company had entered into six long-term land leases covering six land parcels; of these leases, one lease commenced April 1, 2004, and two will not commence until construction begins.

The Company also leases various parcels of land for outdoor advertising purposes for remaining terms of up to 27 years and for public parking purposes under short-term cancellable leases.

For those leases with presently known scheduled rent increases, the cumulative excess of straight-line over contractual rentals (considering scheduled rent increases over the 30 to 149 year terms of the leases) amounted to \$15,728,000 through March 31, 2004. Management has concluded that a portion of the excess of straight-line over contractual rentals (\$392,000 at March 31, 2004) is realizable when payable over the terms of the leases.

The three long-term land leases which have commenced and the lease that commenced April 1, 2004, provide that the tenants pay the City of Providence for real property taxes, which amounts are excluded from leasing revenues and expenses applicable to leasing on the accompanying consolidated statements of income. The real property taxes attributable to the Company's land under the three leases totaled \$88,000 and \$86,000 for the three months ended March 31, 2004 and 2003, respectively.

7. PETROLEUM STORAGE FACILITIES:

Current operations:

The Company and a petroleum distribution company (Petroleum Company) are parties to an agreement whereby the Company operates the entire Petroleum Facilities for the Petroleum Company. The Company is responsible for labor, insurance, property taxes and other operating expenses, as well as capital improvements. Through April 30, 2003, the agreement provided for a monthly fee which increased annually by 4.5% (\$117,000 effective May 1, 2002), as well as an additional \$.10 per barrel for every barrel in excess of 2,000,000 barrels of throughput in any agreement year (contingent revenues). For the agreement year ended April 30, 2003, throughput exceeded 2,000,000 barrels in December 2002.



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Effective May 1, 2003, the Company and Petroleum Company entered into an amended and restated lease agreement (Amended Agreement) which, among other things, provides as follows: (1) the Amended Agreement will expire April 30, 2013, but will continue thereafter on a year-to-year basis unless terminated by either party upon ninety days' written notice; (2) Petroleum Company may terminate the Amended Agreement after five years upon one year written notice; (3) a monthly fee of \$147,000 subject to annual cost of living adjustments; (4) Petroleum Company will reimburse the Company for any increase in real property taxes over the 2002 level; and (5) the Company will receive an additional \$.10 per barrel for every barrel in excess of 4,000,000 barrels of throughput in any agreement year. For the agreement year ending April 30, 2004, throughput exceeded 4,000,000 barrels in February 2004.

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For the three months ended March 31, 2004 and 2003, the Company earned contingent revenues of \$98,000 and \$220,000, respectively.

Also effective May 1, 2003, Petroleum Company was granted the option to purchase the Petroleum Facilities at any time during the term of the Amended Agreement under the terms and conditions set forth in an option agreement. In a separate but related agreement, Petroleum Company agreed to make certain capital improvements at the Wilkesbarre Pier. Through the three months ended March 31, 2004, the improvements totaled approximately \$188,000. [See Wilkesbarre Pier below].

### Environmental incidents:

In March 2002, during testing of monitoring wells at the Petroleum Facilities, the Company's consultant discovered free floating phase product in a groundwater monitoring well located on that portion of the Petroleum Facilities purchased in 2000. Preliminary laboratory analysis indicated that the product was gasoline, which is not a product the Company ever stored at its Petroleum Facilities. However, in the 1950's gasoline was stored on the Company's property by a predecessor owner. The Company commenced an environmental investigation and analysis, the results of which indicate that the gasoline did not come from the location of what is now the Company's Petroleum Facilities. The Company notified the State of Rhode Island Department of Environmental Management (RIDEM). The Company will continue to monitor RIDEM's investigation of this contamination to ensure that the responsible party addresses this contamination.

The Company maintains what management believes to be adequate levels of insurance. The Company notified its insurance company of the contamination. The insurance company advised the Company that coverage is only provided under policies in place at the time the contamination occurs.

Since January 2003, the Company has not incurred significant costs in connection with this matter and is unable to determine the costs it might incur to remedy the situation as well as any costs to investigate, defend, and seek reimbursement from the responsible party with respect to this contamination. This situation does not affect current operations at the Petroleum Facilities.

In 1994, a leak was discovered in a 25,000 barrel storage tank at the Petroleum Facilities which allowed the escape of a small amount of fuel oil. All required notices were made to RIDEM. In 2000, the tank was

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demolished and testing of the groundwater indicated that there was no large pooling of contaminants. In 2001, RIDEM approved a plan whereby the Company installed a passive system consisting of three wells and commenced monitoring the wells. In December 2002, the Company determined that it would no longer incur significant costs in connection with the implementation of this monitoring plan and reversed into income a previously recorded payable of \$50,000. In the spring of 2003, RIDEM decided that the passive monitoring system previously approved was not sufficient and is requiring the Company to install an active remediation system for the removal of product from the contaminated site. The Company anticipates installing the system in 2004 at an estimated cost of \$50,000, at which time this amount will be included in properties and equipment on the Company's consolidated balance sheet. The Company anticipates that the ongoing cost of meeting its obligations under the new remediation plan will not be material.

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### Wilkesbarre Pier:

Wilkesbarre Pier (the Pier) is a deep-water pier in East Providence, Rhode Island, owned by the Company, which is integral to the operation of the Petroleum Facilities. The Pier and the Petroleum Facilities are connected by two petroleum pipelines. In 1995, the Company and Providence and Worcester Railroad Company (Railroad) (the then owner of the Pier) entered into an agreement which, among other provisions, gave the Company the right to acquire the Pier for \$1. The Company and Railroad have a common controlling shareholder.

Effective January 1, 1998, Railroad and a company which uses the Pier to off-load primarily gasoline from ships to its terminal (Oil Company) entered into an agreement (the Agreement) whereby Oil Company agreed to pay annual fees for five years. In January 1998, the Company exercised its right and acquired the Pier, and Railroad assigned its rights under the Agreement to the Company. The Agreement was extended to March 31, 2003 at a monthly fee of \$15,000, which Agreement terminated at that time. Under the terms of the Agreement, the owner of the Pier was not required to make any repairs to the Pier.

In May 2000, the Fire Department of the City of East Providence (Fire Department) notified the Company, Oil Company and another company then related to Oil Company (Other Company) that there was a lack of adequate fire protection at the Pier and ordered them to install certain equipment and facilities. The Company demanded that Other Company take steps to commence and complete the performance of all work and to supply all material required to satisfy the Fire Department. The Company incurred costs totaling \$372,000 to install the required system.

In 2000, Oil Company and Other Company (collectively Plaintiffs) filed a lawsuit against the Company in the United States District Court for the District of Rhode Island (the Court) claiming fraud on the part of Railroad and sought rescission of the Agreement and other agreements. The Company filed counterclaims against Other Company, including one for damages based on Other Company's failure to comply with the order and direction of the Fire Department as well as the failure of Other Company to comply with certain other agreements. Plaintiffs amended their complaint in 2001 to include additional claims. Following the close of discovery, the Court dismissed all the fraud claims. The Court later bifurcated the trial of the

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jury claims for damages and the non-jury claims for declaratory and injunctive relief.

The jury claims were tried in December 2002 and the jury returned a verdict against the Company in the amount of \$100,000. The Company filed a post-trial motion requesting that the Court vacate the verdict. In September 2003, judgment was entered against the Company in the amount of \$100,000 plus \$27,000 in interest through that date. To avoid further litigation of the matter, the Company and the Oil Company agreed to settle this claim for \$80,000, which amount the Company paid to Oil Company in November 2003. There is no remaining litigation outstanding with Oil Company.

The Court entered judgment as a matter of law against the Company on the Company's claim that Other Company was obligated to pay for the installation of certain fire suppression equipment on the Pier.

In June 2003, the remaining non-jury claims were tried and in September 2003 the Court ordered Other Company to install a new sixteen-inch pipeline on the Pier for the Company's

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use and benefit. The Company anticipates that the pipeline will be installed in the summer of 2004. The Court rejected Other Company's claim that it was not obligated to pay for the fire suppression equipment on the Pier as well as Other Company's claim that the Company remove or relocate the fire suppression equipment. However, the Court also held that Oil Company and Other Company had the right to use the north side of the Pier pursuant to a deed in 1941. The Court declined the Company's request that it declare what are the corresponding obligations attached to that right.

In October 2003, the Company appealed the inconsistent judgments concerning which party is responsible for the cost of the fire suppression equipment at the Pier to the U. S. Court of Appeals for the First Circuit. Neither Oil Company nor Other Company filed an appeal. Oral arguments were heard in April 2004 and a decision is anticipated in 2004.

For the three months ended March 31, 2004 and 2003, the Company incurred legal fees in connection with this litigation of \$20,000 and \$80,000, respectively, which amounts are included in expenses applicable to petroleum storage facilities on the accompanying consolidated statements of income.

Pursuant to a 1986 Guaranty and Indemnity Agreement, the Company filed a lawsuit in September 2002 against Other Company and Other Company's parent in the U. S. District Court for the Eastern District of New York seeking reimbursement for all reasonable costs incurred by the Company in defending the Wilkesbarre Pier litigation described above. The matter has been transferred to the U. S. District Court for the District of Rhode Island and is in the discovery stage.

### 8. SHAREHOLDERS' EQUITY:

In December 2001, the Company amended its Articles of Incorporation to create three classes of \$.01 par value stock--Class A Common Stock, Class B Common Stock, and Excess Stock. The Company converted the then outstanding 3,000,000 shares of \$1.00 par value common shares into 3,000,000 shares of

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Class A Common Stock. In addition, the Company issued (in the form of a stock dividend) 299,956 shares of Class B Common Stock (one share for each ten shares of Class A Common Stock held). No fractional Class B shares were issued.

The holders of the Class A and Class B Common Stock presently vote together as a single class on all matters required to be submitted to the shareholders for approval and share equally in dividends declared by the Company. The Class A Common Stock is listed on the American Stock Exchange. The Class B Common Stock is not listed on any national or regional stock exchange or on the National Association of Securities Dealers Automated Quotation National Market System.

The amended Articles of Incorporation prohibit any shareholder from acquiring more than a 5% interest in the Company's classes of common stock and prohibit the two shareholders who each beneficially then owned in excess of 5% of the Company's classes of common stock from increasing their percentage ownership of each class of common stock. Should a shareholder acquire a number of shares that results in the limitation being exceeded, shares in excess of the limitation would be converted into an equal number of shares of Excess Stock. Excess Stock is non-voting and is not entitled to dividends. However, the shareholder may designate a qualifying transferee for shares of Excess Stock, at which time

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such shares would be converted and reissued as Class A or B Common shares as the case may be.

The purpose of the amendment of the Articles of Incorporation was to provide the Company with the necessary flexibility to qualify to be taxed as a real estate investment trust (REIT). The Company has not decided to make an election to become a REIT and, depending on future circumstances, may never do so.

In the event the Company elects to become a REIT, the holders of the Class A Common Stock would be entitled to elect one-third of the Company's Board of Directors, with the balance of the Directors to be elected by the holders of the Class B Common Stock.

If the Company does not make an election to be taxed as a REIT on or before March 31, 2005, the restrictions on share ownership will automatically lapse and shares of Class B Common Stock will automatically be converted into shares of Class A Common Stock on a one for one basis.

### 9. INCOME TAXES:

In February 2004, the Company received permanent condemnation proceeds from Amtrak which qualify for deferred reinvestment for income tax reporting purposes whereby the Company may elect to reduce the income tax basis of qualifying subsequent acquisitions, subject to certain restrictions. Since it is the Company's intention to make such an election, the income tax provision for the three months ended March 31, 2004 reflects such election.

Deferred income taxes are recorded based upon differences between financial statement and tax carrying amounts of assets and liabilities. The tax effects of temporary differences which give rise to deferred tax assets and liabilities at March 31, 2004 were as follows:

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Gross deferred tax liabilities:	
Property having a financial statement basis	
in excess of tax basis.....	\$3,730,000
Condemnation proceeds.....	550,000
Accrued rental income.....	157,000
	-----
	4,437,000
Gross deferred tax assets.....	(162,000)
	-----
	\$4,275,000
	=====

10. OPERATING SEGMENT DISCLOSURES:

The Company operates in two segments: (1) Leasing and (2) Petroleum Storage Facilities.

The Leasing segment consists of the long-term leasing of certain of its real estate interests in downtown Providence, Rhode Island (upon the commencement of which the tenants are required to construct buildings thereon and to pay real property taxes) and locations along interstate and primary highways in Rhode Island and Massachusetts (to a company which has constructed outdoor advertising boards thereon). The Company anticipates that the future development of its remaining properties will consist primarily of long-term ground leases. Pending this development, the Company leases these parcels and an adjacent parking garage for public parking purposes under short-term cancellable leasing arrangements.

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The Petroleum Storage Facilities segment consists of the operating of the Petroleum Facilities in East Providence under an Amended Agreement effective May 1, 2003, that expires in 2013 at a fixed monthly rate for the Petroleum Company which stores and distributes petroleum products. The Amended Agreement includes provisions to extend and additional payments based upon throughput. (See Note 7.)

The principal difference between the two segments relates to the nature of the operations. The tenants in the Leasing segment incur substantially all of the development and operating costs of the asset constructed on the Company's land, whereas the Company is responsible for the operating and maintenance expenditures as well as capital improvements at the Petroleum Facilities.

The Company makes decisions relative to the allocation of resources and evaluates performance based on income before income taxes, excluding interest income, permanent condemnation proceeds and certain corporate expenses.

Inter-segment revenues are immaterial in amount. The Company did not incur interest expense during the three months ended March 31, 2004 and 2003.

The following financial information is used for making operating decisions and assessing performance of the Company's segments:

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	Leasing	Petroleum Storage Facilities	Total
	-----	-----	-----
Three months ended March 31, 2004:			
Revenues:			
Contractual.....	\$ 611,000	\$ 467,000	\$ 1,078,000
Contingent.....	14,000	98,000	112,000
Option.....	186,000	--	85,000
Attorneys' fees judgment.....	258,000	--	258,000
Noncash, excess of contractual over straight-line rentals.....	(25,000)	--	(25,000)
	-----	-----	-----
	\$1,044,000	\$ 565,000	\$ 1,609,000
	=====	=====	=====
Property tax expense.....	\$ 406,000	\$ 29,000	\$ 435,000
	=====	=====	=====
Depreciation.....	\$ 16,000	\$ 81,000	\$ 97,000
	=====	=====	=====
Income before income taxes.....	\$ 562,000	\$ 133,000	\$ 695,000
	=====	=====	=====
Assets.....	\$5,790,000	\$10,429,000	\$16,219,000
	=====	=====	=====
Properties and equipment, additions.....	\$ --	\$ 133,000	\$ 133,000
	=====	=====	=====

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	Leasing	Petroleum Storage Facilities	Total
	-----	-----	-----
Three months ended March 31, 2003:			
Revenues:			
Contractual.....	\$ 597,000	\$ 412,000	\$ 1,009,000
Contingent.....	1,000	220,000	221,000
Option.....	128,000	--	128,000
Noncash, excess of contractual over straight-line rentals.....	(16,000)	--	(16,000)
	-----	-----	-----
	\$ 710,000	\$ 632,000	\$ 1,342,000
	=====	=====	=====
Property tax expense.....	\$ 480,000	\$ 28,000	\$ 508,000

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	=====	=====	=====
Depreciation.....	\$ 16,000	\$ 86,000	\$ 102,000
	=====	=====	=====
Income before income taxes.....	\$ 165,000	\$ 109,000	\$ 274,000
	=====	=====	=====
Assets.....	\$5,867,000	\$10,203,000	\$16,070,000
	=====	=====	=====
Properties and equipment, additions.....	\$ --	\$ --	\$ --
	=====	=====	=====

The following is a reconciliation of the segment information to the amounts reported in the accompanying consolidated financial statements for the three months ended March 31, 2004 and 2003:

	2004	2003
	-----	-----
Income:		
Revenues for operating segments.....	\$1,609,000	\$1,342,000
Condemnation proceeds, permanent, including interest....	1,622,000	--
Interest income.....	3,000	2,000
	-----	-----
Total consolidated income.....	\$3,234,000	\$1,344,000
	=====	=====
Property tax expense:		
Property tax expense for operating segments.....	\$ 435,000	\$ 508,000
Unallocated corporate property tax expense.....	1,000	1,000
	-----	-----
Total consolidated property tax expense.....	\$ 436,000	\$ 509,000
	=====	=====
Depreciation:		
Depreciation for operating segments.....	\$ 97,000	\$ 102,000
Unallocated corporate depreciation.....	1,000	3,000
	-----	-----
Total consolidated depreciation .....	\$ 98,000	\$ 105,000
	=====	=====

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Income before income taxes:		
Income for operating segments .....	\$ 695,000	\$ 274,000
Condemnation proceeds, permanent .....	1,622,000	--
Interest income .....	3,000	2,000
Unallocated corporate expenses .....	(266,000)	(268,000)
	-----	-----
Total consolidated income (loss) before income taxes	\$ 2,054,000	\$ 8,000
	=====	=====
Assets:		
Assets for operating segments .....	\$16,219,000	\$16,070,000
Corporate cash and cash equivalents .....	3,936,000	1,096,000
Income tax receivable .....	--	372,000
Other unallocated amounts .....	4,000	52,000
	-----	-----
Total consolidated assets .....	\$20,159,000	\$17,590,000
	=====	=====
Additions to properties and equipment:		
Operating segments .....	\$ 133,000	\$ --
Unallocated corporate additions .....	--	--
	-----	-----
Total consolidated additions .....	\$ 133,000	\$ --
	=====	=====

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CAPITAL PROPERTIES, INC. AND SUBSIDIARIES  
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 AND THE NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS, CONTAIN FORWARD-LOOKING STATEMENTS WHICH REPRESENT THE COMPANY'S EXPECTATIONS OR BELIEFS CONCERNING FUTURE EVENTS. THE COMPANY CAUTIONS THAT THESE STATEMENTS ARE FURTHER QUALIFIED BY IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE IN THE FORWARD-LOOKING STATEMENTS, INCLUDING, WITHOUT LIMITATION, THE FOLLOWING: THE ABILITY OF THE COMPANY TO GENERATE ADEQUATE AMOUNTS OF CASH; THE COLLECTIBILITY OF THE ACCRUED RENTAL INCOME WHEN DUE OVER THE TERMS OF THE LONG-TERM LAND LEASES; THE COMMENCEMENT OF ADDITIONAL LONG-TERM LAND LEASES; CHANGES IN ECONOMIC CONDITIONS THAT MAY AFFECT EITHER THE CURRENT OR FUTURE DEVELOPMENT ON THE COMPANY'S PARCELS; THE FINAL OUTCOME OF THE WILKESBARRE PIER LITIGATION AND THE CITY OF PROVIDENCE TAX ASSESSMENTS; AND EXPOSURE TO CONTAMINATION, CLEANUP OR SIMILAR COSTS ASSOCIATED WITH THE OPERATION OF THE PETROLEUM STORAGE FACILITIES.



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### 1. OVERVIEW:

#### Critical accounting policies:

The Company believes that its revenue recognition policy for long-term leases with scheduled rent increases (leasing segment) meets the definition of a critical accounting policy which was discussed in the Company's Form 10-KSB for the year ended December 31, 2003. There have been no changes to the application of this accounting policy since December 31, 2003.

#### Segments:

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

#### LEASING:

The leasing segment is principally devoted to the leasing of Company-owned land in the Capital Center Project Area (Capital Center), in downtown Providence, Rhode Island under long-term ground leases. The Company owns approximately 18 acres in the Capital Center consisting of 11 individual parcels. The Capital Center (approximately 77 acres of land) is the result of a development project undertaken by the State of Rhode Island, the City of Providence, the National Railroad Passenger Corporation (Amtrak) and the Company during the 1980's in which two rivers, the Moshassuck and the Woonasquatucket, were moved, a new railroad station (the Railroad Station) was constructed and significant public improvements were made to improve pedestrian and vehicular traffic in the area. The Company has not acted, and does not intend to act, as a developer with respect to any improvements constructed on Company-owned parcels.

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The Company first began offering parcels for lease in the late 1980's. As part of the construction of the Railroad Station, the Federal Railroad Administration constructed a 330-car parking garage adjacent to the Railroad Station, and the Company paid one-half of the construction cost. Subsequently, the Company became the sole owner of the parking garage, which is currently leased to an experienced parking operator (parking operator). Three developed parcels have been leased by the Company under long-term leases of 99 years or more. Located on these parcels are a 13-story office building, a 225-unit luxury apartment complex and a 114,000 square foot office building.

Three of the remaining parcels (undeveloped parcels) are the subject of three leases: one lease commenced April 1, 2004 and the two remaining leases will not commence pending completion of development plans and closing of construction financing.

During the interim, option payments are being made by the developers under the leases for the undeveloped parcels. Under one of the leases, the developer made a series of option payments, the last of which was paid in December 2003. The option terminated March 31, 2004 and the lease commenced April 1, 2004. Under the other two leases, the Company receives option payments pursuant to a month-to-month arrangement. There is no assurance that any one or more of these development projects will actually proceed.

The Company continues to seek a developer for the remaining four parcels in the Capital Center which contain 2.9 acres. The Company is unable to predict when these parcels will be leased.

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Pending future development or commencement of the leases, five of the parcels are subject to short-term leases to the parking operator.

Additionally, the Company, through a wholly-owned subsidiary, leases certain outdoor advertising locations along interstate and primary highways in Rhode Island and Massachusetts to an outdoor advertising company. Presently, there are 26 locations under lease containing fifty billboard faces. The lease expires in 2031. The term of the lease is extended for two years for each additional location added. No locations have been added since 2002.

### PETROLEUM STORAGE FACILITIES:

The Company, through a wholly-owned subsidiary, owns a 524,500 barrel petroleum storage facility (Petroleum Facilities) located in East Providence, Rhode Island. The Petroleum Facilities utilize the Company's Wilkesbarre Pier and a pipeline connecting the Wilkesbarre Pier to the Petroleum Facilities. The Company (through this wholly-owned subsidiary) and Global Companies, LLC (Global) are parties to an agreement whereby the Company (through another wholly-owned subsidiary) operates the entire Petroleum Facilities for Global at a fixed monthly rate which is subject to annual cost of living adjustments. The agreement expires April 30, 2013, but will continue thereafter on a year-to-year basis unless terminated by either party upon ninety days' written notice. Global may terminate the agreement after five years upon one year written notice. The agreement includes provisions for additional payments based upon throughput in any twelve-month period beginning on May 1 of each year and ending on April 30 of the subsequent year and for any increases in real property taxes. The Company bears all of the operating costs with respect to the Petroleum Facilities, including real estate taxes at the 2002 level and insurance charges. In addition, Global was granted an option to purchase the Petroleum Facilities at any time during the term of the agreement under the terms and conditions set forth in an option agreement.

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Pursuant to an agreement (Agreement) with another company (Oil Company), which afforded the Oil Company the right to use the Wilkesbarre Pier, the Company received \$45,000 for the first quarter of 2003, at which time the Agreement terminated.

As described in Note 7 of Notes to Consolidated Financial Statements, the Company was in litigation (Wilkesbarre Pier litigation) with Oil Company and a related party (Other Company) over the Agreement and the rights of others to utilize the Wilkesbarre Pier. During 2003, the Company settled all litigation with Oil Company. In October 2003, the Company appealed the inconsistent judgments concerning which is responsible for the cost of the fire suppression equipment at the Pier to the U. S. Court of Appeals for the First Circuit. Neither Oil Company nor Other Company filed an appeal. Oral arguments were heard in April 2004 and a decision is anticipated in 2004.

In March 2002, during testing of monitoring wells at the Petroleum Facilities, the Company's consultant discovered free floating phase product in a groundwater monitoring well located on that portion of the Petroleum Facilities purchased in 2000. Preliminary laboratory analysis indicated

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that the product was gasoline, which is not a product the Company ever stored at its Petroleum Facilities. However, in the 1950's gasoline was stored on the Company's property by a predecessor owner. The Company commenced an environmental investigation and analysis, the results of which indicate that the gasoline did not come from the location of what is now the Company's Petroleum Facilities. The Company notified the State of Rhode Island Department of Environmental Management (RIDEM). The Company will continue to monitor RIDEM's investigation of this contamination to ensure that the responsible party addresses this contamination.

The Company maintains what management believes to be adequate levels of insurance. The Company notified its insurance company of the contamination. The insurance company advised the Company that coverage is only provided under policies in place at the time the contamination occurs.

Since January 2003, the Company has not incurred significant costs in connection with this matter and is unable to determine the costs it might incur to remedy the situation as well as any costs to investigate, defend and seek reimbursement from the responsible party with respect to this contamination. This situation does not affect current operations at the Petroleum Facilities.

In 1994, a leak was discovered in a 25,000 barrel storage tank at the Petroleum Facilities which allowed the escape of a small amount of fuel oil. All required notices were made to RIDEM. In 2000, the tank was demolished and testing of the groundwater indicated that there was no large pooling of contaminants. In 2001, RIDEM approved a plan whereby the Company installed a passive system consisting of three wells and commenced monitoring the wells. In December 2002, the Company determined that it would no longer incur significant costs in connection with the implementation of this monitoring plan and reversed into income a previously recorded payable of \$50,000. In the spring of 2003, RIDEM decided that the passive monitoring system previously approved was not sufficient and is requiring the Company to install an active remediation system for the removal of product from the contaminated site. The Company anticipates installing the system in 2004 at an estimated cost of \$50,000. The Company anticipates that the ongoing cost of meeting its obligations under the new remediation plan will not be material.

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The Company has sufficient land to expand the storage capacity and has obtained all the necessary approvals from the City of East Providence and State of Rhode Island to construct three additional 152,000 barrel tanks. In February 2004, the Company entered into a contract to construct one additional 152,000 barrel tank at an estimated cost of \$1,300,000, which construction will be completed in the fall of 2004. The Company has no present plans to construct the remaining two tanks.

The Company manages its exposure to contamination, cleanup or similar costs associated with the Petroleum Facilities through adherence to established procedures for operations and equipment maintenance.

The Company continues to evaluate whether to elect to be taxed as a real estate investment trust (REIT). (See Note 8 of Notes to Consolidated Financial Statements.) To date, no determination has been made.

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### 2. RESULTS OF OPERATIONS:

#### Leasing segment:

In 1997, the City of Providence revalued certain of the Company's properties within the Capital Center area, reaching back six years to assess over \$13,000,000 in back taxes, interest and penalties based upon a retroactive increase in the assessed values. The Company contended that this action by the City was both unprecedented and illegal. In another action, the City claimed that the Company was not the owner of a certain parcel in the Capital Center and also attempted to condemn that parcel. The Company contested both of the City's actions. In 1999, after prevailing on the merits in both actions, the Company made claim against the City for attorneys fees. In 2000, the Company was awarded attorneys fees of \$258,000. The City filed an appeal in the Rhode Island Supreme Court. In January 2004, the Supreme Court affirmed the judgment against the City, and the Company received the payment from the City in March 2004. No interest was awarded on the judgment.

Exclusive of the \$258,000 received for the attorneys fees, for the three months ended March 31, 2004, revenue from leasing increased \$76,000 from 2003 due principally to higher option payments received on those leases which will not commence until construction begins and the commencement on April 1, 2003 of contingent rentals relating to one developed parcel. Expenses applicable to leasing decreased \$63,000 from 2003 due principally to a decrease in property taxes. (See Note 3 of Notes to Consolidated Financial Statements.)

#### Petroleum storage:

For the three months ended March 31, 2004, revenue from petroleum storage facilities decreased \$67,000 from 2003 resulting principally from the March 31, 2003 termination of an agreement with a company for the use of the Wilkesbarre Pier and lower contingent revenues resulting from an Amended Agreement effective May 1, 2003 which provided for higher monthly fees and lower contingent fees. Expenses applicable to petroleum storage facilities decreased \$91,000 from 2003 principally due to lower legal fees associated with the Wilkesbarre Pier litigation and decreased insurance costs and professional fees.

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#### General:

As described in Note 4 of Notes to Consolidated Financial Statements, certain of the Company's property adjacent to Amtrak's Northeast Corridor in Providence, Rhode Island was condemned by Amtrak in 1999 and 2001. The Company believed that the amounts paid by Amtrak were inadequate and made a claim for additional condemnation proceeds. In November 2002, the U. S. District Court for the District of Rhode Island awarded the Company additional damages of \$1,378,000 plus interest. In February 2003, Amtrak appealed the decision to the U. S. Court of Appeals for the First Circuit. In January 2004, the First Circuit affirmed the judgment of the U. S. District Court and in February 2004, the Company received a payment of \$1,622,000.

For the three months ended March 31, 2004, general and administrative

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expenses remained approximately at the 2003 level.

### Liquidity:

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

In each year since 1995 (with the exception of the year 2000), the Company appealed the real estate taxes assessed against one or more of the parcels of land owned by it in the City of Providence (the City). With respect to certain years, the appeals were heard by the Providence Board of Assessment Review and in each case denied. The Company appealed each such denial to the Rhode Island Superior Court. With respect to the remaining years, the Providence Board of Assessment Review never scheduled a hearing on the appeals.

In August 2003 the Company and the City engaged in mediation in an effort to resolve all property tax disputes. In September 2003, the Company and the City agreed to an omnibus settlement pursuant to which the City paid the Company \$1,700,000 in settlement of all litigation resulting from tax appeals. The omnibus settlement also set the assessed values for two parcels in the Capital Center Area.

In March 2004, the Company received notices from the City of Providence of the proposed 2004 assessment for each of its parcels in downtown Providence. The proposed assessments for the two parcels in the Capital Center Area (for which the assessed values had been set by the omnibus settlement) did not reflect the agreed-upon values and were assessed at approximately the same assessment value in effect since 2000. The proposed assessments on the remaining parcels were similarly assessed at values slightly higher than the assessment value in effect since 2000. The Company is pursuing the matter with the City of Providence. For the three months ended March 31, 2004, the Company is reporting property tax expense based upon its settlement agreement with the City. The Company is unable to determine what additional property tax expense it may incur in the event the Company does not prevail in having its assessments lowered since the City has not yet set its new tax rate. However, using the tax rate in effect for 2003, the additional property tax expense for the three months ended March 2004 would be approximately \$90,000.

Under the three land leases which have not commenced, option payments are being made by the developers. Under one lease, the developer made a \$100,000 option payment in December 2003, which option terminated March 31, 2004. This lease commenced April 1, 2004, under the terms of which the Company will receive an annual rental of \$100,000 during the construction phase, and will commence paying the City of Providence real property

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taxes, which the Company is currently recording at an annual rate of \$250,000. Under the other two leases which have not commenced, the Company receives option payments pursuant to month-to-month arrangements. The Company has no assurance that additional option payments will be made.

Under one of the long-term land leases which has commenced, a scheduled contractual rent increase of \$100,000 per year becomes effective October 2004.

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Under another long-term land lease which has commenced, a scheduled rent increase based upon a cost-of-living adjustment will become effective February 2005; the Company estimates that the annual increase will be approximately \$40,000. The tenant has advised the Company that its tenant will vacate the entire building by December 31, 2004. The Company has also been advised that its tenant is attempting to find a suitable replacement tenant for the building.

The Amtrak condemnation proceeds of \$1,378,000 which the Company received in February 2004 qualify for deferred reinvestment for income tax reporting purposes, whereby the Company may elect to reduce the income tax basis of qualifying subsequent acquisitions, subject to certain restrictions. The Company has until the filing of its 2004 income tax returns to make this election. Since it is the Company's intention to make such an election, its cash outlay for income taxes for 2004 will be reduced by approximately \$550,000. However, the Company would be required to reinvest the condemnation proceeds in qualifying assets by December 31, 2007.

The Company has obtained all the necessary approvals from the City of East Providence and State of Rhode Island to construct three additional 152,000 barrel tanks at the Petroleum Facilities. In February 2004, the Company entered into a contract to construct one additional tank at an estimated total cost of \$1,300,000, which is expected to be completed in the fall of 2004. The Company expects to pay for the tank with available cash. The agreement with Global grants it the right to use the new tank at a monthly fee of approximately \$35,000. In the event Global does not elect to use the tank, the Company believes it will be able to contract with another company to use the tank. The Company has no present plans to build the two additional tanks. Remaining commitments for the purchase of properties and equipment are immaterial.

In April 2004, the Board of Directors declared a quarterly dividend of \$99,000 to holders of Class A and Class B common stock at the rate of \$.03 per share.

In management's opinion, the Company should be able to generate adequate amounts of cash to meet all of its anticipated obligations. In the event temporary additional liquidity is required, the Company believes that a line of credit or other arrangements could be obtained by pledging some or all of its unencumbered assets as collateral.

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### ITEM 3. CONTROLS AND PROCEDURES

As required by Rule 13a-4 of the Securities Exchange Act of 1934 (the "Exchange Act"), within the 90-day period prior to the filing date of this report, the President and Treasurer carried out an evaluation of the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the undersigned officers of the Company have concluded that such disclosure controls and procedures were adequate 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 SEC rules and regulations. There were no significant changes in internal controls or, to the Company's knowledge, in other factors that could significantly affect such internal controls, subsequent to the date of the

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evaluation by the undersigned officers of the Company.

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### PART II

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#### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) INDEX OF EXHIBITS:

- 3.1 Amended Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Issuer's report on Form 8-K filed December 10, 2001).
- 3.2 By-laws, as amended (incorporated by reference to Exhibit 3(b) to the Issuer's quarterly report on Form 10-QSB for the quarter ended September 30, 1999).
- 10 Material contracts:
  - (a) LEASES BETWEEN METROPARK, LTD. AND COMPANY:
    - (i) Dated December 12, 2001 (incorporated by reference to Exhibit 10(a)(i) to the Issuer's annual report on Form 10-KSB for the year ended December 31, 2001).
    - (ii) Dated December 12, 2001 (incorporated by reference to Exhibit 10(a)(ii) to the Issuer's annual report on Form 10-KSB for the year ended December 31, 2001).
    - (iii) Dated December 12, 2001 (incorporated by reference to Exhibit 10(a)(iii) to the Issuer's annual report on Form 10-KSB for the year ended December 31, 2001).
    - (iv) Dated December 12, 2001 (incorporated by reference to Exhibit 10(a)(iv) to the Issuer's annual report on Form 10-KSB for the Year ended December 31, 2001).
    - (v) Dated December 12, 2001 (incorporated by reference to Exhibit 10(a)(v) to the Issuer's annual report on Form 10-KSB for the year ended December 31, 2001).
  - (b) MISCELLANEOUS CONTRACTS:
    - (i) Option Agreement to Purchase Real Property and Related Assets, dated June 9, 2003, by and between Dunellen, LLC and Global Companies, LLC. (incorporated by reference to Exhibit 10(b)(i) to the Issuer's Report on Form 10-QSB/A for the quarterly period ended June 30, 2003)
- 31.1 Rule 13a-14(a) Certification of President and Principal Executive Officer

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31.2 Rule 13a-14(a) Certification of Treasurer and Principal Financial Officer

32.1 Certification of President and Principal Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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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

(b) For the quarter ended March 31, 2004, no reports on Form 8-K were filed.

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SIGNATURE

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

CAPITAL PROPERTIES, INC.

By /s/ Ronald P. Chrzanowski

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Ronald P. Chrzanowski  
President and Principal Executive Officer

By /s/ Barbara J. Dreyer

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Barbara J. Dreyer  
Treasurer and Principal Financial Officer

DATED: April 28, 2004

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