

CAPITAL PROPERTIES INC /RI/
Form 10-K
March 15, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-K

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

For the fiscal year ended December 31, 2015

OR

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

For the transition period from _____ to _____

Commission File Number 001-08499

CAPITAL PROPERTIES, INC.

(Exact name of registrant as specified in its charter)

Rhode Island
(State or other jurisdiction of
incorporation or organization)

05-0386287
(IRS Employer
Identification No.)

100 Dexter Road

East Providence, Rhode Island
(Address of principal executive offices)

02914
(Zip Code)

(401) 435-7171

(Registrant's telephone number, including area code)

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

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Title of each class	Name of each exchange on which registered
Class A Common Stock, \$.01 par value	OTCQX

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

NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.) Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company.

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller Reporting Company <input checked="" type="checkbox"/>

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

As of June 30, 2015, the aggregate market value of the Class A voting stock held by non-affiliates of the Company was \$21,366,000, which excludes voting stock held by directors, executive officers and holders of 5% or more of the voting power of the Company's common stock (without conceding that such persons are affiliates of the Company for purposes of federal securities laws). The Company has no outstanding non-voting common equity.

As of March 1, 2016, the Company had 6,599,912 shares of Class A Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's Proxy Statement for the 2016 Annual Meeting of Shareholders to be held on April 26, 2016, are incorporated by reference into Part III of this Form 10-K.

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CAPITAL PROPERTIES, INC.

FORM 10-K

FOR THE YEAR ENDED DECEMBER 31, 2015

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PART I

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 collectibility of the accrued leasing revenues when due over the terms of the long-term land leases and the early termination of the Parcel 6B and Parcel 6C land leases; the commencement of additional long-term land leases; changes in economic conditions that may affect either the current or future development on the Company's parcels; the right of the petroleum storage facility tenant to terminate the lease of the Facility effective April 30, 2017 and each April 30th thereafter; and exposure to contamination, remediation or similar costs associated with the 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. Business
Business Development

The Company was organized as a business corporation under the laws of Rhode Island in 1983 as Providence and Worcester Company and is the successor by merger in 1983 to a corporation also named Providence and Worcester Company which was organized under the laws of Delaware in 1979. In 1984, the Company's name was changed to Capital Properties, Inc.

Segments

The Company operates in two segments: leasing and petroleum storage. For financial information, see Note 9 of Notes to Consolidated Financial Statements in Item 8.

Leasing

Capital Center

The leasing segment is principally devoted to the leasing of Company-owned land in the Capital Center 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 13 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, Amtrak's Northeast Corridor rail line was relocated, a new Amtrak/commuter railroad station was constructed and significant public improvements were made to improve pedestrian and vehicular traffic in the area.

With the exception of the Steeple Street property, the Company has not acted, and does not intend to act, as a developer with respect to any improvements constructed on Company-owned parcels. Rather, the Company offers individual parcels for lease pursuant to long-term ground leases with terms of 99 years or more. Each lease contains provisions permitting the tenant to develop the parcel under certain terms and conditions. Each lease provides for periodic rent adjustments of various kinds. Under the leases, the tenants are responsible for insuring the Company against various hazards and events. Each tenant is required to indemnify the Company with respect to all of the tenant's activities on the land. The leases contain other terms and conditions customary to such instruments.

The Company first began offering parcels for lease in the Capital Center area in the late 1980's. As of December 31, 2015, nine parcels have been leased by the Company under long-term leases of 99 years or more. Of the nine parcels,

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seven have improvements constructed thereon as follows:

13-story office building (235,000 gross square feet)

8-story 225-unit residential building (454,000 gross square feet)

4-story office building (114,000 gross square feet)

10-story office building (210,000 gross square feet)

17-story and 19-story residential buildings containing 193 units (307,000 gross square feet) and a 13-story office building (325,000 gross square feet)

4-story 96-unit residential building (120,000 gross square feet) and

330-car public parking garage.

While seeking developers, the Company also leases Parcels 3E, 3W, 4E and 4W in the Capital Center area for public parking purposes on a short-term basis to Metropark, Ltd.

Parcel 20 Adjacent to the Capital Center

Since the 1980 s, the Company has owned an undeveloped parcel of land adjacent to the Capital Center, which is leased out for public parking purposes on a short-term basis. In 2007, the Company purchased the adjacent parcel containing a three/four-story 18,000 square foot building (the Steeple Street Building) and related land for \$2,329,000, which, together with the previously-owned land, now comprises Parcel 20, containing 26,600 square feet. The Steeple Street Building is on the State Registry of Historic Buildings. During 2010-11, the Company substantially rehabilitated the Building. The Building has four commercial tenants with additional space available for lease.

All of the properties described above are shown on a map contained in Exhibit 20.1.

Lamar Lease

The Company, through a wholly-owned subsidiary, leases 23 outdoor advertising locations containing 44 billboard faces along interstate and primary highways in Rhode Island and Massachusetts to Lamar Outdoor Advertising, LLC (Lamar) under a lease which now expires in 2045. All but one of these locations are controlled by the Company through permanent easements granted to the Company pursuant to an agreement between the Company and Providence & Worcester Railroad Company, a related company (Railroad); the remaining location is leased by the Company from a third party with a remaining term of four years.

Although no new locations have been added since 2002, in 2013 Lamar converted billboards at two locations to electronic boards, which conversions extended the term of the lease for a total of twelve years to 2045. Lamar has a right of first refusal for additional billboard location sites acquired by the Company in New England and Metropolitan New York City.

The lease with Lamar provides, among other things, for the following: (1) the base rent increases annually at the rate of 2.75% for each leased billboard location commencing June 1, 2006 and on each June 1 thereafter; and (2) in addition to base rent, for each 12-month period commencing each June 1, Lamar must pay to the Company 30% of the gross revenues from each standard billboard and 20% of the gross revenues from each electronic billboard for such 12-month period, reduced by the sum of (a) commissions paid to third parties and (b) the base monthly rent for each leased billboard display for such 12-month period. The Lamar lease contains other terms and conditions customary to such

instruments.

The Company has the right to require the Railroad to grant to it additional permanent easements for the location of billboards along the Railroad's right-of-way on commercially reasonable terms.

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A summary of the long-term leases which have commenced is as follows:

Parcels in Capital Center Area								
Parcel Number	Description of Usage	Term of Lease	Termination Date	Options to Extend Lease	Current Annual Contractual Rental	Contingent Rental	Next Periodic Rental Adjustment	Annual Rent After Next Adjustment and/or Type of Next Adjustment
2	Residential/ Office	103 Yrs.	2108	Two 75-Year	\$ 456,000	None	2018	Cost-of-Living Adjustment
3S	Office	99 Yrs.	2087	None	\$ 618,000	None	2019	Appraisal
5	Residential	149 Yrs.	2142	None	\$ 540,000	1% Gross Revenues	2033	Appraisal
6A	Residential	99 Yrs.	2107	Two 50-Year	\$ 334,000	None	2019	\$367,000
6B	Residential/Office	99 Yrs.	2107	Two 50-Year	\$ 195,000	None	2019	\$214,000
6C	Residential/Office	99 Yrs.	2107	Two 50-Year	\$ 200,000	None	2019	\$220,000
7A	Garage	99Yrs.	2104	Two 75-Year	\$ 122,000	None	2017	Appraisal
8	Office	99 Yrs.	2090	None	\$ 290,000	1% Gross Revenues	2020	Appraisal
9	Office	149 Yrs.	2153	None	\$ 360,000	None	2016	\$378,000

Lamar

Description of Usage	Term of Lease	Termination Date	Options to Extend Lease	Current Annual Contractual Rental	Contingent Rental	Next Periodic Rental Adjustment	Annual Rent After Next Adjustment and/or Type of Next Adjustment
Billboard	39 Yrs.	2045	See Lamar Lease above	\$853,000	See Lamar Lease above	2016	\$876,000

Major tenants:

The following table sets forth those major tenants whose revenues exceed 10 percent of the Company's leasing segment revenues for the years ended December 31, 2015 and 2014:

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	2015	2014
Lamar Outdoor Advertising, LLC	\$ 999,000	\$ 990,000
Metropark, Ltd	647,000	636,000
One Citizens Plaza Holdings LLC	618,000	518,000
AvalonBay Communities, Inc.	612,000	612,000
	\$ 2,876,000	\$ 2,756,000

Competition

The Company competes for tenants with other owners of undeveloped real property in downtown Providence. The Company maintains no listing of other competitive properties and will not engage in a competitive bid arrangement with proposed developers. The Company's refusal to sell the land that it owns may restrict the number of interested developers. As to the Steeple Street Building, the Company competes for tenants with other office and commercial buildings located in downtown Providence.

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Employees

The leasing segment has two employees.

Petroleum Storage

Terminal and Pier Facility

The Company, through its wholly-owned subsidiary, Dunellen, LLC, owns a petroleum storage terminal containing 1,004,000 shell barrels (the Terminal) and the Wilkesbarre Pier (the Pier), collectively referred to as the Facility, located in East Providence, Rhode Island. The Terminal utilizes the Pier and pipelines connecting the Pier to the Terminal.

Leasing of the Facility

For the first four months of 2014, the Company leased a portion of the Facility (425,000 shell barrels) to Atlantic Trading & Marketing, Inc. which vacated the Facility on April 30, 2014.

On May 1, 2014, the Company entered into a Petroleum Storage Services Agreement (the Agreement) with Sprague Operating Resources, LLC (Sprague) for the lease of its entire storage capacity of 1,004,000 barrels for a term of five years. The base rent is \$3,500,000, subject to annual cost-of-living adjustments on May 1 of each year. In addition, the Company will receive an additional \$.15 for each barrel of throughput at the Facility in excess of 3,500,000 barrels in any contract year (May 1 to April 30). Sprague has the right to extend the Agreement for two additional terms of five years each, provided that Sprague gives at least twelve months notice prior to the expiration of the initial or the extension term, as applicable. Commencing April 1, 2016 and on each April 1 thereafter during the initial term and any extension term, either party during the following thirty days has the right to terminate the Agreement as of April 30 of the year next following the year in which notice of termination is given. Commencing May 1, 2015, Sprague will reimburse the Company for any real property taxes in excess of \$290,000. The Agreement contains other customary terms and conditions.

Environmental

The operation of a petroleum storage facility carries with it the risk of environmental contamination.

Environmental incident (2002)

In 2002, during testing of monitoring wells at the Terminal, the Company's consulting engineer discovered free floating phase product in a groundwater monitoring well located on that portion of the Terminal purchased in 2000. Laboratory analysis indicated that the product was gasoline, which is not a product the Company ever stored at the Terminal. The Company commenced an environmental investigation and analysis, the results of which indicate that the gasoline did not come from the Terminal. The Company notified the Rhode Island Department of Environmental Management (RIDEM). RIDEM subsequently identified Power Test Realty Partnership (Power Test), the owner of an adjacent parcel, as a potentially responsible party for the contamination. Getty Properties Corp. is the general partner of Power Test. Power Test challenged that determination and, after an administrative hearing, in October 2008 a RIDEM Hearing Officer determined that Power Test is responsible for the discharge of the petroleum product under the Rhode Island Oil Pollution Control Act, R.I.G.L. Section 46-12.5.1-3 and Rule 6(a) and 12(b) of the Oil Pollution Control Regulations. The RIDEM Decision and Order requires Power Test to remediate the contamination as directed by RIDEM and remanded the proposed penalty to RIDEM for recalculation. In November 2008, Power Test appealed the decision to the Rhode Island Superior Court. In addition, in November 2008, Power Test sought, and received, a stay of the Decision and Order of the Hearing Officer pending a clarification by RIDEM of the amount of the proposed penalty. In October 2009, RIDEM issued a recalculated administrative penalty, and, subsequently, the RIDEM Hearing Officer issued a recommended amended decision, which was affirmed as a final decision by the RIDEM Director in December 2009. In January 2010, Power Test appealed that decision to Superior Court. In September 2011, the Superior Court affirmed the decision of the RIDEM director. Power Test has appealed that decision to the Rhode Island Supreme Court. On March 4, 2016 the Supreme Court affirmed the decision of the Superior Court and the 2009 decision of the RIDEM Director.

In April 2009, the Company sued Power Test and Getty Properties Corp. in the Rhode Island Superior Court seeking remediation of the site or, in the alternative, the cost of the remediation. On May 1, 2009, Power Test and Getty Properties Corp. removed the action to the United States District Court for the District of Rhode Island (the Court). On May 22, 2009, Power Test and Getty Properties Corp. answered the Complaint and filed a Counterclaim against Dunellen, LLC and Capital Terminal Company alleging that Dunellen, LLC and Capital Terminal Company are responsible for the contamination. Getty Properties Corp. and Power Test joined Getty Petroleum Marketing, Inc., the tenant under a long-term lease with Getty Properties Corp. of the adjacent property, as a defendant. The Company amended its Complaint to add Getty Petroleum

Marketing, Inc. as a defendant. Getty Petroleum

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Marketing, Inc. moved for summary judgment against the Company, Getty Properties Corp. and Power Test. On December 5, 2011, Getty Petroleum Marketing, Inc. filed for bankruptcy under Chapter 11 of the United States Bankruptcy Act. Thereafter, with Bankruptcy Court approval, Getty Petroleum Marketing, Inc. rejected its lease with Getty Properties Corp. On August 24, 2012, the Bankruptcy Court approved a plan to liquidate Getty Petroleum Marketing, Inc. On January 15, 2013, the Court granted Getty Petroleum Marketing, Inc.'s motion for summary judgment against the Company, Getty Properties Corp. and Power Test, dismissing the Company's third-party complaint.

The parties have agreed to stay the litigation pending a determination by the Rhode Island Supreme Court on the Power Test appeal. The Company is in the process of evaluating its position in the light of the Rhode Island Supreme Court decision referred to above.

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

Environmental remediation (1994)

In 1994, a leak was discovered in a 25,000 barrel storage tank at the Terminal which allowed the escape of a small amount of fuel oil. All required notices were made to RIDEM. In 2000, the tank was demolished and testing of the groundwater indicated that there was no large pooling of contaminants. In 2001, RIDEM approved a plan pursuant to which the Company installed a passive system consisting of three wells and commenced monitoring the wells.

In 2003, RIDEM decided that the passive monitoring system previously approved was not sufficient and required the Company to design an active remediation system for the removal of product from the contaminated site. The Company and its consulting engineers began the pre-design testing of the site in the fourth quarter of 2004. The consulting engineers estimated a total cost of \$200,000 to design, install and operate the system, which amount was accrued in 2004. Through 2006, the Company had expended \$119,000 and has not incurred any significant costs since then. In 2011, RIDEM notified the Company to proceed with the next phase of the approval process, notifying the abutters of the proposed remediation system even though RIDEM has not yet taken any action on the Company's proposed plan. As designed, the system will pump out the contaminants which will be disposed of in compliance with applicable regulations. After a period of time, the groundwater will be tested to determine if sufficient contaminants have been removed. In 2014, the Company engaged new consultants to work with RIDEM to develop the next phase of the approval process. While the Company and its consulting engineers believe that the proposed active remediation system will correct the situation, it is possible that RIDEM could require the Company to expand remediation efforts, which could result in the Company incurring costs in excess of the remaining accrual of \$79,000.

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

Insurance

The Company maintains what management believes to be adequate levels of insurance, including environmental insurance.

Competition

The Facility competes with several other similar facilities located on and adjacent to the Providence Harbor. The Terminal has approximately 48% of the total distillate storage capacity in the Providence area. The current tenant, Sprague, competes with other terminal operators on the basis of price, availability and a willingness to advance credit to local wholesalers. The amount of petroleum throughput at the Terminal is a function of Sprague's ability to compete effectively in the marketplace and the amount of product Sprague sells at its City of Providence terminal.

Employees

The Terminal employs eight people on a full-time basis.

Item 2. Properties

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The Company owns approximately 18 acres and a historic building in and adjacent to the Capital Center District in Providence, Rhode Island. All of the property and a portion of the building are leased either under long-term leases or short-term leases as more particularly described in Item 1, Leasing Segment. The Company also owns or controls 23 locations on which 44 billboard faces have been constructed. All but one these locations are owned by the Company under permanent easements from a related company, the Railroad; the remaining location is leased from an unrelated third party with a remaining term of four years. The Company owns an approximate 10-acre site in East

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Providence, Rhode Island on which there are located nine petroleum storage tanks and related distribution racks together with a 3,000 square foot single-story office building which houses the Company's headquarters and other support operations. In 2006, the Company completed the development of the land currently owned by the Company at the Terminal. In addition, the Company is the owner of the Pier located in East Providence, Rhode Island. The Pier, which has a deep water draft capacity of -40 feet Mean Low Water, can accommodate ships up to 825 feet in length. The Company has a permanent right to use the pipelines connecting the Pier to the Terminal.

Item 3. Legal Proceedings - None

Item 4. Mine Safety Disclosure- Not applicable

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The Company's Class A Common Stock is traded on the OTCQX, symbol CPTP. The following table shows the high and low trading prices for the Company's Class A Common Stock during the quarterly periods indicated as obtained from the OTCQX, together with cash dividends paid per share during such periods.

	Trading Prices		Dividends Paid
	High	Low	
<u>2015</u>			
1st Quarter	12.60	11.00	
2nd Quarter	13.00	12.00	
3rd Quarter	12.50	11.33	
4th Quarter	12.75	11.05	
<u>2014</u>			
1st Quarter	8.75	8.00	
2nd Quarter	11.50	8.70	
3rd Quarter	11.50	9.60	
4th Quarter	12.05	10.93	

Information with respect to the high and low trading prices for the Class B Common Stock was not available because the stock was not listed on any exchange, was not quoted by any quotation service, and there was no known market for such Class B Common Stock.

At March 1, 2016, there were 450 holders of record of the Company's Class A Common Stock.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
1. Overview:
Critical accounting policies:

The Securities and Exchange Commission (SEC) has issued guidance for the disclosure of critical accounting policies. The SEC defines such policies as those that require application of management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods.

The Company's significant accounting policies are described in Note 2 of Notes to Consolidated Financial Statements in Item 8. Not all of these significant accounting policies require management to make difficult, subjective or complex judgments or estimates. Management believes that the Company's revenue recognition policy for long-term leases with scheduled rent increases (leasing segment) meets the SEC definition of critical.

Certain of the Company's long-term land leases have original terms of 30 to 149 years and contain scheduled rent increases where the future dollar increases are known at the time of the commencement of the lease or at a subsequent date.

The first such lease commenced in 1988, had an original term of 99 years and provides for fixed percentage increases at specified intervals (as well as reappraisal increases). In accordance with United States generally accepted accounting principles (GAAP) in accounting for leases, rental income related to the fixed percentage increases that are presently known should be recognized on a straight-line basis. To calculate the annual straight-line amount, the 99 known annual rental amounts are totaled and this total is divided by 99.

In 2009, a scheduled appraisal occurred, resulting in a rental increase. The Company recalculated the future annual straight-line amount using the remaining years under the lease. The turnaround date discussed below did not change.

For this lease, the calculated annual straight-line amount for 1988 was eight times (multiple) the amount paid by the tenant under the terms of the lease (the contractual amount). In subsequent years, as the tenant pays higher rents, the multiple gradually decreases until the 57th year of the lease, at which time the contractual amount paid by the tenant will exceed the calculated straight-line amount. If the Company were to report annual revenue for this lease using the straight-line amount, it would record a significant receivable for each of the first 56 years, which receivable would grow to approximately \$34,000,000. Management does not believe that the Company should record a receivable that would not begin to be collected until the 56th year (the turnaround date) since management could not be assured of collection.

In 1988, management met with the SEC accounting staff to discuss its concerns in applying GAAP as it related to a lease of this length which results in the recording of such a significant receivable that would remain on the Company's balance sheet and continue to grow on an annual basis with a turnaround date so far in the future. The Company presented the SEC accounting staff with an application of the accounting policy whereby management would evaluate the collectibility of the receivable on an annual basis and report as leasing revenue only that portion of the receivable that management could presently conclude would be collectible. The SEC accounting staff did not object to this application by the Company.

Through December 31, 2015, the receivable on this lease has grown to \$22,716,000 (cumulative excess of straight-line over contractual rentals) and management has not been able to conclude that any portion is collectible as the turnaround date is still 30 years away.

In 2004, a second such lease commenced with an original term of 149 years and provides for fixed minimum percentage increases at specified intervals (as well as reappraisal increases). For this lease, the contractual amount paid by the tenant will not exceed the calculated straight-line amount until the 94th year of the lease. Through December 31, 2015, the receivable on this lease is \$26,650,000 (cumulative excess of straight-line over contractual rentals) and management has not been able to conclude that any portion is collectible as the turnaround date is 82 years away.

In 2006, the Company entered into an Amended and Restated Agreement of its lease with Lamar Outdoor Advertising LLC (Lamar). In 2013, the lease was extended to 2045 following the conversion of billboards at two locations to electronic boards, as required by the lease, resulting in a current remaining term of 30 years which provides for fixed percentage increases annually. For this lease, the contractual amount paid by Lamar will not exceed the calculated straight-line amount until the 23rd year of the extended lease. Through December 31, 2015, the receivable on this lease is \$2,190,000 (cumulative excess of straight-line over contractual rentals) and management has not been able to conclude that any portion is collectible as the turnaround date is 14 years away.

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Accordingly, the Company has not reported any portion of these amounts as leasing revenue in its consolidated financial statements and does not anticipate that it can reach such a conclusion until the turnaround dates are closer. Although the Company's other long-term land leases provide for scheduled rent increases, the provisions of the leases are such that certain future dollar amounts could not be calculated either at the time of the commencement of the lease or now, as such amounts are based on factors that are not presently known, i.e., future cost-of-living adjustments or future appraised values. Through December 31, 2015, the receivable on these leases is \$14,389,000 and management has not been able to conclude that any portion is collectible as the turnaround dates are approximately 45 years away.

Segments:

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

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 have been required to construct buildings thereon, with the exception of the parking garage and Parcels 6B and 6C), the leasing of a portion of the Steeple Street Building under short-term leasing arrangements and the leasing of locations along interstate and primary highways in Rhode Island and Massachusetts to Lamar which has constructed outdoor advertising boards thereon. The Company anticipates that the future development of its remaining properties in and adjacent to the Capital Center area will consist primarily of long-term ground leases. Pending this development, the Company leases these parcels for public parking under short-term leasing arrangements to Metropark.

The petroleum storage segment consists of operating the petroleum storage terminal (the Terminal) containing 1,004,000 shell barrels and the Wilkesbarre Pier (the Pier), both of which are owned by the Company and are collectively referred to as the Facility, located in East Providence, Rhode Island for Sprague Operating Resources, LLC (Sprague), a wholly-owned subsidiary of Sprague Resources LP, which stores and distributes petroleum products.

The principal difference between the two segments relates to the nature of the operations. In the leasing segment, the tenants under long-term land leases incur substantially all of the development and operating costs of the assets constructed on the Company's land, including the payment of real property taxes on both the land and any improvements constructed thereon. In the petroleum storage segment, the Company is responsible for the operating and maintenance expenditures and real estate taxes up to \$290,000, as well as capital improvements at the Facility.

2. Liquidity and capital resources:*Bank loan:*

In December 2012, the Company and the Bank entered into an Amended and Restated Loan Agreement pursuant to which the Company refinanced the \$2,700,000 balance of the 2010 debt to the Bank and borrowed an additional \$3,025,000. In November 2015, the loan was paid in full.

Dividend notes:

On December 7, 2012, the Board of Directors of the Company declared an extraordinary dividend of \$2.25 per share on its Class A and Class B common stock to shareholders of record on December 17, 2012. On December 27, 2012, the Company paid out \$3,063,000 in cash and issued \$11,787,000 in principal face amount of 5% dividend notes due December 26, 2022 (the Dividend Notes). The Dividend Notes are unsecured general obligations of the Company bearing interest at the annual rate of 5% payable semi-annually on June 15 and December 15 to note holders of record on June 1 and December 1 of each year. The Dividend Notes may be redeemed in whole or in part at any time and from time to time at the option of the Company. The Dividend Notes are subject to mandatory redemption in an amount equal to the Net Proceeds from the sale of any real property owned by the Company or any of its subsidiaries. Net Proceeds is defined as the gross cash received by the Company from any such sale reduced by the sum of (a) costs relating to the sale, (b) federal and state income taxes as a result of the sale, and (c) the amount used by the Company to pay in whole or in part financial institution debts secured by a mortgage of the Company's or any subsidiary's real property regardless of whether such mortgage encumbers the property sold. The Company has obligated itself not to grant any mortgages on any of its property located in the Capital Center District in Providence, Rhode Island and to cause its subsidiaries not to grant any such mortgages, in each case without the consent of the holders of two-thirds of the outstanding principal face amount of the Dividend Notes. The Dividend Notes contain other customary terms and conditions. The interest payments on an annual basis total \$589,000.

Petroleum storage facility:

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For the first four months of 2014, the Company leased a portion of the Facility (425,000 shell barrels) to Atlantic Trading & Marketing, Inc. (ATMI) which vacated the Facility on April 30, 2014.

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On May 1, 2014, the Company entered into a Petroleum Storage Services Agreement (the Agreement) with Sprague Operating Resources, LLC (Sprague) for the lease of its entire storage capacity of 1,004,000 barrels for a term of five years. The base rent is \$3,500,000, subject to annual cost-of-living adjustments on May 1 of each year. There was no change in the base rent on May 1, 2015 because the cost-of-living decreased from May 1, 2014. In addition, the Company will receive an additional \$.15 for each barrel of throughput at the Facility in excess of 3,500,000 barrels in any contract year (May 1 to April 30). The total throughput for the year ended April 30, 2015 did not exceed 3,500,000 barrels. Commencing May 1, 2015, Sprague will reimburse the Company for any real property taxes in excess of \$290,000. There was no increase in the assessment or tax rate for the year 2015 and therefore no additional payment was due from Sprague.

During 2015, the Company's operating activities provided \$2,820,000 of cash, which was \$490,000 more than the cash provided by operating activities in 2014. The increase in cash flows from operations was principally due to the commencement of the Sprague lease on May 1, 2014. Cash at December 31, 2015 decreased \$702,000 from 2014 due in large part to the repayment in full of the bank loan.

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

Cash and cash commitments:

At December 31, 2015, the Company had cash of \$2,225,000. The Company and its three subsidiary companies each maintain a checking account in the same bank, each of which accounts is insured by the Federal Deposit Insurance Corporation to a maximum of \$250,000. The Company periodically evaluates the financial stability of the financial institution at which the Company's funds are held.

Under the terms of two long-term land leases, the scheduled annual contractual rent increased in 2015 as follows: on February 1, 2015, the rent on Parcel 8 increased \$20,000, and on April 1, 2015, the rent on Parcel 7A increased \$9,000. On July 1, 2015, rent commenced on Parcel 6C at the annual rate of \$200,000.

On April 1, 2016, under the terms of the long-term land lease on Parcel 9, the scheduled annual contractual rent will increase \$18,000.

At December 31, 2015, the Company has four tenants occupying 75 percent of the Steeple Street Building under short-term leases (five years or less) at a current total annual rental of \$160,000. The Company is currently marketing the remaining portions of the building for lease.

In light of the extraordinary dividend paid in December 2012, at each of the quarterly Board meetings held in 2015, the Board of Directors voted to omit the regular quarterly dividend of \$0.03 per share. The Board will review the declaration of future dividends on a quarterly basis. The declaration of future dividends will depend on future earnings and financial performance.

At December 31, 2015, the Company has no non-cancellable contract obligations other than one operating lease for a billboard location for which the rent expense is not material in amount.

3. Results of operations:
Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Leasing segment:

	2015	2014	Difference
Leasing revenues	\$ 5,016,000	\$ 4,696,000	\$ 320,000
Leasing expense	872,000	857,000	\$ 15,000
	\$ 4,144,000	\$ 3,839,000	

Leasing revenues increased due to scheduled increases in rentals under long-term land leases and increases under short-term leases, offset in part by a decrease in percentage rent under the Lamar lease. Leasing expense increased due to an increase in repairs and maintenance at the Steeple Street Building.

Petroleum storage segment:

	2015	2014	Difference
Petroleum storage facility revenues	\$ 3,520,000	\$ 3,063,000	\$ 457,000
Petroleum storage facility expense	2,569,000	2,732,000	\$ (163,000)
	\$ 951,000	\$ 331,000	

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Petroleum storage facility revenues increased in 2015 due to Sprague leasing the entire Facility. Under a lease that terminated on April 30, 2014, the Company leased to ATMI a portion of the storage capacity of the Facility. Petroleum storage facility expense decreased due to a decrease in insurance, professional fees and depreciation expense due to certain assets becoming fully depreciated in 2015, offset in part by an increase in payroll and related costs.

General:

For the year ended December 31, 2015, general and administrative expense increased \$31,000 due to an increase in payroll and related costs.

Interest expense:

For the years ended December 31, 2015 and 2014, interest expense, bank loan was \$113,000 and \$164,000, respectively. Although the interest expense paid on the bank loan was lower due to principal prepayments in both 2014 and 2015, when the Company paid the bank loan in full in November 2015, the remaining deferred financing fees of \$49,000 were written off and are included in interest expense for 2015. Total deferred financing fees amortized to interest expense for the year ended December 31, 2015 were \$57,000.

For the years ended December 31, 2015 and 2014, the interest expense on the dividend notes remained at the same level.

Income taxes:

For the year ended December 31, 2014, the Company's effective income tax rate was approximately 40 percent. For the year ended December 31, 2015, the Company's effective tax rate dropped to approximately 34 percent due to a change in the Rhode Island state corporate tax rate from 9 percent to 7 percent effective January 1, 2015. As described in Note 7 of Notes to Consolidated Financial Statements for the year ended December 31, 2015, during 2015 the Company determined that a change in the Rhode Island corporate income tax enacted in 2014 and effective January 1, 2015 was not properly reflected in computing the Company's deferred tax liability as of December 31, 2014. The Company has determined that the amount (\$163,000) is not material to its 2014 consolidated financial statements. The Company has elected to reflect the adjustment in its deferred tax liability in its 2015 consolidated financial statements which resulted in a lowering of its effective tax rate for 2015 from 39 percent to 34 percent. Had the Company reflected the adjustment in its 2014 consolidated financial statements, its effective tax rate would have been 32 percent as compared to the 39 percent reported. The effective tax rate in the quarterly consolidated financial statements for each year would have been similarly affected. The aggregate amount of the adjustment is \$163,000, or basic income per share of \$0.02.

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Item 8. Financial Statements and Supplementary Data

CAPITAL PROPERTIES, INC. AND SUBSIDIARIES

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REPORT OF INDEPENDENT REGISTERED

PUBLIC ACCOUNTING FIRM

Board of Directors

Capital Properties, Inc.

East Providence, Rhode Island

We have audited the accompanying consolidated balance sheets of Capital Properties, Inc. and subsidiaries (the Company) as of December 31, 2015 and 2014, and the related consolidated statements of income and retained earnings and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Capital Properties, Inc. and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended, in conformity with generally accepted accounting principles in the United States of America.

March 15, 2016

A Limited Liability Partnership

10 Weybosset Street, Suite 700, Providence, RI 02903 (p) 401.421.4800 1.800.927.LGCD (f) 401.421.0643 www.lgcd.com

Table of Contents**CAPITAL PROPERTIES, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

	December 31,	
	2015	2014
ASSETS		
Properties and equipment (net of accumulated depreciation)	\$ 19,833,000	\$ 19,789,000
Cash	2,225,000	2,927,000
Prepaid and other	623,000	653,000
	\$ 22,681,000	\$ 23,369,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Notes payable:		
Bank	\$	\$ 2,852,000
Dividend notes	11,787,000	11,787,000
Accounts payable and accrued expenses:		
Property taxes	282,000	282,000
Environmental remediation	79,000	80,000
Other	501,000	261,000
Income taxes payable	66,000	13,000
Deferred income taxes, net	4,720,000	5,011,000
	17,435,000	20,286,000
Shareholders' equity:		
Class A common stock, \$.01 par; authorized 10,000,000 shares; issued and outstanding 6,599,912 shares	66,000	66,000
Capital in excess of par	782,000	782,000
Retained earnings	4,398,000	2,235,000
	5,246,000	3,083,000
	\$ 22,681,000	\$ 23,369,000

See accompanying notes to consolidated financial statements.

Table of Contents**CAPITAL PROPERTIES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS**

	Years Ended December 31,	
	2015	2014
Revenues:		
Leasing	\$ 5,016,000	\$ 4,696,000
Petroleum storage facility	3,520,000	3,063,000
	8,536,000	7,759,000
Expenses:		
Leasing	872,000	857,000
Petroleum storage facility	2,569,000	2,732,000
General and administrative	1,104,000	1,073,000
Interest on notes:		
Bank loan	113,000	164,000
Dividend notes	589,000	589,000
	5,247,000	5,415,000
Income before income taxes	3,289,000	2,344,000
Income tax expense (benefit):		
Current	1,417,000	1,091,000
Deferred	(291,000)	(177,000)
	1,126,000	914,000
Net income	2,163,000	1,430,000
Retained earnings, beginning	2,235,000	805,000
Retained earnings, ending	\$ 4,398,000	\$ 2,235,000
Basic income per share, based upon 6,599,912 shares outstanding	\$.33	\$.22

See accompanying notes to consolidated financial statements.

Table of Contents**CAPITAL PROPERTIES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended December 31,	
	2015	2014
Cash flows from operating activities:		
Net income	\$ 2,163,000	\$ 1,430,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	789,000	859,000
Amortization of deferred costs	93,000	31,000
Deferred income taxes	(291,000)	(177,000)
Changes in assets and liabilities:		
Increase in:		
Prepaid and other	(62,000)	(94,000)
Accounts payable and accrued expenses	75,000	
Income taxes payable	53,000	13,000
Decrease in:		
Income taxes receivable		389,000
Accounts payable and accrued expenses		(121,000)
Net cash provided by operating activities	2,820,000	2,330,000
Cash flows from investing activities:		
Purchases of properties and equipment	(670,000)	(122,000)
Cash flows from financing activities:		
Principal payments on note payable, bank	(2,852,000)	(2,586,000)
Decrease in cash	(702,000)	(378,000)
Cash, beginning	2,927,000	3,305,000
Cash, ending	\$ 2,225,000	\$ 2,927,000
Supplemental disclosures:		
Cash paid for:		
Income taxes	\$ 1,363,000	\$ 758,000
Interest	\$ 648,000	\$ 748,000
Capital expenditures financed through accounts payable	\$ 163,000	\$

See accompanying notes to consolidated financial statements.

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CAPITAL PROPERTIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

1. Description of business:

Capital Properties, Inc. and its wholly-owned subsidiaries, Tri-State Displays, Inc., Capital Terminal Company and Dunellen, LLC (collectively referred to as the Company) operate in two segments, leasing and petroleum storage.

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, with the exception of the parking garage and Parcels 6B and 6C), the leasing of a portion of its building (Steeple Street Building) under short-term leasing arrangements and the leasing of locations along interstate and primary highways in Rhode Island and Massachusetts to Lamar Outdoor Advertising, LLC (Lamar) which has constructed outdoor advertising boards thereon. The Company anticipates that the future development of its remaining properties in and adjacent to the Capital Center area will consist primarily of long-term ground leases. Pending this development, the Company leases these parcels for public parking under short-term leasing arrangements to Metropark, Ltd. (Metropark).

The petroleum storage segment consists of operating the petroleum storage terminal (the Terminal) containing 1,004,000 shell barrels and the Wilkesbarre Pier (the Pier), both of which are owned by the Company and are collectively referred to as the Facility, located in East Providence, Rhode Island, for Sprague Operating Resources, LLC (Sprague), a wholly-owned subsidiary of Sprague Resources, LP, which stores and distributes petroleum products.

The principal difference between the two segments relates to the nature of the operations. In the leasing segment, the tenants under long-term land leases incur substantially all of the development and operating costs of the assets constructed on the Company s land, including the payment of real property taxes on both the land and any improvements constructed thereon. In the petroleum storage segment, the Company is responsible for the operating and maintenance expenditures and real estate taxes up to \$290,000, as well as capital improvements at the Facility.

2. Summary of significant accounting policies:

Principles of consolidation:

The accompanying consolidated financial statements include the accounts and transactions of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of estimates:

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

Fair value of financial instruments:

The Company believes that the fair values of its financial instruments, including cash, receivables and payables, approximate their respective book values because of their short-term nature. Upon review of current market conditions and other factors, the Company believes that the fair value of the dividend notes payable approximates their book value. The fair values described herein were determined using significant other observable inputs (Level 2) as defined by GAAP.

Properties and equipment:

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Properties and equipment are stated at cost. Acquisitions and additions are capitalized while routine maintenance and repairs, which do not improve the asset or extend its life, are charged to expense when incurred. Depreciation is being provided by the straight-line method over the estimated useful lives of the respective assets.

The Company follows GAAP when accounting for the impairment or disposal of long-lived assets, which requires that properties and equipment held and used by the Company be reviewed for impairment whenever events or changes in circumstances indicate that the net book value of the asset may not be recoverable. An impairment loss

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will be recognized if the sum of the expected future cash flows (undiscounted and before interest) from the use of the asset is less than the net book value of the asset. Generally, the amount of the impairment loss is measured as the difference between the net book value and the estimated fair value of the asset.

Cash and cash equivalents:

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. At December 31, 2015 and 2014, the Company had no cash equivalents. The Company and its three subsidiary companies each maintain a checking account in the same bank, each of which accounts is insured by the Federal Deposit Insurance Corporation to a maximum of \$250,000. The Company has not experienced any losses in such accounts.

Initial direct agreement costs:

Initial direct agreement costs associated with the execution of a rental agreement are capitalized and amortized on a straight-line basis over the non-cancellable portion of the agreement term.

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.

The Company charges to expense those costs that do not extend the life, increase the capacity or improve the safety or efficiency of the property owned or used by the Company.

Revenues:

Leasing The Company's properties leased to others are under operating leases. The Company reports leasing revenue when earned under the operating method.

Certain of the Company's long-term land leases, including the outdoor advertising locations, provide for presently known scheduled rent increases over the remaining terms (30 to 138 years). The Company follows GAAP in accounting for leases by recognizing leasing revenue on the straight-line basis over the terms of the leases; however, the Company does not report as revenue that portion of such straight-line rentals which management is unable to conclude is realizable (collectible) due to the length of the lease terms and other related uncertainties.

Petroleum storage facility The Company reports revenue from the operations of the Facility when earned and reports as revenue the tenant's portion of the real property taxes and certain other items as required by the lease.

Contingent The Company reports contingent revenue in the period in which the factors occur on which the contingent payments are predicated.

Income taxes:

The Company and its subsidiaries file consolidated income tax returns.

The Company provides for income taxes based on income reported for financial reporting purposes. The provision for income taxes differs from the amounts currently payable because of temporary differences associated with the recognition of certain income and expense items for financial reporting and tax reporting purposes.

The Company follows GAAP in accounting for uncertainty in income taxes. Based on its evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition in the consolidated financial statements. The Company will report any tax-related interest and penalties related to uncertain tax positions as a component of income tax expense.

Legal fees:

The Company recognizes legal fees as incurred.

Basic earnings per common share:

Basic earnings per common share are computed by dividing net income by the weighted average number of common shares outstanding during the period.

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The Company reviews new accounting standards as issued. Although some of these accounting standards may be applicable to the Company, the Company expects that none of the new standards will have a significant impact on its consolidated financial statements.

3. Properties and equipment:

Properties and equipment consist of the following:

	Estimated Useful Life in Years	December 31,	
		2015	2014
Properties on lease or held for lease:			
Land and land improvements		\$ 4,701,000	\$ 4,701,000
Building and improvements, Steeple Street	39	5,808,000	5,545,000
		10,509,000	10,246,000
Petroleum storage facility, on lease:			
Land and land improvements		6,076,000	5,569,000
Buildings and structures	30	1,867,000	1,867,000
Tanks and equipment	15-20	14,770,000	14,707,000
		22,713,000	22,143,000
Office equipment	5-10	112,000	112,000
		33,334,000	32,501,000
Less accumulated depreciation:			
Properties on lease or held for lease		1,214,000	1,000,000
Petroleum storage facility, on lease		12,199,000	11,631,000
Equipment		88,000	81,000
		13,501,000	12,712,000
		\$ 19,833,000	\$ 19,789,000

4. Notes payable:*Bank loan:*

In December 2012, the Company and the Bank entered into an Amended and Restated Loan Agreement (the Agreement) pursuant to which the Company refinanced the \$2,700,000 remaining balance of the 2010 debt to the Bank and borrowed an additional \$3,025,000, the net proceeds of which were used to pay part of an extraordinary dividend of \$2.25 per share to shareholders of record on December 17, 2012 (see Note 8). Pursuant to the Agreement, the Company amended and restated the then existing note to the Bank, the first mortgage on Parcels 3S and 5 and certain other loan documents. The Company was required to maintain a debt service coverage ratio of 1.2 to 1 with respect to the two mortgaged properties and to maintain unencumbered liquid assets (cash or marketable securities) of \$1,000,000 at the Bank.

In June and December 2014, the Company prepaid \$1,000,000 and \$1,300,000, respectively, on its bank loan payable. In 2015, the Company prepaid \$1,000,000 in both May and August on the bank loan and in November paid the bank loan in full.

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Financing fees totaling \$71,000 were being amortized by the straight-line method over the 10-year term of the note. At December 31, 2014, deferred financing fees were \$57,000, which are included in prepaid and other on the accompanying balance sheet. Upon the payment of the bank note in full in November 2015, the remaining financing fees were written off. For the years ended December 31, 2015 and 2014, amortization of deferred financing fees included in interest expense on the accompanying consolidated statements of income and retained earnings total \$57,000 and \$7,000, respectively.

Dividend notes:

In December 2012, the Company issued \$11,787,000 in principal face amount of 5% dividend notes due December 26, 2022 (the Dividend Notes). The Dividend Notes are unsecured general obligations of the Company bearing interest at the annual rate of 5% payable semi-annually on June 15 and December 15 to note holders of record on June 1 and December 1 of each year. The Dividend Notes may be redeemed in whole or in part at any time and from time to time at the option of the Company. The Dividend Notes are subject to mandatory redemption in an amount equal to the Net Proceeds from the sale of any real property owned by the Company or any of its subsidiaries. Net

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Proceeds is defined as the gross cash received by the Company from any such sale reduced by the sum of (a) costs relating to the sale, (b) federal and state income taxes as a result of the sale, and (c) the amount used by the Company to pay in whole or in part financial institution debts secured by a mortgage of the Company's or any subsidiary's real property regardless of whether such mortgage encumbers the property sold. The Company has obligated itself not to grant any mortgages on any of its property located in the Capital Center District in Providence, Rhode Island, and to cause its subsidiaries not to grant any such mortgages, in each case without the consent of the holders of two-thirds of the outstanding principal face amount of the Dividend Notes. The Dividend Notes contain other customary terms and conditions.

5. Description of leasing arrangements:*Long-term land leases:*

As of December 31, 2015, the Company had entered into nine long-term land leases. Of the nine parcels, seven have had improvements constructed thereon.

Under the nine land leases, the tenants are required to negotiate any tax stabilization treaty or other arrangements, appeal any changes in real property assessments, and pay real property taxes assessed on land and improvements under these arrangements. Accordingly, real property taxes payable by the tenants are excluded from leasing revenues and leasing expenses on the accompanying consolidated statements of income and retained earnings. For the years ended December 31, 2015 and 2014, the real property taxes attributable to the Company's land under these nine leases were \$951,000 and \$1,033,000, respectively.

Under two of the long-term land leases, the Company receives contingent rentals (based upon a fixed percentage of gross revenue received by the tenants) which totaled \$104,000 for both years ended December 31, 2015 and 2014.

With respect to the Parcel 6B and 6C leases, each lessee has the right to terminate its lease at any time during the remaining term of that lease upon thirty days' notice. To date, no notice of termination has been received by the Company. The current annual rents on Parcels 6B and 6C are \$195,000 and \$200,000, respectively.

Lamar lease:

The Company, through a wholly-owned subsidiary, leases 23 outdoor advertising locations containing 44 billboard faces along interstate and primary highways in Rhode Island and Massachusetts to Lamar under a lease which expires in 2045. All but one of these locations are controlled by the Company through permanent easements granted to the Company pursuant to an agreement between the Company and Providence & Worcester Railroad Company, a related company ("Railroad"); the remaining location is leased by the Company from a third party with a remaining term of four years.

In 2013, Lamar converted billboards at two locations to electronic billboards, which conversions extended the term of the lease for a total of twelve years. The Lamar lease also provides, among other things, for the following: (1) the base rent increases annually at the rate of 2.75% for each leased billboard location on June 1 of each year, and (2) in addition to base rent, for each 12-month period commencing each June 1, Lamar must pay to the Company within thirty days after the close of the lease year 30% of the gross revenues from each standard billboard and 20% of the gross revenues from each electronic billboard for such 12-month period, reduced by the sum of (a) commissions paid to third parties and (b) base monthly rent for each leased billboard display for each 12-month period. For the lease years ended May 31, 2015 and 2014, the percentage rents totaled \$155,000 and \$169,000, respectively, which amounts are included in leasing revenues on the accompanying consolidated statements of income and retained earnings for the years ended December 31, 2015 and 2014. The Lamar lease contains other terms and conditions customary to such instruments.

Minimum future contractual rental payments to be received from non-cancellable long-term leases as of December 31, 2015 are:

Year ending December 31,	
2016	\$ 3,995,000
2017	4,023,000
2018	4,048,000
2019	4,110,000

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2020	4,148,000
2021 to 2153	793,388,000
	\$ 813,712,000

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For those leases with presently known scheduled rent increases at December 31, 2015 and 2014, the cumulative excess of straight-line over contractual rentals (considering scheduled rent increases over the 30 to 149 year terms of the leases) and the portion of the excess of straight-line over contractual rentals which management has concluded is realizable when payable over the terms of the leases at December 31, 2015 and 2014 are as follows:

	2015	2014
Cumulative excess of straight-line over contractual rentals	\$ 65,944,000	\$ 61,952,000
Amount management has not been able to conclude is collectible	(65,903,000)	(61,911,000)
Accrued leasing revenues, which are included in prepaid and other on the accompanying consolidated balance sheets	\$ 41,000	\$ 41,000

In the event of tenant default, the Company has the right to reclaim its leased land together with any improvements thereon, subject to the right of any leasehold mortgagee to enter into a new lease with the Company with the same terms and conditions as the lease in default.

Short-term leases:

The Company leases the undeveloped parcels of land in or adjacent to the Capital Center area for public parking purposes to Metropark under a short-term cancellable lease.

At December 31, 2015, the Company has four tenants occupying 75 percent of the Steeple Street Building under short-term leases of five years or less at a current total annual rental of \$160,000. The Company is recognizing the revenue from these leases on a straight-line basis over the terms of the leases. At December 31, 2015 and 2014, the excess of straight-line over contractual rentals is \$1,000 and \$6,000, respectively, which is included in prepaid and other on the accompanying consolidated balance sheets. The Company also reports as revenue from tenants reimbursements for common area costs and real property taxes. The Company is currently marketing the remaining portions of the building for lease.

6. Petroleum storage facility and environmental incidents:*Leasing of the Facility:*

For the first four months of 2014, the Company leased a portion of the Facility (425,000 barrels) to Atlantic Trading & Marketing, Inc., which vacated the Facility on April 30, 2014.

On May 1, 2014, the Company entered into a Petroleum Storage Services Agreement (the Agreement) with Sprague Operating Resources, LLC (Sprague) for the lease of its entire storage capacity of 1,004,000 barrels for a term of five years. The base rent is \$3,500,000, subject to annual cost-of-living adjustments on May 1 of each year. There was no change in the base rent on May 1, 2015 because the cost-of-living decreased from May 1, 2014. In addition, the Company will receive an additional \$.15 for each barrel of throughput at the Facility in excess of 3,500,000 barrels in any contract year (May 1 to April 30). The total throughput for the year ended April 30, 2015 did not exceed 3,500,000 barrels. Sprague has the right to extend the Agreement for two additional terms of five years each, provided that Sprague gives at least twelve months notice prior to the expiration of the initial or the extension term, as applicable. Commencing April 1, 2016 and on each April 1 thereafter during the initial term and any extension term, either party during the following thirty days has the right to terminate the Agreement as of April 30 of the year next following the year in which notice of termination is given.

For the year ended December 31, 2014, the Company was not reimbursed for any real property taxes. Commencing May 1, 2015, Sprague is obligated to reimburse the Company for any real property taxes in excess of \$290,000. There was no increase in the assessment or tax rate for the year 2015 and therefore no additional payment was due from Sprague.

The Agreement contains other customary terms and conditions.

The Company incurred \$108,000 in fees in connection with the execution of the Agreement, which amounts are being amortized on the straight-line method over the three-year non-cancellable portion of the term of the Agreement and are included in petroleum storage facility

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expenses on the accompanying consolidated statements of income and retained earnings for the years ended December 31, 2015 and 2014. At December 31, 2015 and 2014, unamortized deferred agreement costs were \$48,000 and \$84,000, respectively, which are included in prepaid and other on the accompanying consolidated balance sheets.

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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 Terminal. The Pier and the Terminal are connected by two petroleum pipelines which the Company has a permanent right to use.

Environmental incident (2002):

In 2002, during testing of monitoring wells at the Terminal, the Company's consulting engineer discovered free floating phase product in a groundwater monitoring well located on that portion of the Terminal purchased in 2000. Laboratory analysis indicated that the product was gasoline, which is not a product the Company ever stored at the Terminal. The Company commenced an environmental investigation and analysis, the results of which indicate that the gasoline did not come from the Terminal. The Company notified the Rhode Island Department of Environmental Management (RIDEM). RIDEM subsequently identified Power Test Realty Partnership (Power Test), the owner of an adjacent parcel, as a potentially responsible party for the contamination. Getty Properties Corp. is the general partner of Power Test. Power Test challenged that determination and, after an administrative hearing, in October 2008 a RIDEM Hearing Officer determined that Power Test is responsible for the discharge of the petroleum product under the Rhode Island Oil Pollution Control Act, R.I.G.L. Section 46-12.5.1-3 and Rule 6(a) and 12(b) of the Oil Pollution Control Regulations. The RIDEM Decision and Order requires Power Test to remediate the contamination as directed by RIDEM and remanded the proposed penalty to RIDEM for recalculation. In November 2008, Power Test appealed the decision to the Rhode Island Superior Court. In addition, in November 2008, Power Test sought, and received, a stay of the Decision and Order of the Hearing Officer pending a clarification by RIDEM of the amount of the proposed penalty. In October 2009, RIDEM issued a recalculated administrative penalty, and, subsequently, the RIDEM Hearing Officer issued a recommended amended decision, which was affirmed as a final decision by the RIDEM Director in December 2009. In January 2010, Power Test appealed that decision to the Superior Court. In September 2011, the Superior Court affirmed the decision of the RIDEM director. Power Test has appealed that decision to the Rhode Island Supreme Court. On March 4, 2016, the Supreme Court affirmed the decision of the Superior Court and the 2009 decision of the RIDEM Director.

In April 2009, the Company sued Power Test and Getty Properties Corp. in the Rhode Island Superior Court seeking remediation of the site or, in the alternative, the cost of the remediation. On May 1, 2009, Power Test and Getty Properties Corp. removed the action to the United States District Court for the District of Rhode Island (the Court). On May 22, 2009, Power Test and Getty Properties Corp. answered the Complaint and filed a Counterclaim against Dunellen, LLC and Capital Terminal Company alleging that Dunellen, LLC and Capital Terminal Company are responsible for the contamination. Getty Properties Corp. and Power Test joined Getty Petroleum Marketing, Inc., the tenant under a long-term lease with Getty Properties Corp. of the adjacent property, as a defendant. The Company amended its Complaint to add Getty Petroleum Marketing, Inc. as a defendant. Getty Petroleum Marketing, Inc. moved for summary judgment against the Company, Getty Properties Corp. and Power Test. On December 5, 2011, Getty Petroleum Marketing, Inc. filed for bankruptcy under Chapter 11 of the United States Bankruptcy Act. Thereafter, with Bankruptcy Court approval, Getty Petroleum Marketing, Inc. rejected its lease with Getty Properties Corp. On August 24, 2012, the Bankruptcy Court approved a plan to liquidate Getty Petroleum Marketing, Inc. On January 15, 2013, the Court granted Getty Petroleum Marketing, Inc.'s motion for summary judgment against the Company, Getty Properties Corp. and Power Test, dismissing the Company's third-party complaint.

The parties have agreed to stay the litigation pending a determination by the Rhode Island Supreme Court on the Power Test appeal. The Company is evaluating its position in light of the decision of the Supreme Court referred to above.

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

Environmental remediation (1994):

In 1994, a leak was discovered in a 25,000 barrel storage tank at the Terminal which allowed the escape of a small amount of fuel oil. All required notices were made to RIDEM. In 2000, the tank was demolished and testing of the groundwater indicated that there was no large pooling of contaminants. In 2001, RIDEM approved a plan pursuant to which the Company installed a passive system consisting of three wells and commenced monitoring the wells.

In 2003, RIDEM decided that the passive monitoring system previously approved was not sufficient and required the Company to design an active remediation system for the removal of product from the contaminated site. The Company and its consulting engineers began the pre-design testing of the site in the fourth quarter of 2004. The consulting engineers estimated a total cost of \$200,000 to design, install and operate the system, which amount was accrued in 2004. Through 2006, the Company had expended \$119,000 and has not incurred any significant costs since then. In 2011, RIDEM notified the company to proceed with the next phase of the approval process, notifying

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the abutters of the proposed remediation system even though RIDEM has not yet taken any action on the Company's proposed plan. As designed, the system will pump out the contaminants which will be disposed of in compliance with applicable regulations. After a period of time, the groundwater will be tested to determine if sufficient contaminants have been removed. In 2014, the Company engaged new consultants to work with RIDEM to develop the next phase of the approval process. While the Company and its consulting engineers believe that the proposed active remediation system will correct the situation, it is possible that RIDEM could require the Company to expand remediation efforts, which could result in the Company incurring costs in excess of the remaining accrual of \$79,000.

7. Income taxes:

In 2014, Rhode Island changed the tax rate for corporate taxpayers from 9 percent to 7 percent effective January 1, 2015. The Company failed to adjust its deferred tax liability as reported in its consolidated financial statements for December 31, 2014 to reflect the downward adjustment in the rate. Had the Company properly reflected the rate adjustment, it would have reported a decrease of the deferred tax liability and an increase in shareholders' equity, the deferred tax benefit and net income of \$163,000. The adjustment would have increased basic income per share by \$0.02. The Company has determined that the effect of this error in its consolidated financial statements at and for the year ended December 31, 2014 was not material. The Company recorded the adjustment in its consolidated financial statements for the year ended December 31, 2015, which decreased the deferred tax liability and increased shareholders' equity, the deferred tax benefit and net income by \$163,000 and its effective tax rate from 39 percent to 34 percent. The effective tax rate in the quarterly consolidated financial statements would have been similarly affected.

For the years ended December 31, 2015 and 2014, income tax expense (benefit) is comprised of the following components:

	2015	2014
Current:		
Federal	\$ 1,134,000	\$ 876,000
State	283,000	215,000
	1,417,000	1,091,000
Deferred:		
Federal	(14,000)	(142,000)
State	(277,000)	(35,000)
	(291,000)	(177,000)
	\$ 1,126,000	\$ 914,000

For the years ended December 31, 2015 and 2014, a reconciliation of the income tax provision as computed by applying the United States income tax rate (34%) to income before income taxes is as follows:

	2015	2014
Computed expected tax	\$ 1,118,000	\$ 797,000
Increase in expected tax resulting from state income tax, net of federal income tax benefit	8,000	117,000
	\$ 1,126,000	\$ 914,000

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

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	December 31,	
	2015	2014
Gross deferred tax liabilities:		
Property having a financial statement basis in excess of tax basis:		
Cost differences	\$ 3,622,000	\$ 3,751,000
Depreciation differences	1,103,000	1,265,000
	4,725,000	5,016,000
Insurance premiums and accrued leasing revenues	137,000	143,000
	4,862,000	5,159,000
Deferred tax assets	(142,000)	(148,000)
	\$ 4,720,000	\$ 5,011,000

The Company follows GAAP when reviewing all its tax positions and has determined that no reserves are required.

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

The Company makes decisions relative to the allocation of resources and evaluates performance based on each segment's respective income before income taxes, excluding interest expense and certain corporate expenses.

Inter-segment revenues are immaterial in amount.

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

	December 31,	
	2015	2014
<i>Leasing:</i>		
Revenues:		
Long-term leases:		
Contractual	\$ 3,862,000	\$ 3,581,000
Contingent	259,000	274,000
Short-term leases:		
Contractual	900,000	842,000
Non-cash, excess of straight-line over contractual rentals	(5,000)	(1,000)
	\$ 5,016,000	\$ 4,696,000
Property tax expense	\$ 419,000	\$ 419,000
Depreciation	\$ 214,000	\$ 213,000
Income before income taxes	\$ 4,144,000	\$ 3,839,000
Assets	\$ 9,519,000	\$ 9,494,000
Properties and equipment, additions	\$ 263,000	\$
<i>Petroleum storage:</i>		
Revenues, contractual	\$ 3,520,000	\$ 3,063,000
Property tax expense	\$ 290,000	\$ 290,000
Depreciation	\$ 568,000	\$ 643,000
Income before income taxes	\$ 951,000	\$ 331,000
Assets	\$ 11,397,000	\$ 11,400,000
Properties and equipment, additions	\$ 570,000	\$ 93,000

The following is a reconciliation of the segment information to the amounts reported in the accompanying consolidated financial statements:

December 31,
2015 2014

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Revenues for operating segments:		
Leasing	\$ 5,016,000	\$ 4,696,000
Petroleum storage	3,520,000	3,063,000
Total consolidated revenues	\$ 8,536,000	\$ 7,759,000
Property tax expense:		
Property tax expense for operating segments:		
Leasing	\$ 419,000	\$ 419,000
Petroleum storage	290,000	290,000
	709,000	709,000
Unallocated corporate property tax expense	1,000	2,000
Total consolidated property tax expense	\$ 710,000	\$ 711,000

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	December 31,	
	2015	2014
Depreciation:		
Depreciation for operating segments:		
Leasing	\$ 214,000	\$ 213,000
Petroleum storage	568,000	643,000
	782,000	856,000
Unallocated corporate depreciation	7,000	3,000
Total consolidated depreciation	\$ 789,000	\$ 859,000
Income before income taxes:		
Income for operating segments:		
Leasing	\$ 4,144,000	\$ 3,839,000
Petroleum storage	951,000	331,000
	5,095,000	4,170,000
Unallocated corporate expenses	(1,104,000)	(1,073,000)
Interest expense	(702,000)	(753,000)
Total consolidated income before income taxes	\$ 3,289,000	\$ 2,344,000
Assets:		
Assets for operating segments:		
Leasing	\$ 9,519,000	\$ 9,494,000
Petroleum storage	11,397,000	11,400,000
	20,916,000	20,894,000
Corporate cash and cash equivalents	1,742,000	2,387,000
Other unallocated amounts	23,000	88,000
Total consolidated assets	\$ 22,681,000	\$ 23,369,000
Properties and equipment, additions:		
Leasing	\$ 263,000	\$
Petroleum storage	570,000	93,000
	833,000	93,000
Unallocated corporate additions to properties and equipment		29,000
Total consolidated additions	\$ 833,000	\$ 122,000

The following table sets forth those customers whose revenues exceed 10 percent of the Company's segment revenues for the years ended December 31, 2015 and 2014:

	2015	2014
Leasing segment:		
Lamar Outdoor Advertising, LLC	\$ 999,000	\$ 990,000
Metropark, Ltd	647,000	636,000
One Citizens Plaza Holdings LLC	618,000	518,000
AvalonBay Communities, Inc.	612,000	612,000

\$ 2,876,000 \$ 2,756,000

Petroleum storage segment, Sprague Operating Resources, LLC	\$ 3,520,000	\$ 2,333,000
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9. Related party transaction:

The Company and Providence and Worcester Railroad Company (the Railroad) have a common controlling shareholder. The Company has the right to use certain pipelines located in the right of way of the Railroad which were constructed by Getty Oil Company (Eastern Operations), Inc.

In May 2012, the Company and Railroad entered into a License Agreement licensing to the Company track facilities which may be installed in connection with a railcar-loading/unloading facility upon Railroad's right-of-way. The License Agreement continues through December 31, 2015, and thereafter is extended for additional three-year periods unless cancelled by the Company upon thirty days' written notice prior to termination. The Company did not cancel the License Agreement and it is therefore extended to December 31, 2018.

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no changes in, or disagreements with, accountants on accounting or financial disclosure as defined by Item 304 of Regulation S-K.

Item 9A. Controls and Procedures

Under the supervision of the Company's management, including its principal executive officer and principal financial officer, the Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rule 13a-15 under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon this evaluation, the principal executive officer and principal financial officer have concluded that, as of such date, the Company's disclosure controls and procedures were effective in making them aware on a timely basis of the material information relating to the Company required to be included in the Company's periodic filings with the Securities and Exchange Commission.

Management's Annual Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of its financial reporting and the preparation of published financial statements in accordance with United States generally accepted accounting principles.

However, because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or the degree of compliance with policies may deteriorate.

Management conducted its evaluation of the effectiveness of its internal control over financial reporting based on the framework in 2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) as of December 31, 2015. During 2015, the Company did not properly reflect the decrease of the Rhode Island corporate tax rate into its calculation of the deferred tax liability in its consolidated financial statements for the years ended December 31, 2014 or 2015. The Company utilizes a third-party professional firm to review the tax provision as a control over the accuracy of the tax calculation; however, the control did not detect the error. The Company has evaluated this control deficiency using guidance issued by the Securities and Exchange Commission and the Public Company Accounting Oversight Board and determined it was a significant deficiency. The Company has revised the control procedure applied by the third-party professional firm to include a second level of review.

Based on this assessment, the principal executive officer and principal financial officer believe that as of December 31, 2015, the Company's internal control over financial reporting was effective based on criteria set forth by COSO in 2013 Internal Control-Integrated Framework.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

Changes in Internal Control over Financial Reporting

During the quarter ended December 31, 2015, there has been no change in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents**PART III****Item 10. Directors, Executive Officers and Corporate Governance**

The information concerning directors required by this item, including the Audit Committee and the Audit Committee financial expert, is incorporated by reference to the Sections entitled Election of Directors, Section 16(a) Beneficial Ownership Reporting Compliance, Security Ownership of Certain Beneficial Owners and Management and Audit Committee Report in the Company's Definitive Proxy for the 2016 Annual Meeting of Shareholders to be filed with the SEC.

The following are the executive officers of the Registrant:

Name	Age	Office Held	Date of First Election to Office
Robert H. Eder	83	President, Capital Properties, Inc.	1995
Barbara J. Dreyer	77	Treasurer, Capital Properties, Inc.	1997
Stephen J. Carlotti	73	Secretary, Capital Properties, Inc.	1998
Todd D. Turcotte	44	Vice President, Capital Properties, Inc.	2008

All officers hold their respective offices until their successors are duly elected and qualified. Ms. Dreyer served as President and Treasurer of the Registrant from 1995 to 1997 and as Treasurer since that date. Mr. Carlotti is a partner in the law firm, Hinckley, Allen & Snyder LLP, which firm provides legal services to the Company.

Code of Ethics:

The Company has adopted a Code of Ethics which applies to all directors, officers and employees of the Company and its subsidiaries including the Principal Executive Officer and the Treasurer (who is both the principal accounting and financial officer), which meets the requirement of a code of ethics as defined in Item 406 of Regulation S-K. The Company will provide a copy of the Code to shareholders pursuant to any request directed to the Treasurer at the Company's principal offices. The Company intends to disclose any amendments to, or waiver of, any provisions of the Code for the Principal Executive Officer or Treasurer, or any person performing similar functions.

The additional information required by this item is incorporated by reference to the Section entitled Corporate Governance in the Company's Definitive Proxy Statement for the 2016 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission.

Item 11. Executive Compensation

The information required by this item is incorporated by reference to the Sections entitled Compensation of Directors, Compensation Discussion and Analysis, and Executive Compensation in the Company's Definitive Proxy Statement for the 2016 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated by reference to the Section entitled Security Ownership of Certain Beneficial Owners and Management in the Company's Definitive Proxy Statement for the 2016 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission.

Item 13. Certain Relationships and Related Transactions and Director Independence

The Company and Providence and Worcester Railroad Company (the Railroad) have a common controlling shareholder.

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In May 2012, the Company and Railroad entered into a License Agreement licensing to the Company track facilities which may be installed in connection with a railcar-loading/unloading facility upon Railroad's right-of-way. The License Agreement continues through December 31, 2015, and thereafter is extended for additional three-year periods unless cancelled by the Company upon thirty days' written notice prior to termination. The Company did not cancel the License Agreement and it is therefore extended to December 31, 2018.

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The information required by this item is incorporated by reference to the Sections entitled "Election of Directors" and "Transactions with Management" in the Company's Definitive Proxy Statement for the 2016 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission.

Item 14. Principal Accountant Fees and Services

The information required by this item is incorporated by reference to the Section entitled "Independent Registered Public Accountants" in the Company's Definitive Proxy Statement for the 2016 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) and (c) The consolidated financial statements are included in Item 8.

(b) Exhibits:

- 3.1** Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the registrant's report on Form 8-K filed on April 24, 2013)
- 3.2** By-laws, as amended (incorporated by reference to Exhibit 3.2 to the registrant's annual report on Form 10-K for the year ended December 31, 2007)
- 10** Material contracts:
 - (a) Petroleum Storage Services Agreement between Sprague Operating Resources, LLC and Company:**
 - (i) Dated April 18, 2014 (incorporated by reference to Exhibit 10(a) to the registrant's quarterly report on Form 10-Q for the quarter ended March 31, 2014)
 - (b) Amended Loan Agreement between Bank Rhode Island and Company:**
 - (i) Dated December 20, 2012 (incorporated by reference to Exhibit 10.1 to the registrant's report on Form 8-K filed on December 27, 2012)
 - (c) Form of Dividend Note:**
 - (i) Dated December 27, 2012 (incorporated by reference to Exhibit 10.2 to the registrant's report on Form 8-K filed on December 27, 2012)
 - (d) Lease between Metropark, Ltd. and Company:**
 - (i) Dated January 1, 2005 (incorporated by reference to Exhibit 10(a) to the registrant's annual report on Form 10-KSB for the year ended December 31, 2004), as amended.
- 20.1** Map of the Company's parcels in Downtown Providence, Rhode Island
- 20.2** Map of the Company's petroleum storage facility in East Providence, Rhode Island
- 21** Subsidiaries of the Company
- 31.1** Rule 13a-14(a) Certification of President and Principal Executive Officer
- 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
- 32.2** Certification of Treasurer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 101** The following financial information from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, filed with the Securities and Exchange Commission on March 15, 2016, formatted in eXtensible Business Reporting Language:

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- (i) Consolidated Balance Sheets as of December 31, 2015 and December 31, 2014
- (ii) Consolidated Statements of Income and Retained Earnings for the Years ended December 31, 2015 and 2014
- (iii) Consolidated Statements of Cash Flows for the Years ended December 31, 2015 and 2014
- (iv) Notes to Consolidated Financial Statements

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SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Company has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CAPITAL PROPERTIES, INC.

By /s/ Robert H. Eder
Robert H. Eder
President and Principal Executive Officer

DATED: March 15, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Company and on the dates indicated.

/s/ Robert H. Eder
Robert H. Eder
President and Director

March 15, 2016

Principal Executive Officer

/s/ Barbara J. Dreyer
Barbara J. Dreyer
Treasurer, Principal Financial Officer

March 15, 2016

and Principal Accounting Officer

/s/ Alfred J. Corso
Alfred J. Corso, Director

March 15, 2016

/s/ Harris N. Rosen
Harris N. Rosen, Director

March 15, 2016