

CAPITAL PROPERTIES INC /RI/

Form 10-Q

November 07, 2012

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, DC 20549

**FORM 10-Q**

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

For the quarterly period ended September 30, 2012

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)

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**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)

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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 September 30, 2012, the Company had 3,789,343 shares of Class A Common Stock and 2,810,569 shares of Class B Common Stock outstanding.

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**FORM 10-Q**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 2012**  
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**Table of Contents****PART I****Item 1. Consolidated Financial Statements  
CAPITAL PROPERTIES, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

	September 30, 2012 (unaudited)	December 31, 2011
<b>ASSETS</b>		
Properties and equipment (net of accumulated depreciation)	\$ 21,587,000	\$ 22,097,000
Cash	2,628,000	2,178,000
Income taxes receivable		45,000
Prepaid and other	394,000	652,000
	\$ 24,609,000	\$ 24,972,000
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
Liabilities:		
Note payable (\$300,000 due within one year)	\$ 2,775,000	\$ 4,000,000
Accounts payable and accrued expenses:		
Property taxes	304,000	291,000
Environmental incidents:		
Pipeline rupture		76,000
Environmental remediation	81,000	81,000
Other	297,000	242,000
Income taxes payable	144,000	
Deferred:		
Leasing revenues		70,000
Income taxes, net	5,428,000	5,641,000
	9,029,000	10,401,000
Shareholders equity:		
Class A common stock, \$.01 par; authorized 10,000,000 shares; issued and outstanding, 3,789,343 shares at September 30, 2012 and 3,744,192 shares at December 31, 2011	38,000	37,000
Class B common stock, \$.01 par; authorized 3,500,000 shares; issued and outstanding, 2,810,569 shares at September 30, 2012 and 2,855,720 shares at December 31, 2011	28,000	29,000
Excess stock, \$.01 par; authorized 1,000,000 shares; none issued and outstanding		
Capital in excess of par	11,762,000	11,762,000
Retained earnings	3,752,000	2,743,000
	15,580,000	14,571,000
	\$ 24,609,000	\$ 24,972,000

See notes to consolidated financial statements.



**Table of Contents****CAPITAL PROPERTIES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS****THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011****(Unaudited)**

	Three Months Ended September 30		Nine Months Ended September 30	
	2012	2011	2012	2011
<b>Revenues:</b>				
Leasing	\$ 1,051,000	\$ 998,000	\$ 3,154,000	\$ 2,867,000
Petroleum storage facility:				
Contractual	996,000	969,000	2,957,000	2,881,000
Reimbursement of tank repairs				495,000
	2,047,000	1,967,000	6,111,000	6,243,000
<b>Expenses:</b>				
Leasing	257,000	323,000	797,000	822,000
Petroleum storage facility:				
Operating	662,000	735,000	1,819,000	1,841,000
Pipeline rupture		355,000	(90,000)	355,000
Tank repairs				87,000
General and administrative	241,000	231,000	774,000	721,000
Interest	42,000	72,000	164,000	245,000
	1,202,000	1,716,000	3,464,000	4,071,000
Income before income taxes	845,000	251,000	2,647,000	2,172,000
<b>Income tax expense (benefit):</b>				
Current	446,000	112,000	1,257,000	868,000
Deferred	(115,000)		(213,000)	26,000
	331,000	112,000	1,044,000	894,000
Net income	514,000	139,000	1,603,000	1,278,000
Retained earnings, beginning	3,436,000	2,246,000	2,743,000	1,503,000
Dividends on common stock based upon 6,599,912 shares outstanding: \$.03 per share for the three months ended September 30, 2012 and 2011 and \$.09 per share for the nine months ended September 30, 2012 and 2011	(198,000)	(198,000)	(594,000)	(594,000)
Retained earnings	\$ 3,752,000	\$ 2,187,000	\$ 3,752,000	\$ 2,187,000
Basic income per common share based upon 6,599,912 shares outstanding	\$ .07	\$ .02	\$ .24	\$ .19

See notes to consolidated financial statements.



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	2012	2011
Cash flows from operating activities:		
Net income	\$ 1,603,000	\$ 1,278,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	641,000	629,000
Amortization of deferred financing fees	4,000	4,000
Deferred:		
Income taxes	(213,000)	26,000
Leasing revenues	(70,000)	(225,000)
Other, principally net changes in prepaid and other, accounts payable, accrued expenses and current income taxes	383,000	650,000
Net cash provided by operating activities	2,348,000	2,362,000
Cash flows from investing activities:		
Payments for properties and equipment	(131,000)	(517,000)
Related party transaction:		
Advance	(100,000)	
Repayment	152,000	
Net cash used in investing activities	(79,000)	(517,000)
Cash flows from financing activities:		
Payments:		
Note payable	(1,225,000)	(1,225,000)
Dividends	(594,000)	(594,000)
Cash used in financing activities	(1,819,000)	(1,819,000)
Increase in cash	450,000	26,000
Cash, beginning	2,178,000	2,395,000
Cash, ending	\$ 2,628,000	\$ 2,421,000
Supplemental disclosures:		
Cash paid for:		
Income taxes	\$ 1,068,000	\$ 397,000
Interest	\$ 168,000	\$ 248,000
Non-cash investing and financing activities, capital expenditures financed through accounts payable	\$	\$ 82,000

See notes to consolidated financial statements.



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**CAPITAL PROPERTIES, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011**

**(Unaudited)**

**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 a parking garage), the leasing of space in 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 ) 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 Global Companies, LLC ( Global ) 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, including insurance and a portion of the real property taxes, as well as certain capital improvements at the Facility.

**2. Principles of consolidation and basis of presentation:**

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

The accompanying condensed consolidated balance sheet as of December 31, 2011, has been derived from audited financial statements and the unaudited interim condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. It is suggested that these condensed financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company s latest Form 10-K. In the opinion of management, the accompanying condensed consolidated fin