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CAPITAL PROPERTIES INC /RI/
Form 10KSB40
March 25, 2002

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-KSB

X ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE
----- SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended DECEMBER 31, 2001
OR
----- TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number 0-9380

CAPITAL PROPERTIES, INC.

(Name of small business issuer in its charter)

RHODE ISLAND

05-0386287

(State or other jurisdiction of
incorporation or organization)

IRS Employer Identification
No.

100 DEXTER ROAD, EAST PROVIDENCE, RHODE ISLAND

02914

(Address of principal executive offices)

(Zip Code)

Issuer's telephone number (401) 435-7171

Securities registered under Section 12(b) of the Exchange Act:

Title of each class	Name of each exchange on which registered
-----	-----
Class A Common Stock-\$.01 par value	American Stock Exchange

Securities registered under Section 12(g) of the Exchange Act:

NONE

(Title of Class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the issuer was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes X No ____

Check if disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of issuer's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [X]

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For the year ended December 31, 2001, the Issuer's revenues totaled \$4,811,000.

As of March 1, 2002, the aggregate market value of the voting stock held by non-affiliates of the Issuer was \$11,315,000, which excludes voting stock held by directors, executive officers and holders of 5% or more of the voting power of the Issuer's common stock (without conceding that such persons are "affiliates" of the Issuer for purposes of federal securities law.) The Issuer has no outstanding non-voting common equity.

As of March 1, 2002, the Issuer had 3,000,000 shares of Class A Common Stock and 299,956 shares of Class B Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE - Portions of the proxy statement for the 2002 annual meeting of shareholders are incorporated by reference into Part III. Portions of the annual report to shareholders of Capital Properties, Inc. for the year ended December 31, 2002 are incorporated by reference into Parts I, II, and III.

Transitional Small Business Disclosure Format. Yes No

PART I

ITEM 1. - DESCRIPTION OF BUSINESS

BUSINESS DEVELOPMENT

The Issuer 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. The Issuer's corporate name was changed to Capital Properties, Inc. in 1984.

BUSINESS OF ISSUER

The Issuer owns certain properties in downtown Providence, Rhode Island which it leases or is holding for lease to third parties (see "Properties Under Long-Term Leases" and "Properties Under Short-Term Leases," in Item 2 below). The Issuer is the largest single landowner in the Capital Center Project area but is nevertheless subject to some measure of competition from other landowners.

The Issuer owns all of the outstanding capital stock in the following companies:

- Tri-State Displays, Inc., (through which the Issuer leases land for billboards along interstate and primary highways for outdoor advertising purposes);
- Capital Terminal Company which was incorporated in 1996 (through which the Issuer operates its petroleum storage facilities). (See "Petroleum Storage Facilities" in Item 2 below.); and
- Dunellen, LLC which was incorporated in 2000 (through which the Issuer owns the petroleum storage facilities in East Providence, Rhode Island).

References hereinafter to the "Issuer" are, unless the context indicates otherwise, collectively to the Issuer and its wholly-owned subsidiaries and its

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predecessors.

MISCELLANEOUS

For information relating to the Issuer's dependence on one or a few major customers, see Note 11 of Notes to Consolidated Financial Statements in the Issuer's 2001 Annual Report to shareholders attached hereto as Exhibit 13 (hereinafter referred to as the "2001 Annual Report"), which Note is incorporated herein by reference.

During the last two years, no monies were expended by the Issuer and its subsidiary on material research and development activities.

Compliance with federal, state and local provisions which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the

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environment, has not had a material effect upon the capital expenditures and competitive position of the Issuer; however, certain ongoing costs are necessary due to the nature of the operations of the petroleum storage facilities.

On December 31, 2001, the Issuer employed a total of 10 full-time employees and 1 part-time employee.

ITEM 2. - DESCRIPTION OF PROPERTY

PRINCIPAL FACILITIES

The Issuer's principal executive offices are located at its petroleum storage facilities at 100 Dexter Road, East Providence, Rhode Island 02914.

INVESTMENT POLICIES AND INVESTMENTS IN REAL ESTATE

The Issuer has no established policy for the purchase of additional developed or undeveloped property. However, should suitable parcels become available in the general area of the Issuer's current land holdings in downtown Providence, Rhode Island, the Issuer would consider such an acquisition depending on current levels of cash, the availability of financing and unused condemnation proceeds qualifying for deferred reinvestment under the Internal Revenue Code. Any properties acquired would most likely be leased primarily to developers under long-term leases. The Issuer periodically invests its excess cash in United States government and governmental agency obligations maturing in not more than eighteen months.

DESCRIPTION OF REAL ESTATE AND OPERATING DATA

All of the properties described below (except the petroleum storage facilities) are shown on a map on page 7 of the Issuer's 2001 Annual Report, which map is incorporated herein by reference.

All the properties described below are owned in fee by the Issuer. There are no mortgages, liens or other encumbrances on such properties, except for Parcel 22.

In the opinion of management, all of the properties described below are adequately covered by insurance. Insurance is also required of all tenants, with the Issuer being named as an additional insured.

PETROLEUM STORAGE FACILITIES - The Issuer holds title to approximately 10 acres

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of land fronting on the Seekonk River in East Providence, Rhode Island which are shown on a map on page 6 of the Issuer's 2001 Annual Report, which map is incorporated herein by reference. The property is used and operated primarily as a petroleum storage facility (Petroleum Facilities).

In January 1998, the Issuer purchased the Wilkesbarre Pier in the Port of Providence and its deep-water berth for receiving petroleum products by tanker. In January 1998, the Issuer also purchased the perpetual right to transport petroleum products from the Pier to its terminal property through pipelines owned by a third party.

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This property is the only independent petroleum storage facility with deep-water access in the market area. All of the petroleum storage tanks and buildings are owned by the Issuer.

In 1996, the Issuer resumed possession of the Facilities. In 1998, the Issuer entered into a short-term arrangement with Global Companies, L.L.C. under which the Issuer operates the entire Facilities for Global. In 1999, the Issuer entered into an agreement with Global extending the arrangement for an additional three years plus options to extend on an annual basis. In 2000, the arrangement was extended another year to April 30, 2004.

The following schedule sets forth certain information on the federal tax basis of that portion of the petroleum terminal property which is depreciated:

	Land Improvements -----	Buildings -----	Tanks -----	Equipment -----
Federal Tax Basis (cost)	\$976,883	\$273,051	\$4,406,915	\$2,586,696
Rate per year	6.67%	2.56%	20%	20%
Method	150%DB	S/L	200%DB	200%DB
Life (Years)	15	39	5	5

The 2001 real estate taxes are \$62,955 for the petroleum storage facilities and \$36,647 for the Wilkesbarre Pier at a \$23.66 per thousand dollars of assessed valuation tax rate.

The Company has obtained all the necessary approvals from the City of East Providence and State of Rhode Island to construct three additional 152,000 barrel tanks; however, the Issuer has no present plans to construct any new tanks.

PROPERTIES UNDER LONG-TERM LEASES - The Issuer owns approximately 18 acres of land within the Capital Center Project area in downtown Providence, Rhode Island. (The land underlying the Parking Garage described below is also included in this acreage.) See the map on page 7 of the Issuer's 2001 Annual Report, which map is incorporated herein by reference.

At December 31, 2001, land leases for three separate land parcels within this area have commenced with remaining terms of up to 141 years. These leases have scheduled rent increases over their terms. For further information on the development of these parcels by the tenants, reference is made to the President's Report at pages 2 and 3 in the Issuer's 2001 Annual Report, which

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pages are incorporated herein by reference.

The Issuer had entered into three additional land leases as follows:

- In December 1998, the Issuer entered into a lease for 149 years. In November 2001, this lease was terminated and a new lease was entered into with a successor developer under which the developer proposes to construct a building containing 200,000 square feet of office space, 67,000 square feet of retail space and a parking garage containing a minimum of 250 public parking spaces.

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- In August 2000, the Issuer entered into a lease for 97 years under which the developer proposes to construct a 250-300 room luxury hotel, a building containing 75-90 condominium units, a building containing 225 apartments and a parking garage containing 550 public parking spaces.
- In December 2000, the Issuer entered into a lease for 250 years under which the developer proposed to construct an apartment tower and a parking garage on two parcels. The Company also entered into an option agreement with the same developer for the future development of two adjacent parcels. At this time, the developer is redesigning and expanding its initial project to include all four parcels which will include a parking garage with 600 public parking spaces, a 200-room hotel and residential.

All of these leases provide a period of time within which each developer may perform its due diligence, seek the approval of the plans for its complex from the Capital Center Commission and enter into a tax stabilization agreement with the City of Providence. There can be no assurance that each developer will be able to satisfy the conditions precedent to proceeding with the development. The Issuer is unable to determine at this time when construction will begin and therefore the time at which the term of each lease will commence.

PROPERTIES UNDER SHORT-TERM LEASES:

PARKING GARAGE - The Issuer owns a 330-car parking garage adjacent to a rail passenger station in downtown Providence, Rhode Island, together with the underlying land (the Parking Garage), which is leased under a short-term cancelable lease to a firm experienced in parking operations. The annual rent is \$138,600 (\$.91 per square foot). The federal tax cost basis of the Parking Garage (exclusive of the underlying land) is \$2,500,000, which is being depreciated on the straight-line method at the rate of 2.5% per year over a 40-year life. The 2001 real estate taxes are \$105,691 on the Parking Garage and \$81,757 on the underlying land at a \$34.07 per thousand dollars of assessed valuation tax rate. (For a discussion of the litigation currently pending with the Federal Railroad Administration concerning the parking rates in the garage, reference is made to Note 10 to Consolidated Financial Statements in the Issuer's 2001 Annual Report, which note is incorporated herein by reference.)

Parcels 3E, 3W, 4E, 4W and 6 in the Capital Center Project area and Parcels 21 and 22 immediately adjacent to this area are leased for surface parking purposes to the same firm that leases the Parking Garage described above. The short-term leases on Parcels 3E, 4E, 3W and 4W will terminate when construction of one of the above-described projects commences. The Issuer continues to seek a developer for the remaining parcel. These leases can be terminated on short notice should suitable development opportunities arise or when construction on a parcel commences as described above.

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ITEM 3. LEGAL PROCEEDINGS

PETITION FOR ASSESSMENT OF DAMAGES - For a discussion of the litigation currently pending with the City of Providence, reference is made to Notes 6 and 7 of Notes to Consolidated Financial Statements in the Issuer's 2001 Annual Report, which notes are incorporated herein by reference.

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For a discussion of the litigation with the National Railroad Passenger Corporation (Amtrak) currently pending, reference is made to Note 8 of Notes to Consolidated Financial Statements in the Issuer's 2001 Annual Report, which note is incorporated herein by reference.

For a discussion of the litigation currently pending with the Federal Railroad Administration, reference is made to Note 9 of Notes to Consolidated Financial Statements in the Issuer's 2001 Annual Report, which note is incorporated herein by reference.

For a discussion of the litigation with an Oil Company currently pending, reference is made to Note 4 of Notes to Consolidated Financial Statements in the Issuer's 2001 Annual Report, which note is incorporated herein by reference.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

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PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

See page 32 of the Issuer's 2001 Annual Report, which page is incorporated herein by reference.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

See pages 8 through 12 of the Issuer's 2001 Annual Report, which pages are incorporated herein by reference.

ITEM 7. FINANCIAL STATEMENTS

The following consolidated financial statements of the Issuer and its subsidiaries, set forth at pages 13 through 29 of the Issuer's 2001 Annual Report, are incorporated herein by reference:

Consolidated balance sheet--December 31, 2001

Consolidated statements of income (loss) and retained earnings--years ended December 31, 2001 and 2000

Consolidated statements of cash flows--years ended December 31, 2001 and 2000

Notes to consolidated financial statements--years ended December 31, 2001 and 2000

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ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

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PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS OF THE ISSUER

For information with respect to the directors and control persons of the Issuer, see Pages 2, 3 and 4 of the Issuer's definitive proxy statement for the 2002 annual meeting of its shareholders, which pages are incorporated herein by reference.

The following are the executive officers of the Issuer:

Name	Age	Office Held	Date of First Election to Office
----	---	-----	-----
Robert H. Eder	69	Chairman	1995
Ronald P. Chrzanowski	59	President	1997
Barbara J. Dreyer	63	Treasurer	1997
Stephen J. Carlotti	59	Secretary	1998

All officers hold their respective offices until their successors are duly elected and qualified. Mr. Chrzanowski served as Vice President of the Issuer from November 12, 1997 to December 31, 1997, and as President since that date. Ms. Dreyer served as President and Treasurer of the Issuer from 1995 to 1997 and as Treasurer since that date.

ITEM 10. EXECUTIVE COMPENSATION

See page 3 of the Issuer's definitive proxy statement for the 2002 annual meeting of its shareholders, which page is incorporated herein by reference.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

See page 4 of the Issuer's definitive proxy statement for the 2002 annual meeting of its shareholders, which page is incorporated herein by reference.

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ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

(a) Index of Exhibits:

- (3) (a) Amended Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Issuer's report on Form 8-K filed December 10, 2001.)
- (b) Restated articles of incorporation (incorporated by reference to Exhibit 3 to the Issuer's report on Form 8A dated June 6, 1997).

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- (c) By-laws, as amended (incorporated by reference to Exhibit 3(b) to the Issuer's quarterly report on Form 10-QSB for the quarter ended September 30, 1999).
- (10) Material contracts:
 - (a) Leases between Metropark, Ltd., and Issuer:
 - (i) Dated December 12, 2001; see page III-3;
 - (ii) Dated December 12, 2001; see page III-4;
 - (iii) Dated December 12, 2001; see page III-5
 - (iv) Dated December 12, 2001; see page III-6; and
 - (v) Dated December 12, 2001; see page III-7
- (13) Annual report to shareholders for the year ended December 31, 2001; see page III-8.
- (21) Subsidiaries of the Issuer; see page III-9.
- (22) (a) Plan of the Issuer's petroleum storage facilities in East Providence, Rhode Island (incorporated by reference to page 6 of the Issuer's annual report to shareholders for the year ended December 31, 2001), filed as Exhibit 13 hereto.
 - (b) Plan of the Issuer's parcels in Downtown Providence (incorporated by reference to page 7 of the Issuer's annual report to shareholders for the year ended December 31, 2001), filed as Exhibit 13 hereto.
- (b) A report on Form 8-K was filed on December 10, 2001 announcing the filing of Articles of Amendment to the Articles of Incorporation with the Secretary of State of the State of Rhode Island effective December 6, 2001.

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SIGNATURES

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

CAPITAL PROPERTIES, INC.

By /s/ Ronald P. Chrzanowski

Ronald P. Chrzanowski
President and Principal
Executive Officer

Dated: March 18, 2002

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the Issuer and in the capacities and on the dates indicated.

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Signature

/s/ Robert H. Eder

March 19, 2002

Robert H. Eder
Chairman and Director

/s/ Ronald P. Chrzanowski

March 18, 2002

Ronald P. Chrzanowski
President and Director
(Principal Executive Officer)

/s/ Barbara J. Dreyer

March 18, 2002

Barbara J. Dreyer
Treasurer, Principal Financial Officer
and Principal Accounting Officer

/s/ Harris N. Rosen

March 21, 2002

Harris N. Rosen, Director