

# SECURITIES AND EXCHANGE COMMISSION

## FORM SC TO-T

Third party tender offer statement

Filing Date: **2005-05-02**  
SEC Accession No. **0001193125-05-092023**

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### SUBJECT COMPANY

#### **CAPITAL PROPERTIES INC /RI/**

CIK: **202947** | IRS No.: **050386287** | State of Incorporation: **RI** | Fiscal Year End: **1231**  
Type: **SC TO-T** | Act: **34** | File No.: **005-06037** | Film No.: **05789920**  
SIC: **6519** Lessors of real property, nec

Mailing Address  
*100 DEXTER RD  
EAST PROVIDENCE RI  
02914-2005*

Business Address  
*100 DEXTER RD  
EAST PROVIDENCE RI  
02914-2005  
4014357171*

### FILED BY

#### **MERCURY REAL ESTATE ADVISORS LLC**

CIK: **1264188** | IRS No.: **113677992** | State of Incorporation: **DE** | Fiscal Year End: **1231**  
Type: **SC TO-T**

Mailing Address  
*100 FIELD POINT ROAD  
GREENWICH CT 06830*

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE TO**

**Tender Offer Statement under Section 14(d)(1) or 13(e)(1)  
of the Securities Exchange Act of 1934**

**Capital Properties, Inc.**

(Name of Subject Company (Issuer))

**Mercury Real Estate Advisors LLC  
Mercury Special Situations Fund LP  
Mercury Special Situations Offshore Fund, Ltd.**

(Name of Filing Persons (Offerors))

**Class A Common Stock, par value \$0.01 per Share**

(Title of Class of Securities)

**140430109**

(CUSIP Number of Class of Securities)

**David R. Jarvis—Managing Member  
Malcolm F. MacLean IV—Managing Member  
Mercury Real Estate Advisors LLC  
100 Field Point Road  
Greenwich, CT 06830  
(203) 769-2980**

(Name, address and telephone number of person authorized  
to receive notices and communications on behalf of filing persons)

**CALCULATION OF FILING FEE**

Transaction Valuation\*

Amount of Filing Fee\*\*

**\$6,270,000**

**\$737.98**

\* Estimated for purposes of calculating the filing fee only. This calculation assumes the purchase of 285,000 shares of Class A Common Stock of Capital Properties, Inc. at the tender offer price of \$22.00 per share of Class A Common Stock.

\*\* The amount of the filing fee, calculated in accordance with Rule 0-11 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Fee Rate Advisory No. 6 for fiscal year 2005, equals \$117.70 per million of transaction value.

Check the box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid:

Filing Party:

Form or Registration No.

Date Filed:

Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

Check the appropriate boxes below to designate any transactions to which the statement relates:

- third-party tender offer subject to Rule 14d-1.
- issuer tender offer subject to Rule 13e-4.
- going-private transaction subject to Rule 13e-3.
- amendment to Schedule 13D under Rule 13d-2.

Check the following box if the filing is a final amendment reporting the results of the tender offer:

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This Tender Offer Statement on Schedule TO (this "Schedule TO") relates to the offer by Mercury Real Estate Advisors LLC, a Delaware limited liability company, Mercury Special Situations Fund LP, a Delaware limited partnership, and Mercury Special Situations Offshore Fund, Ltd., a British Virgin Islands company (together, the "Purchaser"), to purchase up to 285,000 shares of Class A Common Stock, par value \$0.01 per share (the "Class A Common Stock" or "Shares"), of Capital Properties, Inc., a Rhode Island corporation ("CPI" or the "Subject Company"), at a purchase price of \$22.00 per share, net to the seller in cash, without interest thereon (the "Offer Price"), upon the terms and subject to the conditions set forth in the Offer to Purchase dated May 2, 2005 (the "Offer to Purchase"), and in the related Letter of Transmittal (the "Letter of Transmittal"), copies of which are filed with this Schedule TO as Exhibits (a)(1)(A) and (a)(1)(B) respectively, which together, as each may be amended or supplemented from time to time, constitute the "Offer." This Schedule TO is being filed on behalf of the Purchaser and is intended to satisfy the reporting requirements of Rule 14d-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

The information set forth in the Offer to Purchase, including the Schedule and Annex thereto, is hereby incorporated by reference in answer to items 1 through 11 of this Schedule TO, and is supplemented by the information specifically provided herein.

#### **ITEM 1. SUMMARY TERM SHEET**

The information set forth in the "Summary Term Sheet" of the Offer to Purchase is incorporated herein by reference.

#### **ITEM 2. SUBJECT COMPANY INFORMATION**

(a) The name of the Subject Company and the issuer of the securities to which this Schedule TO relates is Capital Properties, Inc., a Rhode Island corporation. The Subject Company's principal executive offices are located at 100 Dexter Road, East Providence, Rhode Island 02914. The Subject Company's telephone number is (401) 435-7171.

(b) This Schedule TO relates to the Class A Common Stock, of which the Purchaser believes there are 3,299,956 shares issued and outstanding. Based on the Subject Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2004, as filed with the United States Securities and Exchange Commission (the "SEC") on March 23, 2005, the Purchaser believes the Class A Common Stock outstanding represent 3,000,000 shares of previously issued Class A Common Stock and 299,956 newly converted shares of Class A Common Stock, which were previously designated as Class B Common Stock. The information set forth in the "Introduction" of the Offer to Purchase is incorporated herein by reference.

(c) The information set forth in Section 6 of the Offer to Purchase entitled "Price Range of the Shares" is incorporated herein by reference.

#### **ITEM 3. IDENTITY AND BACKGROUND OF FILING PERSON**

(a) - (c) This Schedule TO is filed by the Purchaser. The information set forth in Section 9 of the Offer to Purchase entitled "Certain Information Concerning the Purchaser" and Schedule I to the Offer to Purchase is incorporated herein by reference.

#### **ITEM 4. TERMS OF THE TRANSACTION.**

The information set forth in Sections 1, 2, 3, 4, 13, 15, 16 and 17 of the Offer to Purchase entitled "Terms of the Offer; Proration" "Acceptance for Payment and Payment for Shares," "Procedure for Tendering Shares," "Withdrawal Rights," "Certain Legal Matters," "Conditions of the Offer," "Fees and Expenses" and "Miscellaneous," respectively, is incorporated herein by reference.

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**ITEM 5. PAST CONTACTS, TRANSACTIONS, NEGOTIATIONS AND AGREEMENTS.**

Except as set forth in Section 11 of the Offer to Purchase entitled “Background of the Offer; Past Contacts, Transactions, Negotiations and Agreements,” none of the Purchaser nor, to the knowledge of the Purchaser, any of the persons listed on Schedule I to the Offer to Purchase, has had any business relationship or transaction with CPI or any of its executive officers, directors or affiliates that is required to be reported under the rules and regulations of the SEC applicable to the Offer. Except as set forth in Sections 9 and 11 of the Offer to Purchase entitled “Certain Information Concerning the Purchaser” and “Background of the Offer; Past Contacts, Negotiations and Transactions,” respectively, there have been no material contacts, negotiations or transactions during the past two years that would be required to be disclosed under this Item 5 between the Purchaser or any of its respective affiliates or, to the best knowledge of the Purchaser, any of those persons listed on Schedule I to the Offer to Purchase, on the one hand, and the Subject Company or its affiliates, on the other, concerning a merger, consolidation or acquisition, a tender offer or other acquisition of securities, an election of directors or sale or transfer of a material amount of assets.

**ITEM 6. PURPOSE OF THIS TRANSACTION AND PLANS OR PROPOSALS.**

The information set forth in the “Introduction” and Sections 7, 12 and 13 of the Offer to Purchase entitled “Effect of the Offer on the Market for the Shares; Stock Listing; Exchange Act Registration; Margin Regulations,” “Purpose of the Offer; Plans for CPI; Other Matters” and “Certain Legal Matters,” respectively, is incorporated herein by reference.

**ITEM 7. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION.**

The information set forth in Section 10 of the Offer to Purchase entitled “Source and Amount of Funds” is incorporated herein by reference.

**ITEM 8. INTEREST IN SECURITIES OF THE SUBJECT COMPANY.**

The information set forth in the “Introduction,” Sections 8, 9, 11 and 13 of the Offer to Purchase entitled “Certain Information Concerning CPI,” “Certain Information Concerning the Purchaser,” “Background of the Offer; Past Contacts, Negotiations and Transactions,” and “Certain Legal Matters,” respectively, and Schedule I of the Offer to Purchase is incorporated herein by reference. As of the date hereof, the Purchaser and its affiliates collectively own 40,800 shares of Class A Common Stock, which represents approximately 1.2% of the 3,299,956 shares of Class A Common Stock that the Purchaser believes are outstanding.

**ITEM 9. PERSONS/ASSETS RETAINED, EMPLOYED, COMPENSATED OR USED.**

The information set forth in Section 16 of the Offer to Purchase entitled “Fees and Expenses” is incorporated herein by reference.

**ITEM 10. FINANCIAL STATEMENTS.**

Not applicable.

**ITEM 11. ADDITIONAL INFORMATION**

(a)(1) The information set forth in Sections 9, 11 and 13 of the Offer to Purchase entitled “Certain Information Concerning the Purchaser,” “Background of the Offer; Past Contacts, Negotiations and Transactions,” and “Certain Legal Matters,” respectively, is incorporated herein by reference.

(a)(2), (3) The information set forth in Sections 13 and 15 of the Offer to Purchase entitled “Certain Legal Matters” and “Conditions of the Offer,” respectively, is incorporated herein by reference.

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(a)(4) The information set forth in Sections 7 and 13 of the Offer to Purchase entitled “Effect of the Offer on the Market for the Shares; Stock Listing; Exchange Act Registration; Margin Regulations” and “Certain Legal Matters,” respectively, is incorporated herein by reference.

(a)(5) The information set forth in Section 13 of the Offer to Purchase entitled “Certain Legal Matters” is incorporated herein by reference.

(b) The information set forth in the Offer to Purchase is incorporated herein by reference.

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## ITEM 12. EXHIBITS

- (a)(1)(A) Offer to Purchase, dated May 2, 2005.
- (a)(1)(B) Letter of Transmittal.
- (a)(1)(C) Notice of Guaranteed Delivery.
- (a)(1)(D) Letter to Brokers, Dealers, Banks, Trust Companies and other Nominees.
- (a)(1)(E) Letter to Clients for use by Brokers, Dealers, Banks, Trust Companies and other Nominees.
- (a)(1)(F) Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.
- (a)(1)(G) Letter to Shareholders.
- (a)(1)(H) Summary Advertisement published in *Investors Business Daily* on May 2, 2005.
- (a)(1)(I) Not applicable.
- (a)(1)(J) Press Release issued by Mercury Special Situations Fund LP, dated August 18, 2004.
- (a)(1)(K) Incorporated by reference to Capital Properties, Inc.' s Current Report on Form 8-K, as filed with the SEC on August 27, 2004.
- (a)(1)(L) Press Release issued by Mercury Special Situations Fund LP, dated September 23, 2004.
- (a)(1)(M) Press Release issued by Mercury Real Estate Advisors LLC, dated May 2, 2005.
- (b) Not applicable.
- (d) Not applicable.
- (g) Not applicable.
- (h) Not applicable.

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**SIGNATURES**

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

**MERCURY REAL ESTATE ADVISORS LLC**

By: \_\_\_\_\_  
          /s/ DAVID R. JARVIS  
Name: **David R. Jarvis**  
Title: **Managing Member**

By: \_\_\_\_\_  
          /s/ MALCOLM F. MACLEAN IV  
Name: **Malcolm F. MacLean IV**  
Title: **Managing Member**

**MERCURY SPECIAL SITUATIONS FUND LP**

By: MERCURY SECURITIES II LLC,  
     its General Partner

By: \_\_\_\_\_  
          /s/ DAVID R. JARVIS  
Name: **David R. Jarvis**  
Title: **Managing Member**

By: \_\_\_\_\_  
          /s/ MALCOLM F. MACLEAN IV  
Name: **Malcolm F. MacLean IV**  
Title: **Managing Member**

**MERCURY SPECIAL SITUATIONS OFFSHORE  
FUND, LTD.**

By: \_\_\_\_\_  
          /s/ DAVID R. JARVIS  
Name: **David R. Jarvis**  
Title: **Director**



By:

/s/ MALCOLM F. MACLEAN IV

Name:

**Malcolm F. MacLean IV**

Title:

**Director**

Date: May 2, 2005

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## INDEX TO EXHIBITS

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- (b) Not applicable.
- (d) Not applicable.
- (g) Not applicable.
- (h) Not applicable.

**Offer to Purchase for Cash**  
**Up to 285,000 Shares of Class A Common Stock**  
**of**  
**Capital Properties, Inc.**  
**at**  
**\$22.00 Net Per Share**  
**by**  
**Mercury Real Estate Advisors LLC**  
**Mercury Special Situations Fund LP**  
**Mercury Special Situations Offshore Fund, Ltd.**

**THE OFFER, ANY WITHDRAWAL RIGHTS THAT YOU MAY HAVE AND THE PRORATION PERIOD (AS DESCRIBED IN THIS OFFER TO PURCHASE) WILL EXPIRE AT 12:00 MIDNIGHT, EASTERN STANDARD TIME, ON MONDAY, JUNE 13, 2005, UNLESS THE OFFER IS EXTENDED.**

This “Offer” is being made by Mercury Real Estate Advisors LLC, a Delaware limited liability company, Mercury Special Situations Fund LP, a Delaware limited partnership, and Mercury Special Situations Offshore Fund, Ltd., a British Virgin Islands company (together, the “Purchaser”), to purchase up to 285,000 shares of Class A Common Stock (“Class A Common Stock” or “Shares”) of Capital Properties, Inc. (“CPI” or the “Subject Company”).

This Offer is not conditioned upon any minimum number of Shares of Class A Common Stock being tendered. This Offer also is not conditioned upon any required financing. This Offer is subject to certain customary conditions, including a condition that on or after May 2, 2005 and before the time of payment for Shares, there shall not have occurred any material adverse change to CPI or impairment of a material contract right of CPI. See Section 15–“Conditions of the Offer.”

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THIS TRANSACTION OR PASSED UPON THE MERITS OR FAIRNESS OF SUCH TRANSACTION OR PASSED UPON THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Questions and requests for assistance may be directed to the Information Agent or the Depository at the addresses and telephone numbers set forth below. Requests for additional copies of this Offer to Purchase, the Letter of Transmittal, the Notice of Guaranteed Delivery and other related materials may be directed to the Information Agent. A shareholder also may contact brokers, dealers, commercial banks, trust companies or other nominees for assistance concerning the Offer.

*The Information Agent for the Offer is:*

**D.F. KING & CO., INC.**  
48 Wall Street  
New York, NY 10005  
Bank and Brokerage Firms, Please Call: (212) 269-5550  
All Others, Call Toll-Free: (800) 769-4414

*The Depositary for the Offer is:*

**THE BANK OF NEW YORK**

Capital Properties, Inc.

P.O. Box 859208

Braintree, MA 02185-9208

(800) 507-9357

May 2, 2005

**IMPORTANT**

Any shareholder desiring to tender all or a portion of such shareholder' s Shares must:

1. for Shares that are registered in the name of a broker, dealer, bank, trust company or other nominee:

contact the broker, dealer, bank, trust company or other nominee and request that the broker, dealer, bank, trust company or other nominee tender the Shares to the Purchaser before the expiration of the Offer.

2. for Shares that are registered in such shareholder' s name and held in book-entry form:

complete and sign the Letter of Transmittal (or a manually signed facsimile) in accordance with the instructions in the Letter of Transmittal or prepare an Agent' s Message (as defined in the Letter of Transmittal);

if using the Letter of Transmittal, have such shareholder' s signature on the Letter of Transmittal guaranteed if required by Instruction 1 of the Letter of Transmittal;

deliver an Agent' s Message or the Letter of Transmittal (or a manually signed facsimile) and any other required documents to The Bank of New York, which is acting as the Depository, at its address set forth on the back cover of this Offer to Purchase; and

transfer the Shares through book-entry transfer into the Depository' s account.

3. for Shares that are registered in such shareholder' s name and held as physical certificates:

complete and sign the Letter of Transmittal (or a manually signed facsimile) in accordance with the instructions in the Letter of Transmittal;

have such shareholder' s signature on the Letter of Transmittal guaranteed if required by Instruction 1 to the Letter of Transmittal; and

mail or deliver the Letter of Transmittal (or a manually signed facsimile), the certificates for such Shares and any other required documents to the Depository, at its address set forth on the back cover of this Offer to Purchase.

**The Letter of Transmittal, the certificates for the Shares and any other required documents must be received by the Depository before the expiration of the Offer on Monday, June 13, 2005, unless the procedures for guaranteed delivery described in Section 3-“Procedure for Tendering Shares” of this Offer to Purchase are followed.**

**Questions and requests for assistance may be directed to the Information Agent at the address and telephone number set forth on the back cover of this Offer to Purchase. Additional copies of this Offer to Purchase, the Letter of Transmittal, the Notice of Guaranteed Delivery and other related materials may be obtained from the Information Agent or from brokers, dealers, commercial banks and trust companies.**

**This Offer to Purchase and the related Letter of Transmittal contain important information, and you should carefully read both in their entirety before making a decision with respect to the Offer.**

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**SUMMARY TERM SHEET**

Securities Sought: Up to 285,000 shares of Class A Common Stock of Capital Properties, Inc.

Price Offered Per Share: \$22.00 net to you in cash, without interest, for each share of Class A Common Stock.

Scheduled Expiration of Offer: 12:00 midnight, Eastern Standard Time, on Monday, June 13, 2005, unless extended.

The Purchaser:

Mercury Real Estate Advisors LLC, a Delaware limited liability company;  
Mercury Special Situations Fund LP, a Delaware limited partnership; and  
Mercury Special Situations Offshore Fund, Ltd., a British Virgin Islands company.

**QUESTIONS AND ANSWERS ABOUT THE TENDER OFFER**

The following are some of the questions you, as a shareholder of CPI, may have and our answers to those questions. We urge you to read carefully the remainder of this Offer to Purchase and the Letter of Transmittal because the information in this summary is not complete. Additional important information is contained in the remainder of this Offer to Purchase and the Letter of Transmittal.

**Who is offering to buy my Shares?**

The Purchaser is Mercury Real Estate Advisors LLC, Mercury Special Situations Fund LP and Mercury Special Situations Offshore Fund, Ltd., each a private investment entity formed for the purpose of investing in publicly-traded real estate securities. See the “Introduction” to this Offer to Purchase and Section 9–“Certain Information Concerning the Purchaser.”

**What are the classes and amounts of securities being sought in the Offer?**

In this Offer, we are offering to purchase up to 285,000 shares of Class A Common Stock of CPI (representing approximately 8.6% of the outstanding Shares). We currently own 40,800 Shares, representing approximately 1.2% of the outstanding Shares. See the “Introduction” to this Offer to Purchase and Section 1–“Terms of the Offer; Proration.”

**How much are you offering to pay and in what form of payment?**

In this Offer, we are offering to pay \$22.00, net to you in cash without interest thereon, for each share of Class A Common Stock. Our Offer represents a premium of 22% over the closing sales price of the Shares as reported by the American Stock Exchange (“AMEX”) on Wednesday, April 27, 2005, which was the last day that Shares traded prior to the Offer. See Section 1–“Terms of the Offer; Proration.”

**Will I have to pay any fees or commissions?**

If you are the record owner of your Shares and you tender your Shares to us in the Offer, you will not have to pay brokerage fees or similar expenses. If you own your Shares through a broker or other nominee, and your broker tenders your Shares on your behalf, your broker or nominee may charge you a fee for doing so. You should consult your broker or nominee to determine whether any charges will apply. See the “Introduction” to this Offer to Purchase.



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### **Do you have the financial resources to make payment?**

If the total amount of Shares sought is purchased, our aggregate purchase price will be approximately \$6,270,000. The Purchaser has sufficient cash funds to purchase up to 285,000 Shares validly tendered, and not withdrawn, in the Offer. The Purchaser will use its cash on hand for this purpose. The Offer is not conditioned upon any financing arrangements. See Section 10–“Source and Amount of Funds.”

### **Why are you making this Offer?**

We are making this Offer for investment purposes with a view towards making a profit. The Offer represents a more expeditious manner for us to acquire Shares given the lack of liquidity in the trading market for the Shares. See Section 12–“Purpose of the Offer; Plans for CPI; Other Matters.”

### **Is your financial condition relevant to my decision to tender in the Offer?**

We do not think our financial condition is relevant to your decision as to whether to tender your Shares into the Offer based on the following: (a) the consideration offered consists solely of cash; (b) the Offer is not subject to any financing condition; and (c) the Offer is for up to 285,000 of the outstanding Shares, which represents approximately 8.6% of the total outstanding Shares. If we acquire 285,000 Shares in the Offer, our total ownership of outstanding Shares will be approximately 9.8%. See Section 10–“Source and Amount of Funds.”

### **How long do I have to decide whether to tender in the Offer?**

Unless we extend the expiration date of the Offer, you will have until 12:00 midnight, Eastern Standard Time, on Monday, June 13, 2005, to decide whether to tender your Shares in the Offer. If you cannot deliver everything that is required in order to make a valid tender by that time, you may be able to use a guaranteed delivery procedure, which is described later in this Offer to Purchase. See Section 1–“Terms of the Offer; Proration” and Section 3–“Procedure for Tendering Shares.”

### **Will all of the Shares I tender be accepted by the Purchaser?**

The Purchaser desires to purchase up to 285,000 shares of Class A Common Stock of CPI. If the number of Shares validly tendered and not properly withdrawn on or prior to Monday, June 13, 2005 is less than or equal to 285,000, we will purchase all Shares so tendered and not withdrawn, upon the terms and subject to the conditions of the Offer. However, if more than 285,000 Shares are tendered and not withdrawn, we will accept for payment and pay for 285,000 Shares tendered pro rata according to the number of Shares tendered, adjusting by rounding down to the nearest whole number of Shares tendered by each shareholder to avoid purchases of fractional Shares, as appropriate. See Section 1– “Terms of the Offer; Proration” and Section 2–“Acceptance for Payment and Payment for Shares.”

### **If you prorate, when will I know how many Shares will actually be accepted for tender and payment?**

If proration of tendered Shares is required, because of the difficulty of determining the precise number of Shares properly tendered and not withdrawn, we do not expect to announce the final results of proration or pay for any Shares until at least seven American Stock Exchange trading days after the expiration of the Offer. Preliminary results of proration will be announced by press release as promptly as practicable. Holders of Shares may obtain such preliminary information from D.F. King & Co., Inc., the Information Agent. See Section 1–“Terms of the Offer; Proration.”

### **Can the Offer be extended and under what circumstances?**

The Offer may be extended beyond 12:00 midnight, Eastern Standard Time, on Monday, June 13, 2005 if, at that time, any of the conditions to our obligation to purchase Shares in the Offer has not been satisfied or waived

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or any rule, regulation or interpretation of the SEC applicable to the Offer requires that it be extended. No subsequent offering period will be available following the expiration of the Offer. See Section 1–“Terms of the Offer; Proration.”

### **How will I be notified if the Offer is extended?**

If we extend the Offer, we will inform The Bank of New York, the depository for the Offer (the “Depository”), and make a public announcement of the extension, not later than 9:00 a.m., Eastern Standard Time, on the business day after the day on which the Offer was scheduled to expire. See Section 1–“Terms of the Offer; Proration.”

### **Are there significant conditions to the Offer?**

The Offer is not conditioned upon any minimum number of Shares being tendered. The Offer is also not conditioned upon any required financing. As such, we believe that there are no significant conditions to the Offer. There are, however, certain other customary conditions to the Offer. See Section 15–“Conditions of the Offer.”

### **How do I tender my Shares?**

To tender Shares, you must deliver the certificates representing your Shares, together with a completed Letter of Transmittal, to the Depository, not later than the time the Offer expires. If your Shares are held in street name, the Shares can be tendered by your nominee through the Depository. If you cannot deliver a required item to the Depository by the expiration of the Offer, you may be able to obtain extra time to do so by having a broker, a bank or other fiduciary that is a member of the Security Transfer Agent Medallion Signature Program guarantee that the missing items will be received by the Depository within three trading days. However, the Depository must receive the missing items within that three day period or your Shares will not be validly tendered. See Section 3–“Procedure for Tendering Shares.”

### **How do I withdraw previously tendered Shares?**

To withdraw Shares, you must deliver a written notice of withdrawal (or facsimile thereof) with the required information to the Depository while you still have the right to withdraw the Shares. See Section 4–“Withdrawal Rights.”

### **Until what time may I withdraw Shares that I have tendered?**

If you tender your Shares, then you may withdraw them at any time until the Offer has expired. In addition, if we have not agreed to accept your Shares for payment by June 30, 2005, you may withdraw them at any time after such date until we accept them for payment. See Section 1–“Terms of the Offer; Proration” and Section 4–“Withdrawal Rights.”

### **When and how will I be paid for my tendered Shares?**

Subject to the terms and conditions of the Offer, we will pay for all validly tendered and not withdrawn Shares promptly after the expiration of the Offer. We will not accept for payment and pay for certain Shares in the event that (1) proration is required because the Offer is oversubscribed, (2) Shares are validly tendered but withdrawn by the tenderor or (3) any condition to the Offer is not satisfied or waived. In the case of (3), we will determine satisfaction or waiver of all conditions on or prior to the expiration of the Offer. See Section 1–“Terms of the Offer; Proration.”

We will pay for your validly tendered and not withdrawn Shares by depositing the purchase price with the Depository, which will act as your agent for the purpose of receiving payments from us and transmitting such

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payments to you. In all cases, payment for tendered Shares will be made only after timely receipt by the Depositary of certificates for such Shares (or of a confirmation of a book-entry transfer of such Shares as described in Section 2–“Acceptance for Payment and Payment for Shares”), a properly completed and duly executed Letter of Transmittal (or facsimile thereof) and any other required documents for such Shares. See Section 2–“Acceptance for Payment and Payment for Shares.”

### **What does the board of directors of CPI think of the Offer?**

CPI’s Board of Directors has not approved this Offer or otherwise commented on it as of the date of this Offer to Purchase. Within 10 business days after the date of this Offer to Purchase, CPI is required by law to publish, send or give to you (and file with the SEC) a statement as to whether it recommends acceptance or rejection of the Offer, that it has no opinion with respect to the Offer or that it is unable to take a position with respect to the Offer. See the “Introduction” to this Offer to Purchase and Section 11–“Background of the Offer; Past Contacts, Negotiations and Transactions.”

### **Have any CPI shareholders agreed to tender their Shares?**

No. The Offer is being made pursuant to a Schedule TO filed with the SEC, of which this Offer to Purchase is a part. We have no agreements with any shareholder to tender its Shares in the Offer. Thus no shareholders have yet agreed to tender their Shares.

### **If the Offer is consummated, will the Shares continue to be listed on the AMEX and will CPI continue as a public company?**

We are seeking to purchase up to 285,000 Shares of Class A Common Stock of CPI, which represents approximately 8.6% of the 3,299,956 outstanding Shares of Class A Common Stock. We cannot predict whether the reduction in the number of Shares that might otherwise trade publicly will have an adverse or beneficial effect on the market price for, or marketability of, the Shares or whether such reduction would cause future market prices to be greater or less than the price paid in the Offer. We cannot predict whether the reduction in the number of Shares that might otherwise be outstanding would enable the Subject Company no longer to be subject to the listing requirements of the American Stock Exchange (“AMEX”) or the registration requirements of the Exchange Act. See Section 7–“Effect of the Offer on the Market for the Shares; Stock Exchange Listing; Exchange Act Registration; Margin Regulations.”

### **What is the market value of my Shares as of a recent date?**

On Wednesday, April 27, 2005, the last date that Shares traded before we announced the Offer, the last sale price of CPI’s Class A Common Stock reported on the AMEX was \$18.10 per share. We advise you to obtain a recent quotation for the stock in deciding whether to tender your Shares. See Section 6–“Price Range of the Shares.”

### **What are the federal tax consequences of participating in the Offer?**

In general, your sale of Shares pursuant to the Offer will be a taxable transaction for U.S. federal income tax purposes and may also be a taxable transaction under applicable state, local or foreign income or other tax laws. You should consult your tax advisor about the tax consequences to you of participating in the Offer in light of your particular circumstances. See Section 5–“United States Federal Income Tax Consequences.”

### **Whom can I talk to if I have questions about the Offer?**

You may contact D.F. King & Co., Inc. at (800) 769-4414.

**To the Holders of Class A Common Stock of Capital Properties, Inc.**

**INTRODUCTION**

Mercury Real Estate Advisors LLC, a Delaware limited liability company, Mercury Special Situations Fund LP, a Delaware limited partnership, and Mercury Special Situations Offshore Fund, Ltd., a British Virgin Islands company (together, the “Purchaser”), hereby is making an offer to purchase up to 285,000 shares of Class A Common Stock, par value \$0.01 per share (the “Class A Common Stock” or “Shares”), of Capital Properties, Inc., a Rhode Island corporation (“CPI” or the “Subject Company”), at a purchase price of \$22.00 per share, net to the seller in cash, without interest thereon (such price, or any such higher price per Share as may be paid in the Offer, referred to herein as the “Offer Price”) upon the terms and subject to the conditions set forth in this Offer to Purchase and in the related Letter of Transmittal, including the proration terms hereof (which, together with any amendments or supplements thereto, collectively constitute the “Offer”).

Tendering shareholders whose Shares are registered in their own names and who tender directly to the Depository (as defined below) will not be obligated to pay brokerage fees or commissions or, except as set forth in Instruction 6 of the Letter of Transmittal, transfer taxes on the sale of Shares pursuant to the Offer. The Purchaser will pay all fees and expenses incurred in connection with the Offer by The Bank of New York, which is acting as the depository (the “Depository”) and D.F. King & Co., Inc., which is acting as the information agent (the “Information Agent”). See Section 16–“Fees and Expenses.”

The U.S. federal tax consequences of the sale of Shares pursuant to the Offer are described in Section 5–“United States Federal Income Tax Consequences.”

The information concerning CPI contained in this Offer to Purchase has been taken from or based upon publicly available information. Although the Purchaser does not have any knowledge that any such information is untrue, the Purchaser takes no responsibility for the accuracy or completeness of such information or for any failure by CPI to disclose events that may have occurred and may affect the significance or accuracy of any such information.

**THIS OFFER TO PURCHASE AND THE RELATED LETTER OF TRANSMITTAL CONTAIN IMPORTANT INFORMATION AND SHOULD BE READ IN THEIR ENTIRETY BEFORE ANY DECISION IS MADE WITH RESPECT TO THE OFFER.**

**THE TENDER OFFER**

**1. Terms of the Offer; Proration**

Upon the terms and subject to the conditions of the Offer, the Purchaser will accept for payment and pay \$22.00 per share, net to the seller in cash, without interest thereon, for up to 285,000 Shares validly tendered prior to the Expiration Date and not theretofore withdrawn in accordance with Section 4–“Withdrawal Rights.” The term “Expiration Date” means 12:00 midnight, Eastern Standard Time, on Monday, June 13, 2005 unless and until the Purchaser extends the period of time for which the Offer is open, in which event the term “Expiration Date” means the latest time and date at which the Offer, as so extended by the Purchaser, expires. No subsequent offering period will be available.

If more than 285,000 Shares are validly tendered prior to the Expiration Date, and not withdrawn, the Purchaser will, upon the terms and subject to the conditions of the Offer, purchase 285,000 Shares on a pro rata basis (with adjustments to avoid purchases of fractional Shares) based upon the number of Shares validly tendered by the Expiration Date and not withdrawn (the “Proration Period”). The Proration Period expires on the Expiration Date. If proration of tendered Shares is required, because of the difficulty of determining the precise number of Shares properly tendered and not withdrawn, the Purchaser does not expect to announce the final results of proration or pay for any Shares until at least seven American Stock Exchange (“AMEX”) trading days

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after the Expiration Date and Proration Period. Preliminary results of proration will be announced by press release as promptly as practicable. Holders of Shares may obtain such preliminary information from the Information Agent.

In the event proration is required because the number of Shares validly tendered and not withdrawn on or prior to the Expiration Date exceeds the number of Shares that the Purchaser is seeking in the Offer (285,000), the Purchaser will prorate based on a fraction, where the numerator is the number of Shares sought in the Offer (285,000) and the denominator is equal to the number of Shares that are validly tendered and not withdrawn on or prior to the Expiration Date. This fraction will then be multiplied by the aggregate number of Shares that have been tendered and not withdrawn to determine the resulting number of Shares that will be accepted from each tenderor. Fractional Shares will not be accepted and will be rounded down to the nearest whole number of Shares.

The Purchaser may, without the consent of CPI, extend the Offer by giving oral or written notice of such extension to the Depositary if:

at the Expiration Date, any of the conditions to the Purchaser's obligation to purchase Shares in the Offer has not been satisfied or waived; or

any rule, regulation or interpretation of the United States Securities and Exchange Commission (the "SEC") or the staff thereof applicable to the Offer requires that the Offer be extended.

Under no circumstances will interest be paid on the Offer Price for tendered Shares, regardless of any extension of or amendment to the Offer, or any delay in paying for such Shares.

The Purchaser may, at any time and from time to time prior to the Expiration Date, waive any condition to the Offer or modify the terms of the Offer, by giving oral or written notice of such waiver or modification to the Depositary.

If by 12:00 midnight, Eastern Standard Time, on Monday, June 13, 2005 (or any date or time then set as the Expiration Date), any or all of the conditions to the Offer have not been satisfied or waived, the Purchaser, subject to the applicable rules and regulations of the SEC, may:

terminate the Offer and not accept for payment or pay for any Shares and return all tendered Shares to tendering shareholders;

waive any of the unsatisfied conditions of the Offer, to the extent permitted by applicable law, and subject to complying with applicable rules and regulations of the SEC and its staff applicable to the Offer, accept for payment and pay for all Shares validly tendered and not withdrawn prior to the Expiration Date;

except as set forth above, extend the Offer and, subject to the right of shareholders to withdraw Shares until the Expiration Date, if any, retain the Shares that have been tendered during the period or periods for which the Offer is open or extended; or

except as set forth above, amend the Offer.

If the Purchaser extends the Offer, or if the Purchaser (whether before or after its acceptance for payment of Shares) is delayed in its purchase of or payment for Shares or is unable to pay for Shares pursuant to the Offer for any reason, then, without prejudice to the Purchaser's rights under the Offer, the Depositary may retain tendered Shares on behalf of the Purchaser, and such Shares may not be withdrawn except to the extent tendering shareholders are entitled to withdrawal rights as described in Section 4—"Withdrawal Rights." However, the ability of the Purchaser to delay the payment for Shares which the Purchaser has accepted for payment is limited by Rule 14e-1(c) under the Exchange Act, which requires that a bidder pay the consideration offered or return the securities deposited by or on behalf of holders of securities promptly after the termination or withdrawal of the Offer. Any extension, amendment or termination of the Offer will be followed as promptly as practicable by public announcement thereof, the announcement in the case of an extension to be issued no later than 9:00 a.m., Eastern Standard Time, on the next business day after the previously scheduled Expiration Date subject to

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applicable law (including Rules 14d-4(d) and 14d-6(c) under the Exchange Act, which require that material changes be promptly disseminated to holders of the Shares). Without limiting the obligation of the Purchaser under such Rule or the manner in which the Purchaser may choose to make any public announcement, the Purchaser currently intends to make announcements by issuing a press release to the PR Newswire.

If the Purchaser makes a material change in the terms of the Offer or the information concerning the Offer or waives a material condition of the Offer, the Purchaser will disseminate additional tender offer materials and extend the Offer to the extent required by Rules 14d-4(c), 14d-6(d) and 14e-1 under the Exchange Act. The minimum period during which the Offer must remain open following material changes in the terms of the Offer or information concerning the Offer, other than a change in price or a change in percentage of securities sought, will depend upon the facts and circumstances then existing, including the relative materiality of the changed terms or information. In the SEC's view, an offer should remain open for a minimum of five business days from the date a material change is first published, sent or given to security holders and, if material changes are made with respect to information not materially less significant than the offer price and the number of Shares being sought, a minimum of ten business days may be required to allow adequate dissemination and investor response. The requirement to extend an offer will not apply to the extent that the number of business days remaining between the occurrence of the change and the then-scheduled Expiration Date equals or exceeds the minimum extension period that would be required because of such amendment. As used in this Offer to Purchase, "business day" has the meaning set forth in Rule 14d-1(g)(3) under the Exchange Act.

CPI may agree to provide the Purchaser with CPI's shareholder lists and security position listings for the purpose of disseminating the Offer to Purchase (and related documents) to holders of Shares. This Offer to Purchase and the related Letter of Transmittal will be mailed by CPI or the Purchaser to record holders of Shares and will be furnished by the Purchaser to brokers, dealers, banks and similar persons whose names, or the names of whose nominees, appear on the shareholder lists or, if applicable, who are listed as participants in a clearing agency's security position listing, for subsequent transmittal to beneficial owners of Shares.

## **2. Acceptance for Payment and Payment for Shares**

Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment) and provided that the Offer has not been terminated as described in Section 1—"Terms of the Offer; Proration" of this Offer to Purchase, the Purchaser will accept for payment and will pay for up to 285,000 Shares validly tendered prior to the Expiration Date and not properly withdrawn in accordance with Section 4—"Withdrawal Rights" promptly after the Expiration Date.

The purchaser will not accept certain Shares in the event that (1) proration is required because the Offer is oversubscribed, (2) Shares are validly tendered but withdrawn by the tenderor, or (3) any condition to the Offer is not satisfied or waived. In the case of (3), the Purchaser will determine satisfaction of all conditions on or prior to the Expiration Date.

In all cases, payment for Shares accepted for payment pursuant to the Offer will be made only after timely receipt by the Depository of:

the certificates for such Shares, together with a Letter of Transmittal (or a manually signed facsimile thereof), properly completed and duly executed, with any required signature guarantees; or

in the case of a transfer effected pursuant to the book-entry transfer procedures described in Section 3—"Procedure for Tendering Shares," a Book-Entry Confirmation and either a Letter of Transmittal (or a manually signed facsimile thereof), properly completed and duly executed, with any required signature guarantees, or an Agent's Message as described in Section 3—"Procedure for Tendering Shares"; and

any other documents required under the Letter of Transmittal.

The per share consideration paid to any holder of any Share in the Offer will be the highest per share consideration paid to any other holder of any Share in the Offer.



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For purposes of the Offer, the Purchaser will be deemed to have accepted for payment, and thereby purchased, subject to proration, Shares properly tendered to the Purchaser and not properly withdrawn as, if and when the Purchaser gives oral or written notice to the Depository of the Purchaser's acceptance for payment of such Shares pursuant to the Offer. Upon the terms and subject to the conditions of the Offer, payment for Shares accepted for payment pursuant to the Offer will be made by deposit of the Offer Price therefore with the Depository, which will act as agent for tendering shareholders for the purpose of receiving payment from the Purchaser and transmitting payment to tendering shareholders. Upon the deposit of funds with the Depository for the purpose of making payments to tendering shareholders, the Purchaser's obligation to make such payment shall be satisfied, and tendering shareholders must thereafter look solely to the Depository for payment of amounts owed to them by reason of the acceptance for payment of Shares pursuant to the Offer. Under no circumstances will interest be paid on the Offer Price to be paid by the Purchaser for the Shares, regardless of any extension of the Offer or any delay in making such payment.

If any tendered Shares are not accepted for payment pursuant to the terms and conditions of the Offer for any reason, including Shares not purchased because of proration, certificates representing such unpurchased Shares will be returned, without expense to the tendering shareholder (or, in the case of Shares delivered by book-entry transfer of such Shares into the Depository's account at the Book-Entry Transfer Facility (as defined below) pursuant to the procedures set forth in Section 3—"Procedure for Tendering Shares," the Depository will notify the Book-Entry Transfer Facility of the Purchaser's decision not to accept the Shares and such Shares will be credited to an account maintained at the Book-Entry Transfer Facility), promptly after the expiration or termination of the Offer.

If the Purchaser is delayed in its acceptance for payment of or payment for Shares or is unable to accept for payment or pay for Shares pursuant to the Offer, then, without prejudice to the Purchaser's rights under the Offer (but subject to compliance with Rule 14e-1(c) under the Exchange Act) the Depository may, nevertheless, on behalf of the Purchaser, retain tendered Shares, and such Shares may not be withdrawn except to the extent tendering shareholders are entitled to do so as described in Section 4—"Withdrawal Rights." See Section 13—"Certain Legal Matters."

### **3. Procedure for Tendering Shares**

*Valid Tender.* A shareholder must follow one of the following procedures to validly tender Shares pursuant to the Offer:

*for Shares held as physical certificates* ("Share Certificates"), the certificates for tendered Shares, a Letter of Transmittal (or a manually signed facsimile thereof), properly completed and duly executed, with any required signature guarantees and any other documents required by the Letter of Transmittal must be received by the Depository at its address set forth on the back cover of this Offer to Purchase on or prior to the Expiration Date;

*for Shares held in book-entry form*, either a Letter of Transmittal (or a manually signed facsimile thereof), properly completed and duly executed, with any required signature guarantees, or an Agent's Message (as defined below), and any other required documents, must be received by the Depository at its address set forth on the back cover of this Offer to Purchase, and such Shares must be delivered pursuant to the book-entry transfer procedures described below under "Book-Entry Transfer" and a Book-Entry Confirmation (as defined below) must be received by the Depository, in each case on or prior to the Expiration Date; or the tendering shareholder must comply with the guaranteed delivery procedures described below under "Guaranteed Delivery" prior to the Expiration Date.

The valid tender of Shares pursuant to one of the procedures described above will constitute a binding agreement between the tendering shareholder and the Purchaser upon the terms and subject to the conditions of the Offer.

The method of delivery of Shares, the Letter of Transmittal and all other required documents, including delivery through the Book-Entry Transfer Facility, is at the election and risk of the tendering shareholder. Shares will be deemed delivered only when actually received by the Depository (including, in the case of a Book-Entry Transfer, by Book-Entry Confirmation). If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended. In all cases, sufficient time should be allowed to ensure timely delivery.





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*Book-Entry Transfer.* The Depository will establish an account or accounts with respect to the Shares at The Depository Trust Company (the “Book-Entry Transfer Facility”) for purposes of the Offer within two business days after the date of this Offer to Purchase. Any financial institution that is a participant in the Book-Entry Transfer Facility’s systems may make book-entry delivery of Shares by causing the Book-Entry Transfer Facility to transfer such Shares into the Depository’s account in accordance with the Book-Entry Transfer Facility’s procedure for such transfer. However, although delivery of Shares may be effected through book-entry transfer into the Depository’s account at the Book-Entry Transfer Facility, the properly completed and duly executed Letter of Transmittal (or a manually signed facsimile thereof), with any required signature guarantees, or an Agent’s Message in lieu of the Letter of Transmittal, and any other required documents must, in any case, be received by the Depository at one of its addresses set forth on the back cover of this Offer to Purchase on or prior to the Expiration Date, or the tendering shareholder must comply with the guaranteed delivery procedures described below for a valid tender of Shares by book-entry. The confirmation of a book-entry transfer of Shares into a Depository’s account at the Book-Entry Transfer Facility as described above is referred to in this Offer to Purchase as a “Book-Entry Confirmation.”

The term “Agent’s Message” means a message, transmitted through electronic means by a Book-Entry Transfer Facility, in accordance with the normal procedures of the Book-Entry Transfer Facility and the Depository, to and received by the Depository and forming a part of a Book-Entry Confirmation, which states that the Book-Entry Transfer Facility has received an express acknowledgment from the participant in the Book-Entry Transfer Facility tendering the Shares that are the subject of Book-Entry Confirmation that such participant has received and agrees to be bound by the terms of the Letter of Transmittal and that the Purchaser may enforce such agreement against the participant. The term “Agent’s Message” shall also include any hard copy printout evidencing such message generated by a computer terminal maintained at the Depository’s office. Delivery of documents to the Book-Entry Transfer Facility in accordance with the Book-Entry Transfer Facility’s procedures does not constitute delivery to the Depository.

*Signature Guarantees.* No signature guarantee is required on the Letter of Transmittal (1) if the Letter of Transmittal is signed by the registered holder(s) (which term, for purposes of this Section 3 includes any participant in the Book-Entry Transfer Facility’s systems whose name appears on a security position listing as the owner of the Shares) of Shares tendered therewith and such registered holder has not completed either the box entitled “Special Delivery Instructions” or the box entitled “Special Payment Instructions” on the Letter of Transmittal or (2) if such Shares are tendered for the account of a financial institution (including most commercial banks, savings and loan associations and brokerage houses) that is a participant in the Security Transfer Agent Medallion Signature Program or other “eligible guarantor institution,” as such term is defined in Rule 17Ad-15 under the Exchange Act (each, an “Eligible Institution” and, collectively, “Eligible Institutions”). In all other cases, all signatures on Letters of Transmittal must be guaranteed by an Eligible Institution. See Instructions 1 and 5 to the Letter of Transmittal. If a Share certificate is registered in the name of a person other than the signer of the Letter of Transmittal, or if payment is to be made, or a Share certificate not tendered or not accepted for payment are to be returned, to a person other than the registered holder of the certificates surrendered, then the tendered Share certificate must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name or names of the registered holders or owners appear on the Share certificate, with the signature(s) on the certificates or stock powers guaranteed by an Eligible Institution as provided in the Letter of Transmittal. See Instructions 1 and 5 to the Letter of Transmittal.

*Guaranteed Delivery.* If a shareholder desires to tender Shares pursuant to the Offer and the Share certificates are not immediately available or the procedures for book-entry transfer cannot be completed on a timely basis or time will not permit all required documents to reach the Depository on or prior to the Expiration Date, such shareholder’s tender may be effected if all the following conditions are met:

such tender is made by or through an Eligible Institution;

a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form provided by the Purchaser, is received by the Depository, as provided below, on or prior to the Expiration Date; and

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the Share certificates (or a Book-Entry Confirmation), in proper form for transfer, together with a properly completed and duly executed Letter of Transmittal (or a manually signed facsimile thereof), with any required signature guarantees (or, in the case of a book-entry transfer, an Agent' s Message in lieu of a Letter of Transmittal), and any other documents required by the Letter of Transmittal are received by the Depository within three trading days after the date of execution of such Notice of Guaranteed Delivery. A "trading day" is any day on which the AMEX is open for business.

The Notice of Guaranteed Delivery may be delivered by hand or transmitted by telegram, facsimile transmission or mail (or if sent by a Book-Entry Transfer Facility, a message transmitted through electronic means in accordance with the usual procedures of the Book-Entry Transfer Facility and the Depository; provided, however, that if such notice is sent by a Book-Entry Transfer Facility through electronic means, it must state that the Book-Entry Transfer Facility has received an express acknowledgment from the participant on whose behalf such notice is given that such participant has received and agrees to become bound by the form of such notice) to the Depository and must include a guarantee by an Eligible Institution in the form set forth in such Notice of Guaranteed Delivery made available by the Purchaser.

*Other Requirements.* Notwithstanding any other provision hereof, payment for Shares accepted for payment pursuant to the Offer will in all cases be made only after timely receipt by the Depository of (1) Share certificates (or a timely Book-Entry Confirmation), (2) a properly completed and duly executed Letter of Transmittal (or a facsimile thereof), with any required signature guarantees (or, in the case of a book-entry transfer, an Agent' s Message in lieu of a Letter of Transmittal) and (3) any other documents required by the Letter of Transmittal. Accordingly, tendering shareholders may be paid at different times depending upon when Share certificates or Book-Entry Confirmations with respect to Shares are actually received by the Depository. Under no circumstances will interest be paid on the Offer Price to be paid by the Purchaser for the Shares, regardless of any extension of the Offer or any delay in making such payment.

*Appointment as Proxy.* By executing the Letter of Transmittal (or a facsimile thereof) (or, in the case of a book-entry transfer, an Agent' s Message in lieu of a Letter of Transmittal), the tendering shareholder will irrevocably appoint designees of the Purchaser as such shareholder' s agents and attorneys-in-fact and proxies in the manner set forth in the Letter of Transmittal, each with full power of substitution, to the full extent of such shareholder' s rights with respect to the Shares tendered by such shareholder and accepted for payment by the Purchaser (and with respect to any and all other Shares or other securities or rights issued or issuable in respect of such Shares on or after the date of this Offer to Purchase). All such proxies will be considered coupled with an interest in the tendered Shares. Such appointment will be effective when, and only to the extent that, the Purchaser accepts for payment Shares tendered by such shareholder as provided herein. Upon the effectiveness of such appointment, all prior powers of attorney, proxies and consents given by such shareholder with respect to such Shares or other securities or rights will, without further action, be revoked and no subsequent powers of attorney, proxies, consents or revocations may be given by such shareholder (and, if given, will not be deemed effective). When the appointment of the proxy becomes effective, the designees of the Purchaser will thereby be empowered to exercise all voting and other rights with respect to such Shares and other securities or rights, including, without limitation, in respect of any annual, special or adjourned meeting of CPI' s shareholders, actions by written consent in lieu of any such meeting or otherwise, as they in their sole discretion deem proper. The Purchaser reserves the right to require that, in order for Shares to be deemed validly tendered, immediately upon the Purchaser' s acceptance for payment of such Shares, the Purchaser must be able to exercise full voting, consent and other rights with respect to such Shares and other related securities or rights, including voting at any meeting of shareholders. The Offer does not constitute a solicitation of proxies, absent a purchase of Shares, for any meeting of CPI shareholders.

*Determination of Validity.* All questions as to the validity, form, eligibility (including time of receipt) and acceptance of any tender of Shares, including questions as to the proper completion or execution of any Letter of Transmittal (or facsimile thereof), Notice of Guaranteed Delivery or other required documents and as to the

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proper form for transfer of any certificate of Shares, shall be resolved by the Purchaser, in its discretion, whose determination shall be final and binding. The Purchaser shall have the absolute right to determine whether to reject any or all tenders not in proper or complete form or to waive any irregularities or conditions, and the Purchaser's interpretation of the Offer to Purchase, the Letter of Transmittal and the instructions thereto and the Notice of Guaranteed Delivery (including without limitation the determination of whether any tender is complete and proper) shall be final and binding. No tender of Shares will be deemed to have been validly made until all defects or irregularities relating thereto have been cured or waived. None of the Purchaser, the Depository, the Information Agent, CPI or any other person will be under any duty to give notification of any defects or irregularities in tenders or incur any liability for failure to give any such notification. The Purchaser's interpretation of the terms and conditions of the Offer (including the Letter of Transmittal and the instructions thereto) will be final and binding.

*Backup Withholding.* In order to avoid "backup withholding" of U.S. federal income tax on payments of cash pursuant to the Offer, a U.S. shareholder surrendering Shares in the Offer must, unless an exemption applies, provide the Depository with such shareholder's correct taxpayer identification number ("TIN") on a Substitute Form W-9, certify under penalties of perjury that such TIN is correct and provide certain other certifications. If a shareholder does not provide such shareholder's correct TIN or fails to provide the required certifications, the Internal Revenue Service (the "IRS") may impose a penalty on such shareholder and payment of cash to such shareholder pursuant to the Offer may be subject to backup withholding of 28%. All shareholders surrendering Shares pursuant to the Offer should complete and sign the main signature form and the Substitute Form W-9 included as part of the Letter of Transmittal to provide the information and certification necessary to avoid backup withholding (unless an applicable exemption exists and is proved in a manner satisfactory to the Purchaser and the Depository). Certain shareholders (including, among others, corporations) are not subject to backup withholding but may be required to provide evidence of their exemption from backup withholding. Non-U.S. shareholders should complete and sign the main signature form included as part of the Letter of Transmittal and an appropriate Form W-8 (instead of a Form W-9), a copy of which may be obtained from the Depository, in order to avoid backup withholding. See Instruction 9 to the Letter of Transmittal.

#### **4. Withdrawal Rights**

Except as provided in this Section 4, or as provided by applicable laws, tenders of Shares are irrevocable.

Stock tendered into the Offer may be withdrawn pursuant to the procedures set forth below at any time on or prior to the Expiration Date and, unless theretofore accepted for payment and paid for by the Purchaser pursuant to the Offer, may also be withdrawn at any time after June 30, 2005.

For a withdrawal to be effective, a written, telegraphic or facsimile transmission notice of withdrawal must be timely received by the Depository at its address set forth on the back cover of this Offer to Purchase and must specify the name of the person who tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the name of the registered holder of the Shares to be withdrawn, if different from the name of the person who tendered the Shares. If certificates representing Shares have been delivered or otherwise identified to the Depository, then, prior to the physical release of such certificates, the tendering shareholder must also submit the serial numbers shown on the particular certificates evidencing such Shares and the signature on the notice of withdrawal must be guaranteed by an Eligible Institution. If Shares have been tendered pursuant to the procedures for book-entry transfer as set forth in Section 3—"Procedure for Tendering Shares," any notice of withdrawal must also specify the name and number of the account at the appropriate Book-Entry Transfer Facility to be credited with the withdrawn Shares and otherwise comply with such Book-Entry Transfer Facility's procedures. Withdrawals of tenders of Shares may not be rescinded, and any Shares properly withdrawn will no longer be considered properly tendered for purposes of the Offer. However, withdrawn Shares may be re-tendered by again following one of the procedures described in Section 3—"Procedure for Tendering Shares" any time on or prior to the Expiration Date.

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All questions as to the form and validity (including time of receipt) of notices of withdrawal will be determined by the Purchaser, in its discretion, which determination will be final and binding. None of the Purchaser, the Depositary, the Information Agent, CPI or any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give any such notification.

The method for delivery of any documents related to a withdrawal is at the risk of the withdrawing shareholder. Any documents related to a withdrawal will be deemed delivered only when actually received by the Depositary. If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended. In all cases, sufficient time should be allowed to ensure timely delivery.

### **5. United States Federal Income Tax Consequences**

The following is a summary of the United States federal income tax consequences to holders of Shares whose Shares are sold pursuant to the Offer. This discussion is for general information purposes only and does not address all aspects of United States federal income taxation that may be relevant to particular holders of Shares in light of their specific investment or tax circumstances. The tax consequences to any particular shareholder may differ depending on that shareholder's own circumstances and tax position. The discussion is based on current provisions of the Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations issued thereunder, and administrative and judicial interpretations thereof, all as in effect as of the date hereof and all of which are subject to change, possibly with retroactive effect. This discussion applies only to holders who hold Shares as "capital assets" within the meaning of section 1221 of the Code, and does not apply to holders who acquired their Shares pursuant to the exercise of employee stock options or otherwise as compensation. In addition, this discussion does not apply to certain types of holders subject to special tax rules including, but not limited to, non-U.S. persons, insurance companies, tax-exempt organizations, banks and other financial institutions, brokers or dealers, holders who perfect their appraisal rights, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings or persons who hold their Shares as a part of a straddle, hedge, conversion, or other integrated investment or constructive sale transaction. The tax consequences of the Offer to holders who hold their Shares through a partnership or other pass-through entity generally will depend upon such holder's status for United States federal income tax purposes and the activities of the partnership.

Each holder is urged to consult such holder's tax advisor regarding the specific United States federal, state, local and foreign income and other tax consequences of the Offer in light of such holder's specific tax situation.

The receipt of cash for Shares pursuant to the Offer will be a taxable transaction for United States federal income tax purposes. In general, a holder who receives cash in exchange for Shares pursuant to the Offer will recognize gain or loss for United States federal income tax purposes equal to the difference, if any, between the amount of cash received and the holder's adjusted tax basis in the Shares exchanged. Gain or loss will be determined separately for each block of Shares (i.e., Shares acquired at the same time and price) exchanged pursuant to the Offer. Such gain or loss will generally be capital gain or loss and will generally be long-term capital gain or loss if such Shares have been held for more than one year at the time of disposition. However, such gain or loss will generally be short-term capital gain or loss if such Shares have been held for one year or less at the time of disposition. In the case of a tendering individual shareholder, long-term capital gains will generally be eligible for reduced rates of taxation. Unlike long-term capital gains, short-term capital gains of individuals are generally taxable at the same rates as ordinary income. The deductibility of capital losses is subject to limitations.

A shareholder (other than certain exempt shareholders including, among others, corporations) that receives cash for Shares pursuant to the Offer generally will be subject to backup withholding at a rate equal to the fourth lowest rate applicable to ordinary income of unmarried individuals (under current law, the backup withholding rate is 28%) unless the shareholder provides its TIN, certifies under penalties of perjury that such TIN is correct (or properly certifies that it is awaiting a TIN), certifies that it is not subject to backup withholding and otherwise

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complies with the applicable requirements of the backup withholding rules. If the holder is an individual, the TIN is his or her social security number. Backup withholding is not an additional tax. Rather, the amount of the backup withholding can be credited against the U.S. federal income tax liability of the person subject to the backup withholding, provided that the required information is given to the IRS. If backup withholding results in an overpayment of tax, a refund can be obtained by the shareholder by filing a U.S. federal income tax return. A shareholder that does not furnish a required TIN or that does not otherwise establish a basis for an exemption from backup withholding may be subject to a penalty imposed by the IRS. See “Backup Withholding” under Section 3–“Procedure for Tendering Shares.” Each shareholder should complete and sign the Substitute Form W-9 included as part of the Letter of Transmittal so as to provide the information and certification necessary to avoid backup withholding.

### 6. Price Range of the Shares

The Shares are listed and principally traded on AMEX under the symbol “CPI.”

The following table sets forth, for each of the periods indicated, the high and low reported sales price per share based on published financial sources.

	High	Low
Second Quarter 2003	\$8.90	\$7.80
Third Quarter 2003	\$11.30	\$8.40
Fourth Quarter 2003	\$13.10	\$11.05
First Quarter 2004	\$13.72	\$11.95
Second Quarter 2004	\$17.45	\$12.82
Third Quarter 2004	\$17.65	\$14.65
Fourth Quarter 2004	\$18.10	\$14.80
First Quarter 2005	\$22.50	\$18.00
Second Quarter (through April 29, 2005)	\$18.75	\$18.10

On Wednesday, April 27, 2005, the most recent date the Shares traded prior to the commencement of the Offer, the last reported sales price of the Shares on the AMEX was \$18.10 per share. **Shareholders are urged to obtain a current market quotation for the Shares.**

### 7. Effect of the Offer on the Market for the Shares; Stock Exchange Listing; Exchange Act Registration; Margin Regulations

*Market for the Shares.* The Purchaser's purchase of Shares pursuant to the Offer will reduce the number of holders of Class A Common Stock of CPI. The Purchaser's purchase of Shares in the Offer will also reduce the number of Shares of Class A Common Stock that might otherwise trade publicly and could adversely affect the liquidity and market value of the remaining Shares of Class A Common Stock held by the public. We cannot predict whether the reduction in the number of Shares that might otherwise trade publicly will have an adverse or beneficial effect on the market price for, or marketability of, the Shares or whether such reduction would cause future market prices to be greater or less than the price paid in the Offer.

*Stock Exchange Listing.* The Shares are currently traded on the AMEX. According to AMEX's published guidelines, the Shares might no longer be eligible for inclusion on the AMEX if, among other things, the number of publicly held Shares falls below 200,000, the total number of public shareholders falls below 300 or the market value of publicly held Shares over a 90-consecutive day period is less than \$1,000,000. Shares held by officers, directors, controlling shareholders of the Subject Company or their immediate families ordinarily will not be considered to be publicly held for this purpose. If as a result of the purchase of Shares in the Offer or otherwise, the Shares cease to be traded on the AMEX, the market for the Shares could be adversely affected. It is possible that the Shares would be traded on other securities exchanges (with trades published by such



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exchanges), the OTC Bulletin Board or in a local or regional over-the-counter market. The extent of any public market for the Shares and the availability of such quotations would, however, depend upon the number of holders of Shares and the aggregate market value of the Shares remaining at such time, the interest in maintaining a market in the Shares on the part of securities firms, the possible termination of registration of the Shares under the Exchange Act, as described below, and other factors.

*Registration under the Exchange Act.* The Shares are currently registered under the Exchange Act. Such registration may be terminated upon application of the Subject Company to the SEC if the Shares are neither listed on a national securities exchange nor held by 300 or more holders of record. Termination of the registration of the Shares under the Exchange Act would substantially reduce the information required to be furnished by the Subject Company to holders of Shares and to the SEC and would make certain of the provisions of the Exchange Act, such as the short-swing profit recovery provisions of Section 16(b), the requirement to furnish a proxy statement pursuant to Section 14(a) in connection with a shareholder's meeting and the related requirement to furnish an annual report to shareholders and the requirements of Rule 13e-3 under the Exchange Act with respect to "going private" transactions, no longer applicable to the Shares. Furthermore, "affiliates" of the Subject Company and persons holding "restricted securities" of the Subject Company may be deprived of the ability to dispose of such securities pursuant to Rule 144 promulgated under the Securities Act of 1933, as amended (the "Securities Act"). If registration of the Shares under the Exchange Act were terminated, the Shares would no longer be "margin securities." Based on the Subject Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2004, as filed with the SEC on March 23, 2005, as of March 1, 2005, there were 381 holders of record of the Subject Company's Class A Common Stock. We cannot predict whether the reduction in the number of Shares that might otherwise be outstanding would enable the Subject Company to no longer be subject to the registration requirements of the Exchange Act.

*Margin Regulations.* The Shares are currently "margin securities" under the regulations of the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"), which has the effect, among other things, of allowing brokers to extend credit on the collateral of such Shares. Depending upon factors similar to those described above regarding listing and market quotations, the Shares might no longer constitute "margin securities" for the purposes of the Federal Reserve Board's margin regulations and, therefore, could no longer be used as collateral for loans made by brokers.

## **8. Certain Information Concerning CPI**

*General.* The Subject Company is a Rhode Island corporation. The Subject Company owns approximately 18 acres of land in the Capital Center Project area in downtown Providence, Rhode Island, which it leases or is holding for lease to third parties. The Subject Company is the largest single landowner in the Capital Center Project area but is nevertheless subject to some measure of competition from other landowners in the vicinity of its properties.

Through two of its subsidiaries, the Subject Company owns and operates a 676,500 barrel petroleum storage facility in East Providence, Rhode Island, which is the only independent facility in the Providence area with deep-water access. The Subject Company leases the facility to Global Companies, L.L.C., ("Global") and operates the facility for Global.

CPI owns all of the outstanding capital stock and/or membership interests in the following companies:

Tri-State Displays, Inc. (through which CPI leases land for billboards along interstate and primary highways for outdoor advertising purposes);

Dunellen, LLC which was formed in 2000 (through which CPI owns the petroleum storage facilities in East Providence, Rhode Island); and

Capital Terminal Company (through which CPI operates its petroleum storage facilities).

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*Available Information.* CPI is subject to the informational filing requirements of the Exchange Act and, in accordance therewith, is obligated to file reports, proxy statements and other information with the SEC relating to its business, financial condition and other matters. Information as of particular dates concerning CPI's directors and officers, their remuneration, options granted to them, the principal holders of CPI's securities and any material interests of such persons in transactions with CPI is required to be disclosed in proxy statements distributed to CPI's shareholders and filed with the SEC. Such reports, proxy statements and other information should be available for inspection at the public reference facilities of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such information should be obtainable by mail, upon payment of the SEC's customary charges, by writing to the SEC's principal office at 450 Fifth Street, N.W., Washington, D.C. 20549. The SEC also maintains a website at <http://www.sec.gov> that contains reports, proxy statements and other information relating to CPI that have been filed via the EDGAR System. The historical information concerning CPI contained in this Offer to Purchase has been taken from or based upon public available documents and records on file with the SEC. None of the Purchaser, the Depositary or the Information Agent assumes responsibility for the accuracy or completeness of the information concerning CPI contained in such documents and records or for any failure by CPI to disclose events that may have occurred or may affect the significance or accuracy of any such information but that are unknown to the Purchaser.

### **9. Certain Information Concerning the Purchaser**

*The Purchaser.* Mercury Special Situations Fund LP and Mercury Special Situations Offshore Fund, Ltd. are private investment funds (the "Funds"). Mercury Real Estate Advisors LLC ("Advisors") is the investment adviser to the Funds. The Purchaser's principal executive offices are located at 100 Field Point Road, Greenwich, CT 06830 and its telephone number is (203) 769-2980.

The name, citizenship, business address, present principal occupation or employment and five-year employment history of each of the executive officers/managers of the Purchaser are set forth in Schedule I hereto.

Except as described in this Offer to Purchase or Schedule I to this Offer to Purchase (a) neither the Purchaser nor, to the knowledge of the Purchaser, any of the persons listed in Schedule I or any associate or majority-owned subsidiary of the Purchaser or of any of the persons so listed, beneficially owns or has a right to acquire any Shares or any other equity securities of CPI and (b) neither the Purchaser, nor, to the knowledge of the Purchaser, any of the persons or entities referred to in clause (a) above or any of their executive officers, directors or subsidiaries has effected any transaction in the Shares or any other equity securities of CPI during the past 60 days. In its capacity as investment adviser to the Funds, Advisors beneficially owns 40,800 Shares, which are directly held by the Funds and other private investment funds. These Shares represent approximately 1.2% of the total Shares outstanding as of the date of this Offer to Purchase. In addition, Mercury Securities II LLC, the general partner of Mercury Special Situations Fund LP, may be deemed to be the beneficial owner of the 25,900 Shares held directly by Mercury Special Situations Fund LP. In their capacity as the managing members of Advisors, David R. Jarvis and Malcolm F. MacLean IV may be deemed to be the beneficial owners of all such 40,800 Shares.

Except as described in this Offer to Purchase neither Purchaser nor, to the knowledge of the Purchaser, any of the persons listed in Schedule I to this Offer to Purchase, has any contract, arrangement, understanding or relationship with any other person with respect to any securities of CPI (including, but not limited to, any contract, arrangement, understanding or relationship concerning the transfer or the voting of any such securities, joint ventures, loan or option arrangements, puts or calls, guaranties of loans, guaranties against loss or the giving or withholding of proxies, consents or authorizations).

Except as set forth in this Offer to Purchase, none of the Purchaser nor, to the knowledge of the Purchaser, any of the persons listed on Schedule I to this Offer to Purchase, has had any business relationship or transaction with CPI or any of its executive officers, directors or affiliates that is required to be reported under the rules and regulations of the SEC applicable to the Offer. Except as set forth in this Offer to Purchase, there have been no contacts, negotiations or transactions between the Purchaser or any of its subsidiaries or, to the knowledge of the Purchaser, any of the persons listed in Schedule I to this Offer to Purchase, on the one hand, and CPI or its



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affiliates, on the other hand, concerning a merger, consolidation or acquisition, tender offer or other acquisition of securities, an election of directors or a sale or other transfer of a material amount of assets. None of the persons listed in Schedule I has, during the past five years, been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors). None of the persons listed in Schedule I has, during the past five years, been a party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of federal or state securities laws.

*Available Information.* Pursuant to Rule 14d-3 under the Exchange Act, the Purchaser filed with the SEC a Tender Offer Statement on Schedule TO (the "Schedule TO"), of which this Offer to Purchase forms a part, and exhibits to the Schedule TO.

### **10. Source and Amount of Funds**

The Offer is not conditioned upon any financing arrangements. The Purchaser estimates that the total amount of funds required to consummate the Offer will be approximately \$6,270,000 plus any related transaction fees and expenses. The Purchaser will acquire all such funds from its existing working capital and will not borrow any portion of such funds.

Because the only consideration in the Offer is cash, the Offer is to purchase up to 285,000 Shares of Class A Common Stock of CPI (representing approximately 8.6% of the total class outstanding) and the absence of a financing condition, the Purchaser believes the financial condition of the Purchaser and its affiliates is not material to a decision by a holder of Shares whether to sell, tender or hold Shares pursuant to the Offer.

### **11. Background of the Offer; Past Contacts, Negotiations and Transactions**

On August 17, 2004, the Purchaser sent a letter to the three independent members of the Board of Directors of the Subject Company, and made that letter public in a press release on August 18, 2004. A copy of the press release is attached hereto as Exhibit (a)(1)(J). In that letter, the Purchaser objected to the Subject Company's request to the AMEX that, among other things, the Subject Company extend its 5% ownership limitation and multiple share class structure, despite the Subject Company's repeated public statements that such ownership limit and multiple share class structure would automatically expire on April 1, 2005. The Purchaser also sent a letter, dated August 16, 2004, to the AMEX, objecting to the Subject Company's request to extend its 5% ownership limitation and multiple share class structure.

On August 27, 2004, the Subject Company filed a Current Report on Form 8-K (the "Form 8-K") with the SEC in which it included a letter sent to the Purchaser dated August 26, 2004. The Form 8-K is attached hereto as Exhibit (a)(1)(K).

On September 23, 2004, the Purchaser sent a letter to the three independent members of the Board of Directors of the Subject Company and made that letter public in a press release issued that same day. A copy of the press release is attached hereto as Exhibit (a)(1)(L).

### **12. Purpose of the Offer; Plans for CPI; Other Matters**

The Purchaser is making the Offer for investment purposes with a view towards making a profit. The Purchaser's intent is to acquire Shares at a discount to the value that the Purchaser might ultimately realize from owning the Shares acquired under the Offer. No independent party has been retained by the Purchaser to evaluate or render any opinion with respect to the fairness of the Offer Price and no representation is made as to the fairness of the Offer Price. The Purchaser expects to benefit from any one or a combination of the following: future cash dividends paid to the Shares acquired under the Offer, additional Shares issued to shareholders in lieu of cash dividends, appreciation in the market value of Shares acquired under the Offer, and/or the payment of previously deferred and accrued dividends to shareholders. The Offer represents a more expeditious manner for the Purchaser to acquire Shares given the lack of liquidity in the trading market for the Shares.

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Following completion of the Offer, the Purchaser and its affiliates may acquire additional Shares through private purchases, one or more future tender offers, or by any other means deemed advisable. The Purchaser does not currently have any plan or purpose (either formal or informal) of acquiring Shares in a series of successive and periodic offers in order to acquire Shares over time at the lowest possible price at which shareholders are willing to sell. The Purchaser is, however, involved in the business of acquiring publicly-traded securities and may conduct future offers for Shares of the Subject Company. If the Purchaser does conduct future offers, it will determine pricing for those offers based primarily on the market value of the Shares at the time of offer. The Purchaser also reserves the right to dispose of Shares that it has acquired or may acquire.

The Offer is not conditioned upon the valid tender of any minimum number of the Shares. The Purchaser expressly reserves the right, in its reasonable discretion and for any reason, to waive any or all of the conditions of the Offer, although the Purchaser does not presently intend to do so.

### **13. Certain Legal Matters**

Except as described in this Section 13—“Certain Legal Matters,” based on information known by the Purchaser, the Purchaser is not aware of any license or regulatory permit that appears to be material to the business of CPI that might be adversely affected by the Purchaser’s acquisition of Shares as contemplated herein or of any approval or other action by a domestic or foreign governmental, administrative or regulatory agency or authority that would be required for the acquisition and ownership of Shares by the Purchaser as contemplated herein. Should any such approval or other action be required, the Purchaser presently contemplates that such approval or other action will be sought, except as described below under “State Takeover Statutes.” While, except as otherwise described in this Offer to Purchase, the Purchaser does not presently intend to delay the acceptance for payment of or payment for Shares tendered pursuant to the Offer pending the outcome of any such matter, there can be no assurance that any such approval or other action, if needed, would be obtained or would be obtained without substantial conditions or that failure to obtain any such approval or other action might not result in consequences adverse to CPI’s business or that certain parts of CPI’s business might not have to be disposed of or other substantial conditions complied with in the event that such approvals were not obtained or such other actions were not taken or in order to obtain any such approval or other action. If certain types of adverse action are taken with respect to the matters discussed below, the Purchaser could decline to accept for payment or pay for any Shares tendered. See Section 15—“Conditions of the Offer” for certain conditions of the Offer.

*State Takeover Statutes.* A number of states have adopted laws and regulations that purport to apply to attempts to acquire corporations that are incorporated in such states, or whose business operations have substantial economic effects in such states, or that have substantial assets, security holders, employees, principal executive offices or principal places of business in such states. In *Edgar v. MITE Corp.*, the Supreme Court of the United States (the “Supreme Court”) invalidated on constitutional grounds the Illinois Business Takeover statute, which, as a matter of state securities law, made takeovers of corporations meeting certain requirements more difficult. However, in 1987, in *CTS Corp. v. Dynamics Corp. of America*, the Supreme Court held that the State of Indiana may, as a matter of corporate law and, in particular, with respect to those aspects of corporate law concerning corporate governance, constitutionally disqualify a potential acquirer from voting on the affairs of a target corporation without the prior approval of the remaining shareholders. The state law before the Supreme Court was by its terms applicable only to corporations that had a substantial number of shareholders in the state and were incorporated there.

The Purchaser does not believe that the antitakeover laws and regulations of any state will by their terms apply to the Offer, and the Purchaser has attempted to comply with any state antitakeover statute or regulation. The Purchaser reserves the right to challenge the applicability or validity of any state law purportedly applicable to the Offer, and nothing in this Offer to Purchase or any action taken in connection with the Offer is intended as a waiver of such right. If it is asserted that any state antitakeover statute is applicable to the Offer, and an

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appropriate court does not determine that it is inapplicable or invalid as applied to the Offer, the Purchaser might be required to file certain information with, or to receive approvals from, the relevant state authorities, and the Purchaser might be unable to accept for payment or pay for Shares tendered pursuant to the Offer or may be delayed in consummating the Offer. In such case, the Purchaser may not be obligated to accept for payment, or pay for, any Shares tendered pursuant to the Offer. See Section 15–“Conditions of the Offer.”

### **14. Dividends and Distributions**

If, on or after May 2, 2005, the Subject Company should split, combine or otherwise change the Shares or its capitalization, acquire or otherwise cause a reduction in the number of outstanding Shares or issue or sell any additional Shares (other than Shares issued pursuant to and in accordance with the terms in effect on May 2, 2005, of employee stock options outstanding prior to such date), shares of any other class or series of capital stock, other voting securities or any securities convertible into, or options, rights, or warrants, conditional or otherwise, to acquire, any of the foregoing, then, without prejudice to our rights under the Offer, the Purchaser may, in its discretion, make such adjustments in the purchase price and other terms of the Offer as the Purchaser deems appropriate including the number or type of securities to be purchased.

If, on or after May 2, 2005, the Subject Company should declare or pay any dividend on the Shares or any distribution with respect to the Shares (including the issuance of additional Shares or other securities or rights to purchase of any securities) that is payable or distributable to shareholders of record on a date prior to the transfer to the name of the Purchaser or its nominee or transferee on the Subject Company’ s stock transfer records of the Shares purchased pursuant to the Offer, then, without prejudice to the Purchaser’ s rights under the Offer, (i) the purchase price per Share payable by the Purchaser pursuant to the Offer will be reduced to the extent of any such cash dividend or distribution and (ii) the whole of any such non-cash dividend or distribution to be received by the tendering shareholders will (a) be received and held by the tendering shareholders for the Purchaser’ s account and will be required to be promptly remitted and transferred by each tendering shareholder to the Depository for the Purchaser’ s account, accompanied by appropriate documentation of transfer or (b) be exercised for the Purchaser’ s benefit at the Purchaser’ s direction, in which case the proceeds of such exercise will promptly be remitted to the Purchaser. Pending such remittance and subject to applicable law, the Purchaser will be entitled to all rights and privileges as owner of any such non-cash dividend or distribution or proceeds thereof and may withhold the entire purchase price or deduct from the purchase price the amount or value thereof, as the Purchaser determines in its discretion.

### **15. Conditions of the Offer**

Notwithstanding any other provision of the Offer, the Purchaser is not required to accept for payment or, subject to any applicable rules and regulations of the SEC, including Rule 14e-1(c) under the Exchange Act (relating to the Purchaser’ s obligation to pay for or return tendered Shares promptly after termination or expiration of the Offer), pay for any Shares, and may terminate or amend the Offer, if, at any time on or after May 2, 2005, and before the expiration of the Offer, any of the following conditions exist: (1) any change occurs or is threatened (or any development occurs or is threatened involving a prospective change) in the business, assets, liabilities, financial condition, capitalization, operations, results of operations or prospects of the Subject Company or any of its affiliates that, in the Purchaser’ s reasonable judgment, is or may be materially adverse to the Subject Company or any of its affiliates, or the Purchaser becomes aware of any facts, that in its reasonable judgment, have or may have material adverse significance with respect to (x) the value of the Subject Company or any of its affiliates, (y) the value of the Shares to the Purchaser or any of its affiliates, or (z) a contractual right of the Subject Company or any of its affiliates, including any material impairment of any material contractual right or acceleration of any material amount of indebtedness of the Subject Company or any affiliate as a result of or in connection with the Offer, (2) there is threatened, instituted or pending any action or proceeding by any government, governmental authority or agency or any other person, domestic or foreign, before any court or

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governmental authority or agency, domestic or foreign, (a) challenging or seeking to make illegal, to delay or otherwise, directly or indirectly, to restrain or prohibit the making of the Offer, the acceptance for payment of or payment for some or all of the Shares by the Purchaser, or (b) seeking to obtain material damages or otherwise directly or indirectly relating to the Offer, (3) any action is taken, or any statute, rule, regulation, injunction, order or decree is proposed, enacted, enforced, promulgated, issued or deemed applicable to the Offer or the acceptance for payment of or payment for Shares, by any court, government or governmental authority or agency, domestic or foreign, that, in the Purchaser's reasonable judgment, might, directly or indirectly, result in any of the consequences referred to in the preceding clause (2) above, or (4) there occurs (i) any general suspension of trading in, or limitation on prices for, securities on any national securities exchange or in the over-the-counter market, (ii) any change in the general political, market, economic or financial conditions in the United States or abroad that, in the Purchaser's reasonable judgment, could have a material adverse effect on the business, financial condition or results of operations or prospects of the Subject Company and its subsidiaries, taken as a whole, (iii) the declaration of a banking moratorium or any suspension of payments in respect of banks in the United States, or (iv) the commencement of a war, armed hostilities or other international or national calamity directly or indirectly involving the United States or any attack on, outbreak or act of terrorism involving the United States.

### **16. Fees and Expenses**

Except as set forth below, the Purchaser will not pay any fees or commissions to any broker, dealer or other person for soliciting tenders of Shares pursuant to the Offer.

The Purchaser has retained The Bank of New York to act as the Depository in connection with the Offer. Such firm will receive reasonable and customary compensation for its services. The Purchaser has also agreed to reimburse such firm for certain reasonable out-of-pocket expenses and to indemnify such firm against certain liabilities in connection with its services, including certain liabilities under federal securities laws.

The Purchaser has retained D.F. King & Co., Inc. to act as the Information Agent in connection with the Offer. Such firm will receive reasonable and customary compensation for its services. The Purchaser has also agreed to reimburse such firm for certain reasonable out-of-pocket expenses and to indemnify such firm against certain liabilities in connection with its services, including certain liabilities under federal securities laws.

The Purchaser will not pay any fees or commissions to any broker or dealer or other person (other than the Information Agent) for making solicitations or recommendations in connection with the Offer. Brokers, dealers, banks and trust companies will be reimbursed by the Purchaser for customary mailing and handling expenses incurred by them in forwarding material to their customers.

### **17. Miscellaneous**

The Offer is being made to all holders of CPI Class A Common Stock. The Purchaser is not aware of any jurisdiction in which the making of the Offer or the tender of Shares in connection therewith would not be in compliance with the laws of such jurisdiction. If the Purchaser becomes aware of any jurisdiction in which the making of the Offer would not be in compliance with applicable law, the Purchaser will make a good faith effort to comply with any such law. If, after such good faith effort, the Purchaser cannot comply with any such law, the Offer will not be made to (nor will tenders be accepted from or on behalf of) the holders of Shares residing in such jurisdiction. In any jurisdiction where the securities, blue sky or other laws require the Offer to be made by a licensed broker or dealer, the Offer will be deemed to be made on behalf of the Purchaser by one or more registered brokers or dealers licensed under the laws of such jurisdiction.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION ON BEHALF OF THE PURCHASER NOT CONTAINED HEREIN OR IN THE LETTER OF TRANSMITTAL AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED.

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The Purchaser has filed with the SEC the Tender Offer Statement on Schedule TO pursuant to Rule 14d-3 under the Exchange Act, together with the exhibits thereto, furnishing certain additional information with respect to the Offer, and may file amendments thereto.

Mercury Real Estate Advisors LLC  
Mercury Special Situations Fund LP  
Mercury Special Situations Offshore Fund, Ltd.

May 2, 2005

**ADDITIONAL INFORMATION CONCERNING**

**THE PURCHASER**

The names of the executive officers/managers of the Purchaser and their present principal occupations or employment and material employment history for the past five years are set forth below. Each individual is a citizen of the United States, and his business address is 100 Field Point Road, Greenwich, CT 06830.

<b>Name</b>	<b>Position and Principal Occupation</b>
David R. Jarvis	Managing Member of Mercury Real Estate Advisors LLC
Malcolm F. MacLean IV	Managing Member of Mercury Real Estate Advisors LLC

Mr. Jarvis co-founded Mercury Partners LLC (“Mercury Partners”) and certain affiliates in February 2000 to provide investment management services to private investment funds. He also co-founded Mercury Real Estate Advisors LLC in 2003. In his capacity with Mercury Real Estate Advisors LLC, Mr. Jarvis has managed Mercury Special Situations Fund LP and Mercury Special Situations Offshore Fund, Ltd. since their inception.

Mr. Jarvis has over 25 years experience in the real estate and securities industries in the United States and Europe, with extensive experience in analyzing, structuring and acquiring real estate securities and real property. He has structured and executed over \$20 billion of public and private equity and debt capital market transactions as well as mergers and acquisitions for real estate companies. Mr. Jarvis has been involved with numerous notable real estate transactions including the sale of the Rockefeller Center. Prior to joining Mercury Partners, David was a Managing Director and Co-Head of the Real Estate Group at PaineWebber Incorporated (1994-2000) and a founder of the Kidder, Peabody & Co. Real Estate Group (1991-1994).

Previously, Mr. Jarvis was a Principal and Chief Investment Officer for Greystone Realty Corporation, the real estate investment advisory affiliate of New York Life Insurance Company, and a Principal of Copley Real Estate Advisors (now AEW). Formerly, he practiced real estate and securities law in Los Angeles and Newport Beach, California with the law firm of Paul, Hastings, Janofsky & Walker and also clerked while in law school in the Enforcement Division of the SEC.

Mr. Jarvis received a Bachelor of Arts, Phi Beta Kappa, from Williams College in 1975 and a Juris Doctor with Honors from George Washington University in 1978.

Mr. MacLean co-founded Mercury Partners and certain affiliates in February 2000 to provide investment management services to private investment funds. He also co-founded Mercury Real Estate Advisors LLC in 2003. In his capacity with Mercury Real Estate Advisors LLC, Mr. MacLean has managed Mercury Special Situations Fund LP and Mercury Special Situations Offshore Fund, Ltd. since their inception. He has over 13 years of experience in the real estate securities business while specializing in the structuring and acquisition of public and private real estate securities and property throughout the United States and Western Europe. In addition, Mr. MacLean has extensive experience in originating, structuring and executing public and private equity, debt and mergers and acquisitions transactions for real estate companies having consummated transactions totaling in excess of \$15 billion.

Prior to the formation of Mercury Partners, Mr. MacLean was a Senior Vice President of PaineWebber's Real Estate Group. Previously, he was a Vice President in the Real Estate Group of Kidder, Peabody & Co. which he joined in 1992, and subsequently joined PaineWebber in 1994 as a result of its acquisition of Kidder, Peabody.

Mr. MacLean studied International Economics at Cambridge University in England and graduated from Trinity College in Hartford, Connecticut with a Bachelor of Arts in Economics and Law in 1992.

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Messrs. Jarvis and MacLean also are the managing members of Mercury Securities II LLC, a Delaware limited liability company that is the general partner of Mercury Special Situations Fund LP. The principal place of business of Mercury Securities II LLC is 100 Field Point Road, Greenwich, CT 06830.

During the past 60 days, Mercury Real Estate Advisors LLC, in its capacity as investment adviser to Mercury Special Situations Fund LP, Mercury Special Situations Offshore Fund, Ltd. and other private investment funds, has effected the following purchases of Shares, in each case through open market transactions:

### **Mercury Special Situations Offshore Fund, Ltd.**

<u>Date</u>	<u>Number of Shares</u>		<u>Price per Share (\$)</u>
	<u>Acquired</u>		
04/06/05	100		18.32
04/07/05	100		18.12
04/22/05	400		18.32

### **Mercury Real Estate Securities Fund LP**

<u>Date</u>	<u>Number of Shares</u>		<u>Price per Share (\$)</u>
	<u>Acquired</u>		
04/07/05	200		18.12
04/27/05	300		18.12

### **Silvercrest Real Estate Fund**

<u>Date</u>	<u>Number of Shares</u>		<u>Price per Share (\$)</u>
	<u>Acquired</u>		
03/17/05	433		18.10

### **Silvercrest Real Estate Fund (International)**

<u>Date</u>	<u>Number of Shares</u>		<u>Price per Share (\$)</u>
	<u>Acquired</u>		
03/17/05	1567		18.10



Silvercreek SAV LLC

Date	Number of Shares Acquired	Price per Share (\$)
03/03/05	200	18.37
03/04/05	100	18.62
03/11/05	1200	18.22
03/14/05	100	18.12

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Facsimile copies of the Letter of Transmittal, properly completed and duly signed, will be accepted. The Letter of Transmittal, certificates for Shares and any other required documents should be sent or delivered by each shareholder of CPI or his broker, dealer, commercial bank, trust company or other nominee to the Depository, at one of the addresses set forth below.

*The Depository for the Offer is:*

**THE BANK OF NEW YORK**

By Facsimile Transmission (for Eligible Institutions only): (781) 380-3388

Confirm by Telephone: (781) 843-1833, Ext 0

*By Overnight Courier:*

The Bank of New York  
Capital Properties, Inc.  
161 Bay State Road  
Braintree, MA 02184

*By Mail:*

The Bank of New York  
Capital Properties, Inc.  
P.O. Box 859208  
Braintree, MA 02185-9208

*By Hand:*

The Bank of New York Reorganization  
Services  
101 Barclay Street  
Receive and Deliver Window-  
Street Level  
New York, NY 10286

Questions and requests for assistance or additional copies of this Offer to Purchase, the Letter of Transmittal, the Notice of Guaranteed Delivery and the Guidelines for Certification of Taxpayer Identification on Substitute Form W-9 may be directed to the Information Agent at the address and telephone number set forth below. Shareholders may also contact their broker, dealer, commercial bank or trust company for assistance concerning the Offer.

*The Information Agent for the Offer is:*

D.F. KING & CO., INC.  
48 WALL STREET  
NEW YORK, NY 10005

Banks and Brokerage Firms, Please Call: (212) 269-5550

All Others, Call Toll-Free: (800) 769-4414

**Letter of Transmittal****To Tender****Shares of Class A Common Stock****of****Capital Properties, Inc.****at****\$22.00 Net Per Share****Pursuant to the Offer to Purchase****Dated May 2, 2005****by**

**Mercury Real Estate Advisors LLC  
Mercury Special Situations Fund LP  
Mercury Special Situations Offshore Fund, Ltd.**

**THE OFFER, ANY WITHDRAWAL RIGHTS THAT YOU MAY HAVE AND THE PRORATION PERIOD (AS DESCRIBED IN THE OFFER TO PURCHASE) WILL EXPIRE AT 12:00 MIDNIGHT, EASTERN STANDARD TIME, ON MONDAY, JUNE 13, 2005, UNLESS THE OFFER IS EXTENDED.**

*The Depository for the Offer is:*

**THE BANK OF NEW YORK**

By Facsimile Transmission (for Eligible Institutions only): (781) 380-3388

Confirm by Telephone: (781) 843-1833, Ext 0

*By Overnight Courier:*

The Bank of New York  
Capital Properties, Inc.  
161 Bay State Road  
Braintree, MA 02184

*By Mail:*

The Bank of New York  
Capital Properties, Inc.  
P.O. Box 859208  
Braintree, MA 02185-9208

*By Hand:*

The Bank of New York  
Reorganization Services  
101 Barclay Street  
Receive and Deliver Window-Street Level  
New York, NY 10286

**DESCRIPTION OF SHARES TENDERED**

Name(s) and Address(es) of Registered Holder(s) (Please fill in, if blank, exactly as name(s) appear(s) on Share Certificate(s))	Share Certificate(s) and Share(s) Tendered (Attach additional list, if necessary)		
	Share Certificate Number(s)*	Total Number of Shares Evidenced By Share Certificate(s)*	Number of Shares Tendered**

	<b>Total Shares</b>	
<p>* Need not be completed by shareholders delivering Shares by book-entry transfer.</p> <p>** Unless otherwise indicated, it will be assumed that all Shares evidenced by each Share Certificate delivered to the Depositary are being tendered hereby. See Instruction 4.</p>		

**Delivery of this Letter of Transmittal to an address, or transmission of instructions via a facsimile number, other than as set forth above, does not constitute a valid delivery. You must sign this Letter of Transmittal in the appropriate space provided and complete the Substitute Form W-9. The instructions set forth in this Letter of Transmittal should be read carefully before this Letter of Transmittal is completed.**

This Letter of Transmittal is to be used by Class A Common Stock holders of Capital Properties, Inc. either if certificates for Shares (as defined below) are to be forwarded herewith or, unless an Agent's Message (as defined in Instruction 2) is utilized, if delivery of Shares is to be made by book-entry transfer to an account maintained by the Depository at the Book-Entry Transfer Facility (as defined in, and pursuant to the procedures set forth in, Section 3 of the Offer to Purchase). Shareholders who deliver Shares by book-entry transfer are referred to herein as "Book-Entry Shareholders" and other shareholders are referred to herein as "Certificate Shareholders." Shareholders whose certificates for Shares are not immediately available or who cannot deliver either the certificates for, or a Book-Entry Confirmation (as defined in Section 3 of the Offer to Purchase) with respect to their Shares, and all other documents required hereby to the Depository on or prior to the Expiration Date (as defined in the Offer to Purchase) may tender their Shares in accordance with the guaranteed delivery procedures set forth in Section 3 of the Offer to Purchase. See Instruction 2.

**Delivery of documents to the Book-Entry Transfer Facility does not constitute delivery to the Depository**

- CHECK HERE IF SHARES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER TO THE DEPOSITARY'S ACCOUNT AT THE BOOK-ENTRY TRANSFER FACILITY AND COMPLETE THE FOLLOWING:**

Name of Tendering Institution: \_\_\_\_\_

Account Number: \_\_\_\_\_

Transaction Code Number: \_\_\_\_\_

- CHECK HERE IF SHARES ARE BEING TENDERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE DEPOSITARY AND COMPLETE THE FOLLOWING:**

Name(s) of Registered Holder(s) \_\_\_\_\_

Window Ticket No. (if any) \_\_\_\_\_

Date of Execution of Notice of Guaranteed Delivery \_\_\_\_\_

Name of Institution that Guaranteed Delivery \_\_\_\_\_

If delivery is by book-entry transfer, give the following information:

Account Number: \_\_\_\_\_

Transaction Code Number: \_\_\_\_\_

**NOTE: SIGNATURES MUST BE PROVIDED BELOW**  
**PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY**

Ladies and Gentlemen:

The undersigned hereby tenders to Mercury Real Estate Advisors LLC, a Delaware limited liability company, Mercury Special Situations Fund LP, a Delaware limited partnership, and Mercury Special Situations Offshore Fund, Ltd., a British Virgin Islands company (together, the "Purchaser"), the above-described shares of Class A Common Stock, par value \$0.01 per share (the "Shares"), of Capital Properties, Inc., a Rhode Island corporation ("CPI" or the "Subject Company"), upon the terms and subject to the conditions set forth in Purchaser's Offer to Purchase, dated May 2, 2005 (the "Offer to Purchase"), and this Letter of Transmittal (which, together with any amendments or supplements thereto or hereto, collectively constitute the "Offer"), receipt of which is hereby acknowledged.

Upon the terms of the Offer, subject to, and effective upon acceptance for payment of, and payment for, the Shares tendered herewith in accordance with the terms of the Offer, the undersigned hereby sells, assigns and transfers to, or upon the order of, the Purchaser, all right, title and interest in securities or rights issued in respect of the Shares on or after the date of the Offer to Purchase and irrevocably constitutes and appoints The Bank of New York (the "Depository"), the true and lawful agent and attorney-in-fact of the undersigned, with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest), to the full extent of the undersigned's rights with respect to such Shares (and any such other Shares or securities) or of the undersigned's rights with respect to such Shares (and any such other Shares or securities or rights) (a) to deliver certificates for such Shares (and any such other Shares or securities or rights) or transfer ownership of such Shares (and any such other Shares or securities or rights) on the account books maintained by the Book-Entry Transfer Facility together, in any such case, with all accompanying evidences of transfer and authenticity to, or upon the order of, the Purchaser, (b) to present such Shares (and any such other Shares or securities or rights) for transfer on CPI's books and (c) to receive all benefits and otherwise exercise all rights of beneficial ownership of such Shares (and any such other Shares or securities or rights), all in accordance with the terms and subject to the conditions of the Offer.

The undersigned represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the tendered Shares (and any and all other Shares or other securities or rights issued or issuable in respect of such Shares on or after the date of the Offer to Purchase) and, when the same are accepted for payment by the Purchaser, the Purchaser will acquire good title thereto, free and clear of all liens, restrictions, claims and encumbrances and the same will not be subject to any adverse claim or right. The undersigned will, upon request, execute and deliver any additional documents deemed necessary or desirable by the Depository or Purchaser to complete the sale, assignment and transfer of the tendered Shares (and any such other Shares or other securities or rights).

All authority conferred or agreed to be conferred in this Letter of Transmittal shall be binding upon the successors, assigns, heirs, executors, administrators and legal representatives of the undersigned and shall not be affected by, and shall survive, the death or incapacity of the undersigned. Except as stated in the Offer to Purchase, this tender of Shares hereby is irrevocable.

The undersigned hereby irrevocably appoints the designees of the Purchaser, and each of them individually, and any other designees of the Purchaser, the attorneys-in-fact and proxies of the undersigned, each with full power of substitution, to vote at any annual, special or adjourned meeting of CPI's shareholders or otherwise in such manner, to execute any written consent concerning any matter, and to otherwise act as each such attorney-in-fact and proxy or his, her or its substitute shall in his, her or its sole discretion deem proper with respect to the Shares tendered hereby that have been accepted for payment by the Purchaser prior to the time any such action is taken and with respect to which the undersigned is entitled to vote (and any and all other Shares or other securities or rights issued or issuable in respect of such Shares on or after the date of the Offer to Purchase). This appointment is effective when, and only to the extent that, the Purchaser accepts for payment such Shares as provided in the Offer to Purchase. This power of attorney and proxy are irrevocable and are granted in consideration of the acceptance for payment of such Shares in accordance with the terms of the Offer. Upon such

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acceptance for payment, all prior powers of attorney, proxies and consents given by the undersigned with respect to such Shares (and any such other Shares or securities or rights) will, without further action, be revoked and no subsequent powers of attorney, proxies, consents or revocations may be given (and, if given, will not be deemed effective) by the undersigned with respect to such Shares.

The undersigned understands that the valid tender of Shares pursuant to any of the procedures described in the Offer to Purchase and in the Instructions hereto will constitute a binding agreement between the undersigned and the Purchaser upon the terms and subject to the conditions of the Offer (and if the Offer is extended or amended, the terms and conditions of any such extension or amendment). The undersigned recognizes that under certain circumstances set forth in the Offer to Purchase, the Purchaser may not be required to accept for payment any of the Shares tendered hereby. All questions as to validity, form and eligibility of any tender of Shares hereby will be determined by the Purchaser (which may delegate power in whole or in part to the Depository) and such determination shall be final and binding.

Unless otherwise indicated herein under "Special Payment Instructions," please issue the check for the purchase price and/or return any certificates for Shares not tendered or accepted for payment in the name(s) of the registered holder(s) appearing under "Description of Shares Tendered." Similarly, unless otherwise indicated under "Special Delivery Instructions," please mail the check for the purchase price and/or return any certificates for Shares not tendered or accepted for payment (and any accompanying documents, as appropriate) to the address(es) of the registered holder(s) appearing under "Description of Shares Tendered." In the event that both the "Special Delivery Instructions" and the "Special Payment Instructions" are completed, please issue the check for the purchase price and/or return any certificates for Shares not tendered or accepted for payment (and any accompanying documents, as appropriate) in the name(s) of, and deliver such check and/or return such certificates (and any accompanying documents, as appropriate) to, the person(s) so indicated. Please credit any Shares tendered herewith by book-entry transfer that are not accepted for payment by crediting the account at the Book-Entry Transfer Facility designated above. The undersigned recognizes that the Purchaser has no obligation pursuant to the "Special Payment Instructions" to transfer any Shares from the name of the registered holder thereof if the Purchaser does not accept for payment any of the Shares so tendered.

**SPECIAL PAYMENT INSTRUCTIONS**

**(See Instructions 1, 5, 6 and 7)**

To be completed ONLY if the check for the purchase price of Shares and Share Certificates evidencing Shares not tendered or not purchased are to be issued in the name of someone other than the undersigned.

Issue Check and Share Certificate(s) to:

Name: \_\_\_\_\_

**(Please Print)**

Address: \_\_\_\_\_

\_\_\_\_\_  
**(Zip Code)**

\_\_\_\_\_  
**(Tax Identification or Social Security Number)**

**(See Substitute Form W-9 on reverse side)**

Account Number: \_\_\_\_\_

**SPECIAL DELIVERY INSTRUCTIONS**

**(See Instructions 1, 5, 6 and 7)**

To be completed ONLY if the check for the purchase price of Shares purchased and Share Certificates evidencing Shares not tendered or not purchased are to be mailed to someone other than the undersigned, or the undersigned at an address other than that shown under "Description of Shares Tendered".

Mail Check and Share Certificate(s) to:

Name: \_\_\_\_\_

**(Please Print)**

Address: \_\_\_\_\_

\_\_\_\_\_  
**(Zip Code)**

\_\_\_\_\_  
**(Tax Identification or Social Security Number)**

**(See Substitute Form W-9 on reverse side)**



**IMPORTANT**

**SHAREHOLDERS: SIGN HERE**  
**(Please Complete Substitute Form W-9 Below)**

Signature(s) of Holder(s) \_\_\_\_\_

Dated: \_\_\_\_\_, 2005.

(Must be signed by registered holder(s) exactly as name(s) appear(s) on Shares or on a security position listing by person(s) authorized to become registered holder(s) by certificates and documents transmitted herewith. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, please provide the following information and see Instruction 5.)

Name(s): \_\_\_\_\_

**Please Print**

Capacity (full title): \_\_\_\_\_

Address: \_\_\_\_\_

**Include Zip Code**

**Daytime Area Code and Telephone No:**

**Taxpayer Identification or Social Security No.:**

**(See Substitute Form W-9 on reverse side)**

**IF REQUIRED—GUARANTEE OF SIGNATURE(S)**

**(See Instruction 1 and 5)**

Authorized Signature \_\_\_\_\_

Name \_\_\_\_\_

**(Please Print)**

Title \_\_\_\_\_

**(Please Print)**

Name of Firm \_\_\_\_\_

Address \_\_\_\_\_

Daytime Area Code and Telephone Number \_\_\_\_\_

**(Include Zip Code)**

Dated: \_\_\_\_\_, 2005



## INSTRUCTIONS

### Forming Part of the Terms and Conditions of the Offer

**1. *Guarantee of Signatures.*** No signature guarantee is required on this Letter of Transmittal if (a) this Letter of Transmittal is signed by the registered holder(s) (which term, for purposes of this Instruction, includes any participant in the Book-Entry Transfer Facility's system whose name appears on a security position listing as the owner of the Shares) of Shares tendered herewith and such registered holder has not completed either the box entitled "Special Delivery Instructions" or the box entitled "Special Payment Instructions" on this Letter of Transmittal or (b) the Shares tendered herewith are tendered for the account of a financial institution (including most commercial banks, savings and loan associations and brokerage houses) that is a participant in the Security Transfer Agent Medallion Program, or other "eligible guarantor institution," as such term is defined in Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended (such institution, an "Eligible Institution"). In all other cases, all signatures on this Letter of Transmittal must be guaranteed by an Eligible Institution. See Instruction 5. If a Share certificate is registered in the name of a person other than the signer of this Letter of Transmittal, or if payment is to be made, or a Share certificate not tendered or not accepted for payment are to be returned, to a person other than the registered holder of the certificates surrendered, then the tendered Share certificate must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name or names of the registered holders or owners appear on the Share certificate, with the signature(s) on the certificates or stock powers guaranteed by an Eligible Institution. See Instruction 5.

**2. *Requirements of Tender.*** This Letter of Transmittal is to be completed by shareholders either if certificates are to be forwarded herewith or, unless an Agent's Message is utilized, if delivery of Shares is to be made pursuant to the procedures for book-entry transfer set forth in Section 3 of the Offer to Purchase. For a shareholder validly to tender Shares pursuant to the Offer, either (a) a properly completed and duly executed Letter of Transmittal (or a facsimile thereof), together with any required signature guarantees or, in the case of a book-entry transfer, an Agent's Message, and any other required documents, must be received by the Depository at one of its addresses set forth herein on or prior to the Expiration Date (as defined in the Offer to Purchase) and either certificates for the tendered Shares must be received by the Depository at one of such addresses or the Shares must be delivered pursuant to the procedures for book-entry transfer set forth herein (and a Book-Entry Confirmation (as defined in the Offer to Purchase) must be received by the Depository), in each case, on or prior to the Expiration Date, or (b) the tendering shareholder must comply with the guaranteed delivery procedures set forth below and in Section 3 of the Offer to Purchase.

Shareholders whose certificates for Shares are not immediately available or who cannot deliver their certificates and all other required documents to the Depository or complete the procedures for book-entry transfer on or prior to the Expiration Date may tender their Shares by properly completing and duly executing the Notice of Guaranteed Delivery pursuant to the guaranteed delivery procedures set forth in Section 3 of the Offer to Purchase. Pursuant to such procedures, (a) such tender must be made by or through an Eligible Institution, (b) a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form provided by the Purchaser, must be received by the Depository on or prior to the Expiration Date and (c) either (i) the Share certificates together with a properly completed and duly executed Letter of Transmittal (or a manually signed facsimile thereof), with any required signature guarantees, and any other documents required by this Letter of Transmittal must be received by the Depository within three trading days after the date of execution of such Notice of Guaranteed Delivery or (ii) in the case of a book-entry transfer effected pursuant to the book-entry transfer procedures described in the Offer to Purchase, either a properly completed and duly executed Letter of Transmittal (or manually signed facsimile thereof), and any required signature guarantees, or an Agent's Message, and any other documents required by this Letter of Transmittal, must be received by the Depository, such Shares must be delivered pursuant to the book-entry transfer procedures and a Book-Entry Confirmation must be received by the Depository, in each case within three trading days after the date of execution of such Notice of Guaranteed Delivery. A "trading day" is any day on which the American Stock Exchange is open for business.

“Agent’s Message” means a message, transmitted through electronic means by a Book-Entry Transfer Facility, in accordance with the normal procedures of the Book-Entry Transfer Facility and Depository, to and received by the Depository and forming a part of a Book-Entry Confirmation, which states that the Book-Entry Transfer Facility has received an express acknowledgment from the participant in the Book-Entry Transfer Facility tendering the Shares which are the subject of such Book-Entry Confirmation that such participant has received and agrees to be bound by the terms of this Letter of Transmittal and that the Purchaser may enforce such agreement against the participant. The term “Agent’s Message” shall also include any hard copy printout evidencing such message generated by a computer terminal maintained at the Depository’s office. Delivery of documents to the Book-Entry Transfer Facility in accordance with the Book-Entry Transfer Facility’s procedures does not constitute delivery to the Depository.

**The method of delivery of Shares, this Letter of Transmittal and all other required documents, including delivery through the Book-Entry Transfer Facility, is at the election and risk of the tendering shareholder. Delivery of documents to the Book-Entry Transfer Facility in accordance with the Book-Entry Transfer Facility’s procedures does not constitute delivery to the Depository. Shares will be deemed delivered only when actually received by the Depository. If delivery is by mail, registered mail, with return receipt requested, properly insured, is recommended. In all cases, sufficient time should be allowed to ensure timely delivery.**

No alternative, conditional or contingent tenders will be accepted and no fractional Shares will be purchased. All tendering shareholders, by execution of this Letter of Transmittal (or facsimile thereof), waive any right to receive any notice of the acceptance of their Shares for payment.

**3. *Inadequate Space.*** If the space provided herein is inadequate, the certificate numbers and/or the number of Shares should be listed on a separate schedule attached hereto.

**4. *Partial Tenders (Applicable to Certificate Shareholders Only).*** If fewer than all the Shares evidenced by any certificate submitted are to be tendered, fill in the number of Shares that are to be tendered in the box entitled “Number of Shares Tendered.” In any such case, new certificate(s) for the remainder of the Shares that were evidenced by the old certificate(s) will be sent to the registered holder, unless otherwise provided in the appropriate box on this Letter of Transmittal, as soon as practicable after the acceptance for payment of, and payment for, the Shares tendered herewith. All Shares represented by certificates delivered to the Depository will be deemed to have been tendered unless otherwise indicated.

**5. *Signatures on Letter of Transmittal, Stock Powers and Endorsements.*** If this Letter of Transmittal is signed by the registered holder(s) of the Shares tendered hereby, the signature(s) must correspond with the name(s) as written on the face of the certificate(s) without any change whatsoever.

If any of the Shares tendered hereby are owned of record by two or more joint owners, all such owners must sign this Letter of Transmittal.

If any tendered Shares are registered in different names on several certificates, it will be necessary to complete, sign and submit as many separate Letters of Transmittal as there are different registrations of Certificates.

If this Letter of Transmittal or any certificates or stock powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and proper evidence satisfactory to the Purchaser of their authority so to act must be submitted.

When this Letter of Transmittal is signed by the registered owner(s) of the Shares listed and transmitted hereby, no endorsements of certificates or separate stock powers are required unless payment is to be made to or certificates for Shares not tendered or accepted for payment are to be issued to a person other than the registered owner(s). Signatures on such certificates or stock powers must be guaranteed by an Eligible Institution.

If the certificates for Shares are registered in the name of a person other than the signer of this Letter of Transmittal, or if payment is to be made or certificates for Shares not tendered or not accepted for payment are to be returned to a person other than the registered holder of the certificates surrendered, the tendered certificates must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name(s) of the registered holder(s) or owner(s) appear(s) on the certificates, with the signature(s) on the certificate(s) or stock power(s) guaranteed as aforesaid. See Instruction 1.

**6. *Stock Transfer Taxes.*** The Purchaser will pay any stock transfer taxes with respect to the transfer and sale of Shares to it or its order pursuant to the Offer. If, however, payment of the purchase price is to be made to, or if certificate(s) for Shares not tendered or accepted for payment are to be registered in the name of, any person(s) other than the registered owner(s), or if tendered certificate(s) are registered in the name of any person(s) other than the person(s) signing this Letter of Transmittal, the amount of any stock transfer taxes (whether imposed on the registered owner(s) or the other person(s)) payable on account of the transfer will be deducted from the purchase price unless satisfactory evidence of the payment of such taxes or exemption therefrom is submitted.

Except as provided in this Instruction 6, it will not be necessary for transfer tax stamps to be affixed to the certificates listed in this Letter of Transmittal.

**7. *Special Payment and Delivery Instructions.*** If a check is to be issued in the name of, and/or certificates for Shares not accepted for payment are to be returned to, a person other than the signer of this Letter of Transmittal or if a check is to be sent and/or such certificates are to be returned to a person other than the signer of this Letter of Transmittal or to an address other than that shown above, the appropriate boxes on this Letter of Transmittal should be completed.

**8. *Waiver of Conditions.*** The Purchaser reserves the absolute right in its reasonable discretion to waive any of the specified conditions of the Offer in the case of any Shares tendered.

**9. *Backup Withholding.*** In order to avoid backup withholding of U.S. federal income tax on payments of cash pursuant to the Offer, a U.S. shareholder tendering Shares in the Offer must, unless an exemption applies, provide the Depository with such shareholder's correct taxpayer identification number ("TIN"), certify under penalties of perjury that such TIN is correct, and provide certain other certifications by completing the Substitute Form W-9 included in this Letter of Transmittal. If a shareholder does not provide such shareholder's correct TIN or fails to provide the required certifications, the Internal Revenue Service (the "IRS") may impose a penalty of \$50 on such shareholder and payment of cash to such shareholder pursuant to the Offer may be subject to backup withholding of 28%. All shareholders tendering Shares pursuant to the Offer should complete and sign the main signature form and the Substitute Form W-9 to provide the information and certification necessary to avoid backup withholding (unless an applicable exemption exists and is proved in a manner satisfactory to the Purchaser and the Depository).

Backup withholding is not an additional tax. Rather, the amount of the backup withholding can be credited against the U.S. federal income tax liability of the person subject to the backup withholding, provided that the required information is given to the IRS. If backup withholding results in an overpayment of tax, a refund can be obtained by the shareholder upon filing a U.S. federal income tax return.

The tendering shareholder is required to give the Depository the TIN (i.e., social security number or employer identification number) of the record holder of the Shares. If the Shares are held in more than one name or are not registered in the name of the actual owner, consult the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for additional guidance on which number to report.

If you do not have a TIN, consult the W-9 Guidelines for instructions on applying for a TIN, write "Applied For" in the space for the TIN in Part 1 of the Substitute Form W-9, and sign and date the Substitute W-9 and the Certificate of Awaiting Taxpayer Identification Number set forth herein. If you do not provide your TIN to the Depository within 60 days, backup withholding will begin and continue until you furnish your TIN to the Depository. Note: Writing "Applied For" on the form means that you have already applied for a TIN or that you intend to apply for one in the near future.

Certain shareholders (including, among others, corporations, individual retirement accounts and certain foreign individuals and entities) are not subject to backup withholding but may be required to provide evidence of their exemption from backup withholding. Exempt U.S. shareholders should indicate their exempt status on the Substitute Form W-9. See the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for more instructions. In order for a foreign person to qualify as exempt, such person must submit a properly completed Form W-8, Certificate of Foreign Status (instead of a Substitute Form W-9), signed under penalties of perjury, attesting to such shareholder's foreign status. Such Form W-8 may be obtained from the Depository. Shareholders are urged to consult their tax advisors to determine whether they are exempt from these backup withholding and reporting requirements.

**10. *Requests for Assistance or Additional Copies.*** Questions and requests for assistance may be directed to the Information Agent at the address listed below. Additional copies of the Offer to Purchase, this Letter of Transmittal, the Notice of Guaranteed Delivery and the Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 may be obtained from the Information Agent or from brokers, dealers, banks, trust companies or other nominees.

**11. *Lost, Destroyed or Stolen Certificates.*** If any certificate representing Shares has been lost, destroyed or stolen, the shareholder should promptly call the Transfer Agent for the Shares, American Stock Transfer Shareholder Services, at (800) 937-5449. The shareholder will then be instructed by the Transfer Agent as to the steps that must be taken in order to replace the certificate. This Letter of Transmittal and related documents cannot be processed until the procedures for replacing lost or destroyed certificates have been followed.

**IMPORTANT: THIS LETTER OF TRANSMITTAL (OR FACSIMILE THEREOF), PROPERLY COMPLETED AND DULY EXECUTED, TOGETHER WITH ANY SIGNATURE GUARANTEES, OR, IN THE CASE OF A BOOK-ENTRY TRANSFER, AN AGENT'S MESSAGE, AND ANY OTHER REQUIRED DOCUMENTS, MUST BE RECEIVED BY THE DEPOSITARY PRIOR TO THE EXPIRATION DATE AND EITHER CERTIFICATES FOR TENDERED SHARES MUST BE RECEIVED BY THE DEPOSITARY OR SHARES MUST BE DELIVERED PURSUANT TO THE PROCEDURES FOR BOOK-ENTRY TRANSFER, IN EACH CASE PRIOR TO THE EXPIRATION DATE, OR THE TENDERING SHAREHOLDER MUST COMPLY WITH THE PROCEDURES FOR GUARANTEED DELIVERY.**

## IMPORTANT TAX INFORMATION

Under U.S. federal income tax law, a shareholder whose tendered Shares are accepted for payment is generally required to provide the Depository (as payer) with such shareholder's correct TIN on Substitute Form W-9 provided herewith. If such shareholder is an individual, the TIN generally is such shareholder's social security number. If the Depository is not provided with the correct TIN, the shareholder may be subject to a \$50 penalty imposed by the IRS and payments that are made to such shareholder with respect to Shares purchased pursuant to the Offer may be subject to backup withholding of 28%. In addition, if a shareholder makes a false statement that results in no imposition of backup withholding, and there was no reasonable basis for making such statement, a \$500 penalty may also be imposed by the IRS.

Certain shareholders (including, among others, corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. In order for a foreign individual to qualify as an exempt recipient, such individual must submit a statement (applicable IRS Form W-8), signed under penalties of perjury, attesting to such individual's exempt status. Forms of such statements can be obtained from the Depository. See the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for additional instructions. A shareholder should consult his or her tax advisor as to such shareholder's qualification for exemption from backup withholding and the procedure for obtaining such exemption.

If backup withholding applies, the Depository is required to withhold 28% of any payments made to the shareholder. Backup withholding is not an additional tax. Rather, the U.S. federal income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained provided that the required information is furnished to the IRS.

### *Purpose of Substitute Form W-9*

To prevent backup withholding on payments that are made to a shareholder with respect to Shares purchased pursuant to the Offer, the shareholder is required to notify the Depository of such shareholder's correct TIN by completing the form below certifying that (a) the TIN provided on Substitute Form W-9 is correct (or that such shareholder is awaiting a TIN), and (b)(i) such shareholder has not been notified by the IRS that he is subject to backup withholding as a result of a failure to report all interest or dividends or (ii) the IRS has notified such shareholder that such shareholder is no longer subject to backup withholding.

### *What Number to Give the Depository*

The shareholder is required to give the Depository the TIN (e.g., social security number or employer identification number) of the record holder of Shares tendered hereby. If Shares are in more than one name or are not in the name of the actual owner, consult the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for additional guidance on which number to report. If the tendering shareholder has not been issued a TIN and has applied for a number or intends to apply for a number in the near future, the shareholder should write "Applied For" in the space provided for the TIN in Part I, and sign and dated the Substitute Form W-9. If "Applied For" is written in Part I and the Depository is not provided with a TIN within 60 days, the Depository will withhold 28% of all payments of the purchase price to such shareholder until a TIN is provided to the Depository.

<p style="text-align: center;"><b>SUBSTITUTE Form W-9</b></p> <p style="text-align: center;"><b>Department of the Treasury Internal Revenue Service</b></p> <p style="text-align: center;"><b>Payer's Request for Taxpayer Identification Number (TIN)</b></p>	<p><b>Part I</b>–Taxpayer Identification Number–For all accounts, enter your taxpayer identification number in the box at right. (For most individuals, this is your social security number. If you do not have a number, see “Obtaining a Number” in the enclosed <i>Guidelines</i>. ) Certify by signing and dating below. Note: If the account is in more than one name, see the chart in the enclosed <i>Guidelines</i> to determine which number to give the payer.</p>	Social security number or Employer identification number (If awaiting TIN write “Applied For”)
	<p><b>Part II</b>–For Payees Exempt from Backup Withholding, see the enclosed <i>Guidelines</i> and complete as instructed therein.</p>	
	<p><b>Part III Certification</b>–Under penalties of perjury, I certify that:</p> <ol style="list-style-type: none"> <li>(1) The number shown on this form is my correct Taxpayer Identification Number (or I am waiting for a number to be issued to me),</li> <li>(2) I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (the “IRS”) that I am subject to back-up withholding as a result of failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and</li> <li>(3) I am a U.S. Person (including a U.S. Resident Alien)</li> </ol>	

**Certificate Instructions**–You must cross out item (2) above if you have been notified by the IRS that you are currently subject to backup withholding because of underreporting interest or dividends on your tax return. However, if after being notified by the IRS that you were subject to backup withholding you received another notification from the IRS that you are no longer subject to backup withholding, do not cross out item (2). (Also see instructions in the enclosed *Guidelines*.) The Internal Revenue Service does not require your consent to any provision of this document other than the certification required to avoid backup withholding.

SIGNATURE: \_\_\_\_\_ DATE: \_\_\_\_\_, 2005

**NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF 28% OF ANY PAYMENTS MADE TO YOU PURSUANT TO THIS OFFER. PLEASE REVIEW THE ENCLOSED “GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9” FOR ADDITIONAL DETAILS.**

**NOTE: YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU WROTE “APPLIED FOR” IN PART 1 OF THE SUBSTITUTE FORM W-9.**

**CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER**

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (1) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration office or (2) I intend to mail or deliver an application in the near future. I understand that, if I do not provide a taxpayer identification number by the time of payment, 28% of all reportable cash payments made to me thereafter will be withheld until I provide a taxpayer identification number.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_



**NOTE: FAILURE TO COMPLETE AND RETURN THIS SUBSTITUTE FORM W-9 MAY RESULT IN BACKUP WITHHOLDING OF 28% OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE OFFER. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL INFORMATION.**

Facsimile copies of the Letter of Transmittal, properly completed and duly signed, will be accepted. The Letter of Transmittal, certificates for Shares and any other required documents should be sent or delivered by each shareholder of CPI or his broker, dealer, commercial bank, trust company or other nominee to the Depository, at one of the addresses set forth below.

*The Depository for the Offer is:*

**THE BANK OF NEW YORK**

By Facsimile Transmission (for Eligible Institutions only): (781) 380-3388

Confirm by Telephone: (781) 843-1833, Ext 0

*By Overnight Courier:*

The Bank of New York  
Capital Properties, Inc.  
161 Bay State Road  
Braintree, MA 02184

*By Mail:*

The Bank of New York  
Capital Properties, Inc.  
P.O. Box 859208  
Braintree, MA 02185-9208

*By Hand:*

The Bank of New York Reorganization  
Services  
101 Barclay Street  
Receive and Deliver Window-  
Street Level  
New York, NY 10286

Questions and requests for assistance or additional copies of this Offer to Purchase, the Letter of Transmittal, the Notice of Guaranteed Delivery and the Guidelines for Certification of Taxpayer Identification on Substitute Form W-9 may be directed to the Information Agent at the address and telephone number set forth below. Shareholders may also contact their broker, dealer, commercial bank or trust company for assistance concerning the Offer.

*The Information Agent for the Offer is:*

D.F. KING & CO., INC.  
48 WALL STREET  
NEW YORK, NY 10005

Banks and Brokerage Firms, Please Call: (212) 269-5550

All Others, Call Toll-Free: (800) 769-4414

**Notice of Guaranteed Delivery for**

**Tender of Shares of**

**Class A Common Stock**

**of**

**Capital Properties, Inc.**

**at**

**\$22.00 Net Per Share**

**Pursuant to the Offer to Purchase**

**Dated May 2, 2005**

**to**

**Mercury Real Estate Advisors LLC  
Mercury Special Situations Fund LP  
Mercury Special Situations Offshore Fund, Ltd.**

This Notice of Guaranteed Delivery, or a form substantially equivalent hereto, must be used to accept the Offer (as defined in the Offer to Purchase (as defined below)) if certificates representing shares of Class A Common Stock, par value \$0.01 per share (the "Shares"), of Capital Properties, Inc., a Rhode Island corporation ("CPI" or the "Subject Company"), are not immediately available, if the procedure for book-entry transfer cannot be completed on a timely basis, or if time will not permit all required documents to reach The Bank of New York (the "Depository") on or prior to the Expiration Date (as defined in the Offer to Purchase). This form may be delivered by hand or transmitted by telegram, facsimile transmission or mail to the Depository AND MUST INCLUDE A GUARANTEE BY AN ELIGIBLE INSTITUTION (as defined in the Offer to Purchase). See Section 3 of the Offer to Purchase.

*The Depository for the Offer is:*

**THE BANK OF NEW YORK**

By Facsimile Transmission (for Eligible Institutions only): (781) 380-3388

Confirm by Telephone: (781) 843-1833, Ext 0

*By Overnight Courier:*

The Bank of New York  
Capital Properties, Inc.  
161 Bay State Road  
Braintree, MA 02184

*By Mail:*

The Bank of New York  
Capital Properties, Inc.  
P.O. Box 859208  
Braintree, MA 02185-9208

*By Hand:*

The Bank of New York  
Reorganization Services  
101 Barclay Street  
Receive and Deliver Window-  
Street Level  
New York, NY 10286

DELIVERY OF THIS NOTICE OF GUARANTEED DELIVERY TO AN ADDRESS OTHER THAN ONE SET FORTH ABOVE OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE TO A NUMBER OTHER THAN THE FACSIMILE NUMBER SET FORTH ABOVE DOES NOT CONSTITUTE A VALID DELIVERY.

THIS NOTICE OF GUARANTEED DELIVERY TO THE DEPOSITARY IS NOT TO BE USED TO GUARANTEE SIGNATURES. IF A SIGNATURE ON A LETTER OF TRANSMITTAL IS REQUIRED TO BE GUARANTEED BY AN ELIGIBLE INSTITUTION UNDER THE INSTRUCTIONS THERETO, SUCH SIGNATURE GUARANTEE MUST APPEAR IN THE APPLICABLE SPACE PROVIDED IN THE SIGNATURE BOX ON THE LETTER OF TRANSMITTAL.

THE GUARANTEE INCLUDED HEREIN MUST BE COMPLETED.

**Ladies and Gentlemen:**

The undersigned represents that the undersigned owns and hereby tenders to Mercury Real Estate Advisors LLC, a Delaware limited liability company, Mercury Special Situations Fund LP, a Delaware limited partnership, and Mercury Special Situations Offshore Fund, Ltd., a British Virgin Islands company (together, the "Purchaser"), upon the terms and subject to the conditions set forth in the Offer to Purchase, dated May 2, 2005, and in the related Letter of Transmittal (which, together with any amendments or supplements thereto, collectively constitute the "Offer to Purchase"), receipt of which is hereby acknowledged, the number of Shares set forth below, all pursuant to the guaranteed delivery procedures set forth in the Offer to Purchase.

Name(s) of Record Holder(s): \_\_\_\_\_

Number of Shares of Class A Common Stock Tendered: \_\_\_\_\_

Certificate Number(s) (if available): \_\_\_\_\_

**(Please print)**

Address(es): \_\_\_\_\_

Area Code and Telephone No.(s): \_\_\_\_\_

Check if securities will be tendered by book-entry transfer

Name of Tendering Institution: \_\_\_\_\_

Area Code and Telephone No.(s): \_\_\_\_\_

Signature(s): \_\_\_\_\_

Account No.: \_\_\_\_\_

Transaction Code No.: \_\_\_\_\_

Dated: \_\_\_\_\_, 2005

**GUARANTEE**

**(Not to be used for signature guarantee)**

The undersigned, a financial institution that is a participant in the Security Transfer Agent Medallion Program, or any other "eligible guarantor institution," as such term is defined in Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended, hereby guarantees to deliver to the Depository either the certificates representing the Shares tendered hereby, in proper form for transfer, or to deliver Shares pursuant to the procedure for book-entry transfer into the Depository's account at The Depository Trust Company (the "Book-Entry Transfer Facility"), in any such case together with a properly completed and duly executed Letter of Transmittal (or facsimile thereof), with any required signature guarantees or an Agent's Message (as defined in the Offer to Purchase), and any other documents required by the Letter of Transmittal, all within three trading days after the date hereof.

The Eligible Institution that completes this form must communicate the guarantee to the Depository and must deliver the properly completed and duly executed Letter of Transmittal (or facsimile thereof) or an Agent's Message and certificates for Shares to the Depository within the time period shown herein. Failure to do so could result in a financial loss to such Eligible Institution.

Name of Firm: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_  
**(Zip Code)**

Area Code and Tel. No: \_\_\_\_\_

Authorized Signature: \_\_\_\_\_

Name: \_\_\_\_\_

**(Please type or print)**

Title: \_\_\_\_\_

Dated: \_\_\_\_\_, 2005

**NOTE: DO NOT SEND CERTIFICATES FOR SHARES WITH THIS NOTICE. CERTIFICATES FOR SHARES SHOULD BE SENT WITH YOUR PROPERLY COMPLETED AND DULY EXECUTED LETTER OF TRANSMITTAL (UNLESS A BOOK-ENTRY TRANSFER FACILITY IS USED).**

**Offer to Purchase for Cash**  
**Up to 285,000 Shares of Class A Common Stock**  
**of**  
**Capital Properties, Inc.**  
**at**  
**\$22.00 Net Per Share**  
**Pursuant to the Offer to Purchase**  
**Dated May 2, 2005**  
**by**  
**Mercury Real Estate Advisors LLC**  
**Mercury Special Situations Fund LP**  
**Mercury Special Situations Offshore Fund, Ltd.**

**THE OFFER, ANY WITHDRAWAL RIGHTS THAT YOUR CLIENTS MAY HAVE AND THE PRORATION PERIOD (AS DESCRIBED IN THE OFFER TO PURCHASE) WILL EXPIRE AT 12:00 MIDNIGHT, EASTERN STANDARD TIME, ON MONDAY, JUNE 13, 2005, UNLESS THE OFFER IS EXTENDED.**

May 2, 2005

To Brokers, Dealers, Banks, Trust Companies and other Nominees:

Mercury Real Estate Advisors LLC, a Delaware limited liability company, Mercury Special Situations Fund LP, a Delaware limited partnership, and Mercury Special Situations Offshore Fund, Ltd., a British Virgin Islands company (together, the "Purchaser"), are offering to purchase up to 285,000 shares of Class A Common Stock, par value \$0.01 per share (the "Shares"), of Capital Properties, Inc., a Rhode Island corporation ("CPI" or the "Subject Company"), at \$22.00 per share, net to the seller in cash, without interest thereon, upon the terms and subject to the conditions set forth in the Offer to Purchase dated May 2, 2005, and in the related Letter of Transmittal (which, together with any amendments or supplements thereto, collectively constitute the "Offer").

Please furnish copies of the enclosed materials to those of your clients for whom you hold Shares registered in your name or in the name of your nominee.

Enclosed herewith are copies of the following documents:

1. Offer to Purchase dated May 2, 2005;
2. Letter of Transmittal to be used by shareholders of CPI in accepting the Offer (manually signed facsimile copies of the Letter of Transmittal may be used to tender the Shares);
3. A printed form of letter that may be sent to your clients for whose account you hold Shares in your name or in the name of a nominee, with space provided for obtaining such clients' instructions with regard to the Offer;
4. Notice of Guaranteed Delivery with respect to Shares;

5. Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9; and
6. Return envelope addressed to The Bank of New York (the “Depositary”).

**WE URGE YOU TO CONTACT YOUR CLIENTS PROMPTLY. PLEASE NOTE THAT THE OFFER, ANY WITHDRAWAL RIGHTS THAT YOUR CLIENTS MAY HAVE AND THE PRORATION PERIOD WILL EXPIRE AT 12:00 MIDNIGHT, EASTERN STANDARD TIME, ON MONDAY, JUNE 13, 2005, UNLESS EXTENDED.**

In all cases, payment for Shares accepted for payment pursuant to the Offer will be made only after timely receipt by the Depository of (a) Share Certificates (or a timely Book-Entry Confirmation) (as defined in the Offer to Purchase), (b) a properly completed and duly executed Letter of Transmittal (or facsimile thereof), with any required signature guarantees (or, in the case of a book-entry transfer effected pursuant to the procedures set forth in Section 3 of the Offer to Purchase, an Agent' s Message (as defined in the Offer to Purchase) in lieu of a Letter of Transmittal) and (c) any other documents required by the Letter of Transmittal. Accordingly, tendering shareholders may be paid at different times depending upon when Share certificates or Book-Entry Confirmations with respect to Shares are actually received by the Depository. Under no circumstances will interest be paid on the purchase price to be paid by the Purchaser for the Shares, regardless of any extension of the Offer or any delay in making such payment.

The Purchaser will not pay any fees or commissions to any broker or dealer or other person (other than as described in the Offer to Purchase) in connection with the solicitation of tenders of Shares pursuant to the Offer. You will be reimbursed by the Purchaser upon request for customary mailing and handling expenses incurred by you in forwarding the enclosed materials to your customers.

Questions and requests for assistance or additional copies of the enclosed materials may be directed to the Information Agent at the address and telephone number set forth on the back cover of the Offer to Purchase.

Very truly yours,

MERCURY REAL ESTATE ADVISORS LLC  
MERCURY SPECIAL SITUATIONS FUND LP  
MERCURY SPECIAL SITUATIONS OFFSHORE FUND, LTD.

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL RENDER YOU OR ANY OTHER PERSON THE AGENT OF THE PURCHASER, THE DEPOSITARY OR THE INFORMATION AGENT OR AUTHORIZE YOU OR ANY OTHER PERSON TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION ON BEHALF OF ANY OF THEM WITH RESPECT TO THE OFFER NOT CONTAINED IN THE OFFER TO PURCHASE OR THE LETTER OF TRANSMITTAL.



**Offer to Purchase for Cash**

**Up to 285,000 Shares of Class A Common Stock**

**of**

**Capital Properties, Inc.**

**at**

**\$22.00 Net Per Share**

**Pursuant to the Offer to Purchase**

**Dated May 2, 2005**

**by**

**Mercury Real Estate Advisors LLC  
Mercury Special Situations Fund LP  
Mercury Special Situations Offshore Fund, Ltd.**

**THE OFFER, ANY WITHDRAWAL RIGHTS THAT YOU MAY HAVE AND THE PRORATION PERIOD (AS DESCRIBED IN THE OFFER TO PURCHASE) WILL EXPIRE AT 12:00 MIDNIGHT, EASTERN STANDARD TIME ON MONDAY, JUNE 13, 2005, UNLESS THE OFFER IS EXTENDED.**

May 2, 2005

To Our Clients:

Enclosed for your consideration is an Offer to Purchase dated May 2, 2005 and the related Letter of Transmittal (which, together with amendments or supplements thereto, collectively constitute the "Offer") relating to the offer by Mercury Real Estate Advisors LLC, a Delaware limited liability company, Mercury Special Situations Fund LP, a Delaware limited partnership, and Mercury Special Situations Offshore Fund, Ltd., a British Virgin Islands company (together, the "Purchaser"), to purchase up to 285,000 shares of Class A Common Stock, par value \$0.01 per share (the "Shares"), of Capital Properties, Inc., a Rhode Island corporation ("CPI" or the "Subject Company"), at a purchase price of \$22.00 per Share, net to seller in cash, without interest thereon, upon the terms and subject to the conditions set forth in the Offer to Purchase.

**WE (OR OUR NOMINEES) ARE THE HOLDER OF RECORD OF SHARES HELD BY US FOR YOUR ACCOUNT. A TENDER OF SUCH SHARES CAN BE MADE ONLY BY US AS THE HOLDER OF RECORD AND PURSUANT TO YOUR INSTRUCTIONS. THE LETTER OF TRANSMITTAL IS FURNISHED TO YOU FOR YOUR INFORMATION ONLY AND CANNOT BE USED TO TENDER SHARES FOR OUR ACCOUNT.**

We request instructions as to whether you wish to tender any of or all the Shares held by us for your account pursuant to the terms and conditions set forth in the Offer.

Your attention is directed to the following:

1. The purchase price offer by the Purchaser is \$22.00 per Share, net to the seller in cash, without interest thereon, upon the terms and subject to the conditions of the Offer to Purchase.

2. The Offer is being made for up to 285,000 Shares of Class A Common Stock.
3. THE OFFER, ANY WITHDRAWAL RIGHTS THAT YOU MAY HAVE AND THE PRORATION PERIOD EXPIRE AT 12:00 MIDNIGHT, EASTERN STANDARD TIME, ON MONDAY, JUNE 13, 2005 (THE "EXPIRATION DATE"), UNLESS THE OFFER IS EXTENDED BY THE PURCHASER, IN WHICH EVENT THE TERM "EXPIRATION DATE" SHALL MEAN THE LATEST TIME AT WHICH THE OFFER, AS SO EXTENDED BY THE PURCHASER, WILL EXPIRE.

4. Tendering shareholders will not be obligated to pay brokerage fees or commissions to the Depositary (as defined below) or D.F. King & Co., Inc., which is acting as the Information Agent for the Offer, or, except as set forth in Instruction 6 of the Letter of Transmittal, transfer taxes on the purchase of Shares by Purchaser pursuant to the Offer. However, U.S. federal income tax backup withholding (currently 28%) may be required unless an exemption applies and is provided to the Depositary or unless the required taxpayer identification information and certain other certifications are provided to the Depositary. See Instruction 9 of the Letter of Transmittal.

Your instructions to us should be forwarded promptly to permit us to submit a tender on your behalf on or prior to the Expiration Date.

If you wish to have us tender any of or all the Shares held by us for your account, please so instruct us by completing, executing, detaching and returning to us the instruction form on the detachable part hereof. An envelope to return your instructions to us is enclosed. If you authorize the tender of your Shares, all such Shares will be tendered unless otherwise specified on the detachable part hereof. **YOUR INSTRUCTIONS SHOULD BE FORWARDED TO US IN AMPLE TIME TO PERMIT US TO SUBMIT A TENDER ON YOUR BEHALF ON OR PRIOR TO THE EXPIRATION DATE.**

Payment for Shares accepted for payment pursuant to the Offer will in all cases be made only after timely receipt by The Bank of New York (the "Depositary") of (a) Share certificates (or a timely Book-Entry Confirmation) (as defined in the Offer to Purchase), (b) a properly completed and duly executed Letter of Transmittal (or manually signed facsimile thereof), with any required signature guarantees (or, in the case of a book-entry transfer effected pursuant to the procedures set forth in Section 3 of the Offer to Purchase, an Agent's Message (as defined in the Offer to Purchase) in lieu of a Letter of Transmittal), and (c) any other documents required by the Letter of Transmittal. Accordingly, tendering shareholders may be paid at different times depending upon when share certificates or Book-Entry Confirmations with respect to Shares are actually received by the Depositary. **UNDER NO CIRCUMSTANCES WILL INTEREST BE PAID ON THE PURCHASE PRICE OF THE SHARES TO BE PAID BY THE PURCHASER, REGARDLESS OF ANY EXTENSION OF THE OFFER OR ANY DELAY IN MAKING SUCH PAYMENT.**

The Offer is not being made to (nor will tenders be accepted from or on behalf of) holders of Shares in any jurisdiction in which the making of the Offer or the acceptance thereof would not be in compliance with the laws of such jurisdiction or any administrative or judicial action pursuant thereto. However, the Purchaser may, in its discretion, take such action as it deems necessary to make the Offer in any jurisdiction and extend the Offer to holders of such Shares in such jurisdiction.

**INSTRUCTIONS WITH RESPECT TO THE**

**OFFER TO PURCHASE FOR CASH**

**Up to 285,000 Shares of Class A Common Stock**

**of**

**Capital Properties, Inc.**

**at \$22.00 Net Per Share**

**by**

**Mercury Real Estate Advisors LLC**

**Mercury Special Situations Fund LP**

**Mercury Special Situations Offshore Fund, Ltd.**

The undersigned acknowledge(s) receipt of your letter, the Offer to Purchase dated May 2, 2005 (the "Offer to Purchase"), and the related Letter of Transmittal relating to shares of Class A Common Stock, par value \$0.01 per share (the "Shares"), of Capital Properties, Inc., a Rhode Island corporation ("CPI" or the "Subject Company").

This will instruct you to tender the number of Shares indicated below held by you for the account of the undersigned, on the terms and subject to the conditions set forth in the Offer to Purchase and related Letter of Transmittal.

**ACCOUNT NUMBER:** \_\_\_\_\_

**SIGN HERE**

**NUMBER OF SHARES OF**

\_\_\_\_\_

**Class A Common Stock SHARES TO BE TENDERED:(1)**

(Signature(s))

\_\_\_\_\_ **SHARES**

**Dated:** \_\_\_\_\_, 2005

Please Type or Print Names(s)

Please Type or Print Address(es)

Area Code and Telephone Number

Tax Identification Number or Social Security Number

**(1) Unless otherwise indicated, it will be assumed that all your Shares are to be tendered.**

**PLEASE RETURN THIS FORM TO THE BROKERAGE FIRM MAINTAINING YOUR ACCOUNT.**

**Information  
For  
Substitute Form W-9**

**IMPORTANT NOTICE**

**GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER**

**Purpose of Form**

A person who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) to report, for example, income paid to you, real estate transactions, mortgage interest you paid, acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA.

**U.S. person.** Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN to the person requesting it (the requester) and, when applicable, to:

1. Certify that the TIN you are giving is correct (or you are waiting for a number to be issued);
2. Certify that you are not subject to backup withholding; or
3. Claim exemption from backup withholding if you are a U.S. exempt payee.

*Note: If a requester gives you a form other than Form W-9 to request your TIN, you should use the requester's form. However, this form must meet the acceptable specifications described in Pub. 1167, General Rules and Specifications for Substitute Tax Forms and Schedules.*

**Foreign person.** If you are a foreign person, use the appropriate Form W-8 (see Pub. 515, Withholding of Tax on Nonresident Aliens and Foreign Entities).

**Nonresident alien who becomes a resident alien.** Generally, only a nonresident alien individual may use the terms of a tax treaty to reduce or eliminate U.S. tax on certain types of income. However, most tax treaties contain a provision known as a "saving clause." Exceptions specified in the saving clause may permit an exemption from tax to continue for certain types of income even after the recipient has otherwise become a U.S. resident alien for tax purposes.

If you are a U.S. resident alien who is relying on an exception contained in the saving clause of a tax treaty to claim an exemption from U.S. tax on certain types of income, you must attach a statement that specifies the following five items:

1. The treaty country. Generally, this must be the same treaty under which you claimed exemption from tax as a nonresident alien.
2. The treaty article addressing the income.
3. The article number (or location) in the tax treaty that contains the saving clause and its exceptions.
4. The type and amount of income that qualifies for the exemption from tax.
5. Sufficient facts to justify the exemption from tax under the terms of the treaty article.

**Example.** Article 20 of the U.S.-China income tax treaty allows an exemption from tax for scholarship income received by a Chinese student temporarily present in the United States. Under U.S. law, this student will become a resident alien for tax purposes if his or her stay in the United States exceeds 5 calendar years. However, paragraph 2 of the first Protocol to the U.S.-China treaty (dated April 30, 1984) allows the provisions of Article 20 to continue to apply even after the Chinese student becomes a resident alien of the United States. A Chinese student who qualifies for this exception (under paragraph 2 of the first protocol) and is relying on this exception to claim an exemption from

tax on his or her scholarship or fellowship income would attach to Form W-9 a statement that includes the information described above to support that exemption.

If you are a **nonresident alien or a foreign entity** not subject to backup withholding, give the requester the appropriate completed Form W-8.

**What is backup withholding?** Persons making certain payments to you must under certain conditions withhold and pay to the IRS 28% of such payments. This is called “backup withholding.” Payments that may be subject to backup withholding include interest, dividends, broker and barter exchange transactions, rents, royalties, nonemployee pay, and certain payments from fishing boat operators. Real estate transactions are not subject to backup withholding.

You will not be subject to backup withholding on payments you receive if you give the requester your correct TIN, make the proper certifications, and report all your taxable interest and dividends on your tax return.

**Payments you receive will be subject to backup withholding if:**

1. You do not furnish your TIN to the requester;
2. You do not certify your TIN when required (see the Part II instructions on page 2 for details);
3. The IRS tells the requester that you furnished an incorrect TIN;
4. The IRS tells you that you are subject to backup withholding because you did not report all your interest and dividends on your tax return (for reportable interest and dividends only); or
5. You do not certify to the requester that you are not subject to backup withholding under 4 above (for reportable interest and dividend accounts opened after 1983 only).

Certain payees and payments are exempt from backup withholding. See the instructions below and the separate **Instructions for the Requester of Form W-9**.

**Penalties**

**Failure to furnish TIN.** If you fail to furnish your correct TIN to a requester, you are subject to a penalty of \$50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

**Civil penalty for false information with respect to withholding.** If you make a false statement with no reasonable basis that results in no backup withholding, you are subject to a \$500 penalty.

**Criminal penalty for falsifying information.** Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

**Misuse of TINs** If the requester discloses or uses TINs in violation of Federal law, the requester may be subject to civil and criminal penalties.

**Specific Instructions**

**Name**

If you are an individual, you must generally enter the name shown on your social security card. However, if you have changed your last name, for instance, due to marriage without informing the Social Security Administration of the name change, enter your first name, the last name shown on your social security card, and your new last name.

If the account is in joint names, list first, and then circle, the name of the person or entity whose number you entered in Part I of the form.





**Sole proprietor.** Enter your **individual** name as shown on your social security card on the “Name” line. You may enter your business, trade, or “doing business as (DBA)” name on the “Business name” line.

**Limited liability company (LLC).** If you are a single-member LLC (including a foreign LLC with a domestic owner) that is disregarded as an entity separate from its owner under Treasury regulations section 301.7701-3, **enter the owner’s name of the “Name” line.** Enter the LLC’s name on the “Business name” line.

**Other entities.** Enter your business name as shown on required Federal tax documents on the “Name” line. This name should match the name shown on the charter or other legal document creating the entity. You may enter any business, trade, or DBA name on the “Business name” line.

**Note:** *Your are requested to check the appropriate box for your status (individual/sole proprietor, corporation, etc.).*

### **Exempt From Backup Withholding**

If you are exempt, enter your name as described above and check the appropriate box for your status, then sign and date the form.

Generally, individuals (including sole proprietors) are not exempt from backup withholding. Corporations are exempt from backup withholding for certain payments, such as interest and dividends.

**Note:** *If you are exempt from backup withholding, you should still complete this form to avoid possible erroneous backup withholding.*

**Exempt payees.** Backup withholding is **not required** on any payments made to the following payees:

1. An organization exempt from tax under section 501 (a), any IRA, or a custodial account under section 403(b)(7) if the account satisfies the requirements of section 401(f)(2);
2. The United States or any of its agencies or instrumentalities;
3. A state, the District of Columbia, a possession of the United States, or any of their political subdivisions or instrumentalities;
4. A foreign government or any of its political subdivisions, agencies, or instrumentalities; or
5. An international organization or any of its agencies or instrumentalities.

Other payees that **may be exempt** from backup withholding include:

6. A corporation;
7. A foreign central bank of issue;
8. A dealer in securities or commodities required to register in the United States, the District of Columbia, or a possession of the United States;
9. A futures commission merchant registered with the Commodity Futures Trading Commission;
10. A real estate investment trust;
11. An entity registered at all times during the tax year under the Investment Company Act of 1940;
12. A common trust fund operated by a bank under section 584(a);
13. A financial institution;
14. A middleman known in the investment community as a nominee or custodian; or

15. A trust exempt from tax under section 664 or described in section 4947.

The chart below shows types of payments that may be exempt from backup withholding. The chart applies to the exempt recipients listed above, 1 through 15.

**If the payment is for...**

**THEN the payment is exempt for...**

Interest and dividend payments

All exempt recipients except for **9**

Broker transactions

Exempt recipients **1** through **13**. Also, a person registered under the Investment Advisers Act of 1940 who regularly acts as a broker

Barter exchange transactions and patronage dividends

Exempt recipients **1** through **5**

Payments over \$600 required to be reported and direct sales over \$5,000 <sup>1</sup>

Generally, exempt recipients 1 through 7 <sup>2</sup>

<sup>1</sup> See **Form 1099-MISC**, Miscellaneous Income, and its instructions.

<sup>2</sup> However, the following payments made to a corporation (including gross proceeds paid to an attorney under section 6045(f), even if the attorney is a corporation) and reportable on Form 1099-MISC are not exempt from backup withholding: medical and health care payments, attorneys' fees; and payments for services paid by a Federal executive agency.

**Part 1. Taxpayer Identification Number (TIN) Enter your TIN in the appropriate box.** If you are a **resident alien** and you do not have and are not eligible to get an SSN your TIN is your IRS individual taxpayer identification number (ITIN). Enter it in the social security number box. If you do not have an ITIN, see **How to get a TIN** below.

If you are a **sole proprietor** and you have an EIN, you may enter either your SSN or EIN. However, the IRS prefers that you use your SSN.

If you are a single-owner LLC that is disregarded as an entity separate from its owner (see **Limited liability company (LLC)** on page 1), enter your SSN (or EIN, if you have one). If the LLC is a corporation, partnership, etc., enter the entity's EIN.

**Note:** See the chart on page 4 for further clarification of name and TIN combinations.

**How to get a TIN.** If you do not have a TIN, apply for one immediately. To apply for an SSN, get **Form SS-5**, Application for a Social Security Card, from your local Social Security Administration office or get this form on-line at [www.ssa.gov/online/ss5.html](http://www.ssa.gov/online/ss5.html). You may also get this form by calling 1-800-772-1213. Use **Form W-7**, Application for IRS Individual Taxpayer Identification Number, to apply for an ITIN, or **Form SS-4**, Application for Employer Identification Number, to apply for an EIN. You can get Forms W-7 and SS-4 from the IRS by calling 1-800-TAX-FORM (1-800-829-3676) or from the IRS Web site at [www.irs.gov](http://www.irs.gov).

If you are asked to complete Form W-9 but do not have a TIN, write "Applied For" in the space for the TIN, sign and date the form, and give it to the requester. For interest and dividend payments, and certain payments made with respect to readily tradable instruments, generally you will have 60 days to get a TIN and give it to the requester before you are subject to backup withholding on payments. The 60-day rule does not apply to other types of payments. You will be subject to back-up withholding on all such payments until you provide your TIN to the requester.

**Note:** Writing "Applied For" means that you have already applied for a TIN or that you intend to apply for one soon.

**Caution:** A disregarded domestic entity that has a foreign owner must use the appropriate Form W-8.

## Part II. Certification

To establish to the withholding agent that you are a U.S. person, or resident alien, sign Form W-9. You may be requested to sign by the withholding agent even if items 1, 3, and 5 below indicate otherwise.

For a joint account, only the person whose TIN is shown in Part I should sign (when required). Exempt recipients, see **Exempt from backup withholding above**.

**Signature requirements.** Complete the certification as indicated in 1 through 5 below.

1. **Interest, dividend, and barter exchange accounts opened before 1984 and broker accounts considered active during 1983.** You must give your correct TIN, but you do not have to sign the certification.
2. **Interest, dividend, broker, and barter exchange accounts opened after 1983 and broker accounts considered inactive during 1983.** You must sign the certification or backup withholding will apply. If you are subject to backup withholding and you are merely providing your correct TIN to the requester, you must cross out item 2 in the certification before signing the form.
3. **Real estate transactions.** You must sign the certification. You may cross out item 2 of the certification.
4. **Other Payments.** You must give your correct TIN, but you do not have to sign the certification unless you have been notified that you have previously given an incorrect TIN. "Other payments" include payments made in the course of the requester's trade or business for rents, royalties, goods (other than bills for merchandise), medical and health care services (including payments to corporations), payments to nonemployee for services, payments to certain fishing boat crew members and fishermen, and gross proceeds paid to attorneys (including payments to corporations).
5. **Mortgage interest paid by you, acquisition or abandonment of secured property, cancellation of debt, qualified tuition program payments (under section 529), IRA or Archer MSA contributions or distributions, and pension distributions.** You must give your correct TIN, but you do not have to sign the certification.

#### What Name and Number To Give the Requester

##### For this type of account:

1. Individual
2. Two or more individuals (joint account)
3. Custodian account of a minor (Uniform Gift to Minors Act)
4. a. The usual revocable savings trust (grantor is also trustee)  
b. So-called trust account that is not a legal or valid trust under state law
5. Sole proprietorship or single-owner LLC

##### For this type of account:

6. Sole proprietorship or single-owner LLC
7. A valid trust, estate, or pension trust
8. Corporate or LLC electing corporate status on Form 8837
9. Association, club, religious, charitable, educational, or other tax-exempt organization
- 10 Partnership or multi-member LLC
11. A broker or registered nominee
12. Account with the Department of Agriculture in the name of a public entity (such as a state or local government, school district, or prison) that receives agricultural program payments

##### Give name and SSN of:

- The individual
- The actual owner of the account or, if combined funds, the first individual on the account <sup>1</sup>
- The minor <sup>2</sup>
- The grantor-trustee <sup>1</sup>
- The actual owner <sup>1</sup>
- The owner <sup>3</sup>

##### Give name and EIN of:

- The owner <sup>3</sup>
- Legal entity <sup>4</sup>
- The corporation
- The organization
- The partnership
- The broker or nominee
- The public entity

- <sup>1</sup> List first and circle the name of the person whose number you furnish. If only one person or a joint account has an SSN, that person's number must be furnished.
- <sup>2</sup> Circle the minor's name and furnish the minor's SSN.
- <sup>3</sup> **You must show your individual name**, but you may also enter your business or "DBA" name. You may use either your SSN or EIN (if you have one).
- <sup>4</sup> List first and circle the name of the legal trust, estate, or pension trust. (Do not furnish the TIN of the personal representative or trustee unless the legal entity itself is not designated in the account title.)

**Note:** *If no name is circled when more than one name is listed, the number will be considered to be that of the first name listed.*

### **Privacy Act Notice**

Section 6109 of the Internal Revenue Code requires you to provide your correct TIN to persons who must file information returns with the IRS to report interest, dividends, and certain other income paid to you, mortgage interest you paid, the acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA or Archer MSA. The IRS uses the numbers for identification purposes and to help verify the accuracy of your tax return. The IRS may also provide this information to the Department of Justice for civil and criminal litigation, and to cities, states, and the District of Columbia to carry out their tax laws. We may also disclose this information to other countries under a tax treaty, or to Federal and state agencies to enforce Federal nontax criminal laws and to combat terrorism.

You must provide your TIN whether or not you are required to file a tax return. Payers must generally withhold 28% of taxable interest, dividend, and certain other payments to a payee who does not give a TIN to a payer. Certain penalties may also apply.

May 2, 2005

**Offer to Purchase Up to 285,000 Shares Class A Common Stock  
of Capital Properties, Inc. for a Price of \$22.00 Net Per Share**

Dear Shareholder:

Enclosed with this letter is an offer from Mercury Real Estate Advisors LLC, Mercury Special Situations Fund LP, and Mercury Special Situations Offshore Fund, Ltd. (together, the "Purchaser") to purchase up to 285,000 shares of Class A Common Stock (the "Class A Common Stock") of Capital Properties, Inc. ("CPI" or the "Subject Company") for a price of \$22.00 per share net to you in cash, without any interest thereon. The offer will expire on Monday, June 13, 2005, unless we extend it. Shareholders who wish to tender their shares under the offer should complete and return the enclosed transfer paperwork before the expiration date. Directions for tendering your shares are provided in the offer.

**FACTORS TO CONSIDER IN EVALUATING THIS OFFER**

***The Purchaser's Offer is Higher than the Current Trading Price***

The Purchaser's offer of \$22.00 net per share is higher than the trading price for shares at the time that the offer was commenced. The Class A Common Stock currently trades on the American Stock Exchange. As a general matter, the shares are thinly traded securities. The Purchaser's offer provides far greater liquidity for shareholders than traditional trading methods have allowed and therefore the Purchaser believes that the current offer price represents for shareholders an attractive alternative to continued ownership.

***The Purchaser is Seeking to up to 285,000 Shares of CPI's Class A Common Stock***

The Purchaser is offering to buy up to 285,000 shares of CPI's Class A Common Stock, which represents 8.6% of the 3,299,956 shares currently outstanding. The offer is not conditioned on any minimum number of shares being tendered or on the Purchaser obtaining financing. The Purchaser's acquisition of shares pursuant to the offer will reduce the number of holders of Class A Common Stock and reduce the number of shares of Class A Common Stock that might otherwise trade publicly. This could adversely affect the liquidity and market value of the remaining shares of Class A Common Stock not held by the Purchaser. Since the Purchaser is only seeking to purchase shares of Class A Common Stock, the offer should have no material impact on CPI's operations.

***Effects of a Sale of Your Shares***

Shareholders who sell their shares will be giving up the opportunity to participate in any future potential benefits associated with the continued ownership of shares.

***CPI Owns a Diversified Real Estate Portfolio***

According to CPI's Annual Report on Form 10-KSB, as filed with the Securities and Exchange Commission on March 23, 2005, CPI owns approximately 18 acres of land in the Capital Center Project area in downtown Providence, Rhode Island, which it leases or is holding for lease to third parties. CPI is the largest single landowner in the Capital Center Project area but is nevertheless subject to some measure of competition from other landowners in the vicinity of CPI's properties. Through two of its subsidiaries, CPI owns and operates a 676,500 barrel petroleum storage facility in East Providence, Rhode Island. CPI leases the facility to Global

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Companies, L.L.C. (“Global”) and operates the facility for Global. There are other petroleum storage terminals in the Providence area, but CPI’s facility is the only independent facility with deep-water access.

CPI owns all of the outstanding capital stock and/or membership interests in the following companies:

Tri-State Displays, Inc. (through which CPI leases land for billboards along interstate and primary highways for outdoor advertising purposes);

Dunellen, LLC which was formed in 2000 (through which CPI owns the petroleum storage facilities in East Providence, Rhode Island); and

Capital Terminal Company (through which CPI operates its petroleum storage facilities).

***The Purchaser Views Shares as Long-Term Investments***

The Purchaser is offering to buy shares of CPI as part of its ongoing strategy of acquiring lightly traded securities of companies that are invested in real estate.

Please read the enclosed documents carefully. They contain important information regarding CPI, the Class A Common Stock, the Purchaser and the terms of the offer. For a copy of the offer or assistance in completing the transfer paperwork, please contact D.F. King & Co., Inc., the information agent for the offer, at (800) 769-4414.

Sincerely,

Mercury Real Estate Advisors LLC  
Mercury Special Situations Fund LP  
Mercury Special Situations Offshore Fund, Ltd.



This announcement is not an offer to purchase or a solicitation of an offer to sell Shares (as defined below). The Offer (as defined below) is made solely by the Offer to Purchase dated May 2, 2005 and the related Letter of Transmittal (each as defined below) and any amendments or supplements thereto and is being made to all holders of Shares. The Offer is not being made to, nor will tenders be accepted from or on behalf of, holders of Shares in any jurisdiction in which the making of the Offer or acceptance thereof would not be in compliance with the laws of such jurisdiction. In those jurisdictions where the applicable laws require that the Offer be made by a licensed broker or dealer, the Offer shall be deemed to be made on behalf of the Purchaser by one or more registered brokers or dealers licensed under the laws of such jurisdiction.

**NOTICE OF OFFER TO PURCHASE FOR CASH  
UP TO 285,000 SHARES OF CLASS A COMMON STOCK  
OF  
CAPITAL PROPERTIES, INC.  
AT  
\$22.00 NET PER SHARE  
BY  
MERCURY REAL ESTATE ADVISORS LLC,  
MERCURY SPECIAL SITUATIONS FUND LP  
AND MERCURY SPECIAL SITUATIONS OFFSHORE FUND, LTD.**

Mercury Real Estate Advisors LLC, Mercury Special Situations Fund LP and Mercury Special Situations Offshore Fund, Ltd. (collectively, the “Purchaser”) are offering to purchase up to 285,000 shares of Class A Common Stock, par value \$0.01 per share (the “Class A Common Stock” or “Shares”), of Capital Properties, Inc. (“CPI” or the “Subject Company”) for a purchase price of \$22.00 per Share, net to the seller in cash, upon the terms and conditions set forth in the Offer to Purchase dated May 2, 2005 (the “Offer to Purchase”) and in the related Letter of Transmittal (which, together with any amendments or supplements thereto, collectively constitute the “Offer”).

THE OFFER, WITHDRAWAL RIGHTS AND PRORATION PERIOD (AS DEFINED BELOW) WILL EXPIRE AT 12:00 MIDNIGHT, EASTERN STANDARD TIME, ON MONDAY, JUNE 13, 2005 (THE “EXPIRATION DATE”) UNLESS THE OFFER IS EXTENDED. THE OFFER IS NOT CONDITIONED UPON THE RECEIPT OF FINANCING OR ANY MINIMUM NUMBER OF SHARES BEING TENDERED.

The Purchaser is making the Offer for investment purposes and does not have a present intent to acquire or influence control over the business of the Subject Company. The Purchaser may, from time to time, subsequent to the expiration of the Offer, acquire additional Shares or dispose of all or some of the Shares or may continue to hold the Shares, depending on business and market conditions, its continuing evaluation of the business and prospects of the Subject Company and other factors.

The Offer is not conditioned upon any minimum number of Shares being tendered or upon the Purchaser obtaining financing. The Offer is subject to certain customary conditions described in the Offer to Purchase, including a condition that on or after May 2, 2005 and before the time of payment for Shares, there shall not have occurred any material adverse change to the Subject Company or impairment of a material contract right of the Subject Company. If any such condition is not satisfied, the Purchaser may (i) terminate the Offer and return all tendered Shares to tendering shareholders; (ii) extend the Offer and, subject to withdrawal rights as set forth below, retain all such Shares until the expiration of the Offer as so extended; (iii) waive such condition and, subject to any requirement to extend the period of time during which the Offer is open, purchase all Shares validly tendered prior to the expiration of the Offer and not withdrawn; or (iv) delay acceptance for payment or payment for Shares, subject to applicable law, until satisfaction or waiver of the conditions to the Offer.

For purposes of the Offer, the Purchaser shall be deemed to have accepted for payment tendered Shares when, as and if the Purchaser gives oral or written notice to The Bank of New York, the depository for the Offer (the “Depository”), of its acceptance for payment of the tenders of such Shares. Payment for Shares accepted for payment pursuant to the Offer will be made only after timely receipt by the Depository of (i) certificates for such Shares (or confirmation of a book-entry transfer of such Shares into the Depository’s account at the Book-Entry

Transfer Facility (as defined in the Offer to Purchase)), (ii) a properly completed and duly executed Letter of Transmittal (or facsimile thereof), and (iii) any other required documents. No subsequent offering period will be available.

Shares tendered pursuant to the Offer may be withdrawn at any time prior to the Expiration Date. Thereafter, such tenders are irrevocable, except that they may be withdrawn after June 30, 2005 (or such later date as may apply in case the Offer is extended) unless such Shares have been accepted for payment as provided in the Offer to Purchase. To withdraw tendered Shares, a written, telegraphic or facsimile transmission notice of withdrawal with respect to such Shares must be timely received by the Depository at one of its addresses set forth on the back cover of the Offer to Purchase, and the notice of withdrawal must specify the name of the person who tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the name of the registered holder of Shares, if different from that of the person who tendered such Shares. If the Shares to be withdrawn have been delivered or otherwise identified to the Depository, in the case of Shares tendered by delivery of certificates, the serial numbers shown on the particular certificates evidencing such Shares must also be submitted and the signature on the notice of withdrawal must be guaranteed by an Eligible Institution (as defined in the Offer to Purchase) or, in the case of Shares tendered by book-entry transfer, the name and number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Shares.

If more than 285,000 Shares are validly tendered prior to the Expiration Date, and not withdrawn, the Purchaser will, upon the terms and subject to the conditions of the Offer, purchase 285,000 Shares on a pro rata basis (with adjustments to avoid purchases of fractional Shares) based upon the number of Shares validly tendered by the Expiration Date and not withdrawn (the "Proration Period"). In the event that proration of tendered Shares is required, because of the difficulty of determining the precise number of Shares properly tendered and not withdrawn, the Purchaser does not expect to announce the final results of proration or pay for any Shares until at least seven American Stock Exchange trading days after the Expiration Date. Preliminary results of proration will be announced by press release as promptly as practicable. Holders of Shares may obtain such preliminary information from D.F. King & Co., Inc., the information agent for the Offer (the "Information Agent").

A request is being made to the Subject Company pursuant to Rule 14d-5 of the Securities Exchange Act of 1934 (the "Exchange Act") and under Rhode Island statutory and common law for the use of its shareholder list and security position listings for the purpose of disseminating the Offer to holders of Shares. Offer materials will be mailed to record holders and beneficial owners and will be furnished to brokers, banks and similar persons whose name appears or whose nominee appears on the list of security holders or, if applicable, who are listed as participants in a clearing agency's security position listing for subsequent transmittal to beneficial owners of such securities.

The information required by Exchange Act Rule 14d-6(d)(1) is contained in the Offer to Purchase and is incorporated by reference into this summary advertisement. The complete terms and conditions of this Offer are set forth in the Offer to Purchase, which is being filed today with the Securities and Exchange Commission and promptly mailed to shareholders. The Offer to Purchase and related Letter of Transmittal contain important information. Shareholders should carefully read both in their entirety before any decision is made with respect to the Offer.

Any questions or requests for assistance may be directed to the Information Agent as set forth below. Requests for copies of the Offer to Purchase and the related Letter of Transmittal and other tender offer materials may be directed to the Information Agent, and copies will be furnished promptly at the Purchaser's expense. Shareholders may also contact their broker, dealer, commercial bank, trust company or nominee for assistance concerning the Offer. To confirm delivery of Shares, shareholders are directed to contact the Depository at (800) 507-9357.

The Information Agent for the Offer is:

D.F. KING & CO., INC.  
48 Wall Street  
New York, NY 1005

Banks and Brokerage Firms, Please Call: (212) 269-5550  
All Others, Call Toll-Free: (800) 769-4414

**FOR IMMEDIATE RELEASE**

**MERCURY PARTNERS EXPRESSES SERIOUS CONCERN TO  
CAPITAL PROPERTIES BOARD OF DIRECTORS**

**GREENWICH, CT, August 18, 2004** -- Mercury Special Situations Fund LP, and affiliate of Mercury Partners LLC, a real estate investment management company based in Greenwich, CT, made public today a letter sent to the independent Board of Directors of Capital Properties, Inc. (AMEX: CPI).

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**MERCURY SPECIAL SITUATIONS FUND LP**

**100 Field Point Road  
Greenwich, CT 06830**

August 17, 2004

Capital Properties, Inc.  
100 Dexter Road  
East Providence, RI 02914

Attn: Mr. Harold J. Harris  
Mr. Harris N. Rosen  
Mr. Henry S. Woodbridge

Gentlemen:

We are writing to you as the three independent members of the Board of Directors of Capital Properties, Inc. (the "Company" or "CPI") to express our outrage concerning a recent Company request of the American Stock Exchange (the "AMEX"). As you are aware, and as described in the Company's Securities and Exchange Commission Form 10-QSB filing dated August 12, 2004, CPI petitioned the AMEX in July for consent to extend the outside date for the Company to make a REIT election from March 31, 2005 to March 2011.

As dedicated real estate investors and significant shareholders in the Company, we find this course of action both disgraceful and totally unacceptable for a number of reasons. First, we (and undoubtedly other investors) invested in CPI in direct reliance upon the Company's clear commitment to either elect REIT status or not in early 2005. We also invested despite an intense dislike of the Company's share ownership limitations. However, based on our evaluation of CPI's financial statements and assets, we felt it was extremely unlikely that the Board would elect REIT status for the Company by 2005. Thus, we assumed that the Board would honor its unambiguous commitment if the REIT election were not made: the Class B Common Stock would automatically be converted into a single Class A Common Stock, which class would elect all Directors, and the offensive 5% ownership limitation would "automatically lapse."

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This unequivocal commitment to either elect REIT status by March 31, 2005 or let the ownership limitations automatically lapse has been consistent and steadfast since the Company's November 14, 2001 Information Statement to shareholders. In that statement, the Company advised of this amendment to its Articles of Incorporation, but also advised minority shareholders they had no need to vote in this matter, as the change had already been approved by written consent by the Chairman of the Board of Directors, Mr. Robert Eder, since he owned 52.3% of the common shares. At that time, the Board of Directors also unanimously approved the proposal to amend the Company's Articles of Incorporation. Since November 2001, the Company has reiterated its commitment to this position in both the Company's amended Articles of Incorporation and ongoing public filings, all in identical language, as follows: "If the Company does not make an election to be taxed as a REIT on or before March 31, 2005, the restrictions on share ownership will automatically lapse and the Class B Common Shares will automatically be converted into Class A common shares on a one for one basis."

Given your repeated statements and the amended Articles of Incorporation, we are flabbergasted that the Board has the mendacity to attempt to breach its commitment to shareholders. Moreover, we are shocked that the Company would attempt this shareholder pillaging in such an underhanded and clandestine fashion. Given that you petitioned the AMEX for this shameful extension on July 7, 2004, the desired change was apparently intended to be portrayed to minority shareholders as *a fait accompli*, much like the original amendment. Describing this proposed reversal publicly in only one small paragraph buried on page 11 of the most recent CPI Form 10-Q makes this brazen attempt even more duplicitous.

Second, as the Board virtually admits in the Information Statement, both the dual class of stock and restrictive ownership limitations are meant to entrench current ownership: ("The right of the holders of the Class B Common Stock to elect approximately two-thirds of the Board allows the Eders to reduce the ownership of Class A Common stock *without disrupting the management of the Company*." Schedule 14C Information Statement, page 23 (italics ours)). Although we would hate to inconvenience the Eders' plans, we would point out that the role of management and the Board is to maximize shareholder value for all shareholders, not just the largest shareholder. Unfortunately, we have also come to believe that CPI is a Company where management has an obvious conflict of interest and both deserves and apparently needs to be disrupted in order to meet its fiduciary responsibilities to all of its shareholders.

Finally, the Board bases the need for these bogus ownership limitations on the future possibility of electing REIT status in 2011. The Board readily admits such election will not occur in the next several years and might well never happen in the future. Given the Board's track record for honoring its commitments, how should shareholders assess the possibility that CPI will again seek an extension of its share limitations in 2010 for the year 2018, or 2025? At any rate, the Board should be well aware that any company may elect REIT status in any year and therefore this transparent strategy is merely gamesmanship to entrench management and maximize its control over the Company at the expense of the shareholder. Speculating that Mr. Eder, or the unaffiliated Mr. Gad, will own shares in 2011 is simply not a credible or responsible basis for having artificially restricted minority shareholder ownership for the last four years and further restricting ownership for all other shareholders over the next seven years.

If Mr. Eder wishes to make corporate decisions on a personally unfettered, unilateral basis without meddling, troublesome minority shareholders, he should take the Company private (at a fair price, of course). If, however, he wishes for CPI to remain a public company, both he and the Board of Directors should stop their attempts to unfairly disenfranchise minority shareholders. With the passage of Sarbanes-Oxley and a new focus on corporate governance, one would hope that management and the Board would at least make a superficial attempt to deal fairly with its small shareholders.

We have already objected to this proposal with the AMEX, and intend to pursue all other appropriate avenues to stop this unnecessary and offensive change from happening. Our message to the Board is quite

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simple: you made the rules about electing REIT status, now you must live by them. Either elect REIT status by March 31, 2005 or, as you have repeatedly committed, let the repellent and obnoxious ownership limitations and multiple classes of common shares structure automatically lapse. Retract your request from the AMEX and finally take the high road for all your shareholders, to whom you owe a fiduciary responsibility.

Sincerely,

David R. Jarvis  
General Partner

Malcolm F. MacLean IV  
General Partner

**FOR IMMEDIATE RELEASE**

# **MERCURY DEMANDS CPI TERMINATE ABUSIVE OWNERSHIP LIMITATIONS**

**GREENWICH, CT, September 23, 2004** -- Mercury Special Situations Fund LP, an affiliate of Mercury Partners LLC, a real estate investment management company based in Greenwich, CT, issued this press release today to **Capital Properties, Inc' s. (AMEX: CPI)** Board of Directors.

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## **MERCURY SPECIAL SITUATIONS FUND LP**

**100 Field Point Road  
Greenwich, CT 06830**

September 23, 2004

Capital Properties, Inc.  
100 Dexter Road  
East Providence, RI 02914

Attn: Mr. Harold J. Harris  
Mr. Harris N. Rosen  
Mr. Henry S. Woodbridge

Gentlemen:

We are in receipt of your letter dated August 26, 2004 and are very pleased that you responded to our letter publicly, as the issues being discussed are of critical importance to the future of Capital Properties, Inc. (“CPI” or the “Company”) and the quality of its corporate governance. To paraphrase an apt saying, “sunshine is the best disinfectant.” Obviously, we were pleased to see that the American Stock Exchange rejected, as we urged, your ill-conceived July 7, 2004 proposal to maintain shareholder ownership limitations in the absence of a REIT election: a proposal that was so offensive to minority shareholders. Unfortunately, however, your August 26<sup>th</sup> letter is non-responsive to our stated concerns as minority shareholders.

While you state that you represent all shareholders of Capital Properties, Inc., your actions contradict your words. Having completed over \$20 billion of REIT transactions in the last 15 years, we understand very clearly that REIT conversion would require the concurrence of Mr. and Mrs. Eder, as would most, **if not all**, corporate actions. We also understand very clearly the requirements for REIT qualification. In fact, your confused logic actually supports our position that with no real possibility of qualifying for REIT status “until 2010” at the earliest, as you state, and only then based on certain significant assumptions, as stated in CPI’ s Form 10-Q dated August 12, 2004, what possible justification do you have to maintain these pernicious shareholder ownership limitations for another six long years? Minority shareholders have already been disadvantaged needlessly with that provision since 2001.

You further officiously state in your letter “[t]he 2001 Amendment was prepared and approved by the holders of a majority of the Company’ s capital stock in order to permit the Company to convert to a REIT in a manner which would permit Mr. and Mrs. Eder to retain control.” While this may be technically correct, a less misleading version of that sentence should read: “[t]he 2001 Amendment was prepared and approved by Mr. and

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Mrs. Eder in order to permit the Company to convert to a REIT in a manner which would permit Mr. and Mrs. Eder to retain control.” While Mr. and Mrs. Eder had the opportunity to vote on that Amendment, no other CPI shareholder did.

We restate our position as set forth in our original letter, a position validated by the American Stock Exchange ruling: As you have stated over and over to your shareholders other than Mr. and Mrs. Eder, either elect REIT status by March 31, 2005 or let automatically lapse the odious shareholder ownership limitations currently in place. The Eders may own 52.3% of the Company’ s common stock, but the last time we checked, CPI was still a public company with a Board of Directors with a fiduciary duty to all shareholders. If the Eders wish not to worry about losing control, they should tender for the remaining 47.7% of the common stock in the Company at its fair value. At that point, they could do as they choose and not have to worry about or be fair to pesky minority shareholders like us. Likewise, if they choose to reduce their ownership, they should do so in a fashion that doesn’ t penalize all other shareholders with the onerous and unprecedented shareholder ownership limit.

We look forward with great interest to the results of your exercise of your “fiduciary duty” at the upcoming Board of Directors meeting in October. We also happily offer to meet with the Board or the Independent Directors and present the perspective of minority shareholders, a perspective that clearly has been missing in prior deliberations. Letting the shareholder ownership limitations lapse will increase shareholder value for all shareholders. Forbidding existing or potential new shareholders (other than the Eders) the possibility of owning more than 5% of CPI’ s shares benefits the Eders, but it certainly does not benefit any other CPI shareholder. It creates a demonstrably chilling effect that is the functional equivalent of saying “shareholders are not welcome.”

Sincerely,

David R. Jarvis  
General Partner

Malcolm F. MacLean IV  
General Partner

**News Release****Malcolm F. MacLean IV, Mercury Real Estate Advisors LLC****(203) 769-2980****For Immediate Release: May 2, 2005****MERCURY REAL ESTATE ADVISORS LLC ANNOUNCES TENDER OFFER FOR  
UP TO 285,000 SHARES OF CLASS A COMMON STOCK OF CAPITAL PROPERTIES, INC.**

Greenwich, Connecticut: Mercury Real Estate Advisors LLC, together with Mercury Special Situations Fund LP and Mercury Special Situations Offshore Fund, Ltd., (collectively, "Mercury") today commenced a tender offer to purchase up to 285,000 shares of Class A Common Stock, par value \$0.01 per share, of Capital Properties, Inc. (AMEX: CPI) for a purchase price of \$22.00 per share, net to the seller in cash. This tender price represents a premium of over 21% for approximately 8.6% of the currently outstanding 3,299,956 shares of Class A Common Stock.

The tender offer is an element of Mercury's overall investment strategy, rather than an attempt to acquire or influence control over the business of Capital Properties, Inc. The tender offer also provides a rare opportunity, given the relative illiquidity of the market for the Class A Common Stock, for shareholders to receive cash for all or a portion of their shares at a premium over the closing sales price of the Class A Common Stock as reported by the American Stock Exchange on Wednesday, April 27, 2005, which was the last day that the shares traded.

The tender offer will expire at 12:00 midnight, Eastern Standard Time, on Monday, June 13, 2005, unless the offer is extended. Tenders of shares must be made on or prior to the expiration date, and shares tendered may be withdrawn at any time on or prior to the expiration date.

On the terms and subject to the conditions of the tender offer, shareholders of Capital Properties, Inc. will have the opportunity to tender all or a portion of their shares for a purchase price of \$22.00 per share, net to the seller in cash. If more than 285,000 Shares are validly tendered prior to the expiration date, and not withdrawn, Mercury will, upon the terms and subject to the conditions of the Offer, purchase 285,000 Shares on a pro rata basis (with adjustments to avoid purchases of fractional shares) based upon the number of Shares validly tendered by the expiration date and not withdrawn. Mercury will pay the purchase price, net to the seller in cash, without interest, promptly after expiration of the tender offer and will return all shares not purchased to the tendering shareholder free of charge promptly after the tender offer.

The tender offer is not conditioned on the tender of any minimum number of shares or Mercury obtaining any financing, but is subject to certain customary conditions described in the Offer to Purchase.

The Bank of New York is the depository for the tender offer, and D.F. King & Co., Inc. is the information agent for the tender offer. Any questions concerning the tender offer may be directed to D.F. King & Co., Inc. at (800) 769-4414. Copies of the Offer to Purchase and the related Letter of Transmittal and other tender offer materials may be obtained from D.F. King & Co., Inc., and copies will be furnished promptly at the Purchaser's expense.

Neither Capital Properties, Inc. nor its board of directors has made any recommendation to shareholders as to whether to tender or refrain from tendering their shares, although the board is required by law to make such a recommendation within ten business days.

THIS PRESS RELEASE IS FOR INFORMATIONAL PURPOSES ONLY, AND IS NOT AN OFFER TO BUY OR THE SOLICITATION OF AN OFFER TO SELL ANY SHARES OF THE CLASS A COMMON STOCK OF CAPITAL PROPERTIES, INC. THE SOLICITATION OF OFFERS TO BUY THE CLASS A COMMON STOCK OF CAPITAL PROPERTIES, INC. IS BEING MADE ONLY PURSUANT TO THE TENDER OFFER DOCUMENTS, INCLUDING THE OFFER TO PURCHASE AND THE RELATED LETTER OF TRANSMITTAL THAT MERCURY SHORTLY WILL BE DISTRIBUTING TO SHAREHOLDERS AND FILING WITH THE SECURITIES AND EXCHANGE COMMISSION.



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SHAREHOLDERS AND INVESTORS SHOULD READ CAREFULLY THE OFFER TO PURCHASE AND RELATED MATERIALS BECAUSE THEY CONTAIN IMPORTANT INFORMATION, INCLUDING VARIOUS TERMS AND CONDITIONS TO THE TENDER OFFER. SHAREHOLDERS AND INVESTORS MAY OBTAIN A FREE COPY OF THE OFFER TO PURCHASE AND RELATED DOCUMENTS FROM THE INFORMATION AGENT, D.F. KING & CO., INC., AT 48 WALL STREET, NEW YORK, NEW YORK 10005, (800) 769-4414. SHAREHOLDERS ARE URGED TO READ THESE MATERIALS CAREFULLY BEFORE MAKING ANY DECISION WITH RESPECT TO THE TENDER OFFER.