

CERES REALTY FUND II

— A REAL ESTATE PRIVATE EQUITY FUND —

BUSINESS OVERVIEW

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CERES

REALTY FUND II

DISCLOSURE STATEMENT

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An investment in Ceres II is speculative and involves a high degree of risk and is suitable only for sophisticated investors who can bear substantial investment losses. An investor should review carefully the section of the Memorandum entitled “Principal Risk Factors” and should consider such risks in their entirety and should consult with its legal and tax advisors. No assurance can be given that the investment objectives of Ceres II will be achieved or that an investor will receive a return of all or part of his or her investment, and investment results may vary substantially over any given time period.

The return data for investments set forth herein is for informational purposes only. It has not been audited or otherwise verified by any outside party and should not be construed as representative of the returns that may be achieved in the future. There is no guarantee that any of the projections set forth herein will be obtained. Opinions and estimates involve a number of assumptions which may not prove valid and may be changed without notice. Certain of the return data are based upon projections of future events which are difficult to predict and beyond our control. The projections and forward-looking statements included herein are subject to risks, uncertainties and assumptions.

Some important factors that could cause actual results to differ materially from those in any forward-looking statements include the following: changes in interest rates and financial, market, economic or legal conditions, among others.

Ceres II will not be registered under U.S. federal or state securities laws or the securities laws of any other jurisdiction and will only be offered by the Memorandum, which is currently being prepared. Any decision to invest in the Funds must be based solely upon the information set forth in the Memorandum, the Operating Documents and the Subscription Agreement which should be read carefully by potential subscribers and their advisers. The interests in Ceres II have not been approved or disapproved by the Securities and Exchange Commission or any other state or foreign securities regulator.

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INTRODUCTION

*** FOCUS ON TRANSITIONAL, UNDERPERFORMING AND COMPLEX SITUATIONS IN THE MIDDLE MARKET GENERALLY NOT PURSUED BY MAINSTREAM LENDERS AND BUYERS.**

- ▶ \$5-10M average equity commitment
- ▶ Boston-DC focus with high barriers to entry, durable real estate environment and exit liquidity
- ▶ Target superior, risk-adjusted returns of 16-18%

*** MANAGED BY BLAKELYSTERN INVESTMENT ADVISORS**

- ▶ Experienced and vertically integrated real estate team
- ▶ Privately owned real estate investment firm 100% owned by Principals headquartered in New York, NY
- ▶ Proven results in up and down markets

*** TARGETING \$100 MILLION OF CAPITAL COMMITMENTS**

- ▶ Exclusive real estate investment vehicle
- ▶ Applying proven strategies and market tested management

WHY US

* SOURCING ADVANTAGE

- ▶ Broad Network of relationships across all real estate disciplines
- ▶ "First mover advantage in competitive acquisition environment
- ▶ Enjoy a market reputation for creativity, reliability and speed

* PLATFORM

- ▶ Established real estate company with disciplined methodology
- ▶ Focused on real estate fundamentals
- ▶ Proactive asset management creating value
- ▶ Underwrite risk, seek proper risk-reward with strong absolute returns
- ▶ Not market timers or relative return players

* EXPERIENCE

- ▶ Exceptional and consistent returns with focus on return of capital and delivery of risk-adjusted yields
 - ▶ Vast experience across capital stack and multiple market cycles
 - ▶ Strong institutional backgrounds and experience
 - ▶ Institutional level reporting and systems
-

WHY NOW

* MARKET DYNAMICS CREATING TRANSITIONAL INVESTMENT OPPORTUNITIES

- ▶ Growing gap between "bid and ask"
- ▶ Cap rate compression ending
- ▶ Focus on NOI improvement and operating results vs. category momentum
- ▶ Keying on specific assets and not winning with a "shotgun" approach

* UNSUSTAINABLE CAPITAL STRUCTURES IN MANY REAL ESTATE SECTORS DUE TO:

- ▶ Aggressive senior debt underwriting
- ▶ Overabundance of mezzanine financing
- ▶ Inexperienced equity allocated to real estate as an alternative asset class
- ▶ Operating risk mispriced, underestimated or ignored

* ECONOMIC RECOVERY AND JOB GROWTH

- ▶ Employment growth creating demand
- ▶ Supply Constraints aid strong regional markets
- ▶ Private and local operators completed 26% of all transactions and 54% of all transactions below \$15M

MARKET OVERVIEW

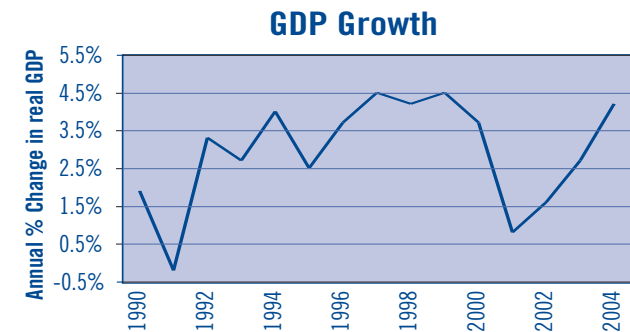
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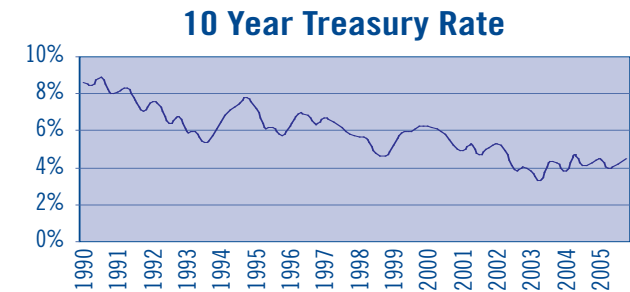
* INTEREST RATE INCREASES WILL RESULT IN DISTRESSED AND TRANSITION INVESTMENT OPPORTUNITIES IN 2006 AND 2007

- ▶ Asset dislocation expected with rise of interest rates negatively impacting capital structures

Overleveraged and interest only structures risks



Source: Bureau of Economic Analysis



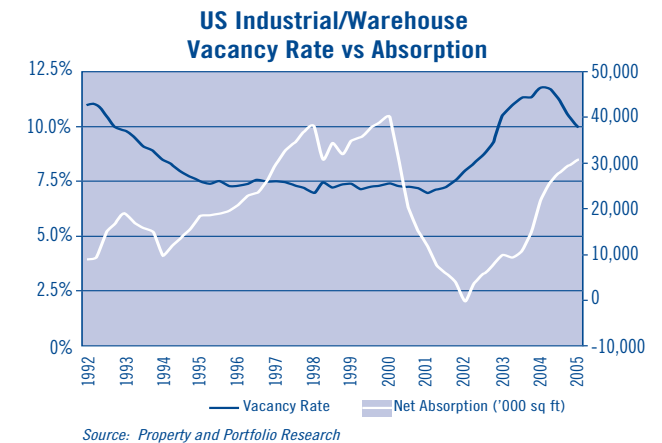
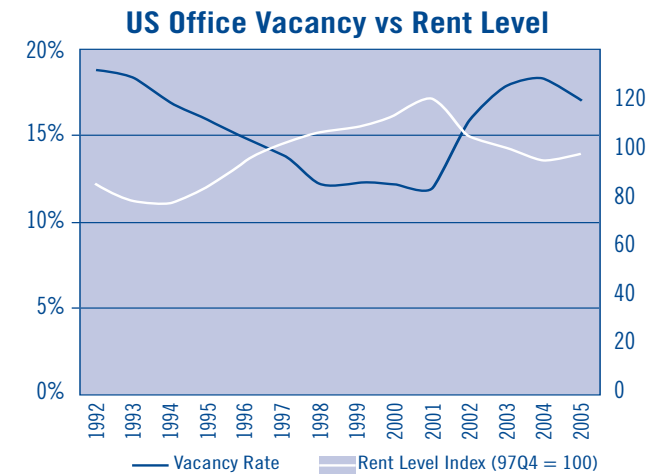
Source: Federal Reserve Board

*** OFFICE MARKET**

- ▶ Improved occupancy resulting from positive absorption and controlled development
- ▶ Recovery phase started; pace challenged by modest job growth and increased large corporate mergers and acquisitions
- ▶ Opportunities exist in certain second tier urban and primary suburban markets to invest in viable, undercapitalized properties with vacancy and deferred maintenance issues
- ▶ Appealing dynamic with many rents now "marked to market" from 2000 highs with room to grow

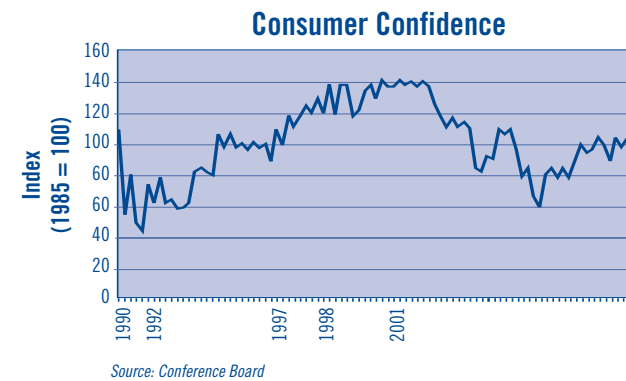
*** INDUSTRIAL MARKET**

- ▶ Continues to show moderate improvement
- ▶ Vacancy rates continue to decrease
- ▶ Continued improved market fundamentals may generate select financing and equity opportunities for unrated credit build-to-suits, small underperforming portfolios, and vacancies created by mergers and acquisition consolidation
- ▶ Opportunity to reposition assets for lower cost than recent sale prices and increasing replacement cost



*** RETAIL**

- ▶ Consumer confidence has stabilized
- ▶ Rent growth projected to continue throughout 2006
- ▶ Opportunities may result from JV development with retail operators seeking to expand their platform to new markets and high yield financings in suburban neighborhood/strip centers with upgrade and turnaround strategies



Integrated Strategy

Capitalize on manageable risk that is mispriced by the market

Convert underutilized real estate to more profitable uses

Create value through proactive asset management

Pursue acquisitions that fall outside the narrow guidelines of institutional investors

Middle-market focus

Disciplined Investment Process

ORIGINATE OFF-MARKET DEALS

- Owner/Property Mismatch
- Perceived High-Risk Transaction
- Short Lease Term
- High Capital Requirement

DUE DILIGENCE

- Local Market Knowledge
- Detailed Analysis Including Property, Market, and Credit Review

STRUCTURE

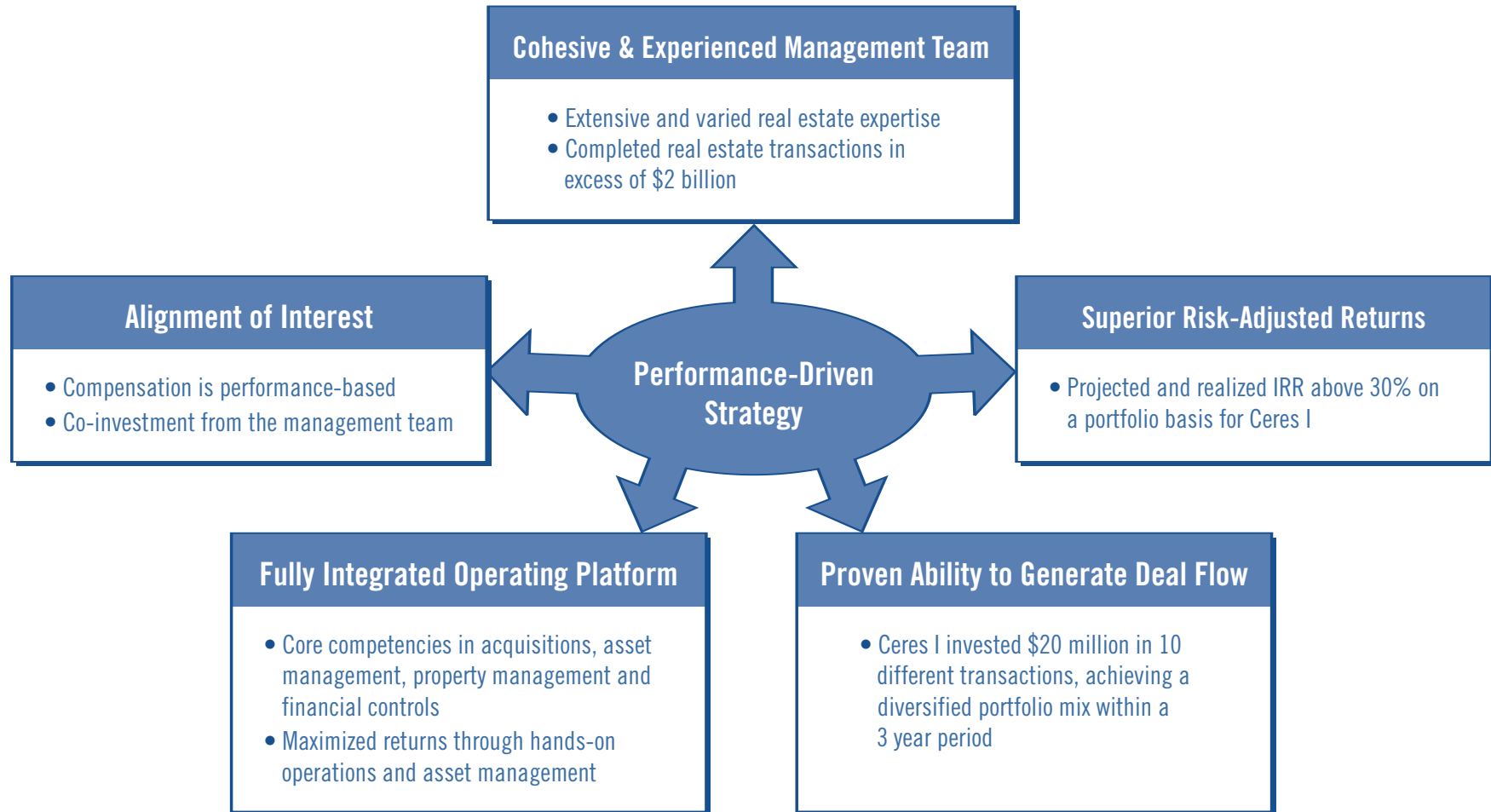
- Complex Tax, Ownership and Capital Structures

VALUE CREATION

- Business Plan Driven Strategies
- Re-Leasing/Lease Extension
- Redevelopment/Reposition
- Asset Repositioning

STABILIZED/ENHANCED ASSET

- Reduction of Risk Profile
- Increased Cash Flow
- Refinance Proceeds
- Strong Sales Discipline



OPERATING STRATEGY

Competitive Advantage

EXPERIENCED MANAGEMENT TEAM

ASSET-BASED STRATEGY

ESTABLISHED NETWORK

FINANCIAL CONTROLS

Investor Benefits

BlakelyStern excels in sourcing, underwriting, structuring, and closing new investment opportunities

Emphasis on real estate fundamentals

Extensive network of local property managers, real estate brokers and third party professionals

Managing risk through hands-on operations and asset management

JOANN'S PLAZA

CERES-Newington, LLC
3105 Berlin Turnpike, Newington, CT

Property Type	Retail
Building Size	66,639 S.F.
Purchase Price	\$4,250,000
Acquisition Date	2/03
Price per S.F.	\$63.78
Going-In CAP Rate	10.48%

CERES-Berlin Turnpike, LLC
3067-3095 Berlin Turnpike, Newington, CT

Property Type	Retail
Building Size	61,786 S.F.
Purchase Price	\$5,200,000
Acquisition Date	10/03
Price per S.F.	\$84.16
Going-In CAP Rate	10.06%



TRANSACTION BACKGROUND

In February 2003, Ceres I acquired Joann's Plaza, a free-standing retail property occupied by two national tenants under long-term net leases. The seller was an institutional investor eager to sell due to operating inefficiencies, and Joann's Plaza was the last remaining asset in their portfolio. Our strategy was to acquire the adjoining plaza and combine the two properties into a more cohesive shopping center. In October 2003, we acquired the adjoining plaza and commenced the leasing and renovation plan.

OPPORTUNITY

- Acquire well located but underutilized and mismanaged assets at going-in yields of 10.48% unleveraged. Joann's Plaza generated over 13% cash-on-cash (after fees and expenses). The adjoining plaza had a 10.06% unleveraged yield and 19% cash-on-cash at acquisition.
- In-place rents for tenants occupying over 20% of space were 70% below market due to existing management's lack of focus
- Potential to add pad-site development

VALUE ADDED BY MANAGEMENT

- Commenced repositioning and capital improvement plan to improve exterior appearance and curb appeal of properties
- Renewed existing tenants marking rents to market
- Secured approval from town to add 4,875 square feet to increase the store size of vacant space to meet broader market demand from national tenants
- Secured tenant to occupy expanded space for 20 years under a net lease increasing rent by 70% for this space
- Secured approvals from town for pad-site development
- Executed 20 year land lease for pad-site
- Secured approvals for 6,978 s.f. addition

* Past Performance is not a guarantee of future results. Performance is for illustrative purposes only and is not indicative of Ceres II.

FAIRLANE PORTFOLIO

15 Broad Street Boston, MA

Property Type	CBD office, multi-tenant building
Building Size	70,000 S.F.
Purchase Price	\$13,000,000
Acquisition Date	7/03
Price per S.F.	\$185.71
Going-In CAP Rate	13.36%

33 Broad Street, Boston, MA

Property Type	CBD office, multi-tenant building
Building Size	40,000 S.F.
Purchase Price	\$6,802,582
Acquisition Date	7/03
Price per S.F.	\$170.06
Going-In CAP Rate	17.52%

112 Water Street, Boston, MA

Property Type	CBD office, multi-tenant building
Building Size	24,000 S.F.
Purchase Price	\$4,248,396
Acquisition Date	7/03
Price per S.F.	\$177.01
Going-In CAP Rate	10.31%



TRANSACTION BACKGROUND

In July 2003, Ceres I acquired three architecturally significant office buildings located in Boston's financial district. In direct negotiation with the seller, Ceres's willingness to purchase all three assets and its ability to close quickly allowed it to purchase these properties well below replacement cost. We believe that this transaction represented the lowest price per square foot and highest CAP of any "B" office deal in the past 5 years in Boston.

OPPORTUNITY

- Properties provide ideal mix of floor sizes, finishes and attributes to appeal to the 2,000-10,000 square foot tenant, the largest and most resilient sector in the market
- Extensive renovations recently completed by seller included new roofs, mechanicals, windows and lobby improvements
- Neighborhood benefits greatly from the completion of "Big Dig" and new Rose Kennedy Park in planning/design stage
- Potential for residential conversion

VALUE ADDED BY MANAGEMENT

- Negotiated with seller to secure substantial reserves to offset re-leasing costs
- Completed lease renewals with majority of tenants exceeding underwriting estimates
- Leased two full floors totalling 11,464 square feet that were vacant at the time of purchase
- In 2 TIC (Tenant-In-Common) transactions, completed sale of 48% interest in 15 and 33 Broad Street, valuing these buildings at \$6MM more than purchase price and deferred gains through 1031 transaction
- Recovered 100% of equity investment from TIC sale while retaining 52% ownership

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BLAKELYSTERN / CERES REALTY FUND I, LLC

- ▶ Ceres Realty Fund, LLC ("Ceres I") invested \$20MM of committed equity in 10 transactions
- ▶ Returns (both realized and projected) exceed 30% annualized, net of all expenses, on a portfolio basis
- ▶ In addition to annual payout of priority return, returned 40% of original invested capital to date
- ▶ Projected equity multiple 2 X
- ▶ Average duration of capital use less than 3 years

Summary of Investment Performance
Portfolio Status of Realized and Unrealized Gains

Realized Investments

	Property Type	Capital Invested	Realized Proceeds	Multiple	*
260-284 Quarry Road, Milford, CT	Warehouse/Flex	\$1.1MM	33%	2/X	1

Unrealized Investments

	Property Type	Equity		*
15 Broad Street, Boston, MA	Office		28%	2
33 Broad Street, Boston, MA	Office		31%	2
112 Water Street, Boston, MA	Office		47%	
86 Hopmeadow Rd., Simsbury, CT	Office	\$2.5MM	4%	
800 Technology Center Dr., Stoughton, MA	Warehouse/Flex	\$2.4MM	42%	
1821 Portal Street, Baltimore, MD	Office/Warehouse	\$1.4MM	33%	
3105 Berlin Turnpike, Newington, CT	Retail		53%	
3067-3095 Berlin Turnpike, Newington, CT	Retail		85%	3
212 Stuart Street, Boston, MA	Residential	\$1.5MM	N/A	

*NOTES:

1 - Sold 8/23/05 for \$6.5MM, yielding 33% IRR after fees and expenses.

2 - Recovered 100% of equity investment from 2 TIC (Tenant-In-Common) sales while retaining 52% ownership.

3 - Recovered 100% of equity investment through refinance proceeds.

GEORGE CLAIMONT, Founder and Principal

Mr. Clairmont is a notable investor with a proven track record. His responsibilities at BlakelyStern include securing fund investors, developing strategic plans, and leading the company's capital market activities. After launching his career at Citibank, he formed the Clairvest Corporation, an investment firm that currently manages assets exceeding \$200 million. In addition to Ceres I, he has been a general partner in owning and creating a portfolio of approximately 300 apartments. An investor in public and private companies, Mr. Clairmont also has served on several corporate boards. His investments have included Insignia Financial Group, apparel manufacturer Quicksilver, Tulsa-based Hawkins Oil and Gas, and Signal Apparel Co., Inc., an undervalued manufacturer whose share value was greatly enhanced under his leadership. He is a graduate of Swarthmore College, and he received his Masters Degree from Columbia Business School. His activities have been reported in major business publications and he has appeared on several radio and television programs. He also is the co-author of Street Smart Investing, a Fortune magazine book club selection.

DAVID GODBOUT, Founder and Managing Partner

Mr. Godbout oversees all aspects of the company's daily operations, as well as its investment committees, portfolio management and all disposition decisions. Prior to the firm's inception, Mr. Godbout executed real estate transactions totaling more than \$1.5 billion on behalf of leading investment banks, corporate investors, public pension plans, endowment funds, private trusts, and high net-worth individuals. Previously, he was a senior executive in the corporate sale-lease bank sector and worked at Fleet Financial Group through its acquisition from the FDIC of the Bank of New England, where he managed a \$500 Million workout portfolio of complex nonperforming assets and real estate loans. Mr. Godbout is a graduate of Boston University's. He is a member of the International Council of Shopping Centers (ICSC) and has served on the board of the Building Owners and Managers Association (BOMA).

MICHAEL GRILL, Managing Director

At BlakelyStern, Mr. Grill is responsible for acquisitions and asset management . Between 1980 and his joining BlakelyStern, he completed transactions valued at over \$400 million including office, retail, R&D and industrial properties . Most recently, he founded and served as President of Fairlane Properties, Inc., a Boston-based commercial real estate investment company that provided asset management, construction management, leasing, and property management oversight. A graduate of SUNY at Albany, Mr. Grill has a city planning degree from Harvard University and a law degree from Boston University. Additionally, he has served as a financial/legal consultant to the Boston Redevelopment Authority, President of the Massachusetts Chapter of NAIOP, the National Association of Office and Industrial Properties, as Chairman of Jewish Vocational Service, Inc. and is a board member of Combined Jewish Philanthropies. Mr. Grill is a Massachusetts-licensed real estate broker and a member of the Massachusetts Bar.

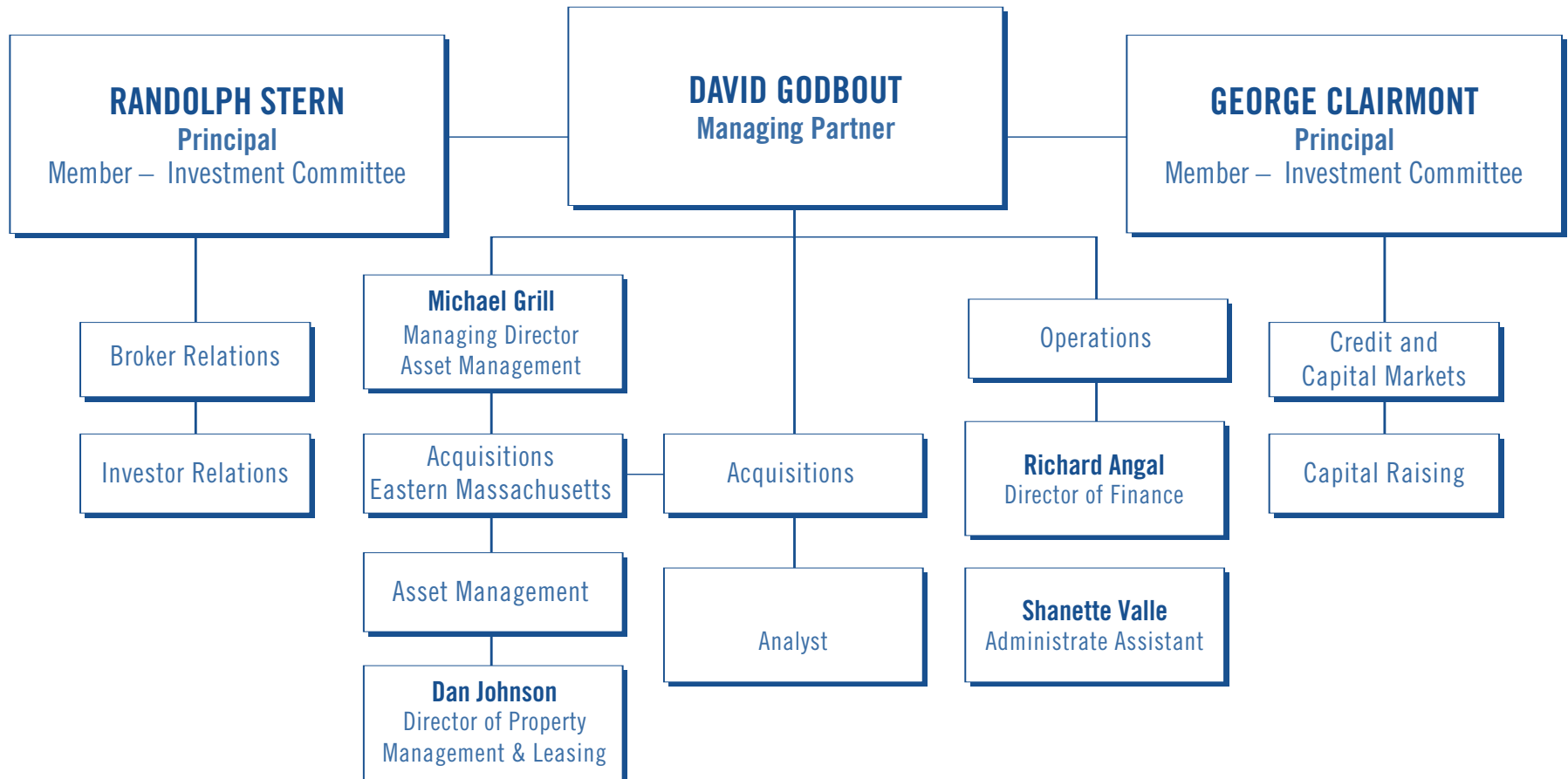
RANDOLPH STERN, Founder and Principal

Randolph Stern has served as a founding principal since 2001 and has been on the investment committee which oversees acquisition activities. He has been involved in acquisitions, strategic planning and marketing for Ceres I as well as fund raising activities and investor relations. He will manage investor relations and participate in fund raising while continuing to expand the deal flow with direct and broker relationships, primarily from New York through the Mid-Atlantic states.

He was a development partner in over \$40 million of transactions since 1990. Mr. Stern has over 25 years of experience in strategic management and ownership roles in the real estate and health care industries and as an advisory board member and consultant.

CERES

REALTY FUND II



CERES

REALTY FUND II

THE FUND	Ceres Realty Fund II, L.P., a Delaware Limited Partnership being formed to pursue real estate investments in the United States
INVESTMENT OBJECTIVES	To achieve in excess of a 16% IRR on invested equity capital on a portfolio basis. The Fund is also targeting assets that it believes will generate cash-on-cash yields in excess of 8% within 12-24 months. There is no assurance that either of these objectives will be achieved.
OFFERING SIZE	\$100MM
COMMITMENT OF GENERAL PARTNER	General Partner will commit \$5M
INVESTMENT PERIOD	Three years after the final closing
TERM	Eight years from the final closing, subject to two one-year extensions at the discretion of the General Partner
LIMITATIONS	No more than 20% of the Aggregate Limited Partners' Commitments will be utilized to make any single investment.
DISTRIBUTIONS	<ol style="list-style-type: none">1) 8% Preferred Return per annum2) 100% of Cumulative Capital Invested3) 80% Limited Partners (“LPs”) / 20% General Partner (“GP”) until the LPs receive cumulative IRR of 12%; 50% LPs / 50% GP until GP receives 20% of cumulative profits distributed; 80% LPs / 20% GP thereafter.
ASSET MANAGEMENT FEE	1.5% of committed/invested capital
TRANSACTION FEES	No transaction fees, advisory fees or other similar fees.

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