

## **Ceres Partners, LLC**



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This brochure provides information about the qualifications and business practices of Ceres Partners, LLC. If you have any questions about the contents of this brochure, please contact Ceres Partners LLC's Chief Compliance Officer, Steven Cardinal, at (855) 242-3737 or by email at [scardinal@cerespartners.com](mailto:scardinal@cerespartners.com).

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("**SEC**") or by any state securities authority. Additional information about Ceres Partners LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Any reference to Ceres Partners LLC as a "registered investment adviser" or as being "registered" does not imply a certain level of skill or training.

**Item 2 - Material Changes**

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This is Ceres Partners LLC's first annual filing amendment. The initial ADV Part 2A filing completed when the firm initially registered with the SEC was submitted in August 2018.

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#### **Item 4 - Advisory Business**

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Ceres Partners LLC ("**Ceres**" or the "**Firm**") is an Indiana Limited Liability Company that was formed on April 24th, 2009. Ceres is controlled by its Managing Member, Perry Vieth (the "**Managing Member**"). Ceres provides investment advisory services to private funds, Ceres currently has three funds, Ceres Farmland Holdings, LP, Ceres Farmland, LLC and Ceres Food & Agriculture Opportunity Fund, LP. (each a "**Fund**" and collectively, the "**Funds**"). Unless stated otherwise, the Funds are collectively referred to herein as the "**Clients**." The general partner for Ceres Farmland Holdings, LP, Ceres Farmland, LLC and Ceres Food & Agriculture Opportunity Fund, LP is Ceres Partners, LLC (the "**General Partner**"), an Indiana Limited Liability Company that was formed on April 24th, 2009. The General Partner has ultimate responsibility for the management, operations and investment decisions of the Funds.

Ceres provides investment management services to its Clients pursuant to investment guidelines within the relevant organizational documents, limited partnership agreements, investment management agreements, offering memorandums and/or subscription agreements, as the case may be (each an "**Offering Document**", and collectively, the "**Offering Documents**"). Ceres does not tailor its services to the individual Fund investors or provide investors with the right to specify, restrict, or influence the Funds' investment objectives or any investment or trading decisions.

Ceres seeks to accomplish its Clients' investment objectives through disciplined, research-intensive investment and risk-management processes focusing primarily acquiring and actively leasing farmland in the United States.

Ceres does not participate in wrap fee programs.

As of December 31, 2018, Ceres' regulatory assets under management were \$126,625,000 all managed on a discretionary basis.

#### **Item 5 - Fees and Compensation**

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Ceres receive a management fee and performance-based compensation from Clients. Such compensation arrangements are set forth in the relevant Offering Document with each Client.

The management fees paid by the Funds is generally equal to an annual rate of 1.00% of each Member's capital account balance if such balance exceeds \$1 million and 2.00% of each Member's capital account balance if such balance is less than \$1 million. The Firm may reduce, waive or calculate differently the management fee for certain investors or Clients, including members, employees and affiliates of the Firm.

Ceres expects that the Fund will be responsible for investment-related expenses, as well as for their organizational and offering expenses.

#### **Item 6 - Performance Fees and Side-by-Side Management**

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Ceres receives performance-based compensation from Clients, generally equal to 20% of the net profits (both realized and unrealized). Additional information regarding such compensation arrangements are set forth in the relevant Offering Document with each Client. The Firm or its affiliates may reduce, waive or calculate differently the performance-based compensation for certain investors or Clients, including members, employees and affiliates of the Firm.

The terms of the performance-based compensation may differ among the Clients. This may result in a conflict of interest when allocating opportunities among Clients, as Ceres may have an incentive to favor Clients that have higher performance-based compensation. To avoid such a conflict of interest, Ceres has developed documented procedures for allocating opportunities among Clients in a fair and equitable manner.

As management fees and performance-based compensation are based directly on Clients' net asset values, Ceres may have a conflict of interest in valuing the assets held in Client accounts. Ceres follows documented valuation policies and consults with third-party appraisers, as applicable, in order to mitigate this risk.

## **Item 7 - Types of Clients**

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Ceres provides investment advice to private funds.

## **Item 8 - Methods of Analysis, Investment Strategies, Risk of Loss**

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### ***Investment Strategy***

Ceres seeks to accomplish its Clients' investment objectives by purchasing, operating and holding real properties that produce income, and therefore Ceres considers the following when making investments:

- Cash flow;
- Appreciation prospects;
- Appraisal of value by Ceres;
- Appraisal of value by third parties;
- Condition and use of property; and
- Location.

The experienced team at Ceres performs acquisition research, analyses and negotiations of potential property. Ceres conducts a detailed market study, and reviews the property and its financial operating history.

Ceres REITs' principal investment objective is to maximize total returns to investors through cash distributions and appreciation in the value of REIT shares. A secondary investment objective is diversification, both geographically and in the number of tillable and non-tillable farm parcels acquired. In pursuit of these objectives, each REIT strategy is to acquire equity or equity-like interests in tillable and non-tillable farm parcels in targeted areas within North America. These properties will be managed with a view to current income and sold when the Investment Committee concludes that market conditions and property positioning will realize optimal value.

In all cases, clients should review the applicable offering materials to understand the specific terms, features and risks of a specific REIT offering.

### ***General Risk Factors***

Investments in direct real-estate related assets are subject to various risks, including without limitation:

- the cyclical nature of the real estate market and changes in national or local economic or market conditions;
- the financial condition of the buyers and sellers of properties;
- Government regulation and increases in trade tariffs;
- changes in supply of, or demand for, properties in an area;
- various forms of competition;
- fluctuations in lease rates;
- changes in interest rates and in the availability, cost and terms of financing;
- promulgation and enforcement of governmental regulations, including rules relating to zoning, land use and environmental protection;
- changes in real estate tax rates, energy prices and other operating expenses;
- changes in applicable laws and increased governmental regulation; and
- various uninsured or uninsurable risks and losses.

The marketability and value of a client's investments, and the revenues generated by such properties, will depend on factors beyond the control of the client and Ceres. Investing, including investing in real estate related assets, involves risk of loss that clients should be prepared to bear. Additionally, clients that invest in specifically in REITs should be aware of the following.

- The REITs intend at all times to qualify as "real estate investment trusts" under the provisions of the Internal Revenue Service Tax Code of 1986. However, failure in any taxable year to distribute to stockholders at least 90% of their real estate investment trust taxable income will result in the REITs having to pay tax on their taxable income at regular corporate rates. The REIT cannot deduct distributions to stockholders in any non-qualifying year(s);
- Although each REIT's shares are freely transferable, subject to certain restrictions, an investment in each REIT is intended to be long term. No public or private market currently exists for the shares. The REITs may dispose of shares by redeeming them, but depending on available liquidity and other restrictions, shares may have limited or no liquidity;
- Although the REITs will strive to acquire a diversified portfolio of tillable and non-tillable farm parcels, such diversification may not exist during each REIT's initial stages, and each REIT may not achieve its overall diversification goals;
- Unlike exchange-listed and other readily tradable securities, real estate assets generally cannot be marked to an established market. The periodic valuation of each REIT's assets will serve as the basis for determining the value of each share of such REIT prior to the time, if any, that a public trading market for the shares exists. Valuations of real properties are estimates of fair value and may not necessarily correspond to realizable value. Because the valuation of properties is inherently subjective, a REIT's net asset value may not accurately reflect the actual price at which its assets could be liquidated on any given day;
- Private real estate investments will generally be illiquid compared to traditional asset classes. The client may be unable to realize its investment objectives by sale or other disposition at attractive prices within any given period of time; and
- In purchasing property, a buyer faces the risk that environmental statutes or regulations, which may be unpredictable, will result in obligations and/or liabilities beyond the buyer's control. For example, the current owner of a parcel of land may be liable for environmental problems at or emanating from the parcel of land that were caused by a past owner or current operator of the site;

### ***Specific Risk Considerations***

**Real estate market risk.** Investments in real estate related assets are subject to various risks, including, without limitation, the cyclical nature of the real estate market and changes in national or local economic or market conditions, the financial condition of tenants, buyers and sellers of properties, changes in supply of, or demand for, properties in an area, various forms of competition, fluctuations in lease rates, changes in interest rates and in the availability, cost and terms of financing, promulgation and enforcement of governmental regulations, including rules relating to zoning, land use and environmental protection, changes in real estate tax rates, energy prices and other operating expenses, changes in applicable laws and increased governmental regulation and various uninsured or uninsurable risks and losses. The marketability and value of a client's investments, and the revenues generated by such properties, will depend on these and other factors, which are beyond the control of the client and Ceres. Investing, including investing in real estate related assets, involves risk of loss that clients should be prepared to bear.

**Concentration risk – real estate.** Any strategy that concentrates in a particular segment of the market will generally be more volatile than a strategy that invests more broadly. Given the cyclical nature of the real estate market, changes in national or local economic or market conditions could have an adverse effect on the strategy. In addition changes in the financial condition of tenants, buyers and sellers of property, competition, fluctuations in lease rates, the length of leases, and in the availability of financing will have a significant impact on the strategy's performance and any applicable lock-up periods.

## **Item 9 - Disciplinary Information**

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There have been no legal or disciplinary events that are material to a Client's or prospective Client's evaluation of Ceres' advisory business or the integrity of Ceres' management.

## **Item 10 - Other Financial Industry Activities and Affiliations**

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The management of multiple Clients may result in conflicts of interests when Ceres or its related persons allocate their time and investment opportunities among Clients. In addition, the compensation earned by Ceres and its related persons from each Client may differ from one another.

The Manager may provide advice to other funds and managed accounts that may follow an investment program substantially similar to that of the Fund. The Manager may give advice and recommend transactions to other managed accounts or investment funds which may differ from advice given to, or transactions recommended or bought for, the Fund, even though their investment objectives may be the same as or similar to the Fund's objectives.

Ceres has adopted a Fair Allocation Policy, to provide an objective basis for resolving these conflicts.

The Fund has engaged an affiliate of the Manager, Ceres Securities, LLC ("**Ceres Securities**"), as a placement agent in connection with soliciting prospective investors in the Fund and determining their suitability for an investment in the Fund. Ceres Securities is a registered broker-dealer (CRD # 269903) and a wholly owned subsidiary of the Manager. Under the terms of a placement agency agreement dated January 9, 2017, the Manager will pay Ceres Securities a placement fee based on the successful sale of Interests in the Fund by the Manager to an investor that Ceres Securities has introduced to the Fund. Ceres Securities will not offer or sell securities of the Fund.

## **Item 11 - Code of Ethics, Participation/Interest in Client Transactions, Personal Trading**

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### ***Code of Ethics***

Ceres has adopted a Code of Ethics (the “**Code of Ethics**”), which is designed to ensure that it conducts its business in accordance with all applicable laws and regulations and in an ethical and professional manner. The Code of Ethics applies to all Ceres employees. In addition, Ceres recognizes that it has a fiduciary duty to its Clients, and that all of its employees need to conduct their business on Ceres’ behalf in a manner that enables Ceres to fulfill this fiduciary duty. In this regard, Ceres has developed policies and procedures in the Code of Ethics that are premised on the fundamental principles of openness, integrity, honesty and trust. Employees are provided with a copy of the Code of Ethics and are annually required to sign and acknowledge that they will comply with its provisions. Ceres will provide a copy of the Code of Ethics to any Client or prospective Client upon request.

### ***Personal Trading***

Under the Code of Ethics, Ceres employees (and members of their immediate households) must obtain written pre-approval from Ceres’ Chief Compliance Officer (the “**CCO**”) prior to executing a purchase or sale order in any Personal Trading Account.

In addition, employees are prohibited from participating in any initial public offering and must obtain written pre-approval from the CCO to buy or sell securities in a private placement. Employees must also obtain written pre-approval from the CCO before engaging in any outside business activities. When the activities of the CCO require pre-approval, that written pre-approval must be obtained from the Principal Owner.

All employees must provide duplicate copies of brokerage statements to the CCO. These records are used to monitor compliance with the foregoing policies.

### ***Participation and Interest in Client Transactions***

Subject to applicable law, Ceres may effect transactions between Client accounts whereby one Client account will purchase securities from or sell securities to another account. Ceres does not currently intend to engage in such activity. Nonetheless, if it plans on effecting such transactions in the future, it will develop documented procedures for doing so, including requiring pre-approval from the CCO.

## **Item 12 - Brokerage Practices**

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Ceres does not use securities brokers in connection with its real estate advisory activities. However, the Firm may invest (i) clients' funds held but not yet invested in real estate, (ii) funds generated from the management of properties, or (iii) sale proceeds of a real estate investment pending distribution to the client. Such funds are invested primarily in Treasury money market funds and U.S. Government obligations, repurchase agreements and other instruments guaranteed by the United States or U.S. agencies. These investments are strictly incidental to the Firm's real estate advisory activities. In connection with making these investments, the Firm uses the services of large commercial banks to invest in money market funds that invest primarily in the securities investments previously described. The Firm receives no research or soft dollar benefits from such brokerage and believes the commissions or mark ups are competitive with those that other brokers or dealers charge. On occasion, the Firm also uses unaffiliated real estate brokers that the Firm selects on the basis of (i) the



reasonableness of their commissions as compared to other brokers offering similar services and (ii) the ability of such brokers to obtain best execution of the transaction.

### **Item 13 - Review of Accounts**

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The Managing Partner reviews Client accounts continually for overall adherence to the investment strategy and investment guidelines. The Firm engages in active management of the Client accounts and accordingly reviews positions and cash balances on a daily basis.

Ceres will provide Fund investors with annual audited financial statements and additional periodic reporting (see item 15).

### **Item 14 - Client Referrals and Other Compensation**

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Ceres does not currently and does not expect to receive any economic benefits from third parties in connection with the provision of investment advice to Clients. Ceres may compensate their affiliate, Ceres Securities, for investor referrals. Ceres Securities shall be compensated pursuant to the terms set forth in a written agreement.

### **Item 15 - Custody**

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Ceres will comply with the requirements of the Rule 206(4)-2 of the Advisers Act with regards to Ceres' custody of the Funds' assets. Ceres is deemed to have custody of Client funds and securities because it has the authority to obtain Client funds or securities, for example, by deducting advisory fees from a Client's account or otherwise withdrawing funds from a Client's account.

Ceres does not expect to be required to comply (or expects to be deemed to have complied) with certain requirements of the Custody Rule with respect to each Fund because it complies with the provisions of the so-called "Pooled Vehicle Annual Audit Exception", which, among other things, requires that (i) each Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, (ii) each Fund's audited financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP), and (iii) each Fund distributes its audited financial statements to all investors within 120 days of the end of its fiscal year.

### **Item 16 - Investment Discretion**

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Ceres has discretionary authority to manage accounts on behalf of the Clients, which includes the authority to determine, without obtaining specific consent, the assets to be bought or sold, the amount of assets to be bought or sold, the real estate broker to be used and the commission rates to be paid. The investors in the Funds generally will not have the ability to place any limits on Ceres' authority beyond the limitations set forth in the Offering Documents of the applicable Fund.

### **Item 17 - Voting Client Securities**

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Ceres does not vote proxies for any clients.

**Item 18 - Financial Information**

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Ceres has no financial commitment that impairs the Firm's ability to meet contractual and fiduciary commitments to Clients, and has not been the subject of a bankruptcy proceeding.