

**Item 1 – Cover Page**

**ADV Part 2A and B: FIRM BROCHURE**

**CID CAPITAL II, INC.**

201 West 103<sup>rd</sup> Street  
Suite 200  
Indianapolis, IN 46290  
Contact: Deborah Morgan  
(317) 818-5030 (phone)  
(317) 644-2914 (facsimile)

[www.cidcap.com](http://www.cidcap.com)

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This brochure provides information about the qualifications and business practices of CID Capital II, Inc. (“CID Capital”). If you have any questions about the contents of this Brochure, please contact us at (317) 818-5030 or [Debbie@cidcap.com](mailto:Debbie@cidcap.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

CID Capital is a registered investment adviser. Registration of an investment adviser with the SEC does not imply a certain level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

Additional information about CID Capital also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

The SEC requires registered investment advisers to provide clients with Form ADV Part 2, which contains a clearly written and meaningful disclosure, in plain English, about the adviser's business practices, conflicts of interest and advisory personnel. The Form ADV 2 is divided into two parts, Part 2A and Part 2B. Part 2A of the Form (the "Brochure") provides information about a variety of topics relating to an adviser's business practices and conflicts of interest. Part 2B of the Form (the "Brochure Supplement") requires an adviser to provide information about certain advisory personnel.

This is CID Capital's initial filing of the Brochure. In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. CID Capital will also reference the date of its last annual update of its Brochure. Pursuant to SEC Rules, CID Capital will ensure that clients receive an updated annual Brochure or a summary of any material changes to this and subsequent Brochures within 120 days of the close of CID Capital's fiscal year. CID Capital may further provide other ongoing disclosure information about material changes as necessary and without charge.

Currently, CID Capital's Brochure may be requested by contacting Deborah Morgan at (317) 818-5030. The Brochure is also available, free of charge, from the SEC's Investment Advisor's Public Disclosure Website ([www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)). The SEC's website also provides information about any persons affiliated with CID Capital who are registered as investment adviser representatives of CID Capital.

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## **Item 4 – Advisory Business**

### **Firm Description**

CID Capital II, Inc., an Indiana corporation (“CID Capital,” the “Firm”, “the Adviser” or the “Investment Manager”) is a private equity firm that invests in or directly acquires profitable, growing, lower middle market companies with operations in the United States. CID Capital’s investment strategy is focused on a niche of high quality, profitable lower middle market companies, which consists of firms having \$3.0 to \$10.0 million of EBITDA, that have excellent growth potential and that can be acquired at attractive prices because the sellers have multiple goals in the sale process and prefer to sell their business outside the customary broad private equity auction process.

CID Capital’s predecessor firm was founded in 1981 and in 2006, the Firm organizationally restructured into the current legal entity to manage the Firm’s private equity investments. Since the re-formation in 2006 through March 31, 2012, CID Capital has invested over \$57 million in nine platform investments and multiple add-on acquisitions. CID Capital currently manages three funds (collectively referred to herein as the “Funds”): (i) CID Mezzanine Capital, L.P. (the “Mezzanine Fund”); (ii) CID Capital Opportunity Fund I, L.P. (“Fund I”) and (iii) CID Capital Opportunity Fund II, L.P. (“Fund II”). As of the date of this filing, the Mezzanine Fund is no longer an active investment vehicle and has been substantially liquidated; thus, it is no longer relevant for purposes of this filing and will not be referenced in this Brochure.

The Funds generally invest in companies through negotiated transactions. The Funds primarily make change-of-control investments. The Funds may also invest equity capital to complete acquisitions, fund growth or expansion investments or make minority investments. Neither Fund invests in any underlying portfolio company that is engaged primarily in the business of acquiring, developing, holding, owning or leasing real estate assets. CID Capital’s investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and ultimately selling such investments. Investments are made in non-public companies.

Investment advice is provided directly to the Funds, subject to the discretion and control of the applicable GP (as defined below), and not individually to the investors in the Funds. The applicable GP of each Fund retains investment discretion, and investors in the Funds do not participate in the control or management of the Funds. The General Partner is a relying adviser deemed to be registered and subject to CID Capital’s compliance program

Services are provided to the Funds in accordance with the advisory agreements entered into with the Funds and/or organizational documents of the applicable Fund. Investment restrictions for the Funds, if any, are generally established in the organizational or offering documents of the applicable Fund. .

As of December 31, 2014, CID Capital had regulatory assets under management of \$228,429,000, all of which are managed on a discretionary basis.

### **Principal Owners/Ownership Structure**

The Funds are structured as follows. The general partners, through their combined limited partner interests and their CID Capital Opportunity Partners, LLC (“the Fund I GP”) interest own 2% of Fund I. The remaining interests are divided pro rata amongst Fund I’s limited partners according to each investor’s capital commitment. The Fund I GP pays management fees to CID Capital to advise Fund I in its decision-making.

Fund II is structured similarly to its predecessor fund. The general partners, through their combined limited partner interests and their CID Capital Opportunity Partners II, LLC (the “Fund II GP” and together with the Fund I GP, the “GPs”) interest own 2% of Fund II. The remaining interests are divided pro rata amongst Fund II’s limited partners according to each investor’s capital commitment. The Fund II GP pays management fees to CID Capital to advise Fund II in its decision-making.

For more information about CID Capital’s owners and executive officers, see CID Capital’s Form ADV Part 1, Schedule A.

### **Item 5 – Fees and Compensation**

Limited partners pay CID Capital a management fee based on each limited partner’s committed capital. Generally, CID Capital charges an annual management fee of 2.0% of each limited partner’s committed capital, payable quarterly in advance. Management fees, however, do not accrue until the end of each month. Installments of the management fee payable for any period other than a full calendar quarter are adjusted on a pro rata basis according to the actual number of days in such period. Management fees may be subject to negotiation and at its discretion, CID Capital may waive all or a portion of its management fee for a particular investor. At the end of the investment period for each Fund, typically five years following the final closing of the respective Fund, the annual management fee will be calculated based on the aggregate unrecovered capital then invested by such Fund in any of its portfolio companies (including any capital that has been reserved for investment or for expenses). No management fee will be charged after the tenth year even if the respective

Fund is in existence after that year. The specific fees charged by CID Capital are described in the relevant private placement memorandum and in each limited partner's written agreement with CID Capital.

In addition, CID Capital and its affiliates may perform management, advisory, transaction-related, financial advisory and other services for, and receive fees from, actual or prospective portfolio companies or other investment vehicles of the Funds, including fees in connection with mergers, acquisitions, add-on acquisitions, refinancings, public offerings, sales and similar transactions. Although these fees are in addition to the management fees, the management fee will be reduced by fifty percent (50%) of all "transaction fees" received by any GP and its members from a Fund's portfolio companies for Fund I and one hundred percent (100%) for Fund II. Any reimbursement of a GP and its members' out-of-pocket expenses by a portfolio company, however, will not be offset against the management fee.

Each Fund's management fee covers normal operating expenses of the General Partner (and the Investment Manager) related to managing each Fund, including salaries and employee benefits, office rent and equipment expenses, marketing and other like expenses (other than out-of-pocket legal, accounting or due diligence expenses related to proposed or completed portfolio investments). Limited partners in Funds I and II, however, are responsible for their respective Fund's own legal, accounting, due diligence, tax, custodial and similar costs, including third party costs incurred in connection with the purchase, retention and sale of all proposed and completed portfolio investments and the cost of any liability insurance coverage for the GPs and each Fund's advisory board. Whenever possible, each GP attempts to include in its investment terms the reimbursement of legal, accounting, due diligence and other transaction expenses of such Fund by the portfolio companies, as well as reimbursement to the respective GP of travel, lodging and other costs and expenses incurred by it in connection with developing, investigating, making, monitoring and managing the investments in the portfolio companies.

Additionally, please see Item 6 below regarding "carried interest" that Funds may pay.

The fee structures described above may be modified from time to time; however, once the relevant Fund has been established and commenced operations, such compensation and expenses are generally not negotiable. Fees may differ from one Fund to another, as well as among investors in the same Fund. To date, fees have been the same for all investors.

Although CID Capital does not generally utilize the services of broker-dealers to effect portfolio transactions for the Funds, in the event that it chooses to use a broker-dealer for limited purposes relating to a particular Fund, such Fund will incur brokerage and other transaction costs. For additional information regarding brokerage practices, please see Item 12 below.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

With respect to each Fund, CID Capital charges limited partners a performance-based fee of 20%, known as a carried interest allocation. Solely with respect to Fund II, carried interest is subject to specified claw-backs to the extent that (i) the GP is paid in excess of its entitled distribution or (ii) a Fund does not have adequate funds to satisfy its obligations and may require the limited partner to return a percentage of up to 25% of the distributions received. Each Fund's carried interest arrangement is described in detail in each Fund's private placement memorandum and in the limited partnership agreement entered into with each investor. These performance fee arrangements have been structured subject to Section 205(a)(1) of the Advisers Act in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3.

CID Capital's management fees, carried interest, performance fees and other compensation payable to CID Capital and its Funds' GP's are established by CID Capital at the time of the establishment of the relevant vehicle and are negotiated with participating investors prior to making their investment. Once the relevant Fund has been established and commenced operations, such compensation and expenses are generally not negotiable.

Because limited partners are only charged a management fee and performance-based fee, and not another type of fee such as an hourly or flat fee or asset-based fee, CID Capital faces no conflict of interest in favoring performance-based fee accounts over other types of accounts. However, the fact that each GP's compensation is based on the performance of its underlying Fund may create an incentive for the GP to cause the respective Fund to make investments that are more speculative than would be the case in the absence of performance-based compensation. However, this incentive is mitigated somewhat by the fact that losses will reduce such Fund's performance and thus the respective GP's compensation.

## **Item 7 – Types of Clients**

CID Capital provides portfolio management services to its clients, which are private funds. The Funds limit their respective investors to persons who are both "accredited investors" as defined in the Securities Act of 1933, as amended and "qualified clients" as defined in the Investment Company Act of 1940, as amended. The minimum contribution for a limited partner in Fund I was \$300,000 and for Fund II is \$1,000,000; commitments less than these minimums were also accepted at the sole discretion of each Fund's GP. While Fund I is closed, Fund II is currently still accepting new commitments from investors. More information about the CID Capital Funds is available in each Fund's respective offering documents.

Investors in CID Capital Funds include primarily U.S. and non-U.S. investors, including, among others, high net worth individuals, corporate pension and profit-sharing plans, charitable institutions, foundations, endowments, municipalities, trust programs, foreign funds and other U.S. institutions. In addition, employees and other persons associated with CID Capital and/or its affiliates may make capital contributions to the Funds.

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

### **Strategy**

CID Capital's investment strategy is focused on a niche of high quality, profitable, privately held lower middle market companies that have excellent growth potential and that can be acquired at attractive prices because the sellers have multiple goals in the sale process and prefer to sell their business outside the customary broad private equity auction process. CID Capital's ideal acquisition target typically is a strong cash generator, has little or no debt, has an excellent quality reputation in its market, has developed a strong management team, and for a variety of personal or organizational reasons is undergoing an ownership change or is experiencing transitional pressures. In many respects these companies could be characterized as having a "maintenance" or status quo mentality and they need a catalyst to initiate a change process.

CID Capital's investment strategy is driven by a set of principles developed and refined through a decade of successful results. CID Capital's investment decisions are guided by the following principles: (i) maintaining price discipline; (ii) identifying transactions wherein the sale dynamic gives the Firm a competitive advantage; (iii) investing only in companies capable of having strong management teams; (iv) establishing conservative capital structures to minimize risk and encourage growth; (v) creating a strategic roadmap for value creation in every portfolio company; (vi) executing the strategic roadmap with a determined sense of urgency and attention to detail; and (vii) hiring global investment bankers to sell companies in the efficient private equity M & A market upon exit.

Each Fund's investment thesis is based on the reality that there is a niche in the broad private equity market that remains largely ignored or difficult to reach by larger private equity firms and strategic buyers. The niche that CID Capital targets, namely transactions of companies with \$3.0 to \$10.0 million of EBITDA, tends to be less competitive, the seller's representatives tend not to use highly structured auction processes, and sellers are motivated by factors other than obtaining the highest sale price. CID Capital capitalizes on this market dynamic and believes this critical strategic cornerstone is a key driver of CID Capital's fund return and investment success. CID Capital's investment team captures the potential



opportunities inherent in this niche in the private equity market by responding more directly and effectively to the financial and personal goals of these business owners selling their companies, while demonstrating an operating style more compatible with and acceptable to the sellers.

More information about each Fund's strategy is available in each Fund's offering documents.

## **Risk Factors**

No investment is free of risk. Current and prospective CID Capital limited partners are cautioned in each of the Fund's private placement memorandum that investments in the Funds and their underlying investments involve risk of loss, including the possibility of a complete loss of the amount invested, and that they should be prepared to bear these risks. (Although the risk factors listed below are generally applicable to the Funds, investors should also refer to each Fund's private placement memorandum for risk factors specific to their particular Fund.) All investors should be aware of certain risk factors, which include, but are not limited to, the following:

- **Competition for Investments.** Each Fund has encountered and expects to continue to encounter competition from other entities having similar investment objectives. Potential competitors include other investment partnerships and corporations, hedge funds, business development companies, banks, commercial lenders, strategic industry acquirers and other financial investors investing directly or through affiliates, many of which have access to greater amounts of capital than does each Fund. It is possible that competition for appropriate investment opportunities may increase, thus, reducing the number of opportunities available to each Fund and adversely affecting the terms upon which investments can be made. There can be no assurance that any Fund will be able to identify or obtain investment opportunities satisfying its investment criteria that such Fund will be able to invest its capital on attractive terms, or that investment opportunities will achieve a Fund's rate of return objectives.
- **Long-Term Investment.** An investment in a Fund is a long-term commitment, and there is no assurance of any distribution to investors prior to or upon liquidation of a respective Fund. The investors should be prepared to hold their limited partnership interests for the life of the Fund.
- **Illiquidity of Limited Partnership Interests.** Each Fund's limited partnership interests are highly illiquid, have no public market and are not transferable except with the prior written consent of a Fund's GP. Voluntary withdrawals of limited

partnership interests are not permitted except in a limited number of instances when necessary to comply with specific laws or regulations applicable to a specific limited partner.

- **Lack of Liquidity of Portfolio Investments.** A Fund's investment portfolio will consist of investments in private companies. There may be no readily available market for liquidating any Fund's investments and most of the investments will be difficult to value. The securities in which the Funds invest may be among the most junior in a portfolio company's structure, and thus subject to the greatest risk of loss.
- **Dependence on Management.** The success of each Fund will be dependent upon the activities of its management team. The failure of a Fund's GP and/or the Investment Manager to identify, attract and retain additional qualified members of the management team as needed or the loss of one or more of the current management team retained could have a significant adverse impact on the operations of a Fund.
- **Risk of Limited Number of Investments.** Each Fund may participate in a limited number of investments and, as a consequence, the aggregate return of a Fund may be materially adversely affected by the unfavorable performance of any single investment.

## **Item 9 – Disciplinary Information**

Like other registered investment advisers, CID Capital is required to disclose all material facts regarding any legal or disciplinary events that would materially impact a limited partner's evaluation of CID Capital or the integrity of CID Capital's management. No such disciplinary events have occurred at CID Capital.

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

CID Capital is not actively engaged in a business other than giving investment advice to its clients, the Funds (which are pooled investment vehicles), and managing the portfolio companies owned by its Funds. Neither CID Capital nor any of its management persons is registered or has an application pending to register as a broker-dealer, futures commission merchant, commodity pool operator, commodity trading adviser, or associated person of the foregoing, and CID Capital does not anticipate such affiliations in the future.

CID Capital has no arrangements with a related person who is a broker-dealer, investment

company, other investment adviser, financial planning firm, commodity pool operator, commodity trading adviser or futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer, or an entity that creates or packages limited partnerships that are material to its advisory services, the Funds or its investors.

Various limited partnerships serve as GPs of the Funds, and are affiliated entities of the Investment Manager. The controlling members of CID Capital are the controlling members of each Fund's GP.

CID Capital has and will continue to develop relationships with professionals who provide services it does not provide, including: legal, accounting, banking, tax preparation, insurance brokerage, investment management services and other personal services. None of the above relationships create a material conflict of interest with any of CID Capital's clients or its investors.

From time to time, CID Capital receives training, information, promotional material, meals, gifts or prize drawings from vendors and others with whom it may do business or to whom it may make referrals. At no time will CID Capital accept any benefits, gifts or other arrangements that are conditioned on directing individual client transactions to a specific security, product or provider.

## **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **Code of Ethics**

As fiduciaries, CID Capital and its employees have certain legal obligations to put clients' interest ahead of their own. CID Capital has adopted a written code of ethics based on principles of openness, honesty, integrity and trust. At least once a year, each CID Capital employee is required to acknowledge this code in writing and agree to be bound by it.

CID Capital's code of ethics covers standards of business conduct, confidentiality of client information, personal trading requirements, insider trading, reporting of personal securities transactions, restrictions on accepting and giving significant gifts, social media policies, political contribution policies, and reporting of certain gifts and business entertainment items, among other things.

In rare cases, CID Capital's business may provide CID Capital and its employees with access to material nonpublic ("insider") information. The code includes a prohibition on insider trading and outlines strict policies that dictate how any such information is treated.

Violations of the code of ethics may result in remedial actions, including, but not limited to, profit disgorgement, fines, censure, suspension or dismissal.

CID Capital will provide a copy of its code of ethics to any existing or prospective limited partner upon request to its Chief Compliance Officer, Deborah Morgan, at (317) 818-5030.

### **Participation in Client Transactions**

CID Capital does not affect any principal or agency cross securities transactions for client accounts. CID Capital will also not cause clients to enter into securities trades with each other. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. Neither of these circumstances applies to CID Capital.

Certain employees, principals and other affiliates of CID Capital may invest in and alongside each Fund, either through a GP or as direct investors in a Fund or otherwise. Each Fund or its GP, as applicable, may exempt such CID Capital affiliate from all or a portion of the management fee or carried interest allocation.

### **Conflicts of Interest**

The offering documents for each Fund detail a complete description of what CID Capital believes to be the most significant conflicts of interest associated with an investment in a Fund. Some of these conflicts are summarized below and in Item 8 above; however, this summary does not attempt to describe all of the conflicts of interest associated with an investment in the Funds. Investors should carefully consider the conflicts of interest herein as well as those outlined in CID Capital's offering documents prior to investing in a Fund.

In the event that CID Capital or its affiliates encounter what it determines to be an actual conflict of interest in connection with a Fund, CID Capital may take such actions as may be

necessary or appropriate, within the context of such Fund's limited partnership agreement, to ameliorate the conflict. These actions may include disposing of the asset giving rise to the conflict or bringing the matter before CID Capital's advisory board. There can be no assurance that all conflicts of interest will be successfully resolved.

Certain CID Capital principals and employees are also investors in the Funds. However, because of the nature of its business, the participation of CID Capital employees in the Funds will not interfere with the making or implementing of decisions that are in the best interest of limited partners. Employee limited partners share in the same investments as other limited partners of the Funds, share costs with other limited partners proportionally and receive distributions at a total average price. The significant investment of CID Capital principals in each of its Funds, as well as the principals' interest in the carried interest, operate to align, to some extent, CID Capital's interest with the interest of its Funds' limited partners, although CID Capital has economic interests in all of its Funds and investments and receives management fees and carried interest fees with respect to each of its Funds.

In addition, CID Capital employees may serve on the boards of Fund portfolio companies. Serving in such capacity may give rise to conflicts to the extent that an employee's fiduciary duties to a portfolio company as a director may conflict with the interests of a Fund. In general, however, as the Funds will typically be significant shareholders of such companies, it is expected that such interest will generally be aligned. In addition, portfolio companies may, from time to time, make discounts and other benefits available to employees in connection with products or services offered by such companies.

CID Capital has raised capital and offered (and in the case of Fund II continues to offer) interests in Fund I and Fund II and may organize subsequent funds with structures, investment strategies and objectives substantially similar to these Funds. It will not, however, hold a closing with respect to any such Fund until the earlier of the end of the respective Fund's investment period or such time as at least 75% of the committed capital of the prior Fund raised is invested, reserved for expenses or committed for investment. CID Capital will pursue all appropriate investment opportunities exclusively through its Fund vehicles, subject to certain limited exceptions. The Firm currently manages Funds I and II concurrently and may direct certain relevant investment opportunities to the particular Fund in which CID Capital believes will generate the most superior investment returns for its partners. CID Capital and its investment staff will continue to manage and monitor such Funds and investments and attempt to solve such conflicts of interests in light of its obligations to investors in the Funds and attempt to allocate investment opportunities in a fair and equitable manner.

As described in Item 5 above, the Adviser and its affiliates may perform additional services for, and will receive fees from, actual or prospective portfolio companies or other

investment vehicles of the Funds. Such fees will be in addition to any management fees or carried interest paid by the Funds to the Firm. Additionally, a portfolio company may reimburse CID Capital for expenses (including without limitation travel expenses, which may include expenses for chartered or first class travel) incurred by the Firm in connection with its performance of services for such portfolio company, and such reimbursements are not subject to the sharing arrangements described above and below. CID Capital determines the amount of these transaction fees and reimbursements in its own discretion, subject to agreements with sellers, buyers, and management teams, the board of directors of or lenders to portfolio companies, and/or third party co-investors in its transactions, and the amount of such fees and reimbursements may not (except in connection with the reductions described below) be disclosed to investors in the Funds. The Firm and its affiliates will reduce the amount of management fees paid by the applicable Fund in connection with the receipt of the applicable Fund's share of such fees up to 50% for Fund I and 100% for Fund II.

Each Fund's limited partners may include persons or entities resident in various jurisdictions, including the United States and other countries, who may have conflicting investment, tax and other interests with respect to their investments in each Fund. The conflicting interests of individual limited partners may relate to or arise from, among other things, the nature of investments made by each Fund, the structuring of the acquisition of portfolio companies and the timing of the disposition of investments. Such structuring of portfolio companies may result in different returns being realized by different limited partners. As a consequence, conflicts of interest may arise in connection with decisions made by CID Capital that may be more beneficial for one limited partner than another limited partner, especially with respect to limited partners' individual tax situations. CID Capital considers the investment and tax objectives of each Fund as a whole, and not the individual investment, tax or other objectives of any particular limited partner.

Some non-managing GP members and other select limited partners may have the right to co-invest in portfolio company deals directly with a portfolio company. Such non-managing GP members and limited partners conduct their investment directly with the portfolio company and do not pay a management fee or carried interest allocation for this co-investment opportunity. Most CID Capital limited partners are not provided with this same opportunity.

The Fund and its affiliates, without any further act, approval or vote of any Fund or investor, may enter into side letters or other similar agreements with certain investors in a Fund that have the effect of establishing rights under, or altering or supplementing the terms of, the Fund's organizational documents, including, without limitation, providing different or preferential rights or terms, such as different fee structures, information rights, co-investment rights and liquidity or transfer rights. The right of a GP to enter into such

arrangements is disclosed to investors in a respective Fund's offering memorandum and other organizational documents of a Fund.

### **Personal Trading**

In rare cases, CID Capital's business may provide CID Capital and its employees with access to material nonpublic ("insider") information. The code of ethics includes a prohibition on insider trading and outlines strict policies that dictate how any such information is treated.

CID Capital's employees are prohibited from trading, either personally or on behalf of others, in securities while in possession of material non-public information regarding these securities or communicating material non-public information to others. A restricted list is maintained regarding issuers about which the firm has material non-public information. Pre-clearance is also required for certain personal securities transactions, including initial public offerings and certain limited offerings. In addition, supervised persons are required to submit annual reports of security transactions for their own accounts or any account in which they have a direct or indirect beneficial interest

### **Item 12 – Brokerage Practices**

CID Capital will periodically engage broker-dealers to perform various services for its clients and/or its portfolio companies, such as assisting in the purchase or sale of a portfolio company. Broker-dealers are chosen based upon a variety of factors, including, without limitation, the broker-dealer's knowledge and expertise in a given segment of their industries, as well as upon the cost of the services provided.

CID Capital does not hire broker-deals, however, to sell public securities. None of the Funds currently hold a position in any portfolio company that is public. Should there be a time when one of the portfolio companies in a Fund goes public and CID Capital is in a position to dispose of these securities, CID Capital will evaluate and hire a prime broker, if necessary.

CID Capital currently does not pay or receive soft dollars, does not pay or receive fees for limited partner referrals, does not direct brokerage or advise limited partners on doing so, and does not aggregate trades.

### **Item 13 – Review of Accounts**

The investment portfolios of the Funds are generally private, illiquid and long-term in nature, and accordingly the Adviser's review of them is not directed toward a short-term decision to dispose of securities. However, CID Capital closely monitors the portfolio companies of the Funds and maintains an ongoing oversight position in such portfolio companies. A team of investment professionals reviews the portfolios on an ongoing basis. The team generally includes principals and other investment professionals of the Adviser.

Deborah Morgan, Director of Finance and Operations and Chief Compliance Officer, reviews the accounts of each of its Funds on a quarterly basis and periodically checks to confirm that each Fund is maintained in accordance with its stated business objectives. Ms. Morgan in her role as Director of Finance and Operations also reviews the Funds' accounts whenever a determination is made as to a distribution. CID Capital furnishes to its limited partners unaudited financial statements for the first three quarters of each fiscal year within 45 days of each quarter's close and an annual audited financial statement within 120 days of calendar year end. The Firm distributes a quarterly fund update report to each Fund I and Fund II limited partners that includes an individual statement of account to all limited partners within 45 days of the close of each quarter, except for year-end statements, which are sent to limited partners within 90 days of the close of the fiscal year. All reports are sent to investors in writing and are delivered electronically.

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

CID Capital receives compensation in the form of fees paid by the limited partners, as disclosed in the limited partnership agreement. In addition, each Fund's GP may receive both a fee upon the closing of a portfolio company transaction and management fees from a portfolio company. In connection with investments made by the Funds, the Firm may receive commitment, structuring, monitoring and/or other transaction fees from portfolio companies in which one or more of the Funds may invest or propose to invest. CID Capital may also receive management, monitoring or other fees from a portfolio company while a Fund continues to have an investment in such portfolio company. Any monitoring fees received by the Adviser are rebated 50% against the relevant Fund management fees for Fund I and 100% for Fund II, as discussed in Item 5 above. These types of arrangements provide the Firm with an incentive to recommend investments based on compensation received rather than the best interests of a Fund. To help mitigate this potential conflict, such benefits received by CID Capital or its employees in connection with services rendered to portfolio companies or transactions of a Fund are generally offset in whole or substantial part against (and therefore reduce) advisory fees payable by the relevant Fund, to the extent provided in and subject to certain exceptions described in each Fund's governing documents.



CID Capital has a relationship with a third-party marketing firm, Alternative Investment Source, Inc., to assist in fundraising efforts. CID Capital's arrangement with Alternative Investment Source, Inc. complies with Rule 206(4)-3 under the Advisers Act.

### **Item 15 – Custody**

CID Capital is deemed to have custody over client funds because of the ability of its general partner to deduct fees. The Funds are audited annually by McGladrey LLP, and CID Capital delivers to the Funds and their limited partner investors a copy of the annual audited financial statements within 120 days of the fiscal year end.

CID Capital, however, does not take physical possession of client money or securities; called capital is directly sent or wired into CID Capital's custodial accounts at BMO Harris Bank or limited partners make out their checks to the name of the Fund and send the check in to CID. BMO Harris serves as custodian for all limited partner cash accounts as well as for securities. CID Capital receives monthly statements from BMO Harris.

The Investment Advisers Act of 1940 Rule 206(4) (the "Custody Rule") requires that pooled investment vehicles advised by the adviser either undergo an annual GAAP financial statement audit or be subject to a surprise custody examination by an SEC-registered auditing firm. The Firm has elected to undergo an annual GAAP financial statement audit for each of its Fund vehicles. Copies of such audit(s) are delivered to underlying fund investors within 120 days of year-end, thus satisfying the Custody Rule's requirements.

### **Item 16 – Investment Discretion**

CID Capital and its GPs have discretionary authority based on both management agreements with each of its Funds and the limited partnerships agreements that govern each Fund to buy and sell securities or other investments on behalf of the Funds and to determine the amount of such investments to be bought and sold. The terms upon which CID Capital serves as an investment manager of a Fund are established at the time each Fund is established and are generally set out in the management agreement and/or limited partnership agreement or other governing document entered into by CID Capital with respect to the relevant Fund and disclosed in the offering documents for such Fund, as applicable. These terms potentially restrict CID Capital's advice concerning investments in certain securities or types of securities, diversification, geographies and leverage. CID Capital's authority to trade securities may also be limited by certain federal securities, tax laws, and any side letters that require diversification of investments and favor the holding of investments once made.

To become a limited partner in a CID Capital Fund, an investor must execute a subscription agreement, which includes a power of attorney, and a limited partnership agreement with such Fund. CID Capital is not permitted to transact any business with a limited partner until the limited partner executes these documents.

An investor in a Fund may impose limitations on CID Capital's authority through a side letter agreement (as discussed in Item 11 above) and CID Capital may choose to accept reasonable limitations or restrictions at its discretion. All limitations and restrictions placed upon a limited partner's account must be presented to CID Capital in writing and agreed to by all parties.

### **Item 17 – Voting Client Securities**

CID Capital does not vote publicly traded security proxies on behalf of its Funds or portfolio companies. In the unlikely event that a portfolio company of one of CID Capital's Funds goes public, CID Capital at such time may have the authority to vote client securities. CID Capital does, however, vote proxies on behalf of its private portfolio companies. CID Capital will generally vote in accordance with management's recommendations unless the Firm determines that voting in such a manner is in conflict with the best interests of its limited partners. In these cases, CID Capital will evaluate and vote the proxies on a case-by-case basis. The Firm may decide to take a proxy voting conflict to its advisory board for assistance with the resolution. In general, limited partners cannot request that CID Capital vote in a particular way on any specific proposal.

Should one of CID Capital's portfolio companies go public or CID Capital otherwise makes an investment in public company, CID Capital will adopt a proxy voting policy in accordance with SEC Rule 206(4)-6 to detail how it will vote its clients proxies.

### **Item 18 – Financial Information**

Registered investment advisers are required in this Item 18 to provide certain financial information or disclosures about their financial condition. CID Capital has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to limited partners, and has not been the subject of a bankruptcy proceeding.

## **ADV PART 2B - BROCHURE SUPPLEMENT**

## **CID Capital II, Inc.**

201 West 103<sup>rd</sup> Street  
Suite 200  
Indianapolis, IN 46290  
(317) 818-5030 (phone)  
(317) 644-2914 (facsimile)

[www.cidcapital.com](http://www.cidcapital.com)

This brochure supplement provides information about CID Capital II, Inc. (“CID Capital”) that supplements the CID Capital brochure. You should have received a copy of that brochure. Please contact Deborah Morgan, Chief Compliance Officer, at (317) 818-5030 if you did not receive CID Capital’s brochure or if you have any questions about the contents of this supplement.

Additional information about CID Capital is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Scot E. Swenberg**

Year of Birth: 1970

President, Managing Director and Managing Member of the General Partner

201 West 103<sup>rd</sup> Street

Suite 200

Indianapolis, IN 46290

(317) 818-5030

### **Item 2 – Educational Background and Business Experience**

Mr. Swenberg joined CID Capital's predecessor in 1997 as an associate and is now a Managing Director and Partner. Prior to joining CID Capital, Mr. Swenberg worked as a software engineer for Honeywell-Bull and later, as a financial analyst, for Bull Worldwide Information Systems.

Mr. Swenberg received a Masters of Business Administration from the University of Chicago, a master's degree in Computer Science from Arizona State University and a bachelor's degree in Electrical Engineering Technology from Purdue University.

Mr. Swenberg sits on the boards of Chef'n Corporation and Westone Laboratories, each portfolio companies of CID Capital Funds.

### **Item 3 – Disciplinary Information**

Mr. Swenberg has never been the object of any legal or disciplinary event, proceeding or action.

### **Item 4 – Other Business Activities**

Mr. Swenberg is not actively engaged in any investment-related businesses outside of CID Capital, nor does he have any applications pending to register with a broker-dealer or other investment firm. Mr. Swenberg does not receive any commissions, bonuses or other compensation based on the sale of securities or other investment products, nor does he engage in any other businesses that provide a substantial source of his income or consumes a substantial portion of his time.

As stated above, Mr. Swenberg serves on a number of CID Capital's portfolio company boards. Mr. Swenberg's appointment to such boards has been designated in the best interest of the Funds and their respective limited partners. Serving on portfolio company boards

could lead to potential conflicts of interest. For example, a conflict of interests may arise between Mr. Swenberg's fiduciary duties to the portfolio company on which he serves and his duty to CID Capital as decisions that are in the portfolio companies' best interest may possibly not be in CID Capital's best interests. As the Funds will generally be significant shareholders of such companies, it is expected that such interests will generally be aligned; however, appropriate measures have been taken whereby Mr. Swenberg may recuse himself in such circumstances from the decision making process.

#### **Item 5 – Additional Compensation**

Mr. Swenberg does not receive any economic benefit for providing advisory services, other than his share of the general partnership interest.

#### **Item 6 – Supervision**

For compliance matters, Mr. Swenberg is supervised by CID Capital's Chief Compliance Officer, Deborah Morgan, who may be contacted at (317) 818-5030.

## **John C. Aplin**

Year of Birth: 1945

Chairman, Managing Director and Managing Member of the General Partner

201 West 103<sup>rd</sup> Street

Suite 200

Indianapolis, IN 46290

(317) 818-5030

### **Item 2 – Educational Background and Business Experience**

Mr. Aplin joined CID Capital predecessor firm in 1990 as an associate and is now a Managing Director and Partner. Prior to joining CID Capital I, Inc., Mr. Aplin served as the Chief Executive Officer of the Fuller Brush Company, a widely recognized supplier of consumer household products. The company was acquired from Sara Lee Company in a transaction led by Mr. Aplin. Prior to Fuller Brush, Mr. Aplin was President and Founder of two Midwest-based investment banking firms where he was involved in the acquisition of over 30 companies in industries ranging from food manufacturing to information technology.

Mr. Aplin received his Doctor of Philosophy in Business Administration from the University of Iowa, specializing in strategic planning and organizational development. He was awarded a Master of Arts in Industrial and Labor Relations from the University of Iowa and received his bachelor's degree in Business Administration from Drake University.

Mr. Aplin sits on the board of ABC Industries, Inc.; Matilda Jane; Top Master; and J.L. Darling, each of which are portfolio companies of the CID Capital Funds. Mr. Aplin also is the Chairperson and a Director of Endocyte, Inc., (NASDAQ: ECYT) a biotechnology company developing a new generation of receptor-targeted diagnostics and therapeutics for the treatment of cancer and autoimmune diseases.

### **Item 3 – Disciplinary Information**

Mr. Aplin has never been the object of any legal or disciplinary event, proceeding or action.

### **Item 4 – Other Business Activities**

Mr. Aplin is not actively engaged in any investment-related businesses outside of CID Capital, nor does he have any applications pending to register with a broker-dealer or other

investment firm. Mr. Aplin does not receive any commissions, bonuses or other compensation based on the sale of securities or other investment products, nor does he engage in any other businesses that provide a substantial source of his income or consumes a substantial portion of his time.

As stated above, Mr. Aplin serves on three of CID Capital's portfolio company boards, as well as one outside company. Mr. Aplin's appointment on such boards has been designated in the best interest of the Funds and their respective limited partners. Serving on portfolio company boards could lead to potential conflicts of interest. For example, a conflict of interests may arise between Mr. Aplin's fiduciary duties to the portfolio company on which he serves and his duty to CID Capital as decisions that are in the portfolio companies' best interest may possibly not be in CID Capital's best interests. As the Funds will generally be significant shareholders of such companies, it is expected that such interests will generally be aligned; however, appropriate measures have been taken whereby Mr. Aplin may recuse himself in such circumstances from the decision making process.

#### **Item 5 – Additional Compensation**

Mr. Aplin does not receive any economic benefit for providing advisory services, other than his share of the general partnership interest.

#### **Item 6 – Supervision**

For compliance matters, Mr. Aplin is supervised by CID Capital's Chief Compliance Officer, Deborah Morgan, who may be contacted at (317) 818-5030.

**Eric J. Bruun**

Year of Birth: 1968

Managing Director and Managing Member of the General Partner

201 West 103<sup>rd</sup> Street

Suite 200

Indianapolis, IN 46290

(317) 818-5030

**Item 2 – Educational Background and Business Experience**

Mr. Bruun joined CID Capital's predecessor in 2000 as an associate and is now a Managing Director and Partner. Prior to joining CID I, Mr. Bruun held supervisory and management positions and led operational improvement projects for new acquisitions for the Consecro Companies.

Mr. Bruun received an MBA from Purdue University and a bachelor's degree in psychology from Purdue University.

Mr. Bruun sits on the boards of Salon Grafix; Westone Laboratories; and Chef'n Corporation; each of which are portfolio companies of the CID Capital Funds.

**Item 3 – Disciplinary Information**

Mr. Bruun has never been the object of any legal or disciplinary event, proceeding or action.

**Item 4 – Other Business Activities**

Mr. Bruun is not actively engaged in any investment-related businesses outside of CID Capital, nor does he have any applications pending to register with a broker-dealer or other investment firm. Mr. Bruun does not receive any commissions, bonuses or other compensation based on the sale of securities or other investment products, nor does he engage in any other businesses that provide a substantial source of his income or consumes a substantial portion of his time.

As stated above, Mr. Bruun serves on a number of CID Capital's portfolio company boards. Mr. Bruun's appointment on such boards has been designated in the best interest of the Funds and their respective limited partners. Serving on portfolio company boards could lead to potential conflicts of interest. For example, a conflict of interests may arise between Mr. Bruun's fiduciary duties to the portfolio company on which he serves and his duty to



CID Capital as decisions that are in the portfolio companies' best interest may possibly not be in CID Capital's best interests. As the Funds will generally be significant shareholders of such companies, it is expected that such interests will generally be aligned; however, appropriate measures have been taken whereby Mr. Bruun may recuse himself in such circumstances from the decision making process.

#### **Item 5 – Additional Compensation**

Mr. Bruun does not receive any economic benefit for providing advisory services, other than his share of the general partner interest.

#### **Item 6 – Supervision**

For compliance matters, Mr. Bruun is supervised by CID Capital's Chief Compliance Officer, Deborah Morgan, who may be contacted at (317) 818-5030.

**Steve A. Cobb**

Year of Birth: 1971

Managing Director and Managing Member of the General Partner

201 West 103<sup>rd</sup> Street

Suite 200

Indianapolis, IN 46290

(317) 818-5030

**Item 2 – Educational Background and Business Experience**

Mr. Cobb joined CID Capital I's predecessor in 2001 and is now a Managing Director and Partner. Prior to joining CID Capital, Mr. Cobb was a finance manager with Procter & Gamble where he held a variety of operational and financial roles, including finance responsibility for various Procter & Gamble home care brands. Before joining Procter & Gamble, he worked in the Business Valuation Group of Deloitte & Touche where his responsibilities included valuing small and mid-cap private companies for transaction purposes.

Mr. Cobb received his MBA from Harvard Business School and his bachelor's degree in economics, with honors, from DePauw University where he was selected for the Management Fellows Honors Program.

Mr. Cobb sits on the boards of ABC Industries, Inc.; Salon Grafix; Matilda Jane; and J.L. Darling, each of which are portfolio companies of the CID Capital Funds.

**Item 3 – Disciplinary Information**

Mr. Cobb has never been the object of any legal or disciplinary event, proceeding or action.

**Item 4 – Other Business Activities**

Mr. Cobb is not actively engaged in any investment-related businesses outside of CID Capital, nor does he have any applications pending to register with a broker-dealer or other investment firm. Mr. Cobb does not receive any commissions, bonuses or other compensation based on the sale of securities or other investment products, nor does he engage in any other businesses that provide a substantial source of his income or consumes a substantial portion of his time.

As stated above, however, Mr. Cobb serves on a number of CID Capital's portfolio

company boards. Mr. Cobb's appointment on such boards has been designated in the best interest of the Funds and their respective limited partners. Serving on portfolio company boards could lead to potential conflicts of interest. For example, a conflict of interests may arise between Mr. Cobb's fiduciary duties to the portfolio company on which he serves and his duty to CID Capital as decisions that are in the portfolio companies' best interest may possibly not be in CID Capital's best interests. As the Funds will generally be significant shareholders of such companies, it is expected that such interests will generally be aligned; however, appropriate measures have been taken whereby Mr. Cobb may recuse himself in such circumstances from the decision making process.

#### **Item 5 – Additional Compensation**

Mr. Cobb does not receive any economic benefit for providing advisory services, other than the regular salary and discretionary bonus paid by CID Capital.

#### **Item 6 – Supervision**

For compliance matters, Mr. Cobb is supervised by CID Capital's Chief Compliance Officer, Deborah Morgan, who may be contacted at (317) 818-5030.

## **Deborah Morgan**

Year of Birth: 1960

Director of Finance and Operations and Chief Compliance Officer

201 West 103<sup>rd</sup> Street

Suite 200

Indianapolis, IN 46290

(317) 818-5030

### **Item 2 – Educational Background and Business Experience**

Mrs. Morgan joined CID Capital in 1998 as the accounting manager and became CID's Director of Operations in 2008. Prior to joining CID, Ms. Morgan held positions in several small to middle market firms. Ms. Morgan was general manager and also was responsible for directing the financial turnaround of company manufacturing equipment for the printing industry.

Ms. Morgan received her MBA from Butler University and her Bachelor of Science in Business, majoring in Accounting, from Coastal Carolina University (Magna Cum Laude.) She has been designated a CMA (Certified Management Accountant) by the Institute of Management Accountants. In order to be designated a CMA, one must pass a series of tests sponsored by the Institute of Management Accounts. These tests examine one's knowledge in four subjects: business analysis, management accounting and reporting, strategic management, and business applications. Ms. Morgan is a Certified Public Accountant ("CPA"). The CPA designation is the statutory title of qualified accountants in the United States who have passed the Uniform Certified Public Accountant Examination and have met additional state education and experience requirements for certification as a CPA. Eligibility to sit for the Uniform CPA Exam requires a U.S. bachelor's degree, which includes a minimum number of qualifying credit hours in accounting and business administration with an additional one-year study. CPAs are required to take continuing education courses in order to renew their license, and most states also require their CPAs to take an ethics course during every renewal period.

### **Item 3 – Disciplinary Information**

Mrs. Morgan has never been the object of any legal or disciplinary event, proceeding or action.

### **Item 4 – Other Business Activities**

Mrs. Morgan is not actively engaged in any investment-related businesses outside of CID Capital, nor does she have any applications pending to register with a broker-dealer or other investment firm. Mrs. Morgan does not receive any commissions, bonuses or other compensation based on the sale of securities or other investment products, nor does she engage in any other businesses that provide a substantial source of his income or consumes a substantial portion of his time.

#### **Item 5 – Additional Compensation**

Mrs. Morgan does not receive any economic benefit for providing advisory services, other than the regular salary and discretionary bonus paid by CID Capital.

#### **Item 6 – Supervision**

Mrs. Morgan is supervised by CID Capital's Managing Partner, Scot Swenberg, who can be reached at (317) 818-5030.