

**Item 1 – Cover Page**

**Form ADV Part 2A**

**CID CAPITAL II, INC.**

10201 N. Illinois Street  
Suite 200  
Carmel, IN 46290

Contact: Deborah Morgan  
Phone: (317)818-5030  
[www.cidcap.com](http://www.cidcap.com)

**March 25, 2024**

This Firm Brochure (“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.

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**

Since CID's last annual amendment on March 30, 2023, Scot Swenberg, a former principal owner of CID retired. In addition, CID hired Tom Shaw as a managing director. Cory Heck and Eric Derheimer also received an ownership interest in CID and are now principal owners. This Brochure contains other non-material changes from the prior Brochure, and you are urged to read this brochure in its entirety.

## Item 3 – Table of Contents

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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 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 generally consists of firms having \$3.0 to \$10.0 million of EBITDA, that have 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 filed its articles of incorporation in January 2007. CID Capital currently manages four funds; the CID Capital Opportunity Fund II, L.P. (“Fund II”), the CID Capital Opportunity Fund III, L.P. (“Fund III”), the CID Capital Opportunity Fund III-QP, LLC (“Fund III-QP”), the Propane Partners SPV II, LLC, Propane Partners SPV I-A, LLC, and Propane Partners SPV-III (“SPVs”, collectively “Funds”).

CID Capital generally invests in non-public companies through negotiated transactions, primarily in change-of-control investments. CID Capital may also invest additional capital in existing portfolio companies to complete acquisitions or fund growth or expansion, and from time to time it may make minority investments. CID Capital’s investment advisory services to the Fund consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments, and ultimately selling such investments.

The SPVs invests solely in Lettermen Energy Holdings, LLC (“Lettermen”). Lettermen expects to complete a minimum 6 - 12 acquisitions of propane businesses each with an estimated \$1.5M of EBITDA over five years.

Investment advice is provided directly to the Funds, and not individually to the investors., thus investment advice is not tailored to the individual needs of each investor in the Funds. CID Capital Opportunity Partners II, LLC is the general partner of Fund II. CID Capital Opportunity Partners III, LLC is the general partner of Fund III and Fund III-QP. The general partners are umbrella registrants under CID Capital’s SEC registration. CID also serves as the manager for the SPVs.

As of December 31, 2023, CID Capital had regulatory assets under management of approximately \$292,400,000 all of which is managed on a discretionary basis.

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

CID Capital’s principal owners are Eric Bruun, Steve Cobb, Eric Derheimer, and Cory Heck.

## Item 5 – Fees and Compensation

CID Capital receives management fees from the Funds. Management fees payable to CID Capital or the Fund's general partner are calculated and paid pursuant to the Funds' limited partnership agreements and are disclosed in detail in the respective offering documents. In general, however, management fees are initially an amount equal to 2.0% of aggregate limited partners' committed capital, payable quarterly in advance. After the end of a fund's investment period, the annual management fees are based on the aggregate purchase price of unrealized investments in such fund's portfolio. No management fees are charged after a fund's tenth year of operation even if it continues in existence unless an amendment is adopted. In 2023, CID Capital Opportunity Fund II adopted an amendment to the limited partnership agreement to allow additional management fees beyond the original 10 year period at a reduced rate of 1.25%. 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. CID Capital does not accelerate monitoring fees, if any.

From time to time, CID Capital and its affiliates may perform management, advisory, financial advisory and other services for actual or prospective portfolio companies and receive fees or other compensation from such companies. All such compensation received by CID Capital will be used to reduce management fees payable by the Fund (100% for Fund II and Fund III). Expense reimbursements by a portfolio company are generally not be offset against management fees, however, for Fund III, portfolio company advisory fees and any transaction fees charged to the portfolio companies will be used to offset Fund III's management fees and fund expenses.

### SPV Advisory Fees

The SPVs are not charged carried interest or performance fees by CID. The employees of CID are individual investors in the SPVs and considered special members in Letterman's Holdings. As noted, the SPVs are invested 100% in Letterman. Letterman pays a performance payout to special members from the proceeds of portfolio asset sales.

While the SPVs do not pay CID advisory fees, Letterman does pay CID a quarterly advisory fee. The annual fee is payable quarterly on the first day of each quarter and is 5% of the net income before interest and taxes, capped at \$1 million annually. This may create an incentive for CID to encourage new investments in Letterman.

### Other Fees and Expenses

The Funds and the SPV will bear their respective organizational, legal, accounting, due diligence, tax, custodial and similar costs, including transactional costs, as well as certain out-of-pocket CID Capital expenses, such as postage and entity state filing expenses. All expenses born by the Funds and SPV are further explained in their respective offering and organizational documents and subject to any limits agreed to by CID Capital. The SPV is not charged a management fee.

Additionally, please see Item 6 below regarding “carried interest.”

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 unless agreed to by a majority of the investors. Fees may differ among investors in the same Fund. The Fund’s General Partner may, in its sole discretion, waive or reduce a limited partners’ management fee, such as for employees, affiliates of the Adviser, and family members of employees and affiliates.

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

The general partner to the Funds is entitled to receive a performance-based allocation, which is referred to as carried interest. The terms of the carried interest allocation are further explained in the Fund’s limited partnership agreement, but it is generally intended to be 20% of the Fund’s respective capital gains. The Fund limited partnership agreement provides for a claw-back, which would allow the Fund to recover some of the carried interest paid based on performance.

The terms of the management fees, carried interest allocations and other compensation payable to CID Capital or the Fund’s general partners were established by CID Capital at the time of the Funds’ formation. In certain cases, a general partner may permit a limited partner to negotiate more favorable terms, including a waiver or reduction of the carried interest allocation applicable to such limited partner, and, in general, limited partners that are CID Capital employees and their family members negotiate more favorable terms.

Notwithstanding that it has the right to receive carried interest allocations, CID Capital believes that its economic interests are aligned with limited partners in the Funds as each of CID Capital and such limited partners have a goal of maximizing such Fund’s returns. This is despite the fact that the carried interest may create an incentive for CID Capital to make investments that are more speculative than would be the case in the absence of the carried interest.

The SPVs do not charge carried interest or performance fees. Having some clients that are charged a performance fee and others that are not charged a performance fee is considered side-by-side management, and is generally thought to create a conflict of interest, however, in this instance, CID does not believe there is a conflict since the SPVs are all invested solely in Letterman so CID does not have a conflict of interest in determining how to allocate limited investments between different clients. While the SPVs are not charged performance fees, some CID employees will receive a special distribution upon the sale of the company. For details, please review the Lettermen’s Holdings LLC agreement.

#### **Item 7 – Types of Clients**

CID Capital provides portfolio management services to its clients, which are the Funds and the SPV. The Funds and SPV limit 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 Advisers Act. The minimum contribution for a limited partner in Fund II was \$100,000; however, general partners from time to time are permitted smaller contributions. The Fund is currently not raising capital. A single ownership unit in the SPV is \$1,000. The minimum contribution amount for a limited partner in Fund III was \$100,000, however, the general partner had discretion to accept smaller contributions.

Investors in the Fund and SPVs include high net worth individuals, corporate pension and profit-sharing plans, charitable institutions, foundations, endowments, municipalities, trust programs, foreign funds, and other U.S. institutional investors. In addition, certain CID Capital employees and other persons with a relationship with CID Capital were permitted to invest in the Funds.

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

### **Strategy**

CID Capital’s investment strategy is more fully described in the offering documents of the Fund. However, in general it 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.

CID Capital’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’s goal is to capitalize on these market dynamics. CID Capital believes that its investment team captures the potential opportunities inherent in this niche 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.

For the SPVs, CID is targeting a consolidation of independent propane distribution operators throughout the United States. The SPV is primarily interested in propane distributors with an EBITDA of approximately \$1.5 million in the Midwest and on the west coast. CID plans to add

value to the SPV acquisitions by bringing in an experienced management team to lead corporate efforts. The SPVs are investing in Lettermen along with some additional co-investment partners, thus spreading the risk among the various investment partners.

## **Risk Factors**

No investment is free of risk. CID Capital's investments involve risk of loss, including the possibility of a complete loss of the amount invested, and investors in the Funds should be prepared to bear these risks. Although the risk factors listed below are generally applicable to the Fund, investors should also refer to the Fund's private placement memorandum for specific risk factors.

- *Competition for Investments.* CID Capital has encountered and expects to continue to encounter competition from other entities having similar investment objectives. Potential competitors include other investment partnerships and corporations, private equity and 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 CID Capital. It is possible that competition for appropriate investment opportunities may increase, thus reducing the number of opportunities available to CID Capital and adversely affecting the terms upon which investments can be made. There can be no assurance that CID Capital will be able to identify or obtain investment opportunities satisfying its investment criteria, or that CID Capital will be able to invest its capital on attractive terms, or that investment opportunities will achieve CID Capital's rate of return objectives.
- *Long-Term Investment.* CID Capital's investment program involves a long-term commitment, and there is no assurance of any return on investment prior to or upon liquidation of the Fund. Investors should be prepared to hold their limited partnership interests for the life of the Fund.
- *Illiquidity of Limited Partnership Interests.* Limited partnership interests of the Fund are highly illiquid, have no public market and are not transferable except with the prior written consent of a Fund's general partner. 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.* The Fund's investment portfolio consists of investments in private companies. There may be no readily available market for liquidating the Fund's investments and most of the investments will be difficult to value. The securities in which the Fund invests 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 the Fund is dependent upon the activities of CID Capital's management team. The failure of a general partner or CID Capital 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 the Fund.
- *Risk of Limited Number of Investments.* The Fund may participate in a limited number of investments and, as a consequence, the aggregate return of the Fund may be materially adversely affected by the unfavorable performance of any single investment.
- *Concentration Risk.* The SPV is focused on investments in the propane industry. When investing in a single industry, there is an added risk as the SPV does not have other investments to offset should there be a decrease in propane demand outside of the anticipated standard changes. Thus, any decrease in propane demand for a prolonged period of time will likely significantly affect the SPV, the value of investments in the SPV, and the ability of CID to see the SPV assets for a profit.
- *Cybersecurity Risk.* The Fund, the portfolio companies, their service providers, and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the Fund and their portfolio companies, despite the efforts of service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks, and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the Fund and their portfolio companies. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to the systems of the Funds, their portfolio companies, their service providers, counterparties, or data within these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of such systems to disclose sensitive information to gain access to the confidential data. A successful penetration or circumvention of the security of such systems could result in the loss or theft of data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause the Fund or the portfolio companies to incur regulatory penalties, reputational damage, additional compliance costs or financial loss.
- *Force Majeure Risk:* This is the risk that there may be an act of God, terrorist act, global health pandemic, failure of utilities or other similar circumstance not within the reasonable control of CID Capital that may have an unknown and potentially catastrophic effect on the global markets. CID Capital has a business continuity plan to mitigate the effects of a force

majeure risk, however, these events may still affect CID Capital, our Fund, the financial markets, and portfolio companies the Fund has invested in.

- *Inflation Risk:* Inflation reduced the buying power, thus a dollar today will not buy as much as a dollar next year because purchasing power is eroding at the rate of inflation.

## **Item 9 – Disciplinary Information**

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), and managing the portfolio companies owned by the Funds. Neither CID Capital nor any of its management persons or related 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 does have two employees ~~that~~ with CPA licenses, however, neither engage in or offer CPA services at this time.

As mentioned in Item 4 above, the entities that serve as general partners of the Funds are affiliated entities of CID Capital and are registered with the SEC under the Advisers Act as an umbrella registrant to CID Capital's registration. The controlling members of CID Capital are the controlling members of such general partners.

CID Capital has and will continue to develop relationships with professionals who provide services we do not provide, including legal, accounting, banking, investment banking, tax preparation, insurance brokerage and other personal services. Some of these professionals may provide services to the Funds or their portfolio companies. CID does not recommend or select other investment advisers for the Funds.

From time to time, CID Capital receives training, information, promotional material, meals, gifts or prize drawings from vendors and others with whom we may do business or to whom we may make referrals.

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

## **Code of Ethics**

As fiduciaries, CID Capital and our employees have certain legal obligations to put clients' interest ahead of our 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 receipt of this Code in writing and agree to be bound by it. 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**

It is CID Capital's policy that the Firm will not affect any principal or agency cross securities transactions for client accounts without first obtaining the relevant advisory board and/or limited partner approval.

Certain employees, principals and other affiliates of CID Capital may invest in and alongside the Funds, either through a general partner or as direct investors in the Funds or otherwise. The Funds or the general partner, as applicable, may exempt such CID Capital affiliates from all or a portion of the management fee or carried interest allocation.

The SPVs invests in Lettermen's Energy Holdings LLC (Lettermen's Energy). In addition to the SPVs, Lettermen's Energy has other investors and has 3 different membership levels, Special Members, Preferred Members, and General Members. The Special Members of Lettermen's Energy are CID employees. Distributions from Lettermen's Energy are made first to Preferred Members before any distributions are made to the Common Members and Special Members. The SPVs are Preferred Members, thus the SPVs will receive distributions before the CID's employees in their Special Member capacity.

## **Conflicts of Interest**

The offering documents or limited liability agreements for the Funds detail complete descriptions of what CID Capital believes to be the most significant conflicts of interest associated with investing in the Funds. 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 investing in the

Funds. Investors should carefully consider the conflicts of interest herein as well as those outlined in the offering documents prior to investing in the relevant Fund.

In the event that CID Capital or its affiliates encounter what is determined to be an actual conflict of interest in connection with managing the Funds, CID Capital may take such actions as may be necessary or appropriate, within the context of such Fund's limited partnership agreements, 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 limited partner advisory committee. 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 Fund, share costs with other limited partners proportionally and receive distributions at a total average price. The significant investment of CID Capital principals in the 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 and members, although CID Capital has economic interests in its Funds and investments and receives management fees and its General Partner receives carried interest fees with respect to the Funds.

In addition, CID Capital employees may serve on the boards of Funds portfolio companies, however, they do not receive additional compensation for this. 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.

The Funds have an advisory board that is established under each respective fund's offering and governing documents. The advisory boards are comprised of select limited partners, as well as CID principals and outside advisers. A conflict of interest may exist in that not all limited partners are asked to join a fund's advisory board.

CID Capital offered interests in the Funds and SPVs and may organize subsequent funds with structures, investment strategies and objectives substantially similar to the Funds. CID Capital will pursue all appropriate investment opportunities exclusively through the funds, subject to certain limited exceptions as mentioned in Item 7, above. CID Capital and its investment staff will continue to manage and monitor the Fund and investments and attempt to solve such conflicts of interests in light of CID Capital's obligations to investors in the Funds and attempt to allocate investment opportunities in a fair and equitable manner.

As described in Item 5 above, CID Capital 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 (“Additional Fees”). Such Additional 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) incurred by CID Capital in connection with its performance of services for such portfolio company. CID Capital determines the amount of these Additional 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. CID Capital will reduce the amount of management fees paid by the Fund upon receipt of Additional Fees from a portfolio up to 100%.

CID Capital may enter into transactions with certain investors in the Fund such as, for example, investors who are also business partners of CID Capital, such as insurance agents, investment banks, broker-dealers, attorney, or others who provide services (including mezzanine and/or other lending arrangements) to CID Capital, the Fund(s) and portfolio companies. The terms of these transactions are negotiated on an arm’s-length basis; however, CID Capital is subject to a conflict of interest when determining such terms because CID Capital may benefit from retaining such investors’ investment in the respective Fund.

There is not expected to be an actively traded market for most of the securities owned by the Fund(s). When estimating fair value, CID Capital will apply a methodology we determine to be appropriate based on accounting guidelines and the applicable nature, facts and circumstances of the respective investments. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities ultimately may be sold. CID Capital has established a valuation policy that we follow when performing portfolio company valuations. CID Capital does not intend to retain the services of a third-party valuation consultant to assist in performing portfolio company valuations; however, all valuations are subject to an annual audit review as part of the fund’s annual financial statement audits. The exercise of discretion in valuation by CID Capital may give rise to conflicts of interest, including in connection with determining the amount and timing of distributions of carried interest and the calculation of management fees.

Some persons that are CID Capital employees or are otherwise affiliated with CID Capital may have the right to co-invest in portfolio company deals directly with a portfolio company. As a result, such persons would have the opportunity to invest in a portfolio company without paying a management fee to CID Capital or have a portion of gains allocated to CID Capital. Most investors

in the Funds will not be provided with such an opportunity.

Certain investors in the Funds have side letters or other similar agreements that have the effect of establishing rights under, or altering or supplementing the terms of, the Fund's organizational documents, including providing different or preferential rights or terms, such as different fee structures, information rights, co-investment rights and liquidity or transfer rights.

### **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 and regularly updated 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, employees are required to submit annual reports of security holdings and quarterly securities transaction reports for their own accounts or any account in which they have a direct or indirect beneficial interest.

### **Item 12 – Brokerage Practices**

CID Capital is a private equity firm and generally does not purchase or sell public securities through broker-dealers. The Firm focuses on securities transactions of private companies and generally purchases and sells such companies through privately negotiated transactions. CID Capital may also distribute securities to Fund limited partners or sell such securities, including through using a broker-dealer, if a public trading market exists.

CID Capital may 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 privately held portfolio company. Broker-dealers are chosen based upon their knowledge and expertise as well as upon cost, reputation and services provided. In selecting a broker or dealer to execute client transactions, CID Capital may consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; and (iv) gross compensation paid to the broker.

CID Capital has no obligation to seek advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or “posted” commission rate but will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although CID Capital generally seeks competitive commission rates, it may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

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

### **Item 13 – Review of Accounts**

The investment portfolios of the Fund(s) and SPVs are generally private, illiquid, and long-term in nature, and accordingly the Firm’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 Fund(s) and maintains an ongoing oversight position in such portfolio companies. A team of investment professionals reviews the portfolios on an ongoing basis. The team includes CID principals, the CCO, and other team members.

CID Capital’s CCO and a Firm principal review the accounts of the Fund(s) and SPVs on a quarterly basis and periodically checks to confirm that each Fund is maintained in accordance with its stated business objectives. CID Capital also reviews the Funds accounts whenever a determination is made as to a distribution. In addition, fund financial statements are subject to an annual audit (See Item 15 below for more information).

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

CID Capital does not receive any economic benefit from any person that is not a client for providing advisory and management services to the Fund(s).

CID Capital may receive fees from, or related to, a portfolio company or prospective portfolio company. Such fees may include commitment, structuring, monitoring and/or other transaction fees. Any such fees received by CID Capital are rebated 100% to the respective Fund, 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 paid a third party for a prior investor investing in a new CID fund in 2023, however, we terminated our contract with this third party in 2020 and are not using their services to find new investors.

### **Item 15 – Custody**

Advisers Act Rule 206(4)-2 (the “Custody Rule”) requires that pooled investment vehicles advised by an investment adviser either undergo an annual GAAP financial statement audit or be subject to a surprise custody examination by a PCAOB registered auditing firm. CID Capital has custody over the Funds' assets due to an affiliate serving as the General Partner of the Funds. To comply with the Custody Rule, the Firm has elected to undergo an annual GAAP financial statement audit for its Funds. The Funds are audited annually by RSM US LLP. CID Capital delivers to the limited partners in each respective Fund a copy of the annual audited financial statements within 120 days of the fiscal year end. The SPVs are not audited individually, however, all SPVs invest 100% in Lettermen's Holdings, which is subject to an annual audit. Lettermen's Holdings completed financial statement audit is distributed to all SPV investors.

Called capital is directly sent or wired into the respective Funds' custodial accounts. Fund III and Fund III-QP maintain custodial accounts at CIBC Bank USA. Fund II maintains custodial accounts at BMO Harris Bank. The SPV funds are invested in Lettermen's Holdings LLC, which maintains a custodial account at BMO Harris Bank. Limited partners also have the option to make out their checks to the name of the fund and send the check in to CID Capital. CID Capital receives monthly qualified custodial statements from the custodians on behalf of the Funds managed.

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

CID Capital and the general partner of the Funds have discretionary authority based on management agreements with the Funds, the limited partnerships agreements that govern the Funds to buy and sell securities or other investments on behalf of such Fund and to determine the amount of such investments to be bought and sold, and the limited liability company agreement of the SPVs. These agreements 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.

An investor in a fund may impose limitations on a fund's investment authority through a side letter



agreement (as discussed in Item 11 above). All limitations and restrictions placed upon a limited partner's account must be in writing and agreed to by all parties.

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

The limited partnership agreements that govern the Funds and the LLC agreements for the SPV provide CID Capital or such general partner the authority to vote proxies on behalf of such Funds. The majority of things for which a fund's vote will be required are shareholder consents or similar instruments for private companies. As such, CID Capital has adopted proxy voting policies and procedures pursuant to SEC Rule 206(4)-6. CID Capital's proxy policy seeks to ensure that it vote proxies in the best interest of its clients, including where there may be material conflicts of interest. CID Capital generally believe its interests are aligned with those of the funds' limited partners. In the event that there is or may be a conflict of interest in voting proxies, CID Capital's proxy policy provides that the Firm may address the conflict using several alternatives, including by seeking the approval or concurrence of an Advisory Committee on the proposed proxy vote, or through other alternatives set forth in CID Capital's proxy policy. Fund and SPV investors cannot direct how CID Capital votes proxies nor is CID Capital required to seek investor approval or direction when voting proxies. CID Capital will provide a copy of its proxy voting policy as well as how proxies were voted to any existing or prospective limited partner upon request to its Chief Compliance Officer, Deborah Morgan, at (317) 818-5030.

### **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 does not require prepayment of more than \$1,200 in fees per client, six months or more in advance, 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.