

CNL STRATEGIC CAPITAL MANAGEMENT, LLC

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Firm Brochure Form ADV, Part 2A

Prepared for Filing with our Form ADV Part 1

Dated: March 30, 2019

Item 1 – Cover Page

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March 30, 2019

This Form ADV Part II brochure (the “Brochure”) provides information about the qualifications and business practices of CNL STRATEGIC CAPITAL MANAGEMENT, LLC, which we may refer to in this brochure as “the Adviser,” “we,” “us,” or “CSCM.” If you have any questions about the contents of this Brochure, please contact Susan L. Terenzio, Chief Compliance Officer at (407) 540-2739 or at susan.terenzio@cnl.com.

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

CNL STRATEGIC CAPITAL MANAGEMENT, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training.

We have elected to make the required disclosures pursuant to the format and requirements of Form ADV Part 2A in satisfaction of our fiduciary notice requirements.

Currently, our Brochure may be requested by contacting Susan L. Terenzio, Chief Compliance Officer at (407) 540-2739 or it is also available via the SEC’s web site www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with us who are registered, or are required to be registered, as investment adviser representatives of the Adviser. You may also find information about us at the Investment Adviser Public Disclosure website: <https://adviserinfo.sec.gov/IAPD/>.

Item 2 – Material Changes

This Brochure had been initially prepared as a part of the Adviser’s initial Form ADV and registration filing process. As a result, certain disclosures were made throughout based on an expectation of services to be provided to CNL Strategic Capital, LLC (the “Client”). In addition to non-material changes throughout intended to provide better clarity, the following additional language has been incorporated:

- Item 6 has been modified to include additional disclosures regarding transaction fees and an Expense Support and Conditional Reimbursement Agreement.
- Item 8 has been modified to provide additional language to better describe our investment strategy.
- Item 10 is incorporating additional disclosures regarding our affiliated advisers. In addition, we have expanded our conflicts of interest disclosures to include identified conflicts related to transaction fees, incentive fees and conflicts secondary to the determination of net asset value process.

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Item 4 – Advisory Business

CSCM is a Delaware limited liability company registered with the Securities and Exchange Commission, effective March 3, 2017. It is controlled by CNL Financial Group, LLC (“CNL”), a private investment management firm specializing in alternative investment products. CSCM is Manager and Administrator to CNL Strategic Capital, LLC, which will be our sole client.

The Client is a limited liability company, organized as a holding company that primarily seeks to acquire controlling equity stakes and loan positions in durable, middle-market companies through subsidiaries as operating companies. The Client will raise capital for operations through a public offering of securities registered with the Securities and Exchange Commission. The Client is subject to the overall supervision of a board of directors, a majority of which who are not interested persons of either CNL or the Client. CSCM will serve as Manager and Levine Leichtman Strategic Capital, LLC (“LLSC”) will serve as Sub-Manager. As set forth in the Management Agreement, we are generally to act as the manager to the Client and its subsidiaries and to manage the day-to-day operations of the Client and its subsidiaries. We shall ensure that the business policies, directives and restrictions that are set forth in the Client’s formation documentation, registration statement and as are otherwise approved or implemented by the Client’s board of directors, or as may be required by federal and state laws, rules and regulations are adhered to. With regard to our (together with the Sub-Manager’s) responsibilities for sourcing potential acquisition and debt financing opportunities, specifically making a determination that such opportunity meets the Client’s investment objectives and the responsibilities related to the monitoring and managing the businesses the Client acquires and/or finance on an ongoing business, CSCM has established a management committee.

Item 5 – Fees and Compensation

Pursuant to the Management Agreement executed between us and the Client, we will be paid a Base Management Fee and a Total Return Incentive. In accordance with the Sub-Management Agreement executed between us and the Sub-Manager, the sub-manager will be entitled to 50% of all fees earned. In addition to the fees listed above, we also entered into an Administrative Services Agreement with the Client under which we will not receive a separate fee, but will be paid reimbursement of expenses on a direct cost basis or the amount that would be paid for comparable services.

Base Management Fee. The base management fee will be calculated for each share class at an annual rate of (i) for the non-founder shares, 2% of the product of (x) the average gross assets and (y) the ratio of non-founder share Average Adjusted Capital for a particular class to total Average Adjusted Capital and (ii) for the founder shares, 1% of the product of (x) the average gross assets and (y) the ratio of outstanding founder share Average Adjusted Capital to total Average Adjusted Capital, in each case excluding cash, and will be payable monthly in arrears. For purposes of this calculation, "average gross assets" means the arithmetic average of the

Gross Asset Value as of the last day of (1) a calendar month and (2) the immediately preceding calendar month. The determination of gross assets will reflect changes in the fair market value of the assets, which will not necessarily equal their notional value, reflecting both realized and unrealized capital appreciation. Average Adjusted Capital of an applicable class is computed on the daily Adjusted Capital for such class for the actual number of days in such applicable month. The base management fee may be reduced or deferred by us and the Sub-Manager under the Management Agreement and the Expense Support and Conditional Reimbursement Agreement.

Transaction Fees. In connection with the services that the Sub-Manager or its affiliates may provide to the businesses acquired by the Client, the Sub-Manager may be paid transaction fees in connection with services customarily performed in connection with the management of such businesses (except that no such transaction fees were charged on the acquisition of the initial businesses). CSCM does not receive any portion of such transaction fees.

Expense Support and Conditional Reimbursement Agreement. CSCM and the Sub-Manager have entered into an Expense Support and Conditional Reimbursement Agreement with the Client pursuant to which we agree to reduce the payment of base management fees, total return incentive fees and the reimbursement of reimbursable expenses due to us, to the extent that the Client's annual regular cash distributions exceed its annual net income. Subject to the terms of this agreement, reimbursement of fees waived shall be made from excess operating funds, if any, at the end of the calendar year. The Client's obligation to reimburse fees waived shall terminate three years following the date on which the expense support was provided to the Client.

Additional information regarding the Fees earned by CSCM is available in the Client's prospectus as amended and may be requested by contacting Susan L. Terenzio, Chief Compliance Officer at (407) 540-2739 or it is also available via the SEC's web site www.adviserinfo.sec.gov.

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

In addition to the management fees described in Item 5, we may also receive from the Client a Total Return Incentive Fee.

Total Return Incentive Fee. We and the Sub-Manager are also eligible to receive incentive fees based on the Total Return to Shareholders, as defined in the management and Sub-Management Agreements, for each share class in any calendar year, payable annually in arrears. The total return incentive fee will be based on the Total Return to Shareholders for each share class in any calendar year, payable annually in arrears. The total return incentive fee will be accrued on a quarterly basis, to the extent that it is earned, and will perform a final reconciliation at completion of each calendar year. The total return incentive fee may be reduced or deferred by us and the Sub-Manager under the Management Agreement and the Expense Support and Conditional Reimbursement Agreement.

Certain Directors and Officers of the Client are employed by CNL and receive compensation directly from CNL. The Client does not pay compensation to these individuals. However, certain individuals may receive an allocation of the Total Return Incentive Fee from the Manager.

Item 7 – Types of Clients

We intend to be Manager and Administrator to CNL Strategic Capital, LLC, who will be our sole client. CNL Strategic Capital, LLC is a limited liability company, organized as a holding company that primarily seeks to acquire controlling equity stakes and loan positions in durable, middle-market companies through subsidiaries as operating companies. Our Client is currently raising capital for operations through a public offering of securities registered with the Securities and Exchange Commission.

We do not intend to have any other clients.

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

On behalf of the Client, and together with the Sub-Manager, our business strategy is to acquire controlling equity interests in combination with debt positions in middle-market U.S. companies. In doing so, we seek to provide long-term capital appreciation and current income, while protecting invested capital. In addition and to a lesser extent, we may facilitate the acquisition of other debt and minority equity positions, which may include acquiring debt in the secondary market as well as minority equity interests and debt positions via co-investments with other funds managed by the Sub-Manager or their affiliates. We expect that these positions will comprise a minority of our total assets.

We intend to facilitate the acquisition and growth of durable, middle-market businesses that have historically generated stable free cash flow and where management seeks a meaningful ownership stake in the company. We target businesses with proven and demonstrable track records of recurring cash flow and stable and predictable operating performance, all of which is intended to produce attractive risk-adjusted returns over a long-term time horizon. We seek to acquire businesses for the Client with limited, if any, third-party leverage.

Under the Management Agreement, we will be responsible for the overall management of the Client's activities. Under the Sub-Management Agreement, LLCP is intended to be responsible for the day-to-day management of the Client's assets. We, and the Sub-Manager are collectively responsible for the sourcing potential acquisition and debt financing opportunities, subject to the final approval of the Client's board of directors, and monitoring and managing the businesses acquired and/or finance on an ongoing basis. We are primarily responsible for making a determination that a business acquisition is consistent with the Client's investment objectives. The Sub-Manager is primarily responsible for analyzing and conducting due diligence on prospective acquisitions and debt financings, as well as the overall structuring of transactions.

The strategies and processes utilized by the Manager and Sub-Manager are intended for long hold periods. The instruments in which the Client invests may lose value. An investment in the Client involves a risk of loss that an investor in the Client should be prepared to bear. A prospective investor should review all risk factors associated with an investment in the Client, which is set forth in the Client's prospectus as amended and may be requested by contacting

Susan L. Terenzio, Chief Compliance Officer at (407) 540-2739 or it is also available via the SEC's web site www.adviserinfo.sec.gov.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management team. CNL Strategic Capital Management, nor any persons associated with it, have disclosures to report in this Brochure.

Item 10 – Other Financial Industry Activities and Affiliations

We are an indirect, wholly owned subsidiary of CNL, an investment management firm specializing in alternative investment products in which affiliates and officers of us are also principals, executive officers and/or directors of the Client.

Certain of our officers and advisory representatives (“persons associated with us”) may be provided to us by an affiliated entity, CNL Financial Group Investment Management, LLC (“CFGIM”), to provide clerical, ministerial and non-investment advisory services and staffing. All persons associated with us are subject to our compliance program, including the Code of Ethics which establishes the fiduciary standards and all reporting requirements established thereunder. All persons providing services to us are also subject to confidentiality requirements under the respective agreements.

We currently have three affiliated Advisers registered with the Securities and Exchange Commission which do not currently have any clients. In addition, we have various affiliated advisers who have solely as their client real estate investment trusts and are exempt from registration as an adviser in reliance of that.

We have an affiliated entity which is currently licensed as a real estate broker or dealer.

Additionally, affiliated with us is CNL Securities Corp., a FINRA registered broker-dealer who is a wholly-owned, indirect subsidiary of CNL. This entity is also under agreement with the Client to provide managing dealer services with regard to the sale of the Client's shares and which may receive compensation in this regard. This agreement was approved by the board of directors of the Client, including a majority of directors who are independent.

We hold in high regard the fiduciary duty under which we provide services to the Client, and further, the duty owed by the Client to its shareholders. A part of upholding this fiduciary duty is recognizing potential conflicts of interest and developing controls which seek to protect against any harm to the Client and its shareholders. We acknowledge that we may experience conflicts of interest in connection with the management of the Client's business affairs and have adopted policy controls, testing and monitoring to protect against such conflict effecting decisions made

by us on behalf of the Client. We continuously reevaluate our business model in order to identify emerging conflicts. The conflicts currently identified are as follows:

- Client executive officers and certain members of the Client's board of directors serve as directors and/or officers of various entities affiliated with the Manager or the Sub-Manager, as applicable.
- We, the Sub-Manager, the Administrator, the Sub-Administrator and their respective affiliates provide services to the Client. The Administrator and the Sub-Administrator will also oversee the performance of other administrative and professional services provided to the Client by others, including by their respective affiliates.
- We, and the Sub-Manager will receive certain fees and expense reimbursements in connection with its services to us as the Manager and the Sub-Manager, respectively. Additionally, the Client may pay third parties directly or reimburse the costs or expenses of third parties paid by the Administrator and the Sub-Administrator for providing the Client with certain administrative services.
- The agreements between the Client and the Manager, the Sub-Manager or their respective affiliates are not arm's length agreements. In addition, as a result of the fact that there exists some common management, including on Client's board of directors, with the Manager and the Sub-Manager, Client board of directors may encounter conflicts of interest in enforcing Client rights against the Manager, the Sub-Manager and their respective affiliates in the event of a default by, or disagreement with, any of the Manager, the Sub-Manager and their respective affiliates or in invoking powers, rights or options pursuant to any agreement between any of them and us.
- The two initial acquisitions of the Client were initial businesses from an affiliate of the Sub-Manager. The terms of the merger agreements and the related documents were negotiated among related parties and, as a result, such terms and conditions may be less favorable to the Client than they might have been had they been negotiated at arm's-length with unaffiliated persons; however, we received an opinion from an independent financial advisory firm, regarding the fairness to the Client, from a financial point of view only, of the acquisition prices of the two initial businesses. Additionally, the merger agreements were approved by all the independent directors of the Client's board of directors pursuant to the terms of the Client's Operating Agreement.
- The Client's board of directors will determine Client net asset value with assistance from the Manager, the Sub-Manager and the independent valuation firm and, because the base management fee is payable monthly and the base management fee for a certain month is calculated based on the average value of Client gross assets at the end of that month and the immediately preceding calendar month, a higher net asset value would result in a higher base management fee to the Manager and the Sub-Manager.

- We do not currently manage other clients; however, we are not prohibited from doing so and we may determine it is appropriate for us and one or more other clients managed in the future by us or any of its affiliates to participate in an opportunity together. These co-opportunities may give rise to conflicts of interest or perceived conflicts of interest among us and the other clients.
- We and the Sub-Manager will experience conflicts of interest in connection with the management of the Client's business affairs relating to the allocation of business opportunities by us, the Sub-Manager and their respective affiliates to the Client and other clients. The Sub-Manager or its affiliates currently manage other clients that have a similar business strategy as the Client. The Sub-Manager will determine which opportunities it presents to the Client or another client with a similar business objective.
- The Sub-Manager may determine an opportunity is more appropriate for another client managed by the Sub-Manager or any of its affiliates than it is for the Client and present such opportunity to the other client. In certain cases, the Sub-Manager, subject to approval by us that such opportunity meets the Client's investment objectives and final approval of such opportunity by the Client's board of directors, may determine it is appropriate for the Client to participate in an acquisition opportunity alongside one or more other clients managed by the Sub-Manager or any of its affiliates. These co-opportunities may give rise to conflicts of interest or perceived conflicts of interest among the Client and the other clients.
- Consistent with the Client's allocation policy, in the event that a co-opportunity that we have approved for potential participation does not close and the Sub-Manager and its affiliates accumulate broken-deal costs in connection with the co-opportunity, the Sub-Manager and its affiliates will be required to allocate such broken-deal costs among the Client and the other participating accounts.
- While the Client may pay transaction fees to the Sub-Manager for services provided to the Client's portfolio companies, the Manager and Sub-Manager may face conflicts of interest with respect to services performed for those businesses and opportunities recommended to the Client.
- Certain persons who serve on our Management Committee may receive an allocation award based upon the Incentive Fees paid to us by the Client. The way in which the Incentive Fee is determined may encourage the Manager and Sub-Manager to use leverage to increase the return on the assets.
- While our board of directors is responsible for determining the net asset value of our assets (with the assistance from the Manager, the Sub-Manager and the independent valuation firm) and, because the base management fee is calculated based on the average value of our gross assets, a higher net asset value of our assets would result in a higher base management fee to the Manager and the Sub-Manager.

Item 11 – Code of Ethics

CSCM is dedicated to providing effective and proper professional investment management services to the Client. Our reputation is a reflection of the quality of services and the dedication to excellence in serving the Client. To ensure these qualities and dedication to excellence, persons associated with us must possess the following qualifications: experience, education, ethical standards, and judgment necessary to effectively serve as investment management professionals. Every person associated with us is expected to demonstrate the highest standards of moral and ethical conduct and comply with all federal securities laws for continued association.

In meeting their responsibilities to the Client, we have developed a Code of Conduct/Ethics (the “Code”) which establishes a fiduciary duty of care to the Client, requires all associated persons to comply with the federal securities laws with regard to both the way they provide services to the Client, as well as requires transparency in their personal transactions and business activities. In order to meet these requirements, the Code requires the disclosure of personal securities transactions, places limitations on outside business activities, monitors communications and provides for the protection of client personal information. The Code allows for the implementation of any additional controls deemed essential to mitigate conflicts of interest the associate person may encounter. In addition, the Code requires annual certifications and training to provide assistance to the associated persons in meeting the requirements of the federal securities laws, the fiduciary duty and most importantly to the needs of the Client. Lastly, the Code designates a Chief Compliance Officer who is responsible for oversight of the Code as well as the broader compliance program and to serve as a resource to our associated persons.

We will not be participating as a principal in any transactions alongside the Client. You may request a copy of our Code of Ethics by contacting our Chief Compliance Officer, Susan Terenzio at (407) 540-2739 or by email to susan.terenzio@cnl.com.

Item 12 – Brokerage Practices

Transactions on behalf of the Client which may require the services of a broker-dealer shall be coordinated at the Sub-Manager level. It is not expected that we would utilize the broker-dealer who is affiliated with us for such transactions.

Item 13 – Review of Accounts

In fulfillment of our responsibilities under the Management and Administrative Services Agreements, specifically with regard to the day to day operations of the Client and its subsidiaries, we shall continuously monitor the accounts, expenses and transactions of the Client and shall ensure the ongoing reporting obligations to the Client’s board of directors. This monitoring is intended to be conducted primarily by the Internal Audit team engaged by the Client’s Audit Committee, however, the Manager’s CCO shall work closely with the Internal Auditor to ensure the soundness of the controls and testing in this regard.

Item 14 – Client Referrals and Other Compensation

We do not receive any economic benefit from any person for providing investment advice or other advisory services to the Client. In addition, neither we, nor any related person, directly or indirectly compensates any individual for client referrals.

Item 15 – Custody

We do not have custody of Client funds. As a result, we will not be sending account statements to the Client. Custody of the Client assets will be with a service provider with whom the Client has executed a Custodian and/or Sub-Administration Agreement, or equivalent, with an organization, which is determined to be a Qualified Custodian. In addition, custody may result from directing certain money movements. We have implemented numerous controls and conduct periodic training to all persons providing financial services on behalf of the Client to ensure against inadvertent custody of Client assets.

Item 16 – Investment Discretion

With regard to our (together with the Sub-Manager collectively) responsibilities for sourcing potential acquisition and debt financing opportunities, specifically making a determination that such opportunity meets the Client's investment objectives and the responsibilities related to the monitoring and managing the businesses the Client acquires and/or finance on an ongoing business, CSCM has established a Management Committee.

In connection with the Management Committee's determination that an opportunity meets the Client's investment objectives, the Committee shall, at a minimum, assess the proposed opportunity against the Client's Investment Policy and related investment guidelines and process documents to ensure the standards and controls established therein have been met, specifically that the opportunity or investment is an Eligible Investment pursuant to the Client's established investment policy, shall ensure the requisite approvals have been obtained and documented and shall ensure proper reporting to the Client's board of directors is completed.

Item 17 – Voting Client Securities

It is not intended that the Client's portfolio will include any public companies for which there may be a proxy solicitation. We are not responsible for proxy voting matters with regard to any Client assets. The Sub-Manager will be responsible for all voting matters relevant to the Client's assets.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide its clients with certain financial information or disclosures about its financial condition. We have no financial commitment that impairs its ability to meet contractual and fiduciary commitments to the Client, and has not been the subject of any bankruptcy proceeding.