

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, 2018

Item 1 – Cover Page

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March 30, 2018

This 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.

Item 2 – Material Changes

This Form ADV Part II brochure had been initially prepared as a part of the registered investment adviser 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 the Client. This brochure amendment is incorporating material changes throughout which conform to the business operations of the Client and the services being provided and fees being charged under the Management and Administrative Services agreements, as executed with the Client.

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Item 4 – Advisory Business

CSCM is a newly formed Delaware limited liability company. It is controlled by CNL Financial Group, a private investment management firm specializing in alternative investment products. We intend to be Manager and Administrator to CNL Strategic Capital, LLC, which will be our sole Client. CNL Strategic Capital, LLC (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. Our Client will raise capital for operations through a public offering of securities registered with the Securities and Exchange Commission. Subject to the overall supervision of a board of directors, a majority of which who are not interested persons of the Client, we 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 the 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, we have established a management committee.

Item 5 – Fees and Compensation

Pursuant to the Management Agreement executed between us and our Client, we will be paid a Base Management Fee and a Total Return Incentive Fee and other expenses necessary for our operations. 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 a fee and reimbursement of expenses on a direct cost basis or the amount that would be paid for comparable services.

We and Sub-Manager have entered into an Expense Support and Conditional Reimbursement Agreement with the Client, pursuant to which they have jointly agreed to reduce the payment of management fees, incentive fees and expense reimbursement by the Client to the extent that its regular cash distributions to shareholders exceed its annual net income (with certain specified adjustments). If there are any available operating funds at the Client at the end of the year, they shall be used to repay all or part of the amounts waived, subject to certain conditions and termination rights.

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

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.

Total Return Incentive Fee. 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.

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 will raise capital for operations through a public offering of securities registered with the Securities and Exchange Commission.

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

The business strategy seeks to create long-term value by acquiring and growing durable, middle-market operating businesses. It is intended to create what is believed to be a capital structure that mitigates the downside risk by concurrently acquiring controlling equity stakes with concurrent loan positions in the businesses acquired.

Under the Management Agreement, we will be responsible for the overall management of our Client's activities. Under the Sub-Management Agreement, LLC 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. In addition, and to a lesser extent, the Sub-Manager intends to recommend that the Client acquire other debt and minority equity positions, which may include acquiring debt in the secondary market and minority equity stakes in combination with funds managed by LLC or its affiliates. These positions are expected to comprise a minority of the Client's total assets.

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 has no disclosures to report.

Item 10 – Other Financial Industry Activities and Affiliations

We are an indirect, wholly owned subsidiary of CNL Financial Group, 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 (“CNL”), 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.

Additionally, an affiliate of us, CNL Securities Corp., is a FINRA registered broker-dealer and is a wholly-owned, indirect subsidiary of CNL Financial Group. This entity is also under agreement with our Client to provide managing dealer services with regard to the sale of our Client’s shares and CNL Securities Corp. may receive compensation in this regard. This agreement was approved by the board of directors of our Client.

We, the Sub-Manager and their respective affiliates will experience conflicts of interest in connection with the management of the Client’s business affairs, including the following:

- 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 Client company 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 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 and the Sub-Manager 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 Client 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 Client investment objectives and final approval of such opportunity by Client 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.

Item 11 – Code of Ethics

We have adopted a Code of Ethics for all individuals providing services to the Client. This Code of Ethics sets forth its high standard of business conduct, and fiduciary duty to its Clients. The Code of Ethics includes provisions relating to the confidentiality of Client information, a prohibition on insider trading, and establishes personal securities trading procedures, among other things. All persons associated with us must acknowledge the terms of the Code of Ethics annually, or as amended.

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 intended 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.

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 our 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 our Client. Custody of our Client assets will be with a service provider with whom our Client has executed a Custodian Agreement and/or sub-administration agreement directly.

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, we have 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

We are not responsible for proxy voting matters with regard to any Client 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 its Client, and has not been the subject of any bankruptcy proceeding.