UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

OR

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION FROM ___________ TO ___________ .

COMMISSION FILE NUMBER: 333-166195

SQN Alternative Investment Fund III L.P.
(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**27-2173346** **(I.R.S. Employer ID No.)**
100 Wall Street, 28th Floor **New York, NY** **(Address of principal executive offices)**	**10005** **(Zip code)**

Registrant's telephone number: (212) 422-2166

Securities registered pursuant to Section 12 (b) of the Act:
None

Securities registered pursuant to Section 12 (g) of the Act: Units of Limited Partnership Interests

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [ ] No [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [ ] No [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	[ ]	Accelerated filer	[ ]
Non-accelerated filer	[ ]	Smaller Reporting Company	[X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: **Not applicable. There is no established market for the units of limited partnership interests of the registrant.**

Number of outstanding units of limited partnership interests of the registrant on March 31, 2017 was 27,721.10.

DOCUMENTS INCORPORATED BY REFERENCE
None.

SQN Alternative Investment Fund III L.P.
Annual Report on Form 10-K for Year Ended December 31, 2016
Table of Contents

PART I

As used in this Annual Report on Form 10-K, references to "we," "us," "our" or similar terms include SQN Alternative Investment Fund III L.P and its subsidiaries.

FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (the "Securities Act"), Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"), the Private Securities Litigation Reform Act of 1995 (the "PSLRA") or in releases made by the Securities and Exchange Commission (the "SEC"), all as may be amended from time to time, which are subject to the safe harbor created by those sections. Forward-looking statements are those that do not relate solely to historical fact and include, but are not limited to, statements that express our intentions, beliefs, expectations, strategies, predictions or any other statements relating to our future activities or other future events or conditions. These statements are based on current expectations, estimates and projections about our business based, in part, on assumptions made by our General Partner and our Investment Manager. Forward-looking statements can be identified by, among other things, the use of forward-looking language, such as the words "plan," "believe," "expect," "anticipate," "intend," "estimate," "project," "may," "will," "would," "could," "should," "seeks," or "scheduled to," or other similar words, or the negative of these terms or other variations of these terms or comparable language, or by discussion of strategy or intentions. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may, and are likely to, differ materially from what is expressed or forecasted in the forward-looking statements due to numerous factors discussed from time to time in this Annual Report on Form 10-K, including the risks described in greater detail in "Risk Factors" in Item 1A of this report and "Management's Discussion and Analysis of Financial Condition and Results of Operation" in Item 7. In addition, such statements could be affected by risks and uncertainties related to our ability to raise additional equity contributions, investment objectives, competition, government regulations and requirements, the ability to find suitable equipment transactions, as well as general industry and market conditions and general economic conditions. Any forward-looking statements speak only as of the date on which they are made, and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this report.

AVAILABILITY OF INFORMATION

You may read and copy any of our materials filed with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Copies of such materials also can be obtained free of charge at the SEC's website, www.sec.gov, or by mail from the Public Reference Room of the SEC, at prescribed rates. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. The SEC maintains an Internet site that contains reports and information statements, and other information regarding issuers that file electronically with the SEC. This information can be accessed at the web site http://www.sec.gov.

Item 1. Business

Our History

We were organized as a Delaware limited partnership on March 10, 2010 and are engaged in a single business segment, the ownership and investment in leased equipment and related financings which includes: (i) purchasing equipment and leasing it to third-party end users; (ii) providing equipment and other asset financing; (iii) acquiring equipment subject to lease and (iv) acquiring ownership rights (residual value interests) in leased equipment at lease expiration. We will terminate no later than December 31, 2034.

The General Partner of the Partnership is SQN AIF III GP, LLC (the "General Partner"), a wholly-owned subsidiary of our Investment Manager, SQN Capital Management, LLC (the "Investment Manager"). Both the Partnership's General Partner and the Partnership's Investment Manager are Delaware limited liability companies. The General Partner manages and controls the day to day activities and operations of the Partnership, pursuant to the terms of the Partnership Agreement. The General Partner paid an aggregate capital contribution of $100 for a 1% interest in the income, losses and distributions. The Investment Manager makes all investment decisions and manages the investment portfolio of the Partnership.

On January 19, 2015, the Investment Manager, through a wholly-owned subsidiary, entered into an agreement to acquire the leasing division of Summit Asset Management Limited ("Summit Asset Management"). Upon the acquisition, the Origination and Servicing Agreement between the Investment Manager and Summit Asset Management was terminated. From January 1, 2015, all activities of Summit Asset Management are conducted under SQN Capital Management (UK) Limited ("SQN UK"). Where Summit Asset Management was previously the servicer on transactions sold to us, SQN UK will now act as servicer.

Our Business

Our principal investment strategy is to invest in business-essential, revenue-producing (or cost-savings) equipment and other physical assets with high in-place value and long, relative to the investment term, economic life and project financings. We expect to achieve our investment strategy by making investments in equipment already subject to lease or originating equipment leases in such equipment, which will include: (i) purchasing equipment and leasing it to third-party end users; (ii) providing equipment and other asset financing; (iii) acquiring equipment subject to lease and (iv) acquiring ownership rights (residual value interests) in leased equipment at lease expiration. From time to time, we may also purchase equipment and sell it directly to our leasing customers.

Our fund operates under a structure in which we pool the capital invested by our limited partners. This pool of capital is then used to invest in business-essential, revenue-producing (or cost-saving) equipment and other physical assets with substantial economic lives and, in many cases, associated revenue streams. The pooled capital contributions are also used to pay fees and expenses associated with our organization and to fund a capital reserve.

Many of our investments are anticipated to be structured as full payout or operating equipment leases. In addition, we invest by way of participation agreements and residual sharing agreements where we acquire an interest in a pool of equipment or other assets or rights to the equipment or other assets, at a future date. We also structure investments as project financings that are secured by, among other things, essential use equipment and/or assets. Finally, we use other investment structures that our Investment Manager believes will provide us the appropriate level of security, collateralization, and flexibility to optimize our return on investment while protecting against downside risk. In most cases, the structure includes us holding title to or a priority position in the equipment or other asset.

The life cycle of our fund is divided into three distinct stages: (i) the Offering Period, (ii) the Operating Period and (iii) the Liquidation Period. The Offering Period was the time-frame in which we raised capital contributions from Limited Partners through the sale of the Units and ended on March 15, 2013. The Operating Period commenced on the initial closing date of our first equipment lease transaction, which was June 29, 2011, and will last for three years unless it is extended, at the sole discretion of the General Partner for a maximum of two one-year extensions. Our Offering Period and Operating Period overlapped. The Liquidation Period is the period in which we will sell our assets in the ordinary course of business. The Liquidation Period will last four years, unless it is extended, at the sole discretion of the General Partner for a maximum of two one-year extensions.

Our Offering Period commenced on May 2, 2011, the first business day after April 30, 2011, we admitted 19 Limited Partners with total capital contributions of $1,200,500. From May 3, 2011 through December 31, 2011, we admitted an additional 118 Limited Partners with total capital contributions of $7,250,400. For the year ended December 31, 2012, we admitted an additional 188 limited partners with total capital contributions of $13,904,200. From January 1, 2013 through March 15, 2013, the date the Offering Period concluded, we admitted an additional 50 Limited Partners, including our Investment Manager who invested $100,000 on March 15, 2013, and received additional capital contributions totaling $5,506,000. Due to our not achieving certain equity raising milestones during the Offering Period, our General Partner and/or our Investment Manager are required to reimburse us for organizational and offering expenses of $441,897 previously paid. At March 15, 2013, organizational and offering expenses were limited to $557,222 or 2% of total equity raised. At December 31, 2016, the balance of the note receivable from the Investment Manager to the Partnership was $2,111, which is included as due from investment manager on the accompanying consolidated financial statements.

SQN Securities, LLC ("Securities"), a Delaware limited liability company and a majority-owned subsidiary of the Investment Manager was the sole selling agent of the Partnership's units. Securities is a broker-dealer registered with the SEC and is a member of both the Financial Industry Regulatory Authority ("FINRA") and the Security Investor Protection Corporation. We paid Securities a distribution expense equal to 2% of the aggregate offering proceeds, excluding proceeds from the General Partner or any affiliated entities also sponsored by the Partnership's Investment Manager. For the years ended December 31, 2016 and 2015, we did not make any payments to Securities for distribution expenses. For the years ended December 31, 2016 and 2015, our Investment Manager did not make payments for organizational and offering expenses on our behalf.

Net offering proceeds to us after deducting organizational and offering expenses and distribution expenses were approximately $26,750,000.

We commenced our Operating Period on June 29, 2011 with our first equipment transaction. During the Operating Period, we invested most of the net offering proceeds in equipment that was subject to leases, equipment financing transactions, and residual ownership rights in leased equipment, as described above. After the net offering proceeds were invested, additional investments were made with the cash proceeds generated from our initial investments, to the extent that cash was not needed for expenses, reserves, or distributions to Limited Partners. The investment in additional equipment in this manner was called "reinvestment." After the termination of our Operating Period, we will sell our assets in the ordinary course of business, a time frame called the Liquidation Period. The Liquidation Period started on June 29, 2014 and is expected to last approximately four years, unless it is extended, at the sole discretion of our General Partner for a maximum of two one-year extensions.

We are making, at the sole discretion of the Partnership's Investment Manager, semi-annual cash distributions to each Limited Partner computed at 3% (pro-rated to the date of admission for each Limited Partner) of each Limited Partner's capital contribution, beginning six months after the initial closing which occurred on May 2, 2011. The income, losses and distributions are allocated 99% to the Limited Partners and 1% to the General Partner until the Limited Partners have received total distributions equal to each Limited Partners' capital contribution plus an 8%, compounded annually, cumulative return on each Limited Partners' capital contribution. After such time, income, losses and distributions will be allocated 80% to the Limited Partners and 20% to the General Partner.

A Limited Partner may not redeem their Units without the prior written consent of our General Partner. The General Partner has the sole discretion to approve or deny any redemption requested by a Limited Partner.

At December 31, 2016, we had total assets of $21,830,910. Of this amount, $9,897,423 was for various investments: (i) $2,448,031 related to investments in equipment subject to operating leases (ii) $634,702 related to residual value investments in equipment on lease (iii) $2,224,597 was associated with equipment notes receivable and accrued interest (iv) $299,429 was associated with collateralized loan receivable and accrued interest and (v) $4,290,664 related to equipment investment through SPV. In addition to the above leases, we also have an investment in a participation interest of $8,421,915, other assets of $2,612,865 and $42,768 related to initial direct costs. For the year ended December 31, 2016, two of our lessees accounted for approximately 95% of the total rental income derived from operating leases and one lessee which accounted for approximately 94% of the total income derived from finance leases. For the year ended December 31, 2016, we had a net loss of $1,914,022.

At December 31, 2015, we had total assets of $23,548,819. Of this amount, $9,362,827 was for various investments: (i) $1,714,019 related to investments in finance leases and the related initial direct costs (ii) $3,452,536 related to investments in equipment subject to operating leases (iii) $634,702 related to residual value investments in equipment on lease and (iv) $3,561,570 was associated with equipment notes receivable and accrued interest. For the year ended December 31, 2015, two of our lessees accounted for approximately 93% of the total rental income and two of the lessees accounted for approximately 93% of the total finance income. In addition to the above leases, we also had a convertible promissory note receivable of $1,320,000, and an investment in a participation interest of $8,421,915. For the year ended December 31, 2015, we had net income of $1,164,544.

On June 19, 2013, the Partnership sold certain assets, along with their related rental streams, to a special purpose entity, SQN Bravo LLC ("Bravo"). The Partnership's Investment Manager determined that this was in its best interests due to the following factors: (i) the Partnership was able to leverage investments through debt at rates less than the rates the corresponding leased equipment were earning and (ii) the Partnership was able to use the proceeds to make additional lease investments at higher rates.

On June 19, 2013, Bravo obtained financing as follows; (i) a non-recourse loan payable for $5,860,085 and (ii) an equity investment from the Partnership of $3,906,724. Bravo also purchased a seasoned portfolio of leased equipment from SQN Alternative Investment Fund II, LLC ("SQN Fund II"), an entity also sponsored by the Partnership's Investment Manager. The portfolio purchased from SQN Fund II was valued at the time of purchase based on discounted cash flows for the revenue streams at a predetermined rate and the residual values of the underlying assets were supported by third party appraisals. Bravo purchased the following general types of leased assets: (i) $632,284 in finance leases, (ii) $1,937,636 in equipment subject to operating leases and (iii) $2,500,000 in residual value investments in equipment on lease. In addition, the Partnership sold various leased assets with a net book value of $4,137,073 to Bravo.

As a result of the equity purchase noted above, on June 19, 2013, the Partnership acquired the primary economic risks and rewards in Bravo and accordingly, now has to consolidate Bravo into its financial statements and results of operations.

At December 31, 2016 and 2015, the Partnership's investment portfolio consisted of the following transactions:

Anaerobic Digestion Plant

An anaerobic digestion plant is a series of processes in which microorganisms breakdown biodegradable materials and produce a biogas which can be used to generate electricity. During the period, Bravo sold this finance lease to a third party. The third party paid cash proceeds of £109,000 ($150,660 applying exchange rate of 1.3822 at February 29, 2016), which is net of a value added tax of £21,800, ($30,132 applying exchange rate of 1.3822 at February 29, 2016). The Partnership reclassified $227,824 to accounts receivable for expected VAT refunds. The net book value of this finance lease at the time of sale was $580,648, which resulted in the Partnership recognizing a U.S. GAAP loss of $202,164.

Anaerobic Digestion Plant

In September 2013, Bravo entered into an equipment note receivable agreement with a third party to advance up to £6,000,000 to provide financing for equipment in relation to an anaerobic digestion plant. From September 2013 through February 2014, Bravo funded £5,470,000 of that amount, with the remainder to be funded at a future date. The initial funding of £1,993,860 was made by us and increased our interest in our investment in Bravo. The Anaerobic Digestion project is in two stages. The first is the pre-lease stage when Bravo finances the construction of the plant according to certain milestones that get certified by an independent party. Bravo charged 1% interest per month for that stage. When the plant is constructed and produces a predetermined amount of energy, the second stage begins with interest charged at a rate of 9.5% under an equipment lease for an initial term of seven years with a four year extension. In April 2014, the construction of the anaerobic digestion plant, which was part of the Bravo transaction, was completed and the project concluded the pre-lease stage. On May 1, 2014, the second stage began with interest charged at a rate of 9.5% under an equipment lease for an initial term of seven years with a four year extension. In May 2014, because Bravo was consolidated, we reclassified the equipment note receivable recorded for the pre-lease stage as a direct finance lease. The finance lease requires 9 monthly payments, in arrears, of £47,520 and 75 monthly payments, in arrears, of £106,500. The lease has a four year extension option which requires 48 monthly payments of £12,489. In August 2015, Bravo sold this finance lease to a third party. The third party paid cash proceeds of £6,043,756 ($9,387,464 applying exchange rate of 1.55325 at August 26, 2015), which is net of a value added tax of £1,261,752, ($1,959,816 applying exchange rate of 1.55325 at August 26, 2015). The net book value of this finance lease at the time of sale was $8,548,281, which resulted in us recognizing a U.S. GAAP gain of $839,183.

Medical Equipment

On March 27, 2013, we entered into a finance lease transaction for medical equipment located in the United States of America for $475,317. The finance lease has a 60 month term, requires monthly payments, in advance, of $10,500 and included a bargain purchase option at the expiration of the lease term. The initial monthly rental payment was paid on March 27, 2013.

On June 19, 2013, we sold the investment in this medical equipment to Bravo.

Bottle Recycling and Extrusion Production Line

On June 29, 2011, we entered into a Participation Agreement (the "Agreement") for an ownership interest in a Hire Purchase Agreement (the "HP Agreement"). The HP Agreement is between an independent United Kingdom leasing entity and the lessee of a bottle recycling and extrusion line located in the United Kingdom. We made our initial payment under the Agreement on June 29, 2011 totaling £1,100,000 and made our final payment on October 13, 2011 totaling £730,000.

Under the terms of the HP Agreement there is both an initial rental period and a fixed rental period. The initial rental period ran through June 30, 2012 at which time the fixed rental period began. The fixed rental period is for a term of 60 months and the Partnership receives monthly payments of £41,021. At lease termination the lessee has an option to purchase the leased equipment at a fixed price. The Partnership's portion of the proceeds will be £253,821. The Partnership paid initial direct costs as follows: (i) on November 30, 2011, the Partnership paid £9,125 and (ii) on July 15, 2011, the Partnership paid £45,775 related to the acquisition of this leased equipment. As result of the dramatic decline in oil prices, a key component in the production of plastics, the lessee has suffered a significant downturn in its business and profitability as the price of recycled plastics no longer presented an attractive alternative to new plastic products. The Investment Manager has determined that collecting the total outstanding balance of this finance lease is unlikely and has therefore written down the value of this finance lease by £817,348 ($1,209,838 using exchange rate of 1.4802 on December 31, 2015) and is included in provision for lease, note, and loan losses on the consolidated statements of operations. During the year ended December 31, 2016, the Investment Manager has further determined that collecting the total outstanding balance of this finance lease is unlikely and has therefore fully written down the value of this finance lease by £642,703 ($792,838 using exchange rate of 1.2336 on December 31, 2016) and is included in provision for lease, note, and loan losses on the consolidated statements of operations. As of December 31, 2016, the balance is $0.

Modular Accommodations

In January 2015, Bravo reclassified three leases from other assets to operating leases upon the final execution of lease renewals and the receipt of lease payments associated with such renewals. These leases are for modular accommodations configured as healthcare centers in the United Kingdom that Bravo purchased for £1,582,278 ($2,500,000 applying the exchange rate used in the agreement). One of the leases has a month to month lease term and monthly payments of £17,295. The second lease had a remaining term of 60 months and monthly payments of £6,760. The third lease also had a remaining term of 60 months and monthly payments of £12,917.

Aircraft Rotables

On June 19, 2013, Bravo purchased an additional lease for a 90% ownership interest in aircraft rotables located in Australia from SQN Fund II for $310,000, which includes the assumption by Bravo of a security deposit of $29,700. The lease expired on February 15, 2015 and required monthly rental payments of $3,777. At lease expiration, the lessee extended the lease on the same terms for another four years through February 15, 2019.

As part of these transactions Bravo became a party to a participation agreement and a service agreement with an unrelated third party (the "Participant"). Under the participation agreement, the Participant acquired a 10% ownership interest by providing 10% of the financing for each transaction. Under the service agreement, the Participant will receive 5% of the gross payments from the lessees. The Participant will provide program management services and inventory tracking and monitoring services for all of the aircraft rotable parts. Bravo is required to remit the Participant's portion of both the participation agreement and service agreement from the gross payments from the lessee within 10 days of receipt from the lessee.

Reusable Plastic Bulk Storage Containers – Participation

On March 30, 2012, we entered into a participation agreement with a third party to purchase an 18.08% residual value interest in a pool of intermediate bulk agricultural containers located in the United States of America for $1,367,173. The initial lease term expired June 29, 2013, at which point the lessee entered into a 3 year extension agreement. The Investment Manager determined that it is an operating lease. The terms of the lease require three annual payments in the amount of $471,000 ($2,610,000 multiplied by our interest). On June 23, 2014, we purchased an additional approximate 1.67% of the residual value interest from the third party at the net book value, for $101,858. The transaction increased our interest in this investment to approximately 19.75%. In June 2016, the Partnership sold this operating lease to a third party for total cash proceeds of $792,033 ($148,361 of the proceeds were used to payoff a related loan payable for this lease). The net book value of this lease at the time of sale was $414,559, which resulted in the Partnership recognizing a U.S. GAAP gain of $377,474.

Gamma Knife Suite

On October 30, 2012, the Partnership entered into a Participation Agreement with a third party to acquire a 99.99% residual interest in a gamma knife suite located in the United Kingdom for £379,620. The Partnership paid initial direct costs, which have been included in the cost of the residual value asset, of £15,185.

Hydro-electric Generating Plant – Northern Ireland

On April 4, 2013, the Partnership entered into an equipment note receivable (the "Note") for £1,440,000 with a special purpose entity controlled by a third party. This special purpose entity was organized to provide financing for a hydro-electric generating plant located in Northern Ireland. The plant serves as collateral for the Note. The Note accrues interest at 12.0% per year with the interest payable quarterly in arrears. The proceeds from the Note were used for the purchase of a hydro-electric generating plant located in Northern Ireland. The entire principal balance and unpaid interest may be repaid, at any time, along with a redemption fee, as defined in the Note. The borrower's parent company has guaranteed the full amount of the Note.

Manufacturing Equipment and Inventory

On January 24, 2014, Bravo entered into a participation agreement with us and an unrelated lender to purchase manufacturing equipment and inventory. Bravo lent $1,175,000 to a third party under a note receivable agreement on March 4, 2014. The interest on the note is charged at a rate of 12% per annum and interest is payable in twelve monthly installments of $11,750 each. The note matured on March 4, 2015 and the principal balance due was payable in one lump sum. The borrower was unable to remit the lump sum payment and has requested a forbearance until March 31, 2016. The note is on non-accrual status and is secured by the equipment and inventory of the borrower. We advanced $470,000 to Bravo to fund the transaction. Bravo borrowed $705,000 from the lender which accrues interest at 7.75% and is repayable with the proceeds from the investments. As of December 31, 2016, the outstanding balance of principal and interest is $1,175,000. As of December 31, 2016, the Partnership reclassified this equipment note to other assets.

Convertible Promissory Note

On February 27, 2013, the Partnership entered into a Subscription and Securities Purchase Agreement to purchase a portion of a $3,500,000 Convertible Promissory Note ("Promissory Note"). On February 28, 2013, the Partnership purchased a Promissory Note with a principal amount of $1,500,000. The Promissory Note bore simple interest at 10% per year which was payable quarterly. The Promissory Note was collateralized by the shares of the borrower and by an investment portfolio consisting of among other assets, equipment leases, direct hard assets and infrastructure investments. In March 2016, the Partnership received cash of $41,572 ($8,572 of principal and $33,000 of interest). In June 2016, the Partnership received cash of $1,343,121 ($1,311,428 of principal and $31,693 of interest) as payment in full of this promissory note.

Loan Note Instrument

On July 29, 2016, the Partnership funded $277,893, after applicable exchange rates, under a Loan Note Instrument to provide financing to a borrower which acquired shares of a special purpose entity that previously acquired, by assignment, the rights to lease a parcel of land in Ireland on which planning permissions have been granted to construct an aerobic digestion plant. This is part of a project financing and long term lease of the aerobic digestion plant.

SQN Delta LLC

On October 9, 2013, we formed a special purpose entity, SQN Delta, LLC ("Delta"), a limited liability company registered in the state of Delaware which is 100% owned by the Partnership. On October 25, 2013, Delta entered into a participation agreement with unrelated third parties for the purchase of an approximate $8,540,000 ownership interest in two bulk carrier vessels. Each vessel is subject to an initial 6 year charter of which approximately 4 years remain. In accordance with the participation agreement, we have the right to force a sale of the vessels at any time the sale proceeds would be sufficient to provide Delta with a 14% internal rate of return on an unleveraged basis. We incurred $4,200,000 of debt relating to the transaction, accruing interest at 10.9% per annum with maturity in December 2020. The debt will be repaid with cash flows generated from the underlying assets acquired. In addition to the above debt, we contributed $4,000,000 to Delta to complete the investment.

Equipment Investment through SPV

On June 22, 2016, Delta entered into a sale and assignment of partnership interest agreement with a third party. Under the terms of the agreement, Delta acquired an 88.20% (90% of 98%) economic interest in a portfolio of a container feeder vessel. Delta acquired their economic interest in the vessel through a limited partnership interest in Boxship Holding, which acquired and operates the container feeder vessel. Boxship Holding acquired a container feeder vessel for $3,546,016 and drydocking reserves of $747,123 for an aggregate investment of $4,293,139. As of December 31, 2016, the Partnership has an aggregate investment balance of $4,290,664.

Boxship Holding acquired and operates a container feeder vessel which collects shipping containers from different ports and transports them to central container terminals where they are loaded to bigger vessels. For the period ended December 31, 2016, Boxship Holding recorded income of approximately $1,408,000 primarily from charter rental fees less total expenses of $1,819,000, consisting of ship operating expenses, of approximately $1,165,000, ship management fees and charter commissions fees of approximately $306,000, general and administrative expenses, of approximately $108,000, depreciation expense, of approximately $160,000 and interest expense of approximately $80,000 resulting in a net loss of approximately $411,000.

Segment Information

The Partnership is engaged in a single business segment, the ownership and investment in leased equipment, which includes: (i) purchasing equipment and leasing it to third-party end users; (ii) providing equipment and other asset financing; (iii) acquiring equipment subject to lease and (iv) acquiring ownership rights (residual value interests) in leased equipment at lease expiration. From time to time, the Partnership may also purchase equipment and sell it directly to our leasing customers.

Competition

The commercial leasing and financing industry is highly competitive and is characterized by competitive factors that vary based upon product and geographic region. The Partnership's competitors are varied and include other equipment leasing and finance funds, hedge funds, private equity funds, captive and independent finance companies, commercial and industrial banks, manufacturers and vendors.

Other equipment finance companies and equipment manufacturers or their affiliated financing companies may be in a position to offer equipment to prospective customers on financial terms that are more favorable than those that we can offer. There are numerous other potential entities, including entities organized and managed similarly to us, seeking to make investments in leased equipment. Many of these potential competitors are larger and have greater financial resources than us.

The Partnership competes primarily on the basis of terms and structure, particularly on structuring flexible, responsive, and customized financing solutions for our customers. The Partnership's investments are often made directly rather than through competition in the open market. This approach limits the competition for our typical investment, which may enhance returns. The Partnership's Investment Manager believes that investment model may represent the best way for individual investors to participate in investing in leased equipment. Nevertheless, to the extent that the Partnership's competitors compete aggressively on any combination of the foregoing factors, the Partnership could fail to achieve our investment objectives. For additional information about our competition and other risks related to our operations, please see "Item 1A. Risk Factors."

Employees

The Partnership has no direct employees. The Partnership's General Partner and/or the Investment Manager supervise and control the Partnership's business affairs and service our investments.

Available Information

The Partnership's Annual Report on Form 10-K, the most recent Quarterly Reports on Form 10-Q and any amendments to those reports and the Current Reports on Form 8-K, if any, and any amendments to those reports are available free of charge on the SEC's website at http://www.sec.gov or from the Partnership's Investment Manager website at http://www.sqncapital.com.

Financial Information Regarding Geographic Areas

The Partnership has long-lived assets, which include finance leases, operating leases, residual value investments and project financings, and the Partnership generates revenues in geographic areas outside of the United States of America. For additional information, refer to Part II. Item 8. Financial Statement and Supplementary Data, Note 16 Geographic Information in the consolidated financial statements included in this Annual Report on Form 10-K.

Item 1A. Risk Factors

Smaller reporting companies are not required to provide the information required by this item.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We neither own nor lease office space or any other real property in our business at the present time.

Item 3. Legal Proceedings

We are not aware of any material legal proceedings that are currently pending against us or against any of our assets.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our Units are not publicly traded and there is no established public trading market for our Units. It is unlikely that any such market will develop.

Title of Class	Number of Partners at March 31, 2017
General Partner	1
Limited Partners	375

The Partnership pays, at the sole discretion of the Investment Manager and contingent upon the availability of funds, semi-annual cash distributions to each Limited Partner computed at 3% (pro-rated to the date of admission for each Limited Partner) of each Limited Partner's capital contribution, beginning six months after our initial closing, which occurred on May 2, 2011 through the Partnership's Operating Period, which concluded on June 29, 2014. The Liquidation Period started on June 29, 2014 and is expected to last approximately four years. For the years ended December 31, 2016 and 2015, the Partnership paid cash distributions to our Limited Partners totaling \$3,714,066 and \$5,960,036, respectively. As of December 31, 2016, the Partnership accrued \$484,244 for distributions payable to our Limited Partners. As of December 31, 2016, the Partnership accrued \$143,221 for distributions payable to our General Partner.

The Partnership is required pursuant to FINRA Rule 2310(b)(5) to disclose in each annual report distributed to the Limited Partners a per Unit estimated value of our Units, the method by which we developed the estimated value, and the date used to develop the estimated value. In addition, the Partnership's Investment Manager prepares statements of our estimated Unit values to assist fiduciaries of retirement plans subject to the annual reporting requirements of ERISA in the preparation of their reports relating to an investment in our Units. For these purposes, the estimated value of our Units is deemed to be \$1,000 per Unit at December 31, 2016. This estimated value is provided to assist plan fiduciaries in fulfilling their annual valuation and reporting responsibilities and should not be used for any other purpose. Because this is only an estimate, the Partnership may subsequently revise this valuation.

During the offering of the Partnership's Units and consistent with NASD Rule 2340(c), the value of the Partnership's Units were estimated to be the offering price of \$1,000 per Unit. At December 31, 2016, the Partnership was in the Liquidating Period, which the Partnership had begun on June 29, 2014, and the value of the Units are estimated to be the offering price of \$1,000 per Unit.

Following the completion of our Offering Period, the estimated value of the Partnership's Units will be based on fair value assumptions of the Partnership's various equipment investments using cash flow modeling techniques. To estimate the cash flow for each investment, the Partnership calculates the sum of: (i) the unpaid balance of minimum rents for the finance lease, (ii) amounts that will reasonably be expected to be collectible from our notes receivable, (iii) future rental income payments from non-cancellable lease agreements for equipment subject to operating leases and (iv) the residual value of our equipment leases, all discounted to arrive at the net present value for each such transaction and (v) the Partnership's cash on hand. From this amount, the Partnership then subtracts the total liabilities outstanding and then divide that difference by the total number of Units outstanding for the period.

The foregoing valuation is an estimate only. The methodology incorporated by the Partnership's Investment Manager in estimating the Partnership's per Unit value is subject to various limitations and is based on a number of assumptions and estimates that may or may not be accurate or complete. No liquidity discounts or discounts relating to the fact that the Partnership is currently externally managed were applied to the Partnership's estimated per Unit valuation, and no attempt was made to value the Partnership as an enterprise.

As noted above, the foregoing valuation was performed solely for ERISA and FINRA purposes described above and was based solely on the Partnership's Investment Manager's perception of market conditions and the types and amounts of the Partnership's assets as of the reference date for such valuation and should not be viewed as an accurate reflection of the value of the Partnership's Units or the Partnership's assets. Our Investment Manager did not obtain independent third-party appraisals for any of the Partnership's assets. In addition, as stated above, as there is no significant public trading market for our Units at this time and none is expected to develop, there can be no assurance that limited partners could receive $1,000 per Unit if such a market did exist and they sold their Units or that they will be able to receive such amount for their Units in the future. Furthermore, there can be no assurance:

- as to the amount Limited Partners may actually receive if and when we seek to liquidate the Partnership's assets or the amount of lease and note receivable payments and asset disposition proceeds the Partnership will actually receive over our remaining term; the total amount of distributions the Partnership's Limited Partners may receive may be less than $1,000 per Unit primarily due to the fact that the funds initially available for investment were reduced from the gross offering proceeds in order to pay distribution expenses and organizational and offering expenses;

- that the foregoing valuation, or the method used to establish the value, will satisfy the technical requirements imposed on plan fiduciaries under ERISA; or

- that the foregoing valuation, or the method used to establish value, will not be subject to challenge by the IRS if used for any tax (income, estate, gift or otherwise) valuation purposes as an indicator of the current value of our Units.

The redemption price the Partnership offers to repurchase the Partnership's Units utilizes a different valuation methodology than that which we use to determine the current value of our Units for ERISA and FINRA purposes described above. Therefore, the $1,000 per Unit does not reflect the amount that a Limited Partner should expect to receive under our redemption plan. In addition, there can be no assurance that a Limited Partner will be able to redeem their Units under our redemption plan. A Limited Partner may not redeem their Units without the prior written consent of our General Partner. The Partnership's General Partner has the sole discretion to approve or deny any redemption requested by any of our Limited Partners.

Item 6. Selected Financial Data

The selected financial data should be read in conjunction with the financial statements and related notes included in "Item 8. Financial Statements and Supplementary Data" contained elsewhere in this Annual Report on Form 10-K.

	Years Ended December 31,	
	2016	**2015**
Total revenue	$ 3,689,760	$ 5,259,768
Net (loss) income	$ (1,914,022)	$ 1,164,544
Net (loss) income allocable to Limited Partners	$ (1,894,882)	$ 1,152,899
Weighted average number of limited partnership interests outstanding	27,721.10	27,721.10
Net (loss) income per weighted average number of limited partnership interests outstanding	$ (68.36)	$ 41.59
Distributions paid to Limited Partners	$ 1,564,805	$ 8,593,541
Distributions per weighted average number of limited partnership interests outstanding	$ 56.45	$ 310.00

	December 31,	
	2016	**2015**
Total assets	$ 21,830,910	$ 23,548,819
Partners' Equity	$ 13,449,487	$ 16,976,030

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

We are a Delaware limited partnership formed on March 10, 2010. Our fund operates under a structure in which we pool the capital invested by our partners. This pool of capital is then used to invest in business-essential, revenue-producing (or cost-saving) equipment and other physical assets with substantial economic lives and, in many cases, associated revenue streams. The pooled capital contributions are also used to pay fees and expenses associated with our organization and to fund a capital reserve.

Our principal investment strategy is to invest in business-essential, revenue-producing (or cost-savings) equipment with high in-place value and long, relative to the investment term, economic life. We expect to achieve our investment strategy by making investments in equipment already subject to lease or originating equipment leases in such equipment, which will include: (i) purchasing equipment and leasing it to third-party end users; (ii) providing equipment and other asset financing; (iii) acquiring equipment subject to lease and (iv) acquiring ownership rights (residual value interests) in leased equipment at lease expiration. From time to time, we may also purchase equipment and sell it directly to our leasing customers.

Many of our investments are, and we anticipate will continue to be, structured as full payout or operating leases. Full payout leases generally are leases under which the rent over the initial term of the lease will return our invested capital plus an appropriate return without consideration of the residual value, and where the lessee may acquire the equipment or other assets at the expiration of the lease term. Operating leases generally are leases under which the aggregate non-cancelable rental payments during the original term of the lease, on a net present value basis, are not sufficient to recover the purchase price of the equipment or other assets leased under the lease.

We commenced our Operating Period on June 29, 2011 with our first equipment transaction. During the Operating Period we invested most of the net offering proceeds in items of equipment that were subject to leases, equipment financing transactions, and residual ownership rights in leased equipment. After the net offering proceeds were invested, additional investments were made with the cash proceeds generated from our initial investments, to the extent that cash was not needed for expenses, reserves, or distributions to Limited Partners. The investment in additional equipment in this manner was called "reinvestment." After the termination of our Operating Period, we will sell our assets in the ordinary course of business, a time frame called the Liquidation Period. The Liquidation Period started on June 29, 2014 and is expected to last approximately four years, unless it is extended, at the sole discretion of our General Partner for a maximum of two one-year extensions.

Current Business Environment and Outlook

We believe that 2017 will continue to present attractive opportunities for equipment lease and asset finance investments. While we expect interest rates to increase, this will generally result in increased returns on asset based investments. As the lending institutions such as banks raise the rates they charge to borrowers, this will make the financing provided by us more cost competitive, and broaden the market of potential investments Although it also increases the cost of leverage, we do not see much of a net effect on our gross margins since we do not plan on utilizing significant leverage in our portfolio. Our single investor leases and loans should benefit from any increase in interest rates over the long term. Specialty finance firms have raised a significant amount of capital targeted toward these asset classes which has driven down financing rates across the sector. The competitive environment is firming up with a few large participants exiting the market, but with a growing number of well capitalized new participants prepared to absorb market share. As the market settles, we think there is more opportunity than there has been in years to acquire seasoned portfolios of equipment leases and loans. We also think that there may be opportunity for consolidation in the next year or two. Overall we think that businesses have a positive outlook for growth in 2017 and we anticipate capital asset and equipment acquisition will be an essential part of that growth.

Current Industry Trends

According to the Equipment Leasing and Finance Foundation's "*2017 Equipment Leasing and Financing U.S. Economic Outlook"* the U.S. economy's growth in 2017 is poised to experience moderately strong growth of 2.7% while equipment and software investment should expand by about 3.0%. After a growth pause during the first half of 2016 in which low energy and commodity prices contributed to weak business confidence and investment, the U.S. economy appears to be back on solid footing. Credit market conditions are healthy and are not expected to inhibit business investment or the equipment finance industry. Struggles for the energy, manufacturing and export sectors posed a major drag on business investment in 2016, but early indicators point to growth of 3.0% in equipment and software investment in 2017. U.S. manufacturing activity is anticipated to increase over the near term with support from the current administration. Materials handling equipment investment growth should remain stable. All other industrial equipment investment growth will likely rebound. Medical equipment investment growth should remain stable. Railroad equipment investment growth should continue to strengthen. Trucks investment growth is poised to accelerate. Computers investment growth is likely to improve. Aircraft and ship investment growth will likely strengthen, and while we do not anticipate making significant investment in these asset classes, this will tie up substantial amount of capital of other asset finance companies.

Receding headwinds should propel equipment investment towards growth in 2017, after a less than ideal 2016 witnessed three consecutive quarters of contraction. Although Q4 2016 data may be stronger than recent quarters. A key factor in this rebound is the energy sector, which has been a major drag on growth for several quarters but is no longer in freefall and should improve in the months ahead. This will benefit several equipment verticals that are closely tied to the energy sector. Meanwhile, most other verticals are also exhibiting positive signs and appear primed to improve in the first half of 2017. U.S. credit conditions remain stable, with little change from last quarter in the areas of credit supply and financial stress, and a slight increase in credit demand (especially among consumers and households). Business demand for credit remains tepid but has improved from last quarter. The Federal Reserve Board has increased its benchmark interest rate in December, and is expected to further increase rates in 2017 making our financing more cost competitive with banks.

Recent Significant Transactions

Loan Note Instrument

On July 29, 2016, the Partnership funded $277,893, after applicable exchange rates, under a Loan Note Instrument to provide financing to a borrower which acquired shares of a special purpose entity that previously acquired, by assignment, the rights to lease a parcel of land in Ireland on which planning permissions have been granted to construct an aerobic digestion plant. This is part of a project financing and long term lease of the aerobic digestion plant, which was an investment the Partnership entered into during the operating period.

Equipment Investment through SPV

On June 22, 2016, Delta entered into a sale and assignment of partnership interest agreement with a third party. Under the terms of the agreement, Delta acquired an 88.20% (90% of 98%) economic interest in a portfolio of a container feeder vessel. Delta acquired their economic interest in the vessel through a limited partnership interest in Boxship Holding, which acquired and operates the container feeder vessel. Boxship Holding acquired a container feeder vessel for $3,546,016 and drydocking reserves of $747,123 for an aggregate investment of $4,293,139. As of December 31, 2016, the Partnership has an aggregate investment balance of $4,290,664.

Boxship Holding acquired and operates a container feeder vessel which collects shipping containers from different ports and transports them to central container terminals where they are loaded to bigger vessels. For the period ended December 31, 2016, Boxship Holding recorded income of approximately $1,408,000 primarily from charter rental fees less total expenses of $1,819,000, consisting of ship operating expenses, of approximately $1,165,000, ship management fees and charter commissions fees of approximately $306,000, general and administrative expenses, of approximately $108,000, depreciation expense, of approximately $160,000 and interest expense of approximately $80,000 resulting in a net loss of approximately $411,000.

Critical Accounting Policies

An understanding of our critical accounting policies is necessary to understand our financial results. The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires our General Partner and our Investment Manager to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates primarily include the determination of allowance for doubtful accounts, depreciation and amortization, impairment losses and the estimated useful lives and residual values of the leased equipment we acquire. Actual results could differ from those estimates.

Lease Classification and Revenue Recognition

Each equipment lease we enter into is classified as either a finance lease or an operating lease, which is determined at lease inception based upon the terms of each lease, or when there are significant changes to the lease terms. We capitalize initial direct costs associated with the origination and funding of lease assets. Initial direct costs include both internal costs (e.g., labor and overhead) and external broker fees incurred with the origination. Costs related to leases that are not consummated are not eligible for capitalization as initial direct costs and are expensed as incurred as acquisition expense. For a finance lease, initial direct costs are capitalized and amortized over the lease term using the effective interest rate method. For an operating lease, the initial direct costs are included as a component of the cost of the equipment and depreciated over the lease term.

For finance leases, we record, at lease inception, the total minimum lease payments receivable from the lessee, the estimated unguaranteed residual value of the equipment at lease termination, the initial direct costs related to the lease, if any, and the related unearned income. Unearned income represents the difference between the sum of the minimum lease payments receivable, plus the estimated unguaranteed residual value, minus the cost of the leased equipment. Unearned income is recognized as finance income over the term of the lease using the effective interest rate method.

For operating leases, rental income is recognized on a straight-line basis over the lease term. Billed operating lease receivables are included in accounts receivable until collected. Accounts receivable are stated at their estimated net realizable value. Rental income received in advance is the difference between the timing of the receivables billed and the income recognized on a straight-line basis.

For leases subject to equipment notes receivable, specific payment terms were reached requiring payments which resulted in the recognition of interest income. This income is recognized over the course of the lease agreement.

Our Investment Manager has an investment committee that approves each new equipment lease and other financing transaction. As part of its process, the investment committee determines the residual value, if any, to be used once the investment has been approved. The factors considered in determining the residual value include, but are not limited to, the creditworthiness of the potential lessee, the type of equipment considered, how the equipment is integrated into the potential lessee's business, the length of the lease and the industry in which the potential lessee operates. Residual values are reviewed for impairment in accordance with our impairment review policy.

The residual value assumes, among other things, that the asset is utilized normally in an open, unrestricted and stable market. Short-term fluctuations in the marketplace are disregarded and it is assumed that there is no necessity either to dispose of a significant number of the assets, if held in quantity, simultaneously or to dispose of the asset quickly. The residual value is calculated using information from various external sources, such as trade publications, auction data, equipment dealers, wholesalers and industry experts, as well as inspection of the physical asset and other economic indicators.

Asset Impairments

The significant assets in our investment portfolio are periodically reviewed, no less frequently than annually or when indicators of impairment exist, to determine whether events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized only if the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. If there is an indication of impairment, we estimate the future cash flows (undiscounted and without interest charges) expected from the use of the asset and its eventual disposition. Future cash flows are the future cash inflows expected to be generated by an asset less the future out-flows expected to be necessary to obtain those inflows. If an impairment is determined to exist, it is recorded in the statement of operations in the period the determination is made. The events or changes in circumstances that generally indicate that an asset may be impaired are, (i) the estimated fair value of the underlying equipment is less than its carrying value, (ii) the lessee is experiencing financial difficulties and (iii) it does not appear likely that the estimated proceeds from the disposition of the asset will be sufficient to satisfy the residual value in the asset. The preparation of the undiscounted cash flows requires the use of assumptions and estimates, including the level of future rents or receipts from the sale of the residual value investment, estimated downtime between re-leasing events, and the amount of re-leasing costs. The Investment Manager’s review for impairment will include a consideration of the existence of impairment indicators, including third party appraisals, published values for similar assets, recent transactions for similar assets, adverse changes in market conditions for specific asset types, and the occurrence of significant adverse changes in general industry and market conditions that could affect the fair value of the asset.

Equipment Notes Receivable

Equipment notes receivable are reported in our consolidated balance sheets as the outstanding principal balance net of any unamortized deferred fees, premiums or discounts on purchased loans. Costs to originate loans, if any, are reported as other assets in our consolidated balance sheets. Income is recognized over the life of the note agreement. On certain equipment notes receivable, specific payment terms were reached requiring prepayments which resulted in the recognition of unearned interest income. Unearned income, discounts and premiums, if any, are amortized to interest income in the consolidated statements of operations using the effective interest rate method. Equipment notes receivable are generally placed in a non-accrual status when payments are more than 90 days past due. Additionally, the Investment Manager periodically reviews the creditworthiness of companies with payments outstanding less than 90 days. Based upon the Investment Manager’s judgment, accounts may be placed in a non-accrual status with any accrued revenue being reversed. Accounts on a non-accrual status are only returned to an accrual status when the account has been brought current and we believe recovery of the remaining unpaid receivable is probable. Revenue on non-accrual accounts is recognized only when cash has been received.

Cost method of accounting

We record our investment in participation interests at cost. Under the cost method of accounting for investments, dividends are the basis for recognition by an investor of earnings from an investment. We recognize as income dividends received that are distributed from net accumulated earnings of the investee since the date of acquisition. The net accumulated earnings of the investee subsequent to the date of investment are recognized by us only to the extent distributed by the investee as dividends. Dividends received in excess of earnings subsequent to the date of investment are considered a return of investment and are recorded as a reduction of the cost of the investment.

Depreciation

We record depreciation expense on equipment when the lease is classified as an operating lease. In order to calculate depreciation, we first determine the depreciable equipment cost, which is the cost less the estimated residual value. The estimated residual value is our estimate of the value of the equipment at lease termination. Depreciation expense is recorded by applying the straight-line method of depreciation to the depreciable equipment cost over the lease term.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments* (*"ASU 2016-15"*), which provides guidance on how certain cash receipts and cash payments are to be presented and classified in the statement of cash flows. The adoption of ASU 2016-15 becomes effective for fiscal years beginning on January 1, 2018, including interim periods within that reporting period. Early adoption is permitted. An entity will apply the amendments within ASU 2016-15 using a retrospective transition method to each period presented. The Partnership is currently in the process of evaluating the impact of the adoption of ASU 2016-15 on its consolidated financial statements.

In February 2016, the Financial Accounting Standards Board ("FASB") issued new guidance to improve consolidation guidance for legal entities (Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842): Amendments to Leases Analysis)*, effective for fiscal years beginning after December 15, 2018 and interim periods within those years and early adoption is permitted. The standard amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. The new leases standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. The Partnership is currently evaluating the impact of this guidance on its consolidated financial statements.

Management does not believe that any other recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying consolidated financial statements.

Results of Operations for the Year Ended December 31, 2016 ("2016") as compared to the Year Ended December 31, 2015 ("2015")

Our Offering Period terminated on March 15, 2013, after which time we no longer accepted Limited Partner capital contributions. During the Offering Period the majority of our cash inflows were from Limited Partners purchasing our Units. After the termination of our Offering Period, the majority of our cash inflows are expected to come from rental payments, interest payments, and sales proceeds from our various equipment investments.

During our Operating Period, we use the net offering proceeds to make our initial investments, which include: (i) purchasing equipment and leasing it to third-party end users; (ii) providing equipment and other asset financing; (iii) acquiring equipment subject to lease and (iv) acquiring ownership rights (residual value interests) in leased equipment at lease expiration. As our investments mature, we anticipate reinvesting the cash proceeds, to the extent that the cash will not be needed for expenses, reserves and distributions to our Limited Partners, in additional investments in leased equipment and financing transactions. Additionally, we expect to see our rental income and finance income increase, as well as related expenses, such as depreciation and amortization expense.

Revenue for 2016 and 2015 is summarized as follows:

	For the Year Ended December 31,	
	2016	**2015**
Revenue:		
Rental income	$ 882,686	$ 1,661,659
Finance income	8,106	1,068,023
Gain on sale of assets	161,121	860,762
Investment income	903,164	850,462
Interest income	326,833	808,775
Income from equipment investment through SPV	1,407,850	-
Other income	-	10,087
Total Revenue	$ 3,689,760	$ 5,259,768

For the year ended December 31, 2016, we earned total revenue of $3,689,750, which is a decrease of approximately $1,570,000 from 2015. The decrease in total revenue was due to a decrease in rental income of approximately $779,000, a decrease in gain on sale of assets of approximately $700,000, a decrease in interest income of approximately $482,000, and a decrease in finance income of approximately $1,060,000. These decreases were offset by an increase of approximately $1,408,000 from income from equipment investment through SPV. The decrease in total revenue is primarily due to the sale of our assets as we are in our Liquidation Period which results in a decrease in rental, finance and interest income.

Expenses for 2016 and 2015 are summarized as follows:

	Year Ended December 31,	
	2016	2015
Provision for lease, note, and loan losses	$ 1,325,866	$ 1,368,767
Expenses:		
Management fees - Investment Manager	$ 566,708	$ 566,708
Depreciation and amortization	600,686	832,627
Professional fees	189,007	202,070
Administration expense	32,066	31,381
Other expenses	43,908	15,717
Interest expense	385,833	737,277
Expenses from equipment investment through SPV	1,818,453	-
Total Expenses	$ 3,636,661	$ 2,385,780
Foreign currency transaction losses	$ 682,315	$ 340,677

During the year ended December 31, 2016, we incurred total expenses of $3,636,661 versus total expenses of $2,385,780 for the year ended December 31, 2015. The primary reason for the increase of approximately $1,251,000 from 2015 was due to an increase in expenses from equipment investment through SPV of $1,818,000, slightly offset by a decrease in interest of $351,000 and depreciation and amortization of $232,000. Interest expense decreased compared to 2016 due to paydowns of loan principal on the non-recourse loans payable. We also incurred a provision for lease, note, and loan losses of approximately $1,326,000 as a result of loan reserves being placed on 2 assets in 2016.

We have paid our Investment Manager a management fee equal to or the greater of; (i) a fixed monthly management fee of $60,000 or (ii) 1.975% per annum of the aggregate offering proceeds. If, at the end of the Offering Period, we raised total offering proceeds of less than $36,000,000, the management fee would be reduced to such an amount that over our entire life the total average management fee will not be greater than 2% per year of the aggregate offering proceeds. We did not reach this equity threshold. In accordance with the terms of the Offering Agreement, beginning in April 2013, the monthly management fee was reduced from $60,000 per month to $47,226 per month through December 2016. The reduced management fee calculation was based upon our Investment Managers expectation that we will conclude our business operations during June 2017. The Investment Manager will continue to monitor our operations, which may change the monthly management fee amount.

For the year ended December 31, 2016, we generated foreign currency transaction losses of $682,315, which were incurred as follows: (i) approximately $675,000 loss was related directly to our equipment leasing transactions or project financings in the United Kingdom and (ii) approximately $7,000 gain was related to foreign exchange fluctuation changes in our cash accounts located in the United Kingdom. The exchange rate between the British Pound and the United States of America dollar decreased approximately 13.0% during the year ended December 31, 2016. For 2015, we generated foreign currency transaction losses of $340,677, which were incurred as follows: (i) approximately $364,000 loss was related directly to our equipment leasing transactions or project financings in the United Kingdom and (ii) approximately $23,000 gain was related to foreign exchange fluctuation changes in our cash accounts located in the United Kingdom. The exchange rate between the British Pound and the United States of America dollar decreased approximately 5.0% during the year ended December 31, 2015.

Net income and loss

As a result of the factors discussed above we incurred net loss of $1,955,082 for the year ended December 31, 2016, compared to net income of $1,164,544 for the year ended December 31, 2015.

Liquidity and Capital Resources

Sources and Uses of Cash

	Year Ended December 31	
	2016	**2015**
Cash provided by (used in):		
Operating activities	$ 190,332	$ 3,693,623
Investing activities	$ (1,880,613)	$ 12,039,950
Financing activities	$ (395,333)	$ (13,249,698)

Sources of Liquidity

We are currently in our Liquidation Period. The Liquidation Period is the time-frame in which we sell equipment under lease in the normal course of business. During this time period we anticipate that a substantial portion of our cash outflows will be from operating activities and the majority of our cash inflows are expected to be from operating and investing activities. We believe that the cash inflows will be sufficient to finance our liquidity requirements for the foreseeable future, including semi-annual distributions to our Limited Partners, general and administrative expenses, interest on the Partnership's, Bravo's and Delta's non-recourse loan payable and fees paid to our Investment Manager.

Operating Activities

During 2016, we generated cash inflows from operating activities of $190,332. This was principally due to a net loss of approximately $1,955,000 and an increase in accounts receivable and other assets of approximately $485,000 from sales of an operating lease and a finance lease. We also had a non-cash decrease of approximately $161,000 from gain on sale of assets. Offsetting these cash outflows were cash inflows from cash collections from rental payments from both our finance and operating leases. We received cash of approximately $110,000 from our finance leases during 2016. The majority of our leases are payable in British Pound Sterling, therefore future cash inflows will be affected by the foreign currency exchange rates at the time we receive these payments. Additionally, we had a non-cash increase of approximately $2,602,000 which represented depreciation and amortization, unrealized foreign currency transaction losses and provision for lease, note and loan losses. We anticipate that we will generate net cash inflows from operations but we may experience swings due mostly to changes in the foreign currency transaction gains or losses from year to year.

During 2015, we generated cash inflows from operating activities of $3,693,623. This was principally due to net income of approximately $1,165,000 and to cash collections from rental payments from both our finance and operating leases as well as interest income on the equipment notes receivable. We received cash of approximately $1,265,000 from our finance leases and cash of approximately $572,000 from our equipment notes receivable during 2015. The majority of our leases are payable in British Pound Sterling, therefore future cash inflows will be affected by the foreign currency exchange rates at the time we receive these payments. The cash inflows were offset by various non-cash deductions which totaled approximately $1,929,000 and consisted of finance income and gains on sale of assets. These non-cash deductions were offset by a non-cash increase of approximately $2,562,000 which represented depreciation and amortization, accrued interest income, unrealized foreign currency transaction losses, investment loss from equity method investments and provision for lease, note and loan losses. We anticipate that we will continue to generate net cash inflows from operations but we may experience swings due mostly to changes in the foreign currency transaction gains or losses from year to year.

Investing Activities

Cash used by investing activities for 2016 was $1,880,613. We paid approximately $3,865,000 for the purchase of a container feeder vessel through our equipment investment through SPV. We paid approximately $278,000 for the purchase of a collateralized loan receivable. We received proceeds of approximately $943,000 from the sale of leased assets and approximately $1,320,000 for principal payments received on convertible notes. We anticipate generating cash inflows during the Liquidation Period as we sell our various equipment leases.

Cash provided by investing activities for 2015 was $12,039,950. We received proceeds of approximately $706,000 and $379,000 as a return of capital from our investments in Echo and Echo II, respectively, due to the sale of all their portfolios of leases. We also received proceeds of approximately $9,800,000 from the sale of leased assets, the receipt of approximately $1,938,000 for the repayment of an outstanding note receivable and approximately $56,000 for principal payments received on convertible notes. These inflows were offset by cash outflows of approximately $428,000 for the purchase/refurbishment of operating leases and approximately $412,000 for repayment of other liability during 2015. We anticipate generating cash inflows during the Liquidation Period as we sell our various equipment leases.

Financing Activities

Cash used by financing activities for 2016 was $395,332. During 2016, we received proceeds from borrowing from loans payable at approximately $3,847,000, offset by principal payments on the loans payable of approximately $1,100,000 and cash distributions to our Limited Partners of approximately $3,714,000 and approximately $135,000 from repayment of a note receivable with our Investment Manager.

Cash used by financing activities for 2015 was $13,249,698. During 2015, we paid approximately $7,411,000 of principal payments on the loans payable and approximately $5,960,000 for cash distributions to our Limited Partners. Offsetting this decrease was cash inflows of approximately $121,000 from repayment of a note receivable with our Investment Manager.

Distributions

We make, at the sole discretion of our Investment Manager and contingent upon the availability of funds, semi-annual cash distributions to each Limited Partner computed at 3% (pro-rated to the date of admission for each Limited Partner) of each Limited Partner’s capital contribution which began six months after the our initial closing which occurred on May 2, 2011. We made distributions to our Limited Partner’s through the Operating Period. During the years ended December 31, 2016 and 2015, we made cash distributions to our Limited Partners totaling approximately $3,714,000 and $5,960,000, respectively, and we accrued approximately $484,000 for distributions payable to the Limited Partners at December 31, 2016. We did not make a cash distribution to the General Partner during the years ended December 31, 2016 and 2015; however, we accrued approximately $143,000 for distributions payable to the General Partner at December 31, 2016.

Commitments and Contingencies and Off-Balance Sheet Transactions

Commitment and Contingencies

Our income, losses and distributions are allocated 99% to our Limited Partners and 1% to our General Partner until the Limited Partners have received total distributions equal to each Limited Partner’s capital contribution plus an 8%, compounded annually, cumulative return on each Limited Partner’s capital contribution. After such time, income, losses and distributions will be allocated 80% to our Limited Partners and 20% to our General Partner.

We enter into contracts that contain a variety of indemnifications. Our maximum exposure under these arrangements is not known.

In the normal course of business, we enter into contracts of various types, including lease contracts, contracts for the sale or purchase of lease assets, and management contracts. It is prevalent industry practice for most contracts of any significant value to include provisions that each of the contracting parties, in addition to assuming liability for breaches of the representations, warranties, and covenants that are part of the underlying contractual obligations, to also assume an obligation to indemnify and hold the other contractual party harmless for such breaches, and for harm caused by such party's gross negligence and willful misconduct, including, in certain instances, certain costs and expenses arising from the contract. Generally, to the extent these contracts are performed in the ordinary course of business under the reasonable business judgment of our General Partner and our Investment Manager, no liability will arise as a result of these provisions. Our General Partner and our Investment Manager knows of no facts or circumstances that would make our contractual commitments outside standard mutual covenants applicable to commercial transactions between businesses. Accordingly, we believe that these indemnification obligations are made in the ordinary course of business as part of standard commercial and industry practice, and that any potential liability under our similar commitments is remote. Should any such indemnification obligation become payable, we would separately record and/or disclose such liability in accordance with accounting principles generally accepted in the United States of America.

Off-Balance Sheet Transactions

None.

Subsequent Events

None.

Item 8. Financial Statements and Supplementary Data.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners
SQN Alternative Investment Fund III L.P. and Subsidiaries
New York, NY

We have audited the accompanying consolidated balance sheets of SQN Alternative Investment Fund III L.P. and Subsidiaries (the "Partnership") as of December 31, 2016 and 2015, and the related consolidated statements of operations, changes in partners' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Partnership is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of its internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SQN Alternative Investment Fund III L.P. and Subsidiaries as of December 31, 2016 and 2015 and the results of their operations and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

/s/ Baker Tilly Virchow Krause, LLP

New York, NY
March 31, 2017

SQN Alternative Investment Fund III L.P. and Subsidiaries
(A Delaware Limited Partnership)
Consolidated Balance Sheets

	December 31, 2016	December 31, 2015
Assets		
Cash and cash equivalents	$ 731,300	$ 2,816,914
Accounts receivable	122,528	3,538
Investments in finance leases, net	-	1,660,512
Investments in equipment subject to operating leases, net	2,448,031	3,452,536
Residual value investments in equipment on lease	634,702	634,702
Convertible promissory note	-	1,320,000
Equipment notes receivable, including accrued interest of $448,213 and $255,082	2,224,597	3,561,570
Collaterized loan receivable, including accrued interest of $21,537 and $0	299,429	-
Loan origination costs, net of accumulated amortization of $160,780 and $160,328	-	452
Due from Investment Manager	2,111	137,373
Initial direct costs, net of accumulated amortization of $426,400 and $415,661	42,768	53,507
Investment in participation interest	8,421,915	8,421,915
Equipment investment through SPV	4,290,664	-
Other assets	2,612,865	1,485,800
Total Assets	$ 21,830,910	$ 23,548,819
Liabilities and Partners' Equity		
Liabilities:		
Non-recourse loans payable, including accrued interest of $135,548 and $32,011	$ 6,513,302	$ 3,223,396
Accounts payable and accrued expenses	435,890	85,462
Distributions payable to Limited Partners	484,244	2,633,505
Distributions payable to General Partner	143,221	127,573
Rental income received in advance	158,604	235,944
Deferred gain from investment	189,767	237,209
Security deposits payable	29,700	29,700
Total Liabilities	7,954,728	6,572,789
Commitments and contingencies	-	-
Partners' Equity (Deficit):		
Limited Partners	13,578,107	17,069,862
General Partner	(128,620)	(93,832)
Total Partners' Equity attributable to the Partnership	13,449,487	16,976,030
Non-controlling interest in consolidated entities	426,695	-
Total Equity	13,876,182	16,976,030
Total Liabilities and Partners' Equity	$ 21,830,910	$ 23,548,819

The accompanying notes are an integral part of these consolidated financial statements.

SQN Alternative Investment Fund III L.P. and Subsidiaries
(A Delaware Limited Partnership)
Consolidated Statements of Operations

	For the Years Ended December 31, 2016	For the Years Ended December 31, 2015
Revenue:		
Rental income	$ 882,686	$ 1,661,659
Finance income	8,106	1,068,023
Gain on sale of assets	161,121	860,762
Investment income from participation interest and equity method investments	903,164	850,462
Interest income	326,833	808,775
Income from equipment investment through SPV	1,407,850	-
Other income	-	10,087
Total Revenue	3,689,760	5,259,768
Provision for lease, note, and loan losses	1,325,866	1,368,767
Revenue less provision for lease, note, and loan losses	2,363,894	3,891,001
Expenses:		
Management fees - Investment Manager	566,708	566,708
Depreciation and amortization	600,686	832,627
Professional fees	189,007	202,070
Administration expense	32,066	31,381
Other expenses	43,908	15,717
Interest expense	385,833	737,277
Expenses from equipment investment through SPV (including depreciation expense of approximately $160,000 for the period ending December 31, 2016)	1,818,453	-
Total Expenses	3,636,661	2,385,780
Foreign currency transaction losses	682,315	340,677
Net (loss) income	$ (1,955,082)	$ 1,164,544
Net loss attributable to non-controlling interest in consolidated entities	(41,060)	-
Net (loss) income attributable to the Partnership	(1,914,022)	1,164,544
Net (loss) income allocable to:		
Limited Partners	$ (1,894,882)	$ 1,152,899
General Partner	(19,140)	11,645
Net (loss) income	$ (1,914,022)	$ 1,164,544
Weighted average number of limited partnership interests outstanding	27,721.10	27,721.10
Net (loss) income attributable to Limited Partners per weighted average number of limited partnership interests outstanding	$ (68.36)	$ 41.59

The accompanying notes are an integral part of these consolidated financial statements.

SQN Alternative Investment Fund III L.P. and Subsidiaries
(A Delaware Limited Partnership)
Consolidated Statement of Changes in Partners' Equity
Years ended December 31, 2016 and 2015

	Limited Partnership Interests	Total Partners' Equity (Deficit)	General Partner	Limited Partners	Non-controlling Interest
Balance, January 1, 2015	27,721.10	$ 24,490,962	$ (19,542)	$ 24,510,504	$ -
Distributions to Partners	-	(8,679,476)	(85,935)	(8,593,541)	-
Net income	-	1,164,544	11,645	1,152,899	-
Balance, December 31, 2015	27,721.10	16,976,030	(93,832)	17,069,862	-
Non-controlling interest contribution to consolidated entities	-	467,755	-	-	467,755
Distributions to Partners	-	(1,580,453)	(15,648)	(1,564,805)	-
Redemption of initial Limited Partners' contribution	-	(32,068)	-	(32,068)	-
Net loss	-	(1,955,082)	(19,140)	(1,894,882)	(41,060)
Balance, December 31, 2016	27,721.10	$ 13,876,182	$ (128,620)	$ 13,578,107	$ 426,695

The accompanying notes are an integral part of these consolidated financial statements.

SQN Alternative Investment Fund III L.P. and Subsidiaries
(A Delaware Limited Partnership)
Consolidated Statements of Cash Flows

	For the Years Ended December 31, 2016	2015
Cash flows from operating activities:		
Net (loss) income	$ (1,955,082)	$ 1,164,544
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Finance income	(8,106)	(1,068,023)
Accrued interest income	(254,771)	28,469
Investment loss from equity method investment	-	86,277
Provision for lease, note, and loan losses	1,325,866	1,368,767
Gain on sale of assets	(161,121)	(860,762)
Depreciation and amortization	600,686	832,627
Foreign currency transaction losses	675,319	245,446
Change in operating assets and liabilities:		
Accounts receivable	(213,491)	93,341
Accrued interest income received	-	571,728
Minimum rental payments received	109,973	1,264,393
Other assets	(271,459)	720,547
Accounts payable and accrued expenses	350,428	(49,996)
Deferred revenue	(47,442)	(47,442)
Accrued interest on notes and loans payable	116,872	(641,443)
Rental income received in advance	(77,340)	(14,850)
Net cash provided by operating activities	190,332	3,693,623
Cash flows from investing activities:		
Purchase/refurbishments of equipment subject to operating leases	-	(428,049)
Proceeds from sale of leased assets	942,693	9,800,458
Principal payments received on convertible notes	1,320,000	55,714
Cash paid for collateralized loan receivable	(277,892)	-
Cash received for repayment of equipment notes receivable	-	1,938,417
Equipment investment through SPV	(3,865,414)	-
Proceeds from sale of SQN Echo LLC	-	705,708
Proceeds from sale of SQN Echo II LLC	-	379,300
Other liability	-	(411,598)
Net cash (used in) provided by investing activities	(1,880,613)	12,039,950
Cash flows from financing activities:		
Proceeds from loans payable	3,846,668	-
Principal payments of loan payable	(1,098,884)	(7,410,818)
Cash received from non-controlling interest contribution	467,755	-
Cash paid for distributions to Limited Partners	(3,714,066)	(5,960,036)
Cash paid for initial Limited Partners contribution redemption	(32,068)	-
Repayment of note from Investment Manager	135,262	121,156
Net cash used in financing activities	(395,333)	(13,249,698)
Net (decrease) increase in cash and cash equivalents	(2,085,614)	2,483,875
Cash and cash equivalents, beginning of year	2,816,914	333,039
Cash and cash equivalents, end of year	$ 731,300	$ 2,816,914

The accompanying notes are an integral part of these consolidated financial statements.

SQN Alternative Investment Fund III L.P. and Subsidiaries
(A Delaware Limited Partnership)
Consolidated Statements of Cash Flows

	For the Years Ended December 31, 2016	2015
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 268,960	$ 898,443
Supplemental disclosure of non-cash investing and financing activities:		
Increase in equipment investment through SPV	$ (425,250)	$ -
Reclassification of equipment subject to operating leases to other assets	$ -	$ 139,417
Reclassification of investment in finance lease to accounts receivable	$ 227,824	$ 333,528
Distributions payable to Limited Partners	$ 484,244	$ 2,633,505
Distributions payable to General Partner	$ 15,648	$ 85,935
Reclassification of other assets to equipment subject to operating leases	$ -	$ (2,500,000)
Reclassification of equipment notes receivable to other assets	$ 1,175,000	$ -

The accompanying notes are an integral part of these consolidated financial statements.

1. Organization and Nature of Operations

Organization **—** SQN Alternative Investment Fund III, LP (the "Partnership") was organized as a Delaware limited partnership on March 10, 2010 and is engaged in a single business segment, the ownership and investment in leased equipment, which includes: (i) purchasing equipment and leasing it to third-party end users; (ii) providing equipment and other asset financing; (iii) acquiring equipment subject to lease and (iv) acquiring ownership rights (residual value interests) in leased equipment at lease expiration. The Partnership will terminate no later than December 31, 2034.

Nature of Operations **—** The principal investment strategy of the Partnership is to invest in business-essential, revenue-producing (or cost-savings) equipment or other physical assets with high in-place value and long, relative to the investment term, economic life and project financings. The Partnership executes its investment strategy by making investments in equipment already subject to lease or originating equipment leases in such equipment, which will include: (i) purchasing equipment and leasing it to third-party end users; (ii) providing equipment and other asset and project financings; (iii) acquiring equipment subject to lease and (iv) acquiring ownership rights (residual value interests) in leased equipment at lease expiration. From time to time, the Partnership may also purchase equipment and sell it directly to its leasing customers. The Partnership may use other investment structures that its Investment Manager believes will provide the Partnership with an appropriate level of security, collateralization, and flexibility to optimize its return on its investment while protecting against downside risk, such as vendor and rental programs. In many cases, the structure will include the Partnership holding title to or a priority or controlling position in the equipment or other asset.

The General Partner of the Partnership is SQN AIF III GP, LLC (the "General Partner"), a wholly-owned subsidiary of the Partnership's Investment Manager, SQN Capital Management, LLC (the "Investment Manager"). Both the Partnership's General Partner and its Investment Manager are Delaware limited liability companies. The General Partner manages and controls the day to day activities and operations of the Partnership, pursuant to the terms of the Limited Partnership Agreement. The General Partner paid an aggregate capital contribution of $100 for a 1% interest in the Partnership's income, losses and distributions. The Investment Manager makes all investment decisions and manages the investment portfolio of the Partnership. The General Partner or its affiliates purchased 100 limited partnership interests ("Units") for $100,000 on March 15, 2013.

On October 9, 2013, the Partnership formed a special purpose entity, SQN Delta, LLC ("Delta"), a limited liability company registered in the state of Delaware which is 100% owned by the Partnership. The sole purpose of Delta is to acquire an $8,540,000 interest in two commissioned shipping vessels under long-term charter contracts. The Partnership consolidates Delta into the consolidated financial statements.

On June 19, 2013, the Partnership acquired the primary economic risks and rewards in a special purpose entity, SQN Bravo LLC ("Bravo"). The Partnership's Investment Manager evaluated this acquisition based on the following factors: (i) the Partnership was able to leverage its investments through debt at rates less than the rates the corresponding leased equipment is earning and (ii) the Partnership was able to use the proceeds to make additional lease investments at higher rates. The Partnership consolidates Bravo into the consolidated financial statements.

On June 22, 2016, Delta entered into a sale and assignment of partnership interest agreement with the Partnership and a third party. Under the terms of the agreement, Delta acquired an 88.20% (90% of 98%) economic interest in a portfolio of a container feeder vessel, for an aggregate investment of $4,252,500. Delta contributed cash of $850,500 and entered into a loan payable with a third party of $3,443,185. Delta acquired their economic interest in the vessel through a limited partnership interest in Boxship Holding GmbH & Co. KG, a Germany based limited partnership ("Boxship Holding"), which acquired and operates the container feeder vessel. Delta bears the risks and rewards of ownership of Boxship Holding and therefore Delta consolidates the financial statements of Boxship Holding. Since the Partnership bears the primary risks and rewards of Delta, the Partnership consolidates Delta into the consolidated financial statements. A third party contributed $467,755 to purchase a 10% share of Boxship Holding which is presented as non-controlling interest on the consolidated financial statements.

The Partnership will make, at the sole discretion of the Investment Manager, semi-annual cash distributions to each Limited Partner computed at 3% (pro-rated to the date of admission for each Limited Partner) of each Limited Partner's capital contribution, beginning six months after the Partnership's initial closing which occurred on May 2, 2011. The Partnership's income, losses and distributions are allocated 99% to the Limited Partners and 1% to the General Partner until the Limited Partners have received total distributions equal to each Limited Partner's capital contribution plus an 8%, compounded annually, cumulative return on each Limited Partners' capital contribution. After such time, income, losses and distributions will be allocated 80% to the Limited Partners and 20% to the General Partner.

The Partnership was declared effective by the Securities and Exchange Commission ("SEC") on March 17, 2011, which was the commencement date of the Offering Period. The Offering Period concluded on March 15, 2013. During the Offering Period, the Partnership admitted 375 Limited Partners, raised $27,861,100 in capital contributions, issued 27,861.10 Units at $1,000 per Unit and paid organizational and offering expenses totaling $999,119. During the Offering Period the Partnership paid $557,222 in distribution expenses to SQN Securities LLC, ("Securities") a majority-owned subsidiary of the Investment Manager. Securities was the sole selling agent for the Partnership's Units. A Limited Partner may not redeem their Units in the Partnership without the prior written consent of the General Partner. The General Partner has the sole discretion to approve or deny any redemption requested by a Limited Partner.

Due to the Partnership not achieving certain equity raising milestones during the Offering Period the Partnership's General Partner and/or its Investment Manager were required to reimburse a portion of the organizational and offering expenses incurred by the Partnership and reduce the management fee paid to the Investment Manager to such an amount over the Partnership's entire life that the total average management fee will not be greater than 2% per year of the aggregate offering proceeds (See note 3).

2. Summary of Significant Accounting Policies

Basis of Presentation — The consolidated financial statements of SQN Alternative Investment Fund III, L.P. at December 31, 2016 and 2015 and for the years then ended have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Principles of Consolidation **—** The consolidated financial statements include the accounts of the Partnership and its subsidiaries where the Partnership has the primary economic benefits of ownership. The Partnership's consolidation policy requires the consolidation of entities where a controlling financial interest is held as well as the consolidation of variable interest entities in which the Partnership has the primary economic benefits. All material intercompany balances and transactions are eliminated in consolidation.

Use of Estimates — The preparation of consolidated financial statements in conformity with U.S. GAAP requires the General Partner and Investment Manager to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates primarily include the determination of allowances for doubtful lease, note and loan accounts, depreciation and amortization, impairment losses, estimated useful lives, and residual values. Actual results could differ from those estimates.

Cash and Cash Equivalents **—** The Partnership considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist of funds maintained in checking and money market accounts held at financial institutions.

The Partnership's cash and cash equivalents are held principally at one financial institution in the United States of America and at times the balances may exceed federally insured limits. The Partnership has placed these funds in an international financial institution in order to minimize risk relating to exceeding insured limits. The Partnership, through Summit Asset Management Limited, maintains an unrestricted bank account at a major financial institution in the United Kingdom for purposes of receiving payments and funding transactions in Pound Sterling.

At December 31, 2016, the Partnership had £6,752 ($8,329 applying exchange rates at December 31, 2016), of cash and cash equivalents held in one bank in the United Kingdom. At December 31, 2015, the Partnership had £45,405 ($67,209 applying exchange rates at December 31, 2015), of cash and cash equivalents held in two banks in the United Kingdom.

Credit Risk — In the normal course of business, the Partnership is exposed to credit risk. Credit risk is the risk that the Partnership's counterparty to an agreement will at some point either have an inability or unwillingness to make contractually required payments. Concentrations of credit risk with respect to lessees are dispersed across different industry segments throughout the United Kingdom and the United States of America. Although the Partnership does not currently foresee a concentrated credit risk associated with these lessees, lease payments are dependent upon the financial stability of the industry segments in which they operate.

Asset Impairments — Assets in the Partnership's investment portfolio, which are considered long lived assets, are periodically reviewed, no less frequently than annually or when indicators of impairment exist, to determine whether events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. An impairment loss is recognized only if the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. If there is an indication of impairment, the Partnership estimates the future cash flows (undiscounted and without interest charges) expected from the use of the asset and its eventual disposition. Future cash flows are the future cash inflows expected to be generated by an asset less the future outflows expected to be necessary to obtain those inflows. If an impairment is determined to exist, the impairment loss is measured as the amount by which the carrying value of a long-lived asset exceeds its fair value and is recorded in the statement of operations in the period the determination is made. The events or changes in circumstances that generally indicate that an asset may be impaired are, (i) the estimated fair value of the underlying equipment is less than its carrying value, (ii) the lessee is experiencing financial difficulties and (iii) it does not appear likely that the estimated proceeds from the disposition of the asset will be sufficient to recover the carrying value of the asset. The preparation of the undiscounted cash flows requires the use of assumptions and estimates, including the level of future rents or receipts from the sale of the residual value investment, estimated downtime between re-leasing events, and the amount of re-leasing costs. The Investment Manager's review for impairment includes a consideration of the existence of impairment indicators, including third party appraisals, published values for similar assets, recent transactions for similar assets, adverse changes in market conditions for specific asset types, and the occurrence of significant adverse changes in general industry and market conditions that could affect the fair value of the asset.

Lease Classification and Revenue Recognition — The Partnership records revenue based upon the lease classification determined at the inception of the transaction and based upon the terms of the lease or when there are significant changes to the lease terms.

The Partnership leases equipment to third parties and each such lease may be classified as either a finance lease or an operating lease. Initial direct costs are capitalized and amortized over the term of the related lease for a finance lease. For an operating lease, initial direct costs are included as a component of the cost of the equipment and depreciated.

For finance leases, the Partnership records, at lease inception, the total minimum lease payments receivable from the lessee, the estimated unguaranteed residual value of the equipment upon lease termination, the initial direct costs, if any, related to the lease and the related unearned income. Unearned income represents the difference between the sum of the minimum lease payments receivable plus the estimated unguaranteed residual value, minus the cost of the leased equipment. Unearned income is recognized as finance income over the term of the lease using the effective interest rate method.

For operating leases, rental income is recognized on the straight line basis over the lease term. Billed and uncollected operating lease receivables will be included in accounts receivable. Accounts receivable are stated at their estimated net realizable value. Rental income received in advance is the difference between the timing of the cash payments and the income recognized and is on the straight line basis.

For leases subject to equipment notes receivable, specific payment terms were reached requiring payments which resulted in the recognition of interest income. This income is recognized over the course of the lease agreement.

The Investment Manager has an investment committee that approves each new equipment lease, financing transaction, and lease acquisition. As part of this process it determines the unguaranteed residual value, if any, to be used once the acquisition has been approved. The factors considered in determining the unguaranteed residual value include, but are not limited to, the creditworthiness of the potential lessee, the type of equipment being considered, how the equipment is integrated into the potential lessee's business, the length of the lease and the industry in which the potential lessee operates. Unguaranteed residual values are reviewed for impairment in accordance with the Partnership's policy relating to impairment review.

Finance Lease Receivables and Allowance for Doubtful Lease, Notes and Loan Accounts — In the normal course of business, the Partnership provides credit or financing to its customers, performs credit evaluations of these customers, and maintains reserves for potential credit losses. These credit or financing transactions are normally collateralized by the equipment being financed. In determining the amount of allowance for doubtful lease, note and loan accounts, the Investment Manager considers historical credit losses, the past due status of receivables, payment history, and other customer-specific information, including the value of the collateral. The past due status of a receivable is based on its contractual terms. Expected credit losses are recorded as an allowance for doubtful lease, note and loan accounts. Receivables are written off when the Investment Manager determines they are uncollectible. At December 31, 2016 and 2015, an allowance for doubtful lease, note and loan accounts was recorded for loans which are deemed to be non-performing, there is a provision for lease, note and loan losses of $1,325,866 and $1,368,767, respectively.

Equipment Notes Receivable — Equipment notes receivable are reported in the consolidated financial statements at the outstanding principal balance net of any unamortized deferred fees, and premiums or discounts on purchased loans. Costs to originate loans, if any, are reported as other assets in the consolidated financial statements. Income is recognized over the life of the note agreement. On certain equipment notes receivable, specific payment terms were reached requiring prepayments which resulted in the recognition of unearned interest income. Unearned income, discounts and premiums, if any, are amortized to interest income in the statements of operations using the effective interest rate method. Equipment notes receivable are generally placed in a non-accrual status when payments are more than 90 days past due. Additionally, the Investment Manager periodically reviews the creditworthiness of companies with payments outstanding less than 90 days. Based upon the Investment Manager's judgment, accounts may be placed in a non-accrual status with all accrued revenue reversed through current operations. Accounts on a non-accrual status are only returned to an accrual status when the account has been brought current and the Partnership believes recovery of the remaining unpaid receivable is probable. Revenue on non-accrual accounts is recognized only when cash has been received.

Initial Direct Costs — The Partnership capitalizes initial direct costs associated with the origination and funding of lease assets. These costs are amortized on a lease by lease basis based over the actual contract term of each lease using the effective interest rate method for finance leases and the straight-line method for operating leases. Upon disposal of the underlying lease assets, both the initial direct costs and the associated accumulated amortization are relieved. Costs related to leases that are not consummated are not eligible for capitalization as initial direct costs and are expensed as incurred as acquisition expense.

Cost Method — The Partnership records its investment in participation interests at cost. Under the cost method of accounting for investments, dividends are the basis for recognition by an investor of earnings from an investment. The Partnership recognizes as income dividends received that are distributed from net accumulated earnings of the investee since the date of acquisition. The net accumulated earnings of the investee subsequent to the date of investment are recognized by the Partnership only to the extent distributed by the investee as dividends. Dividends received in excess of earnings subsequent to the date of investment are considered a return of investment and are recorded as a reduction of the cost of the investment.

Income Taxes — As a partnership, no provision for income taxes is recorded since the liability for such taxes is that of each of the Partners rather than the Partnership. The Partnership's income tax returns are subject to examination by the federal and state taxing authorities, and changes, if any, could adjust the individual income tax of the Partners.

The Partnership has adopted the provisions of FASB Topic 740, *Accounting for Uncertainty in Income Taxes*. This accounting guidance prescribes recognition thresholds that must be met before a tax position is recognized in the financial statements and provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Additionally, an entity may only recognize or continue to recognize tax positions that meet a "more likely than not" threshold. The Partnership has evaluated its entity level tax positions and does not expect any material adjustments to be made. The tax years 2016, 2015 and 2014 remains open to examination by the major taxing jurisdictions to which the Partnership is subject.

Per Share Data — Net income or loss attributable to Limited Partners per weighted average number of limited partnership interests outstanding is calculated as follows; the net income or loss allocable to the Limited Partners divided by the weighted average number of limited partnership interests outstanding during the period.

Foreign Currency Transactions — The Partnership has designated the United States of America dollar as the functional currency for the Partnership's investments denominated in foreign currencies. Accordingly, certain assets and liabilities are translated at either the reporting period exchange rates or the historical exchange rates, revenues and expenses are translated at the average rate of exchange for the period, and all transaction gains or losses are reflected in the period's results of operations.

Depreciation — The Partnership records depreciation expense on equipment when the lease is classified as an operating lease. In order to calculate depreciation, the Partnership first determines the depreciable equipment cost, which is the cost less the estimated residual value. The estimated residual value is the estimate of the value of the equipment at lease termination. Depreciation expense is recorded by applying the straight-line method of depreciation to the depreciable equipment cost over the lease term which varies from one to five years.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments* (*"ASU 2016-15"*), which provides guidance on how certain cash receipts and cash payments are to be presented and classified in the statement of cash flows. The adoption of ASU 2016-15 becomes effective for fiscal years beginning on January 1, 2018, including interim periods within that reporting period. Early adoption is permitted. An entity will apply the amendments within ASU 2016-15 using a retrospective transition method to each period presented. The Partnership is currently in the process of evaluating the impact of the adoption of ASU 2016-15 on its consolidated financial statements.

In February 2016, the Financial Accounting Standards Board ("FASB") issued new guidance to improve consolidation guidance for legal entities (Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842): Amendments to Leases Analysis)*, effective for fiscal years beginning after December 15, 2018 and interim periods within those years and early adoption is permitted. The standard amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. The new leases standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. The Partnership is currently evaluating the impact of this guidance on its consolidated financial statements.

Management does not believe that any other recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying consolidated financial statements.

3. Related Party Transactions

The General Partner is responsible for the operations and management of the Partnership and the Investment Manager makes all investment decisions and manages the investment portfolio of the Partnership.

On March 15, 2013, the Partnership recorded a due from Investment Manager in the amount of $441,897 for organizational and offering expenses that exceeded 2% of the total equity raised, which bears interest at 10% per year, has monthly principal and interest payments of $11,767 and terminates December 2016. Under the terms of the Offering Agreement, the Partnership's Investment Manager was not required to reimburse the Partnership with interest. At December 31, 2016 and 2015, the Partnership has a remaining balance on the note receivable from its Investment Manager of $2,111 and $137,373, respectively, which is included in the condensed consolidated balance sheets. At December 31, 2016 and 2015, the Partnership paid the Investment Manager $566,708 which is included in Management fees – Investment Manager in the consolidated statements of operations.

The Partnership paid Securities a distribution expense equal to 2% of the aggregate offering proceeds, excluding proceeds from the Partnership's General Partner or any affiliated entities. The distribution expense was paid to Securities for, among other costs, due diligence costs incurred in connection with the offering and sale of Units. There was no distribution expense paid to Securities for the years ended December 31, 2016 and 2015.

The General Partner has a 1% interest in the profits, losses and distributions of the Partnership. In addition, the General Partner has a promotional interest in the Partnership equal to 20% of all distributed cash available for distribution after the Partnership has provided an 8% cumulative return, compounded annually, to the Limited Partners on their capital contributions.

On January 19, 2015, the Investment Manager, through a wholly-owned subsidiary, entered into an agreement to acquire the leasing division of Summit Asset Management Limited ("Summit Asset Management"). Upon the acquisition, the Origination and Servicing Agreement between the Investment Manager and Summit Asset Management was terminated. From January 1, 2015, all activities of Summit Asset Management are conducted under SQN Capital Management (UK) Limited ("SQN UK"). Where Summit Asset Management was previously the servicer on transactions sold to us, SQN UK will now act as servicer.

4. SQN Bravo LLC

On June 19, 2013, the Partnership sold certain assets along with their related rental streams to a special purpose entity, SQN Bravo LLC. On the same date, the Partnership made an equity investment in Bravo. The Partnership's Investment Manager determined that this was in the Partnership's best interests due to the following factors: (i) the Partnership was able to leverage investments through debt at rates less than the corresponding leased equipment were earning and (ii) the Partnership was able to use the proceeds to make additional lease investments at higher rates of return.

On June 19, 2013, Bravo obtained financing as follows; (i) a non-recourse loan payable for $5,860,085 and (ii) an equity investment from the Partnership of $3,906,724. SQN Alternative Investment Fund II, LLC (" SQN Fund II"), a private equipment leasing fund managed by the Partnership's Investment Manager also sold a seasoned portfolio of leased equipment to Bravo. The portfolio purchased from SQN Fund II was valued at the time of purchase based on discounted cash flows for the revenue streams at a predetermined rate and the residual values of the underlying assets were supported by third party appraisers. As of December 31, 2016, the total investment in Bravo was $1,162,484.

As a result of the equity purchase noted above, on June 19, 2013, the Partnership acquired the primary economic risks and rewards in Bravo and accordingly, the Partnership consolidates Bravo into its consolidated financial statements and results of operations.

5. Investments in Finance Leases

At December 31, 2016 and 2015, net investments in finance leases consisted of the following:

	2016	2015
Minimum rents receivable	$ -	$ 1,617,366
Estimated unguaranteed residual value	-	51,498
Unearned income	-	(8,352)
	$ -	$ 1,660,512

Anaerobic Digestion Plant

An anaerobic digestion plant is a series of processes in which microorganisms breakdown biodegradable materials and produce a biogas which can be used to generate electricity. During the period, Bravo sold this finance lease to a third party. The third party paid cash proceeds of £109,000 ($150,660 applying exchange rate of 1.3822 at February 29, 2016), which is net of a value added tax of £21,800, ($30,132 applying exchange rate of 1.3822 at February 29, 2016). The Partnership reclassified $227,824 to accounts receivable for expected VAT refunds. The net book value of this finance lease at the time of sale was $580,648, which resulted in the Partnership recognizing a U.S. GAAP loss of $202,164.

Bottle Recycling and Extrusion Production Line

On June 29, 2011, the Partnership entered into a Participation Agreement (the "Agreement") for an ownership interest in a Hire Purchase Agreement (the "HP Agreement"). The HP Agreement is between an independent United Kingdom leasing entity and the lessee of a bottle recycling and extrusion line located in the United Kingdom. The Partnership made it's initial payment under the Agreement on June 29, 2011 totaling £1,100,000 and made it's final payment on October 13, 2011 totaling £730,000.

As result of the dramatic decline in oil prices, a key component in the production of plastics, the lessee has suffered a significant downturn in its business and profitability as the price of recycled plastics no longer presented an attractive alternative to new plastic products. The Investment Manager has determined that collecting the total outstanding balance of this finance lease is unlikely and has therefore written down the value of this finance lease by £817,348 ($1,209,838 using exchange rate of 1.4802 on December 31, 2015). During the year ended December 31, 2016, the Investment Manager has determined that collecting the total outstanding balance of this finance lease is unlikely and has therefore written down the value of this finance lease by £642,703 ($792,838 using exchange rate of 1.2336 on December 31, 2016) and is included in provision for lease, note, and loan losses on the consolidated statements of operations. As of December 31, 2016, the balance is $0.

For the years ended December 31, 2016 and 2015, the Partnership incurred a foreign currency transaction loss on its various investments in finance leases of $185,159 and $255,473, respectively. All amounts are included in foreign currency transaction losses in the consolidated statements of operations.

6. Investment in Equipment Subject to Operating Leases

At December 31, 2016 and 2015, investments in equipment subject to operating leases consisted of the following:

	2016	2015
Aircraft rotables	$ 339,700	$ 339,700
Computer equipment	59,186	59,186
Modular accommodations	2,928,049	2,928,049
Plastic bulk storage containers	—	1,469,030
	3,326,935	4,795,965
Accumulated depreciation	(878,904)	(1,343,429)
	$ 2,448,031	$ 3,452,536

Depreciation expense was $589,947 and $820,884 for the years ended December 31, 2016 and 2015, respectively.

Modular Accommodations

In January 2015, Bravo reclassified three leases from other assets to operating leases upon the final execution of lease renewals and the receipt of lease payments associated with such renewals. These leases are for modular accommodations configured as healthcare centers in the United Kingdom that Bravo purchased for £1,582,278 ($2,500,000 applying the exchange rate used in the agreement). One of the leases has a month to month lease term and monthly payments of £17,295. The second lease had a remaining term of 60 months and monthly payments of £6,760. The third lease also had a remaining term of 60 months and monthly payments of £12,917. These leases generated approximately $600,000 and $1,075,000 of rental income for the years ended December 31, 2016 and 2015, respectively. As of December 31, 2016, there were no significant changes to these leases.

Aircraft Rotables

On June 19, 2013, Bravo purchased a lease for a 90% ownership interest in aircraft rotables located in Australia from SQN Fund II for $310,000, which included the assumption by Bravo of a security deposit of $29,700. The lease expired on February 15, 2015 and required monthly rental payments of $3,777. At lease expiration, the lessee extended the lease on the same terms for another four years through February 15, 2019. The lease generated approximately $45,100 in rental income for the years ended December 31, 2016 and 2015, respectively. As of December 31, 2016, there were no significant changes to these leases.

As part of this transaction Bravo became a party to a participation agreement and a service agreement with a third party (the “Participant”). Under the participation agreement, the Participant acquired a 10% ownership interest by providing 10% of the financing for this transaction. Under the service agreement, the Participant will receive 5% of the gross payments from the lessee. The Participant will provide program management services and inventory tracking and monitoring services for all of the aircraft rotable parts. Bravo is required to remit the Participant’s portion of both the participation agreement and service agreement from the gross payments from the lessee within 10 days of receipt from the lessee.

Reusable Plastic Bulk Storage Containers - Participation

On March 30, 2012, the Partnership initially entered into an agreement to purchase from an entity controlled by a third party (the “Selling Entity”), an 18.08% residual value interest in a pool of intermediate bulk agricultural containers located in the United States of America for $1,367,173. In June 2016, the Partnership sold this operating lease to a third party for total cash proceeds of $792,033 ($148,361 of the proceeds were used to payoff a related loan payable for this lease). The net book value of this lease at the time of sale was $414,559, which resulted in the Partnership recognizing a U.S. GAAP gain of $377,474.

At December 31, 2016, the aggregate amounts of future minimum lease payments receivable are as follows:

	Lease Payment Currencies		
Year Ending December 31,	U.S. Dollars	British Pounds (1)	Total
2017	$ 45,072	$ 291,283	$ 336,355
2018	45,072	291,283	336,355
2019	7,512	184,362	191,874
	$ 97,656	$ 766,928	$ 864,584

(1) Converted to U.S. Dollars at December 31, 2016 exchange rate of 1.2336.

7. Residual Value Investments in Equipment on Lease

Gamma Knife Suite

On October 30, 2012, the Partnership entered into a Participation Agreement with a third party to acquire a 99.99% residual interest in a gamma knife suite located in the United Kingdom for £379,620. The Partnership paid initial direct costs, which have been included in the cost of the residual value asset, of £15,185.

8. Convertible Promissory Note

On February 27, 2013, the Partnership entered into a Subscription and Securities Purchase Agreement to purchase a portion of a $3,500,000 Convertible Promissory Note ("Promissory Note"). On February 28, 2013, the Partnership purchased a Promissory Note with a principal amount of $1,500,000. The Promissory Note bore simple interest at 10% per year which was payable quarterly. The Promissory Note was collateralized by the shares of the borrower and by an investment portfolio consisting of among other assets, equipment leases, direct hard assets and infrastructure investments. In March 2016, the Partnership received cash of $41,572 ($8,572 of principal and $33,000 of interest). In June 2016, the Partnership received cash of $1,343,121 ($1,311,428 of principal and $31,693 of interest) as payment in full of this promissory note.

9. Equipment Notes Receivable

At December 31, 2016 and 2015, investments in equipment notes receivable consisted of the following:

Equipment Description	Maturity Date	Interest Rate	December 31, 2016	December 31, 2015
Hydro-electric generating plant - NI	12/31/16	12.00%	$ 2,224,597	$ 2,386,570
Manufacturing equipment and inventory			-	1,175,000
			$ 2,224,597	$ 3,561,570

Hydro-electric Generating Plant – Northern Ireland

On April 4, 2013, the Partnership entered into an equipment note receivable (the "Note") for £1,440,000 with a special purpose entity controlled by a third party. This special purpose entity was organized to provide financing for a hydro-electric generating plant located in Northern Ireland. The plant serves as collateral for the Note. The Note accrues interest at 12.0% per year with the interest payable quarterly in arrears. The proceeds from the Note were used for the purchase of a hydro-electric generating plant located in Northern Ireland. The entire principal balance and unpaid interest may be repaid, at any time, along with a redemption fee, as defined in the Note. The Partnership is currently negotiating to extend the maturity date of the Note and the borrower's parent company has guaranteed the full amount of the Note.

Manufacturing Equipment and Inventory

On January 24, 2014, Bravo entered into a participation agreement with a lender to purchase manufacturing equipment and inventory. Bravo lent $1,175,000 to a third party under a note receivable agreement on March 4, 2014. The interest on the note was charged at a rate of 12% per annum and interest was payable in twelve monthly installments of $11,750 each. The note matured on March 4, 2015 and the principal balance due was payable in one lump sum. The borrower was unable to remit the lump sum payment. The note is secured by the equipment and inventory of the borrower. The note is on non-accrual status as a result of non-payment. Based on a third party appraisal of the collateral value of the equipment, the Investment Manager believes that there is sufficient collateral value to cover the outstanding balance of the note receivable. Additionally, the equipment is under the control of a related party of the Partnership. As of December 31, 2016, the Partnership reclassified this note to other assets. Bravo borrowed $705,000 from the lender which accrues interest at 7.75% and is repayable with the proceeds from the investments.

10. Investment in Participation Interest

On October 9, 2013, the Partnership formed Delta, which is 100% owned by the Partnership. The sole purpose of Delta was to acquire an $8,540,000 interest in two, less than 1 year old, bulk carrier vessels. Each vessel is subject to an initial 6 year charter of which approximately 4 years remain. In accordance with the participation agreement, Delta has the right to force a sale of the vessels at any time the sale proceeds would be sufficient to provide Delta with a 14% internal rate of return on an unleveraged basis. The Partnership incurred $4,200,000 of debt relating to the transaction, accruing interest at 10.9% per annum with maturity in December 2020. The debt will be repaid with cash flows generated from the underlying assets acquired.

The investment is accounted for using the cost method whereas the Partnership will recognize as income, dividends received that are distributed from net accumulated earnings of the investee since the date of acquisition. Dividends received in excess of earnings subsequent to the date of investment are considered a return of investment and are recorded as reductions of cost of the investment. In conjunction with this transaction, the Partnership recorded a purchase discount of $340,000 which was recorded as a deferred gain on the accompanying consolidated financial statements. The gain will be amortized over the expected term of the investment and will be recorded as income.

11. Equipment Investment through SPV

On June 22, 2016, Delta entered into a sale and assignment of partnership interest agreement with a third party. Under the terms of the agreement, Delta acquired an 88.20% (90% of 98%) economic interest in a portfolio of a container feeder vessel. Delta acquired their economic interest in the vessel through a limited partnership interest in Boxship Holding, which acquired and operates the container feeder vessel. Boxship Holding acquired a container feeder vessel for $3,546,016 and drydocking reserves of $747,123 for an aggregate investment of $4,293,139. As of December 31, 2016, the Partnership has an aggregate investment balance of $4,290,664.

Boxship Holding acquired and operates a container feeder vessel which collects shipping containers from different ports and transports them to central container terminals where they are loaded to bigger vessels. For the period ended December 31, 2016, Boxship Holding recorded income of approximately $1,408,000 primarily from charter rental fees less total expenses of $1,819,000, consisting of ship operating expenses, of approximately $1,165,000, ship management fees and charter commissions fees of approximately $306,000, general and administrative expenses, of approximately $108,000, depreciation expense, of approximately $160,000 and interest expense of approximately $80,000 resulting in a net loss of approximately $411,000.

12. Collateralized Loan Receivable

On July 29, 2016, the Partnership funded $277,893, after applicable exchange rates, under a Loan Note Instrument to provide financing to a borrower which acquired shares of a special purpose entity that previously acquired, by assignment, the rights to lease a parcel of land in Ireland on which planning permissions have been granted to construct an aerobic digestion plant. This is part of a project financing and long term lease of the aerobic digestion plant. As of December 31, 2016, the loan facility earned interest income of $21,537.

13. Other Assets

Other assets primarily include approximately $1,175,000 related to the collateral value of the manufacturing equipment and inventory note and $270,000 related to the Partnership's Equipment Investment through SPV. In addition, in December 2013 the Partnership funded £500,000 to an escrow account for a lease that has not been executed as of December 31, 2016.

14. Non-recourse Loans Payable

In September 2013, the Partnership sold the receivable related to the three year lease extension entered into by the lessee of reusable plastic storage containers in which the Partnership initially had an 18.08% participation interest. The net proceeds to the Partnership on the non-recourse sale of receivables were approximately $1,400,000. The receivable related to the note sale accrues interest at 8.5% per annum with an expected maturity date of July 31, 2016. In June 2016, the Partnership paid $148,361 as payment in full on the balance of this loan payable.

On October 29, 2013, Delta borrowed $4,200,000 in the form of a senior participation from the same third party lender as disclosed in the Bravo loan above. The loan accrues interest at 10.9% per annum. The debt will be repaid with cash flows generated from the underlying asset acquired. The senior participant, as collateral, has a first priority security interest in all of the leased assets acquired by Delta as well as a senior participation interest in the proceeds from the leased assets, while the Partnership has a junior participation interest until the loan is repaid in full. All of the cash proceeds received from these assets will be applied first against the outstanding principal balance of the senior participation with any excess distributed to the junior participants. There was no stated or agreed upon repayment term for the principal. In connection with the Boxship Holding transaction, on June 22, 2016, Delta and the third party amended and restated the participation agreement and Delta borrowed an additional $3,443,185 in the form of a senior participation instrument. All other terms of the participation agreement were not amended. The outstanding principal balance at December 31, 2016 and 2015 was $6,377,755 and $3,077,090, respectively.

15. Fair Value of Financial Instruments

The Partnership's carrying value of cash and cash equivalents, other assets and accounts payable and accrued expenses approximate fair value.

The Partnership's carrying values and approximate fair values of its financial instruments were as follows:

	December 31, 2016		December 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Convertible promissory note	$ —	$ —	$ 1,320,000	$ 1,320,000
Equipment notes receivable	$ 1,776,384	$ 1,776,384	$ 3,306,488	$ 3,306,488
Collateralized loan receivable	$ 277,892	$ 277,892	$ —	$ —
Liabilities:				
Loans payable	$ 6,377,754	$ 6,377,754	$ 3,191,385	$ 3,191,385

16. Business Concentrations

For the year ended December 31, 2016, the Partnership had two lessees which accounted for approximately 68% and 27% of the Partnership's rental income derived from operating leases. For the year ended December 31, 2015, the Partnership had two lessees which accounted for approximately 65%, and 28% of the Partnership's rental income derived from operating leases. For the year ended December 31, 2016, the Partnership had one lessee which accounted for approximately 94% of the Partnership's income derived from finance leases. For the year ended December 31, 2015, the Partnership had two lessees which accounted for approximately 67% and 26% of the Partnership's income derived from finance leases. For the year ended December 31, 2016, the Partnership had two loans which accounted for approximately 71% and 20% the Partnership's interest income. For the year ended December 31, 2015, the Partnership had three loans which accounted for approximately 48%, 30%, and 16% of the Partnership's interest income.

At December 31, 2015, the Partnership had two lessees which accounted for approximately 62% and 36% of the Partnership's investment in finance leases. At December 31, 2016, the Partnership had one lessee which accounted for approximately 91% of the Partnership's investment in operating leases. At December 31, 2015, the Partnership had two lessees which accounted for approximately 75% and 18% of the Partnership's investment in operating leases. At December 31, 2016, the Partnership had had one lessee which accounted for 100% of the Partnership's investment in residual value leases. At December 31, 2015, the Partnership had one lessee which accounted for 100% of the Partnership's investment in residual value leases. At December 31, 2016, the Partnership had one lessee which accounted for approximately 100% of the Partnership's investment in equipment notes receivable. At December 31, 2015, the Partnership had two lessees which accounted for approximately 100% of the Partnership's investment in equipment notes receivable. At December 31, 2016, the Partnership did not have a convertible promissory note receivable. At December 31, 2015, the Partnership's convertible promissory note receivable was from a single debtor. At December 31, 2016, the Partnership's equipment notes receivable was from one debtor. At December 31, 2015, the Partnership's equipment notes receivable was from two debtors.

As of December 31, 2016 and 2015, the outstanding loans payable, including accrued interest, of $6,513,302 and $3,223,396 respectively, were from one lender.

17. Geographic Information

Geographic information for revenue for the year ended December 31, 2016 and 2015 was as follows:

	Year Ended December 31, 2016			
	United States	Europe	Australia	Total
Revenue:				
Rental income	$ 239,144	$ 598,474	$ 45,068	$ 882,686
Finance income	$ —	$ 8,106	$ —	$ 8,106
Gain (loss) on sale of assets	$ 363,285	$ (202,164)	$ —	$ 161,121
Investment income from participation interest	$ —	$ 903,164	$ —	$ 903,164
Interest income	$ 326,824	$ 9	$ —	$ 326,833
Income from equipment investment through SPV	$ —	$ 1,407,850	$ —	$ 1,407,850

	Year Ended December 31, 2015			
	United States	Europe	Australia	Total
Revenue:				
Rental income	$ 477,808	$ 1,138,783	$ 45,068	$ 1,661,659
Finance income	$ —	$ 1,068,023	$ —	$ 1,068,023
Gain on sale of assets	$ 3,087	$ 857,675	$ —	$ 860,762
Investment income from participation interest and equity method investment	$ (86,276)	$ 936,738	$ —	$ 850,462
Interest income	$ 808,746	$ 29	$ —	$ 808,775

Geographic information for long-lived assets at December 31, 2016 and 2015 was as follows:

	December 31, 2016			
	United States	Europe	Australia	Total
Long-lived assets:				
Investments in equipment subject to operating leases, net	$ —	$ 2,220,432	$ 227,599	$ 2,448,031
Residual value investment in equipment on lease	$ —	$ 634,702	$ —	$ 634,702
Equipment investment through SPV	$ —	$ 4,290,664	$ —	$ 4,290,664
Equipment notes receivable, including accrued interest	$ —	$ 2,224,597	$ —	$ 2,224,597

	December 31, 2015			
	United States	Europe	Australia	Total
Long-lived assets:				
Investment in finance leases, net	$ —	$ 1,660,512	$ —	$ 1,660,512
Investments in equipment subject to operating leases, net	$ 609,931	$ 2,574,242	$ 268,363	$ 3,452,536
Residual value investment in equipment on lease	$ —	$ 634,702	$ —	$ 634,702
Convertible promissory note	$ 1,320,000	$ —	$ —	$ 1,320,000
Equipment notes receivable, including accrued interest	$ 1,175,000	$ 2,386,570	$ —	$ 3,561,570

18. Indemnifications

The Partnership enters into contracts that contain a variety of indemnifications. The Partnership's maximum exposure under these arrangements is not known.

In the normal course of business, the Partnership enters into contracts of various types, including lease contracts, contracts for the sale or purchase of lease assets, and management contracts. It is prevalent industry practice for most contracts of any significant value to include provisions that each of the contracting parties, in addition to assuming liability for breaches of the representations, warranties, and covenants that are part of the underlying contractual obligations, to also assume an obligation to indemnify and hold the other contractual party harmless for such breaches, and for harm caused by such party's gross negligence and willful misconduct, including, in certain instances, certain costs and expenses arising from the contract. Generally, to the extent these contracts are performed in the ordinary course of business under the reasonable business judgment of the General Partner and Investment Manager, no liability will arise as a result of these provisions. The General Partner and Investment Manager know of no facts or circumstances that would make the Partnership's contractual commitments outside standard mutual covenants applicable to commercial transactions between businesses. Accordingly, the Partnership believes that these indemnification obligations are made in the ordinary course of business as part of standard commercial and industry practice, and that any potential liability under the Partnership's similar commitments is remote. Should any such indemnification obligation become payable, the Partnership would separately record and/or disclose such liability in accordance with accounting principles generally accepted in the United States of America.

19. Income Tax Reconciliation (unaudited)

At December 31, 2016 and 2015, total Partners' equity included in the consolidated financial statements was $13,449,487 and $16,976,030, respectively. At December 31, 2016 and 2015, total Partners' equity for federal income tax purposes was $18,106,726 and $17,542,742. The primary differences are (i) income that is deferred to future period for financial reporting purposes but not for federal income tax reporting purposes, (ii) treatment of lease classifications and asset sales for financial reporting purposes compared to federal income tax reporting purposes, (iii) the treatment of foreign income, and (iv) the differences in depreciation and amortization and foreign currency translation (gain) loss for financial reporting purposes and federal income tax purposes.

The following table reconciles the net income for financial statement reporting purposes to the net income (loss) for federal income tax purposes for the years ended December 31, 2016 and 2015:

	Years Ended December 31,	
	2016	2015
Net income (loss) per financial statements	$ (1,914,022)	$ 1,164,544
Partial adjustment of finance lease disallowed for tax	1,325,866	1,216,486
Adjustment of equipment note receivable disallowed for tax	—	158,929
Depreciation and amortization	285,661	415,196
Accelerated depreciation on asset sales	—	94,446
Interest income adjustment disallowed for tax	—	141,000
Guaranteed payments	566,708	566,708
Gain (loss) on asset sales - 4797	(146,192)	—
Other	(51,199)	(39,285)
Foreign currency translation (gain) loss – unrealized	497,162	218,446
Net (loss) income for federal income tax purposes	$ 563,984	$ 3,936,470

20. Selected Quarterly Financial Data (unaudited)

The following table is a summary of selected financial data, by quarter:

	Quarterly Information (unaudited)				Year Ended
	March 31,	June 30,	September 30,	December 31,	December 31, 2016
Total revenue	$ 404,424	$ 985,375	$ 1,022,120	$ 1,277,841	$ 3,689,760
Net income (loss) allocable to Limited Partners	$ (194,169)	$ 46,021	$ (179,670)	$ (1,567,064)	$ (1,894,882)
Weighted average number of limited partnership interests outstanding	27,721.10	27,721.10	27,721.10	27,721.10	27,721.10
Net income (loss) attributable to Limited Partners per weighted average number of limited partnership	$ (7.00)	$ 1.66	$ (6.48)	$ (56.53)	$ (68.36)

	Quarterly Information (unaudited)				Year Ended
	March 31,	June 30,	September 30,	December 31	December 31, 2015
Total revenue	$ 1,616,976	$ 953,552	$ 1,755,083	$ 934,157	$ 5,259,768
Net income (loss) allocable to Limited Partners	$ 81,081	$ 1,438,479	$ 801,107	$ (1,167,768)	$ 1,152,899
Weighted average number of limited partnership interests outstanding	27,721.10	27,721.10	27,721.10	27,721.10	27,721.10
Net income (loss) attributable to Limited Partners per weighted average number of limited partnership	$ 2.92	$ 51.89	$ 28.90	$ (42.12)	$ 41.59

21. Subsequent Events

None.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

None.

Item 9A. Controls and Procedures

Evaluation of disclosure controls and procedures

In connection with the preparation of this Annual Report on Form 10-K for the year ended December 31, 2016, our General Partner and our Investment Partner carried out an evaluation, under the supervision and with the participation of the management of our General Partner and our Investment Manager, including its Chief Executive Officer, of the effectiveness of the design and operation of our General Partner's and our Investment Manager's disclosure controls and procedures as of the end of the year covered by this report pursuant to the Securities Exchange Act of 1934, as amended. Based on the foregoing evaluation, the Chief Executive Officer concluded that our General Partner's and our Investment Manager's disclosure controls and procedures were effective.

In designing and evaluating our General Partner's and our Investment Manager's disclosure controls and procedures, our General Partner and our Investment Manager recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Our General Partner's and our Investment Manager's disclosure controls and procedures have been designed to meet reasonable assurance standards. Disclosure controls and procedures cannot detect or prevent all error and fraud. Some inherent limitations in disclosure controls and procedures include costs of implementation, faulty decision-making, simple error and mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based, in part, upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all anticipated and unanticipated future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with established policies or procedures.

Our General Partner's and our Investment Manager's Chief Executive Officer has determined that no weakness in disclosure controls and procedures had any material effect on the accuracy and completeness of our financial reporting and disclosure included in this Annual Report on Form 10-K.

Evaluation of internal control over financial reporting

Our General Partner is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended, as a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our General Partner and our Investment Manager have assessed the effectiveness of their internal control over financial reporting as of December 31, 2016. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in “Internal Control—Integrated Framework.”

Based on their assessment, our General Partner and our Investment Manager believe that, as of December 31, 2016, its internal control over financial reporting is effective.

Changes in internal control over financial reporting

There were no additional material changes in our General Partner’s or our Investment Manager’s internal control over financial reporting during the quarter ended December 31, 2016, that materially affected, or are reasonably likely to materially affect, their internal control over financial reporting.

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Our General Partner

Our General Partner is SQN AIF III GP, LLC, a Delaware limited liability company and was formed in March 2010. The sole member of our General Partner is SQN Capital Management, LLC, our Investment Manager. The executive officers of our General Partner are as follows:

Name	Age	Position
Jeremiah J. Silkowski	42	President and Chief Executive Officer

Biographical information regarding the officers and directors of our General Partner follows the table setting forth information regarding our Investment Manager's current executive officers and directors.

Our Investment Manager

Our Investment Manager is SQN Capital Management, LLC, a Delaware limited liability company that was formed in December 2007 to act as the manager of direct participation programs and its managing directors and executive officers will be responsible for selecting, managing and disposing of our assets, equipment and leases. In this regard, after we receive the minimum offering proceeds and hold our initial closing, we intend to enter into the Management, Origination and Servicing Agreement under which our Investment Manager will originate leases and other investments for us, and our Investment Manager will service our portfolio of leases and other investments. Our Investment Manager is responsible for all aspects of the performance by its affiliates of services necessary to our operation and for the facilities, personnel, equipment, financial and other resources used by its affiliates in the performance of those services. The executive officers of our Investment Manager are as follows:

Name	Age	Position
Jeremiah J. Silkowski	42	President and Chief Executive Officer
Jim Modak	59	Chief Financial Officer

Jeremiah J. Silkowski has been President and Chief Executive Officer of SQN Capital Corporation, a company that provides asset-backed and lease-based financing to multiple under-served market sectors including the off-shore oilfield services industry, since its inception in January 2006. Mr. Silkowski has served as Managing Director of our Investment Manager since December 2007 and President and Chief Executive Officer since April 2010 and has served as President and Chief Executive Officer of our General Partner since March 2010. Prior to forming SQN Capital Corporation, Mr. Silkowski spent 13 years in various capacities with ICON Capital Corp., including Senior Vice President of Operations and head of Portfolio Management, Remarketing, Cash Management, Tax, Middle Market Acquisitions, and Structured Finance. Mr. Silkowski was responsible for the day-to-day management of over $1.0 billion dollars of assets including two securitizations and eight public partnerships. Mr. Silkowski received his B.A. in Economics from New York University. He also holds Series 7, 24, and 63 licenses.

Jim Modak serves as the Chief Financial Officer of our Investment Manager and General Partner. Mr. Modak joined our Investment Manager and General Partner in December 2016 and is a seasoned financial executive with more than 30 years' experience in high growth businesses. His career has included three public offerings, four sell-side M&A transactions and more than 50 buy-side M&A transactions. His career has included COO and CFO roles at companies such as DWL, a private enterprise software company which was grown from $5 million in revenues to over $35 million in four years, ultimately leading to the sale of the company to IBM. Additionally, Mr. Modak was the CFO at Tradex Technologies where he helped build the business into one of the leaders in developing digital marketplaces. Mr. Modak and the executive team ultimately sold the company to Ariba in one of the largest software M&A transactions at the time of $5.6 billion. He has held senior financial executive positions at such companies as Total System Services-NYSE, American Software and Logility-NASDAQ and FFMC-NYSE (sold to First Data in 1995). Mr. Modak began his career with KPMG Peat Marwick where he spent 12 years after graduating from the University of Notre Dame. He currently serves on the Library Council of Notre Dame.

Code of Business Conduct and Ethics

We do not directly employ any persons, we rely on a Code of Business Conduct and Ethics adopted by our General Partner that applies to the principal executive officer, principal financial officer and principal accounting officer of our General Partner, as well as to persons performing services for us generally. You may request a copy of this code of ethics from our General Partner at SQN AIF III GP, LLC, 100 Wall Street, 28th Floor, New York, New York, 10005.

We are not required to and do not have an independent audit committee or a financial expert.

Item 11. Executive Compensation

We do not pay the officers or directors of our General Partner, our Investment Manager or their affiliates any compensation. However, we will pay our General Partner, our Investment Manager and their affiliate's fees and reimburse certain of their expenses incurred on our behalf. These expense reimbursements include reimbursing our General Partner, our Investment Manager and their affiliate's for certain costs incurred on our behalf, including the cost of personnel, other than controlling persons of our General Partner, our Investment Manager and their affiliates, who will perform administration, accounting, secretarial, transfer and other services required by us. These individuals also will perform similar services for our General Partner, our Investment Manager or their affiliates and other affiliated investment programs, including our Investment Manager's prior equipment leasing and finance programs, as well as investment programs to be formed in the future by our General Partner and its affiliates. Our partnership agreement provides that expense reimbursements paid by us to our General Partner, our Investment Manager and their affiliates must be limited to the lesser of their actual cost or the cost of comparable services from third-parties. We expect that we will allocate the cost of compensation and benefits of our General Partner's officers, the officers and employees of our Investment Manager, and the officers and employees of their affiliates, excluding expenses allocable to their controlling persons, based on the amount of their business time spent on our business.

Our General Partner, Investment Manager and their affiliates were paid or accrued the following compensation and reimbursement for costs and expenses:

Entity	Capacity	Description	Year Ended December 31, 2016
SQN Capital Management, LLC	Investment Manager	Management fees (1)	$ 566,708
SQN Securities, LLC	Dealer—Manager	Distribution expense (2)	—
			$ 566,708

Entity	Capacity	Description	Year Ended December 31, 2015
SQN Capital Management, LLC	Investment Manager	Management fees (1)	$ 566,708
SQN Securities, LLC	Dealer—Manager	Distribution expense (2)	—
			$ 566,708

(1) Amount charged directly to operations.

(2) Amount charged directly to partners' equity.

Our General Partner has a 1% interest in our income, losses and distributions until the Limited Partners have received total distributions equal to each Limited Partners' capital contribution plus an 8%, compounded annually, cumulative return on each Limited Partners' capital contribution. After such time, income, losses and distributions will be allocated 20% to our General Partner. We did not pay our General Partner any distributions during 2016 or 2015; however, we did accrue approximately $143,000 and $128,000 for distributions due to the General Partner at December 31, 2016 and 2015, respectively. For the years ended December 31, 2016 and 2015, the General Partner's 1% interest in our net income (loss) was ($19,140) and $11,645, respectively.

Item 12. Security Ownership of Certain Beneficial Owners and the General Partner and Related Security Holder Matters

a. We do not have any securities authorized for issuance under any equity compensation plan.

b. We have one Limited Partner who owns 8.08% of our Units at December 31, 2016.

c. As of March 31, 2017, no directors or officers of our General Partner or our Investment Manager own any of our equity securities.

d. Neither we nor our General Partner or our Investment Manager are aware of any arrangements with respect to our securities, the operation of which may at a subsequent date result in a change of control of us.

Item 13. Certain Relationships and Related Transactions, and Director Independence

For information regarding executive compensation and related party transactions refer to Part III Item 11. Executive Compensation and Part II Item. 8. Financial Statements and Supplementary Data, Note 3. Related Party Transactions in our financial statements for a discussion of our related party transactions.

Because we are not listed on any national securities exchange or inter-dealer quotation system, we have elected to use the Nasdaq Stock Market's definition of "independent director" in evaluating whether any of our General Partner's and Investment Manager's directors are independent. Under this definition, the board of directors of both our General Partner and our Investment Manager has determined that they do not have any independent directors, nor are we required to have any.

Item 14. Principal Accounting Fees and Services

During the years ended December 31, 2016 and 2015, our auditors provided audit services relating to our Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q. Additionally, our auditors provided other services in the form of tax compliance work. The following table presents the fees for both audit and non–audit services rendered by Baker Tilly Virchow Krause LLP, for the years ended December 31, 2016 and 2015:

	Years Ended December 31,	
Description of fees	**2016**	**2015**
Audit fees (1)	$ 121,000	$ 117,500
Tax compliance fees	29,000	22,000
	$ 150,000	$ 139,500

(1) Includes audits and interim quarterly reviews.

PART IV

Item 15. Exhibits, Financial Statement Schedules

1) Documents filed as part of this Report.

   a) The Following financial statements are filed herewith in Part II Item 8. Financial Statements and Supplementary Data of this Annual Report on Form 10-K:

      i) Report of Independent Registered Public Accounting Firm

      ii) Consolidated Balance Sheets at December 31, 2016 and 2015

      iii) Consolidated Statements of Operations for the years ended December 31, 2016 and 2015

      iv) Consolidated Statements of Changes in Partners' Equity for the years ended December 31, 2016 and 2015

      v) Consolidated Statements of Cash Flows for the years ended December 31, 2016 and 2015

      vi) Notes to Consolidated Financial Statements for the years ended December 31, 2016 and 2015

   b) Listing of Exhibits:

      31.1. Certification of Jeremiah Silkowski, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

      32.1. Certification of Jeremiah Silkowski, President and Chief Executive Officer, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

      101. The following financial statements from SQN Alternative Investment Fund III L.P.'s annual report on Form 10-K for the year ended December 31, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) Balance Sheets, (ii) Statements of Operations, (iii) Statements of Changes in Partners' Equity, (iv) Statements of Cash Flows, (v) Notes to Financial Statements and (vi) document and entity information.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacity and on the dates indicated.

File No. 333-166195
SQN AIF III GP, LLC
General Partner of the Registrant

March 31, 2017

/s/ JEREMIAH SILKOWSKI

Jeremiah Silkowski
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.1

CERTIFICATION

I, Jeremiah Silkowski, certify that:

1. I have reviewed this annual report on Form 10-K of SQN Alternative Investment Fund III, L.P.;

2. Based on my knowledge, this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2017

/s/ Jeremiah Silkowski

Jeremiah Silkowski
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of SQN Alternative Investment Fund III, L.P. (the "Company") on Form 10-K for the year ended December 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, the undersigned, Jeremiah Silkowski, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: March 31, 2017

/s/ Jeremiah Silkowski
Jeremiah Silkowski
Chief Executive Officer
(Principal Executive Officer)