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

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2017

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)

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

110 William Street, 26th Floor, NY, NY 10038
(Former name, former address and former fiscal year, if changed since last report.)

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]

Emerging growth company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [ ] No [X]

At May 15, 2017, there were 27,721.10 units of the Registrant’s limited partnership interests issued and outstanding.

SQN Alternative Investment Fund III L.P.
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PART I – FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

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

	March 31, 2017 (unaudited)	December 31, 2016
Assets		
Cash and cash equivalents	$ 340,895	$ 731,300
Accounts receivable	280,762	122,528
Investments in equipment subject to operating leases, net	2,349,388	2,448,031
Residual value investments in equipment on lease	634,702	634,702
Equipment notes receivable, including accrued interest of $505,637 and $448,213	2,303,707	2,224,597
Collaterized loan receivable, including accrued interest of $34,042 and $21,537	311,934	299,429
Due from Investment Manager	-	2,111
Initial direct costs, net of accumulated amortization of $429,072 and $426,400	40,096	42,768
Investment in participation interest	8,421,915	8,421,915
Equipment investment through SPV	4,197,443	4,290,664
Other assets	2,792,884	2,612,865
Total Assets	$ 21,673,726	$ 21,830,910
Liabilities and Partners' Equity		
Liabilities:		
Non-recourse loans payable, including accrued interest of $306,961 and $135,548	$ 6,684,715	$ 6,513,302
Accounts payable and accrued expenses	521,316	435,890
Distributions payable to Limited Partners	-	484,244
Distributions payable to General Partner	143,221	143,221
Rental income received in advance	111,023	158,604
Deferred gain from investment	177,907	189,767
Security deposits payable	29,700	29,700
Total Liabilities	7,667,882	7,954,728
Commitments and contingencies	-	-
Partners' Equity (Deficit):		
Limited Partners	13,706,949	13,578,107
General Partner	(127,319)	(128,620)
Total Partners' Equity attributable to the Partnership	13,579,630	13,449,487
Non-controlling interest in consolidated entities	426,214	426,695
Total Equity	14,005,844	13,876,182
Total Liabilities and Partners' Equity	$ 21,673,726	$ 21,830,910

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

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

	For the Three Months Ended March 31,	
	2017	**2016**
Revenue:		
Rental income	$ 148,527	$ 288,977
Finance income	-	3,882
Loss on sale of assets	-	(211,102)
Investment income from participation interest and equity method investments	225,360	225,360
Interest income	65,225	97,307
Income from equipment investment through SPV	708,510	-
Total Revenue	1,147,622	404,424
Expenses:		
Management fees - Investment Manager	141,677	141,677
Depreciation and amortization	101,315	199,051
Professional fees	49,729	41,285
Administration expense	5,189	6,435
Other expenses	17,215	19,973
Interest expense	171,413	84,649
Expenses from equipment investment through SPV (including depreciation expense of approximately $77,000 for the three months ending March 31, 2017)	713,323	-
Total Expenses	1,199,861	493,070
Foreign currency transaction (gains) losses	(181,901)	107,484
Net income (loss)	$ 129,662	$ (196,130)
Net loss attributable to non-controlling interest in consolidated entities	(481)	-
Net income (loss) attributable to the Partnership	130,143	(196,130)
Net income (loss) allocable to:		
Limited Partners	$ 128,842	$ (194,169)
General Partner	1,301	(1,961)
Net income (loss)	$ 130,143	$ (196,130)
Weighted average number of limited partnership interests outstanding	27,721.10	27,721.10
Net income (loss) attributable to Limited Partners per weighted average number of limited partnership interests outstanding	$ 4.65	$ (7.00)

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

SQN Alternative Investment Fund III L.P. and Subsidiaries
(A Delaware Limited Partnership)
Condensed Consolidated Statement of Changes in Partners' Equity
Three Months Ended March 31, 2017
(Unaudited)

	Limited Partnership Interests	Total Partners' Equity (Deficit)	General Partner	Limited Partners	Non-controlling Interest
Balance, January 1, 2017	27,721.10	13,876,182	(128,620)	13,578,107	426,695
Net income	-	129,662	1,301	128,842	(481)
Balance, March 31, 2017	27,721.10	$ 14,005,844	$ (127,319)	$ 13,706,949	$ 426,214

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

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

	For the Three Months Ended March 31, 2017	For the Three Months Ended March 31, 2016
Cash flows from operating activities:		
Net income (loss)	$ 129,662	$ (196,130)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Finance income	-	(3,882)
Accrued interest income	(65,224)	210
Loss on sale of assets	-	211,102
Depreciation and amortization	101,315	199,050
Foreign currency transaction (gains) losses	(181,865)	103,833
Change in operating assets and liabilities:		
Accounts receivable	(2,760)	(301,630)
Minimum rental payments received	-	39,514
Other assets	(180,019)	71,599
Accounts payable and accrued expenses	85,426	(27,317)
Deferred revenue	(11,860)	(11,860)
Accrued interest on notes and loans payable	171,413	23,216
Rental income received in advance	(47,581)	11,848
Net cash (used in) provided by operating activities	(1,493)	119,553
Cash flows from investing activities:		
Proceeds from sale of leased assets	-	150,660
Principal payments received on convertible notes	-	8,571
Equipment investment through SPV	93,221	-
Net cash provided by investing activities	93,221	159,231
Cash flows from financing activities:		
Cash paid for distributions to Limited Partners	(484,244)	(2,633,505)
Repayment of note from Investment Manager	2,111	32,221
Net cash used in financing activities	(482,133)	(2,601,284)
Net decrease in cash and cash equivalents	(390,405)	(2,322,500)
Cash and cash equivalents, beginning of period	731,300	2,816,914
Cash and cash equivalents, end of period	$ 340,895	$ 494,414

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

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

	For the Three Months Ended March 31,	
	2017	**2016**
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ -	$ -
Supplemental disclosure of non-cash investing and financing activities:		
Reclassification of investment in finance lease to accounts receivable	$ -	$ 227,824

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

1. Organization and Nature of Operations

Organization - SQN Alternative Investment Fund III, L.P. (the "Partnership") was formed on March 10, 2010, as a Delaware limited partnership 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. 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 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 was to acquire an $8,540,000 interest in two newly commissioned shipping vessels under long-term charter contracts. The Partnership consolidates Delta into the condensed 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 condensed 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 condensed consolidated financial statements.

On June 19, 2013, the Partnership acquired the primary economic risks and rewards in a newly formed 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 corresponding leased equipment are 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 condensed 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 condensed consolidated financial statements of SQN Alternative Investment Fund III, L.P. at March 31, 2017 and for the three months ended March 31, 2017 and 2016 are unaudited and have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and pursuant to the rules and regulations of the SEC with respect to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The unaudited interim condensed consolidated financial statements furnished reflect all adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. The results reported in these condensed consolidated financial statements should not necessarily be taken as indicative of results that may be expected for the entire year. These unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Partnership for the year ended December 31, 2016 and notes thereto contained in the Partnership's annual report on Form 10-K for the year ended December 31, 2016, as filed with the SEC on March 31, 2017.

Principles of Consolidation - The condensed 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 condensed 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 condensed 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 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 a 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), respectively, of cash and cash equivalents held in one bank 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 Partnerships' 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 in-flows expected to be generated by an asset less the future out-flows expected to be necessary to obtain those in-flows. 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 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 March 31, 2017, an allowance for doubtful lease, notes and loan accounts is not currently provided since, in the opinion of the Investment Manager, all accounts recorded are deemed collectible.

Equipment Notes Receivable — Equipment notes receivable are reported in the condensed consolidated financial statements 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 the condensed 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 condensed 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. 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 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 condensed consolidated financial statements.

3. Related Party Transactions

The General Partner is responsible for the day-to-day 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 March 31, 2017 and December 31, 2016, the Partnership has a remaining balance on the note receivable from its Investment Manager of $0 and $2,111, respectively, which is included in the condensed consolidated balance sheets.

For the three months ended March 31, 2017 and 2016, the Partnership paid the Investment Manager $141,677 which is included in Management fees – Investment Manager in the condensed consolidated statements of operations.

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 the Partnership, 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. At March 31, 2017 and December 31, 2016, the total investment in Bravo was $1,068,554 and $1,162,484, respectively.

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. Investment in Equipment Subject to Operating Leases

At March 31, 2017 and December 31, 2016, investments in equipment subject to operating leases consisted of the following:

	March 31, 2017	December 31, 2016
Aircraft rotables	$ 339,700	$ 339,700
Computer equipment	59,186	59,186
Modular accommodations	2,928,049	2,928,049
	3,326,935	3,326,935
Accumulated depreciation	(977,547)	(878,904)
	$ 2,349,388	$ 2,448,031

Depreciation expense was $98,643 and $196,330 for the three months ended March 31, 2017 and 2016, 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 $137,300 of rental income for the three months ended March 31, 2017. At March 31, 2017, 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 $11,300 in rental income for the three months ended March 31, 2017. At March 31, 2017, there were no significant changes to this lease.

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.

At March 31, 2017, the aggregate amounts of future minimum lease payments receivable are as follows:

	Lease Payment Currencies		
Year Ending March 31,	U.S. Dollars	British Pounds (1)	Total
2018	$ 45,072	$ 294,848	$ 339,920
2019	41,316	294,848	336,164
2020	—	112,906	112,906
	$ 86,388	$ 702,602	$ 788,990

(1) Converted to U.S. Dollars at March 31, 2017 exchange rate of 1.2487.

6. 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.

7. Equipment Notes Receivable

At March 31, 2017 and December 31, 2016, investments in equipment notes receivable, including accrued interest, consisted of the following:

Equipment Description	Maturity Date	Interest Rate	March 31, 2017	December 31, 2016
Hydro-electric generating plant - NI	12/31/16	12.00%	$ 2,303,707	$ 2,224,597
			$ 2,303,707	$ 2,224,597

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.

8. 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 condensed consolidated financial statements. The gain will be amortized over the expected term of the investment and will be recorded as income.

9. 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 March 31, 2017, the Partnership has an aggregate investment balance of $4,197,443.

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. At March 31, 2017, Boxship Holding recorded income of approximately $709,000 primarily from charter rental fees less total expenses of $714,000, consisting of ship operating expenses, of approximately $415,000, ship management fees and charter commissions fees of approximately $34,000, general and administrative expenses, of approximately $180,000, depreciation expense, of approximately $77,000 and interest expense of approximately $8,000 resulting in a net loss of approximately $5,000.

10. 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 March 31, 2017, the loan facility earned interest income of $12,505.

11. Other Assets

Other assets primarily include approximately $1,175,000 related to the collateral value of the manufacturing equipment and inventory note and $230,000 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 March 31, 2017.

12. Non-recourse Loans 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 March 31, 2017 and December 31, 2016 was $6,377,754 and $6,377,754, respectively.

13. 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:

	March 31, 2017		December 31, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Collateralized loan receivable	$ 277,892	$ 277,892	$ 277,892	$ 277,892
Equipment notes receivable	$ 1,798,070	$ 1,798,070	$ 1,776,384	$ 1,776,384
Liabilities:				
Loans payable	$ 6,377,754	$ 6,377,754	$ 6,377,754	$ 6,377,754

As of March 31, 2017, the Partnership evaluated the carrying values of its financial instruments and they approximate fair values.

14. Business Concentrations

For the three months ended March 31, 2017, the Partnership did not have any income derived from finance leases. For the three months ended March 31, 2016, the Partnership had two lessees which accounted for approximately 88% and 12% of the Partnership's income derived from finance leases. For the three months ended March 31, 2017, the Partnership had one lessee which accounted for approximately 92% of the Partnership's rental income derived from operating leases. For the three months ended March 31, 2016, the Partnership had two lessees which accounted for approximately 55% and 41% of the Partnership's rental income derived from operating leases. For the three months ended March 31, 2017, the Partnership had two loans which accounted for approximately 81% and 19% the Partnership's interest income. For the three months ended March 31, 2016, the Partnership had two loans which accounted for approximately 63% and 34% the Partnership's interest income.

At March 31, 2017, the Partnership did not have any investment in finance leases. At March 31, 2016, the Partnership had one lessee which accounted for approximately 98% of the Partnership's investment in finance leases. At March 31, 2017, the Partnership had one lessee which accounted for approximately 91% of the Partnership's investment in operating leases. At March 31, 2016, the Partnership had two lessees which accounted for approximately 76% and 16% of the Partnership's investment in operating leases. At March 31, 2017, the Partnership had had one lessee which accounted for 100% of the Partnership's investment in residual value leases. At March 31, 2016, the Partnership had one lessee which accounted for 100% of the Partnership's investment in residual value leases. At March 31, 2017, the Partnership had one lessee which accounted for approximately 100% of the Partnership's investment in equipment notes receivable. At March 31, 2016, the Partnership had two lessees which accounted for approximately 67% and 33% of the Partnership's investment in equipment notes receivable.

At March 31, 2017 and December 31, 2016, the Partnership's equipment notes receivable was from one debtor. At March 31, 2017 and December 31, 2016, the Partnership's collateralized loan receivable was from one debtor.

As of March 31, 2017 and December 31, 2016, the outstanding loans payable of $6,684,715 and $6,513,302 were from one lender.

15. Geographic Information

Geographic information for revenue for the three months ended March 31, 2017 and 2016 was as follows:

	Three Months Ended March 31, 2017			
Revenue:	United States	Europe	Australia	Total
Rental income	$ —	$ 137,260	$ 11,267	$ 148,527
Investment income from participation interest	$ —	$ 225,360	$ —	$ 225,360
Interest income	$ 65,225	$ —	$ —	$ 65,225
Income from equipment investment through SPV	$ —	$ 708,510	$ —	$ 708,510

Revenue:	Three Months Ended March 31, 2016			
	United States	Europe	Australia	Total
Rental income	$ 119,572	$ 158,138	$ 11,267	$ 288,977
Finance income	$ —	$ 3,882	$ —	$ 3,882
Loss on sale of assets	$ (8,938)	$ (202,164)	$ —	$ (211,102)
Investment income	$ —	$ 225,360	$ —	$ 225,360
Interest income	$ 97,307	$ —	$ —	$ 97,307

Geographic information for long-lived assets at March 31, 2017 and December 31, 2016 was as follows:

Long-lived assets:	March 31, 2017			
	United States	Europe	Australia	Total
Investments in equipment subject to operating leases, net	$ —	$ 2,131,980	$ 217,408	$ 2,349,388
Residual value investment in equipment on lease	$ —	$ 634,702	$ —	$ 634,702
Equipment investment through SPV	$ —	$ 4,197,443	$ —	$ 4,197,443
Equipment notes receivable, including accrued interest	$ —	$ 2,303,707	$ —	$ 2,303,707

Long-lived assets:	December 31, 2016			
	United States	Europe	Australia	Total
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

16. Subsequent Events

None.

Item 2. General Partner’s Discussion and Analysis of Financial Condition and Results of Operations

As used in this Quarterly Report on Form 10-Q, references to “we,” “us,” “our” or similar terms include SQN Alternative Investment Fund III L.P, SQN Bravo LLC and SQN Delta LLC, our subsidiaries.

The following is a discussion of our current consolidated financial position and results of operations. This discussion should be read together with our Annual Report on Form 10-K, filed on March 31, 2017. This discussion should also be read in conjunction with the disclosures below regarding “Forward-Looking Statements” and the “Risk Factors” set forth in Item 1A of Part II of this Quarterly Report on Form 10-Q.

Forward-Looking Statements

Certain statements within this Quarterly Report on Form 10-Q may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (“PSLRA”). These statements are being made pursuant to the PSLRA, with the intention of obtaining the benefits of the “safe harbor” provisions of the PSLRA, and, other than as required by law, we assume no obligation to update or supplement such statements. Forward-looking statements are those that do not relate solely to historical fact. They include, but are not limited to, any statement that may predict, forecast, indicate or imply future results, performance, achievements or events. You can identify these statements by the use of words such as “may,” “will,” “could,” “anticipate,” “believe,” “estimate,” “expect,” “intend,” “predict,” “continue,” “further,” “seek,” “plan,” or “project” and variations of these words or comparable words or phrases of similar meaning. These forward-looking statements reflect our current beliefs and expectations with respect to future events and are based on assumptions and are subject to risks and uncertainties and other factors outside our control that may cause actual results to differ materially from those projected. We undertake no obligation to update publicly or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

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.

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 three months ended March 31, 2017 (the "2017 Quarter") compared to the three months ended March 31, 2016 (the "2016 Quarter")

Our revenue for the 2017 Quarter compared to the 2016 Quarter is summarized as follows:

	Three Months Ended March 31,	
	2017	2016
Revenue:		
Rental income	$ 148,527	$ 288,977
Finance income	—	3,882
Loss on sale of assets	—	(211,102)
Investment income	225,360	225,360
Interest income	65,225	97,307
Income from equipment investment through SPV	708,510	—
Total Revenue	$ 1,147,622	$ 404,424

For the 2017 Quarter we earned total revenue of $1,147,622 which is an increase of approximately $743,000 from our 2016 Quarter. The increase in total revenue was due to an increase of approximately $709,000 from income from equipment investment through SPV offset by a decrease in rental income of approximately $140,000, a decrease in finance income of approximately $3,900 and a decrease in interest income of approximately $32,000. The increase in total revenue is primarily due to income from equipment investment through SPV.

For the 2016 Quarter we earned total revenue of $404,424 which is a decrease of approximately $1,213,000 from our 2015 Quarter. The decrease in total revenue was due to a decrease in rental income of approximately $445,000, a decrease in finance income of approximately $375,000, a decrease in income from investments of approximately $52,000, a decrease in gain on sale of assets of approximately $250,000 and a decrease in interest income of approximately $82,000. The decrease in total revenue is primarily due to the sale of our assets as we are in our Liquidation Period.

Our expenses for the 2017 Quarter compared to the 2016 Quarter are summarized as follows:

	Three Months Ended March 31,	
	2017	**2016**
Expenses:		
Management fees - Investment Manager	$ 141,677	$ 141,677
Depreciation and amortization	101,315	199,051
Professional fees	49,729	41,285
Administration expense	5,189	6,435
Other expenses	17,215	19,973
Expenses from equipment investment through SPV	713,323	—
Interest expense	171,413	84,649
Total Expenses	$ 1,199,861	$ 493,070
Foreign currency transaction (gains) losses	$ (181,901)	$ 107,484

During the 2017 Quarter, we incurred total expenses of $1,199,861 versus total expenses of $493,070 for the 2016 Quarter. The primary reason for the increase of approximately $707,000 from the 2016 Quarter was due to our equipment investment through SPV.

For the 2017 Quarter we generated foreign currency transaction gains of $181,901, which were incurred as follows: (i) approximately $181,000 was related directly to our equipment leasing transactions or project financings in the United Kingdom and (ii) the remaining balance 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 increased approximately 1.2% during the 2017 Quarter. For the 2016 Quarter we generated foreign currency transaction losses of $107,484, which were incurred as follows: (i) approximately $104,000 was related directly to our equipment leasing transactions or project financings in the United Kingdom and (ii) the remaining balance 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 2.9% during the 2016 Quarter. We do not currently, and we have no plans in the future, to hedge our British Pound Sterling exposure. We expect to have gains and losses relating to our investments denominated in foreign currencies and the swings may be large from year to year. We do not hedge our foreign currency exposures and may not hedge such exposures in the future.

Net Income

As a result of the factors discussed above we generated net income for the 2017 Quarter of $129,662 compared to a net loss for the 2016 Quarter of $196,130.

Liquidity and Capital Resources

Sources and Uses of Cash

	Three Months Ended March 31,	
	2017	2016
Cash provided by (used in):		
Operating activities	$ (1,493)	$ 119,553
Investing activities	$ 93,221	$ 159,231
Financing activities	$ (482,133)	$ (2,601,284)

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 loans payable and fees paid to our Investment Manager.

Operating Activities

During 2017, we had cash outflows from operating activities of $1,493. This was principally due to net income of approximately $130,000, an increase in accrued interest on notes and loans payable of approximately $171,000 and a non-cash increase of approximately $101,000 from depreciation and amortization. These were offset by a non-cash decrease of approximately $247,000 from unrealized foreign currency transaction gains and accrued interest income and a decrease in other assets of approximately $180,000. We anticipate that we will normally 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 2016, we generated cash inflows from operating activities of $119,553. This was principally due 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 $39,000 from our finance leases during the 2016 Period. 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 $514,000 which represented depreciation and amortization, loss on sale of assets, and unrealized foreign currency transaction 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 provided by investing activities for the 2017 Quarter was $93,221. We received approximately $93,221 from our equipment investment through SPV. We anticipate generating cash inflows during the Liquidation Period as we sell our various equipment leases.

Cash provided by investing activities for the 2016 Quarter was $159,231. We received proceeds of approximately $151,000 from the sale of leased assets and approximately $8,600 for principal payments received on convertible notes. We anticipate generating cash inflows during the Liquidation Period as we sell our various equipment leases.

Financings and Borrowings

Cash used in financing activities was $482,133 for the 2017 Quarter. During the 2017 Quarter, we collected approximately $2,100 from a note receivable with our Investment Manager. Offsetting this increase was cash outflows of approximately $484,000 for distributions to our Limited Partners.

Cash used in financing activities was $2,601,284 for the 2016 Quarter. During the 2016 Quarter, we collected approximately $32,000 from a note receivable with our Investment Manager. Offsetting this increase was cash outflows of approximately $2,634,000 for distributions to our Limited Partners.

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 our initial closing, which occurred on May 2, 2011. We expect to make distributions to our Limited Partners through the Operating Period. During the three months ended March 31, 2017, we did not make any distributions to our Limited Partners. We did not make a cash distribution to the General Partner during the three months ended March 31, 2017; however, we accrued approximately $143,200 for distributions due to the General Partner at March 31, 2017. Although the timing of distributions may become irregular, we intend to follow the semi-annual distribution schedule at the targeted distribution rate provided the cash from operations can sustain the distributions.

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.

Contractual Obligations

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 our initial closing, which occurred on May 2, 2011. We expect to make distributions to our Limited Partners through the Liquidation Period.

Subsequent Events

None.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There are no material changes to the disclosures related to these items since we filed our Annual Report on Form 10-K dated December 31, 2016.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

In connection with the preparation of this Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, our General Partner and Investment Manager carried out an evaluation, under the supervision and with the participation of the management of our General Partner and Investment Manager, including its Chief Executive Officer, of the effectiveness of the design and operation of our General Partner's and Investment Manager's disclosure controls and procedures as of the end of the period covered by this Report pursuant to the Securities Exchange Act of 1934. Based on the foregoing evaluation, the Chief Executive Officer concluded that our General Partner's and Investment Manager's disclosure controls and procedures were effective.

In designing and evaluating our General Partner's and Investment Manager's disclosure controls and procedures, our General Partner and 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 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.

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 March 31, 2017. 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 March 31, 2017, 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 March 31, 2017, that materially affected, or are reasonably likely to materially affect, their internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in our Annual Report on Form 10-K dated December 31, 2016.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Our Registration Statement on Form S-1, as amended, was declared effective by the SEC on March 17, 2011. Our Offering Period commenced on March 17, 2011 and ended on March 15, 2013. During the Offering Period, we admitted a total of 375 investors as Limited Partners, including a $100,000 investment on March 15, 2013 by the Investment Manager, received total capital contributions of $27,861,100 and issued a total of 27,861.10 Units.

During the Offering Period we paid organizational and offering expenses totaling $999,119 and distribution expense to SQN Securities, LLC totaling $555,222. Due to our not achieving certain equity raising milestones during the Offering Period our General Partner and/or the Investment Manager are required to reimburse us organizational and offering expenses of $441,897. At March 15, 2013, organizational and offering expenses were limited to $557,222 or 2% of total equity raised.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safely Disclosures

Not applicable.

Item 5. Other Information

Item 6. Exhibits

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

31.2 Certification of Chief Accounting Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of 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.

32.2 Certification of Chief Accounting Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101 Interactive Data Files

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

May 15, 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 quarterly report on Form 10-Q 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: May 15, 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 Quarterly Report of SQN Alternative Investment Fund III L.P. (the "Company") on Form 10-Q for the period ended March 31, 2017, 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: May 15, 2017

/s/ Jeremiah Silkowski

Jeremiah Silkowski
Chief Executive Officer
(Principal Executive Officer)