



SQN Capital Management, LLC
110 William Street, 26th floor
New York, NY 10038
212-422-2166

advisor@sqncapitalmanagement.com
www.sqncapitalmanagement.com

Firm Brochure

January 31, 2013

NOTICE TO PROSPECTIVE CLIENTS: READ THIS DISCLOSURE BROCHURE IN ITS ENTIRETY

All the material within this Brochure must be reviewed by those who are considering becoming a client of our firm. This Brochure provides information about the qualifications and business practices of SQN Capital Management, LLC.

If you have any questions about the contents of this Brochure, please contact us at 212-422-2166 and/or email us at advisor@sqncapital.com.

In accordance with federal and state regulations, this Brochure is on file with the appropriate securities regulatory authorities as required. The information provided within this Brochure is not to be construed as an endorsement or recommendation by state securities authorities in any jurisdiction within the United States, or by the United States Securities and Exchange Commission.

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

SQN Capital Management, LLC is registered as a registered Investment Adviser with the Securities & Exchange Commission. Registration of an Investment Adviser does not imply any level of skill or training.

The oral and written communications of an Investment Adviser provide you with information with which you determine whether to hire or retain them as an Investment Adviser. Additional information about SQN Capital Management, LLC also is available on the SEC's Web Site at www.adviserinfo.sec.gov.

Item 2 – Material Changes

Annual Update

This Item number discloses only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We also reference the date of our last update of our Brochure.

Material Changes since Our Last Brochure

Below is a summary of the material changes since our last Brochure dated January 31, 2012:

- No material changes.

We may further provide other ongoing disclosure information about material changes as necessary.

Copy of Brochure

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Disclosure Brochure may be requested by contacting the firm at 212-422-2166. The firm's web site is www.sqncapitalmanagement.com

Additional information about SQN Capital Management, LLC is also available via the SEC's Web Site: www.adviserinfo.sec.gov.

The SEC's Web Site also provides information about any persons affiliated with SQN Capital Management, LLC who are registered, or are required to be registered, as investment adviser representatives of SQN Capital Management, LLC.

Form ADV Part 2A: SQN Capital Management, LLC

Item 3 – Table of Contents

Item 2 – Material Changes	2
Item 4 – Advisory Business	4
Item 5 – Fees and Compensation	4
Item 6 – Performance-Based Fees and Side-By-Side Management	5
Item 7 – Types of Clients	6
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	6
Methods of Analysis	6
Investment Strategies	7
Risk of Loss	8
Item 9 – Disciplinary Information	9
Item 10 – Other Financial Industry Activities and Affiliations	9
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	10
Item 12 – Brokerage Practices	10
Item 13 – Review of Accounts.....	10
Item 14 – Client Referrals and Other Compensation	11
Item 15 – Custody	11
Item 16 – Investment Discretion	11
Item 17 – Voting Client Securities.....	11
Item 18 – Financial Information	11
Item 19 – Requirements for State-Registered Advisers	12

Part 2A, Appendix 1: The “Wrap Brochure” - SQN Capital Management, LLC does not sponsor a wrap fee program. Therefore, Part 2A, Appendix 1 is not applicable.

Item 4 – Advisory Business

SQN Capital Management, LLC (“SQN”), a Delaware limited liability company, was formed in December 2007 to act as the manager of Regulation D and public direct participation programs. SQN currently is the general partner and managing member of four investment funds: SQN Alternative Investment Fund I, LLC (“Fund I”); SQN Alternative Investment Fund II, LLC (“Fund II”); SQN Special Opportunity Fund, LLC (“SOF”); and SQN Alternative Investment Fund III L.P. (“Fund III”) (Fund I, Fund II, Fund III and SOF each, a “Fund” and collectively, the “Funds”) Fund I, Fund II and SOF are each private placements which are offered under Regulation D of the Securities Act of 1933. Fund III is a publicly registered direct participation program.

SQN provides investment advisory services and management services to the Funds. Such services include the selection, management and disposition of assets.

Each Fund has its own investment committee and its own investment objectives set forth in each Fund’s offering materials. Each Fund is managed by SQN in accordance with the Fund’s investment objectives without consideration of the individual investment objectives of any particular investor admitted to the particular Fund. Any individual purchasing securities in a Fund managed by SQN should consult with an investment professional to determine suitability. SQN does not provide investment advisory services to individuals that participate in the Funds.

SQN provides a copy of ADV Part 2 to every client and a copy will be provided to any prospective client upon request. SQN charges fees for its services and all fees are negotiable. Several factors contribute to the amount of the fee charged such as the size of the account and the type of assets managed.

As of the date of this brochure, SQN managed assets with discretionary authority in the amount of approximately \$46,044,000.

SQN is wholly-owned by SQN Capital Partners, LLC, a Delaware limited liability company. Jeremiah Silkowski is the only individual that ultimately controls more than 25% of SQN Capital Partners, LLC.

Item 5 – Fees and Compensation

All fees are subject to negotiation. Among other things, certain factors we consider are the size of the account, the type of assets managed and the nature of the services provided. Fees and compensation may be comprised of investment advisory fees, management fees and performance fees. The manner in which fees are charged by SQN are set forth in each of the Fund’s respective written Advisory Agreement. SQN’s fees are payable in advance on a monthly basis.

SQN charges a fee for investment advice. Generally, fees on an annual basis range from 1.975% to

Form ADV Part 2A: SQN Capital Management, LLC

3.00%, per year depending on various factors.

Management fees compensate for all management activities, including:

- acquiring portfolios;
- originating and servicing leases;
- collecting lease revenue;
- monitoring lessee's compliance with the terms of the lease;
- arranging for necessary maintenance and repair of assets;
- monitoring tax compliance; and
- preparing financial data from operations.

Associated persons of SQN may also be registered representatives of SQN's affiliate, SQN Securities, LLC, a registered broker dealer. These individuals, in their capacity as registered representatives of SQN Securities, LLC, may receive compensation or commissions from the sale of securities and other investments. This may create a conflict of interest between any Funds that have overlapping offering periods.

Clients may purchase any recommended investment through an agent or broker that is not affiliated with SQN.

Unrelated to the fees paid to SQN with respect to the investment advisory services to the Funds, the Funds may pay other fees to SQN or other third parties for services rendered in connection with each Fund's respective offering and operation, without limitation, attorney's fees, organizational and offering expenses allowances, distribution expenses, reimbursement of operating and acquisition expenses, servicing fees, asset management fees, remarketing fees, appraisal fees, disposition fees, accounting and auditing fees, recording fees and registration fees. A more detailed description of such fees may be found in each Fund's respective private offering memorandum or prospectus.

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

Fees are based on a client's assets under management as calculated at the end of each calendar month.

SQN may receive a promotional interest for managing a Fund, generally equal to 1% of all cash distributions made by the Fund.

For certain clients that are exempt from the compensation prohibition of section 205(a)(1) of the Investment Advisers Act of 1940, SQN may change a performance fee. SQN may receive a fee based on the total return achieved by fund participants. Once a Fund's return threshold to the

Form ADV Part 2A: SQN Capital Management, LLC

fund participants is achieved, SQN's share of cash distributions may increase. This means that after a fund participant has received total distributions equal to that fund participant's capital contribution plus an annual return specified in the Fund's offering document, the percentage of future distributions paid by the Fund to SQN may increase.

Item 7 – Types of Clients

SQN provides investment advisory and management services to alternative investment funds with an emphasis on direct participation programs. Although SQN reserves the right to waive a minimum investment amount based on certain criteria, SQN requires a minimum initial investment of \$1,000,000.

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

Methods of Analysis

Originating an investment involves, among other things: identifying a lessee or other end-user; inspecting the equipment or other asset; undertaking a business, credit, and industry review; projecting the residual value of the equipment or other asset; pricing the investment; and documenting the transaction. We must have sufficient financial information on the lessee, end-user, guarantor or any other participant or counterparty to enable us to make an informed decision regarding their ability to perform their contractual obligations. We typically analyze the following information:

- audited financial statements for the last two years, if available;
- unaudited financial statements for the latest completed quarter;
- budget or forecast for the latest fiscal year;
- confirmation that current customers are current with their payments or proposals clearly demonstrating how arrearages will be made current;
- details of current levels of exposure within existing transactions aggregated with the new proposal; and
- details of existing credit facilities, the remaining availability and any financial covenants affecting the counterparty, lessee, end-user, guarantor, or other parties.

Additional information may be analyzed, when relevant, to assist in our assessment of the potential creditworthiness of a lessee or other counterparty including:

- its organizational structure;
- its management structure and an overview of the experience of the key members of the management team;

Form ADV Part 2A: SQN Capital Management, LLC

- its current business plan;
- its marketing plan and any intelligence on its market share, market penetration and major competitors;
- an analysis of its strengths, weaknesses, opportunities, and threats;
- an overview of its customer base; and
- details of any recent press or internet coverage.

Investment Strategies

The goal is to build a portfolio of investments comprised of a mix of single investor and leveraged leases to provide steady cash flow that can support a regular cash dividend, allow for portfolio compounding, and also generate attractive total returns.

The following strategies are employed to achieve the goal:

- Invest in business-essential, revenue-producing assets which, historically, have had high in-place value and relatively long economic life;
- Target assets with multiple and varied industry applications and with active secondary markets;
- Take ownership of the underlying asset(s) providing collateralization and, in some cases, corresponding tax benefits;
- Invest in assets rather than credit which, at times, creates opportunities to generate above market yields over unsecured debt of the same credit quality; and
- Do not rely on trends or market moves for success or returns.

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

We focus on investments in business-essential, revenue-producing equipment and other assets with high in-place value and long economic life (relative to the investment term). We target investments (i) originated and warehoused by certain affiliates; (ii) originated directly by us; or (iii) originated from brokers or other leasing/investment companies or banks.

Form ADV Part 2A: SQN Capital Management, LLC

We concentrate on transaction sizes below \$10.0 million with a maximum equity investment dependent on the size of the offering and the program's investment objectives. By doing so, we operate in areas with limited competition so that we may be selective in our investments. We focus on investments in specific industries and asset types where our members and officers have extensive expertise and have a deep and well developed sales and remarketing network. We focus on identifying equipment and other assets that are considered essential use or core to a business or operation in the agricultural, energy, environmental, medical, manufacturing, technology, and transportation industries. We also may identify other assets or industries that meet our investment objectives.

We target investments using a combination of transactions in various countries with a focus on the United States, Canada and the European Union.

Risk of Loss

All investments involve a degree of risk including, without limitation, loss of investment and illiquidity that clients should be prepared to bear. Clients should consider the following risk factors before entering into an Advisory Agreement and authorizing discretionary authority.

Default, Ownership: Leases are generally structured as triple net "hell or high water" leases, under which the end user is responsible for all costs associated with using and maintaining the asset including, without limitation, payment of all taxes levied on the assets, insurance and necessary repairs. However, in the event of default, you are the title owner of the asset and therefore is responsible for the payment of all costs incident to ownership.

Limited Operating History: We were formed in December 2007 and have a limited transaction history. Although we currently manage four equipment leasing programs, none have run full-cycle. When evaluating your investment, please consider that past performance is not an indication or a guarantee of future results. Further, we cannot predict whether our intended operations will meet our stated objectives.

Illiquidity, Investing in Business-Essential Assets Subject to Lease: Since you are investing in business-essential assets subject to lease, you are contractually bound to hold the investment for the lease term. Even after this lease has ended, there can be no assurance that you could liquidate your investment in a timely fashion. Supply and demand may impact your ability to sell the assets in the open market as well as the amount of sale proceeds that you may receive.

Conflicts of Interest: Since we manage multiple funds, there are conflicts associated with allocating investment opportunities.

Form ADV Part 2A: SQN Capital Management, LLC

Lack of Diversification: Although the maximum investment in one asset is limited to a certain percentage of gross offering proceeds, there is no limit on investment by industry or sector. Uncertainties associated with the equipment leasing and financing industries may have an adverse effect on your investment.

Leverage: Fluctuations in prevailing interest rates will affect your investment because the cost of capital as reflected in interest rates is a significant factor in determining the market rate for leases. Higher interest rates will reduce the yield on leveraged transactions and limit the number of potential transactions due to a corresponding reduction in the value of fixed rate leases and secured financing.

Residual Value: We cannot assure you that our value assumptions will be accurate or that the equipment or other assets will not lose value more rapidly than anticipated. Residual values depend on numerous factor that are beyond our control, including: the desire of the lessee or end-user to keep to the equipment; cost of comparable equipment; condition of the equipment; development of new technologies making the equipment obsolete; and secondary market supply and demand.

Fund participants are not required to make additional capital contributions. A fund participant's liability is limited to its capital contribution. Fund participants should be prepared to lose some or all of their capital contribution.

Item 9 – Disciplinary Information

There are no pending criminal or regulatory proceedings and no civil claims with merit against SQN or its management. Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of SQN or impact the integrity of its management.

Item 10 – Other Financial Industry Activities and Affiliations

Except as disclosed below, SQN does not have any other financial industry activities or affiliations.

SQN's related parties include SQN Securities, LLC, a broker-dealer registered with the FINRA. The following members of management are registered representatives of SQN Securities, LLC:

Jeremiah J. Silkowski
Michael Miroshnikov
Michael Ponticello
Matthew Leszyk

Form ADV Part 2A: SQN Capital Management, LLC

SQN's only clients are the Funds which include pooled investment vehicles such as private placements and direct participation programs. SQN Securities, LLC may be independently engaged by the Funds to act as a dealer-manager. Additionally, SQN Securities, LLC may enter into selling arrangements with other broker dealers and investments advisors.

SQN does not recommend broker dealers or investment advisors to its clients where SQN receives compensation directly or indirectly.

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

A copy of SQN's Code of Ethics will be provided to any client upon request.

SQN's Code of Ethics sets forth standards of conduct expected from advisory personnel, addresses conflicts that arise from personal trading by advisory personnel and requires compliance with Federal securities laws. The Code of Ethics addresses conflicts of interest, personal trading, gifts and the prohibition of using non-public material information for personal gain.

SQN and its related persons do not buy or sell securities for its client's accounts. SQN recommends that its clients invest in business-essential hard assets that are subject to lease or other financial instruments that are backed or tied to business-essential hard assets. The Code of Ethics prohibits SQN's related persons from: (i) investing in securities issued by SQN's clients and (ii) entering into a lease directly with any person that has entered into a lease with a SQN client.

Advisory personnel are required to report all personal securities transactions and receive approval prior to purchasing a security on SQN's restricted list.

Item 12 – Brokerage Practices

SQN does not provide advice related to securities nor does SQN buy, sell or otherwise trade securities. As such, the use of a broker-dealer is not required. If clients desire to acquire or trade securities, they should engage the broker dealer of their choosing directly.

Item 13 – Review of Accounts

Clients' accounts are reviewed quarterly. Accounts are reviewed more frequently than quarterly if there is any unusual activity or deemed necessary at SQN's discretion. Clients shall receive a quarterly statement and a quarterly portfolio evaluation.

Item 14 – Client Referrals and Other Compensation

SQN does not pay for referrals nor does SQN receive any other compensation for making referrals. SQN may refer clients to SQN Securities, LLC, however, SQN does not receive any compensation from such referrals.

SQN Securities, LLC and its agents, receive a distribution expense from Fund III. SQN Securities, LLC only compensates its registered representatives, it does not compensate third parties under selling agreements or otherwise.

Item 15 – Custody

SQN shall comply with Rule 206(4)-2 of The Investment Adviser's Act of 1940 with regard to the custody of client's assets. SQN does not custody securities for any of its clients. A client should enlist a qualified custodian if they require custodial services.

SQN may have authority to obtain possession of a client's funds deposited at the client's banking institution. SEC rules exempt SQN from certain requirements under Rule 206(4)-2 because the Funds are audited annually, and SQN distributes audited financial statements that are prepared in accordance with GAAP to all limited partners and members of the Funds within 120 days of the end of each Fund's fiscal year.

Item 16 – Investment Discretion

SQN manages accounts on a discretionary basis. Other than the parameters set forth in each of the Fund's respective Advisory Agreements, there are no limitations on SQN's investment discretion. This means that each Fund has authorized SQN in advance to purchase and sell assets in accordance with the Fund's investment objectives.

Item 17 – Voting Client Securities

SQN does not purchase any securities for its clients and therefore voting rights associated with securities are not applicable.

Item 18 – Financial Information

SQN has no financial commitments that impair its ability to meet contractual and fiduciary commitments to clients, and SQN has not sought bankruptcy protection.

Item 19 – Requirements for State-Registered Advisers

SQN is a federal registered adviser.