



# **SQN Asset Income Fund V, L.P.**

## Portfolio Overview

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***Fourth Quarter 2017***





## Table of Contents

Company Overview	3
Our Business	4
Portfolio Overview	5
Performance	8
Distributions	10
Financial Statements	11
Forward Looking Statement	16
Additional Information	17



## **Company Overview**

**Company:**

**SQN Asset Income Fund V, L.P.**

Formed in Delaware on January 14, 2016

File Number: 3936182

**SEC Registered Investment Manager:**

**Arboretum Investment Advisors, LLC**

Formed in Delaware on March 3, 2016

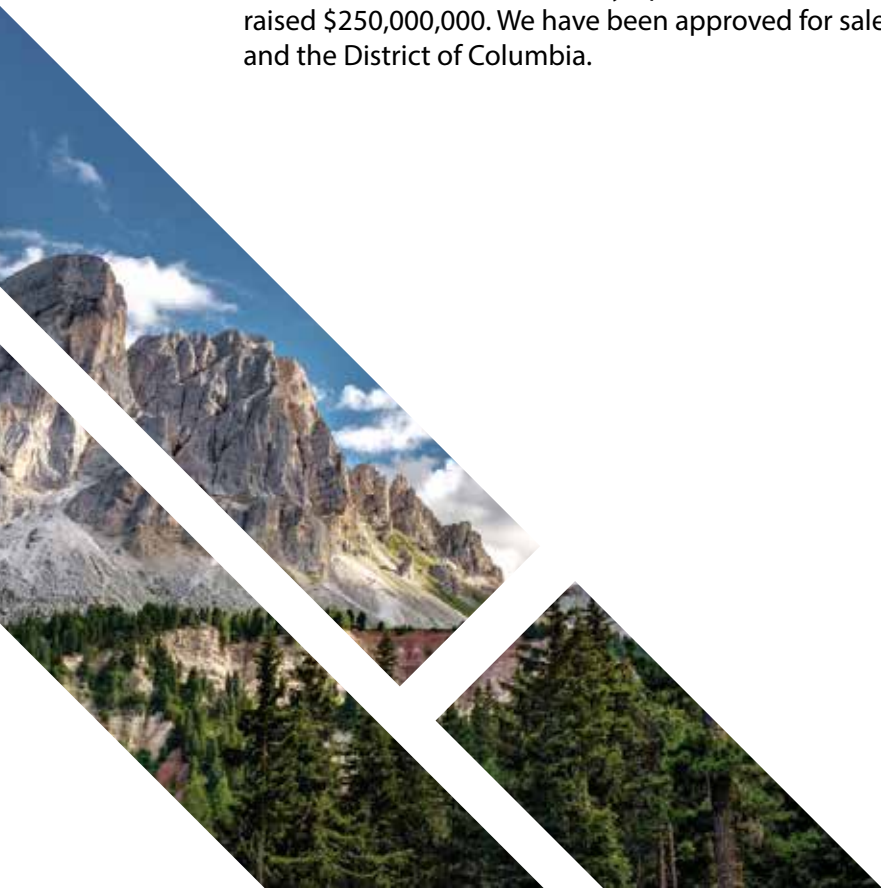
File Number: 5979403

# Company Overview

## **Our Business:**

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

The life cycle of our fund is divided into three distinct stages: (i) the Offering Period, (ii) the Operating Period and (iii) the Liquidation Period. Our Offering period commenced on August 11, 2016 and will last until the earlier of (i) August 11, 2018, which is two years from the commencement of our Offering Period, unless extended by our General Partner, from time to time, in its sole discretion, by up to an additional 12 months, or (ii) the date that we have raised \$250,000,000. We have been approved for sale under Blue Sky regulations in 49 states and the District of Columbia.



## Portfolio

As of December 31, 2017, our portfolio consisted of:



**Borrower:** Shale Energy Support, LLC **Investment Amount:** \$940,000

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**Term:** 60 months **Asset Collateral:** Nordco Rail Car Movers

### Deal Overview:

Investment in two Nordco rail car movers that are business essential. The two cars are an upgrade from the Company's existing single smaller mover and will allow it move heavier loads (more rail cars per load), thus creating operating efficiencies and improving profitability. The need for the movers is driven directly by signing of new long term contracts. The equipment has an economic life of 10-15 years, providing SQN Asset Income Fund V, L.P. (SQN Fund V) with significant and improving collateralization as lease payments are received. The equipment has a strong secondary market and can be utilized by any rail operating business. Founded in 2015, Shale Energy Support LLC operates a wet mine and associated drying facilities in Mississippi.



**Borrower:** Dae Sung, LLC **Investment Amount:** \$406,456

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**Term:** 36 months **Asset Collateral:** Agricultural Equipment

### Deal Overview:

Investment in business essential agricultural equipment to expand an agricultural initiative located in California. In addition to the equipment collateral, the facility is supported by an unlimited personal guarantee from the CEO. Repayments will be supported by consistent EBITDA positive cash flow from operations and the company does not have any other existing long term debt. Dae Sung provides a variety of contracting services to federal & commercial clients, including facility support & maintenance, bulk fuel storage, aircraft refueling, flight simulator training & maintenance, construction management, mail distribution and administration support. Clients of Dae Sung include the U.S. Air Force, U.S. Army, U.S. Navy, Inland Revenue Service, General Service Administration and the Defense Logistics Agency. Dae Sung is a member of the Mandaree Enterprises LLC family of companies, wholly owned by the Three Affiliated Tribes located on the Fort Berthold Indian Reservation in North Dakota.



**Borrower:** EMM Asia Fund I L.P.

**Investment Amount:** \$2,800,000

**Term:** Bridge Loan      **Asset Collateral:** Latshaw Drilling Rig System

**Deal Overview:**

Investment in a newly-built Latshaw 500HP AC Ideal Walking Rig System & ancilliary equipment. The Latshaw rig was built by NOV, one of the premier land rig suppliers in the world. With a useful life of at least 20 years, the Class D rig has substantial opportunities for resale in the secondary market. The rig has been operating under a 3-year contract with a subsidiary of Diamondback Energy Inc, one of the largest oil and natural gas exploration and production companies in North America. The Fund's loan to EMMAF is substantially overcollateralized. As part of the collateral package, EMMAF has pledged the entire \$8mm Latshaw transaction as well as EMMAF's participation in another existing loan to Thomas Industrial Coatings Inc, a syndicated transaction funded by EMMAF. Furthermore, in the event of a default by EMMAF either loan would have sufficient cash flow to fully repay the Fund's loan with interest. Latshaw is the second-largest privately held drilling company in the US. Founded in 1981, it currently holds a fleet of 41 rigs spread out across Oklahoma and Western Texas.



**Borrower:** Western Distribution Services, LLC

**Investment Amount:** \$1,184,850

**Term:** 36 months      **Asset Collateral:** Warehouse Racking System

**Deal Overview:**

Investment in business essential warehouse racking that is fundamental to the operation of the Company's new state of the art cold storage facility. The management team has a strong history of successfully operating cold storage facilities in the Seattle-Tacoma metropolitan region of NW Washington. This facility provides both short and long term storage for dry, chilled and frozen goods. It specializes in the storage of goods to be exported out of the United States by air & sea, with a focus on perishable goods such as Alaskan salmon and cherries that are flown to consumer markets in Asia. The equipment has an expected useful life well in excess of the 36 month term.



**Borrower:** Shri Shri Corp, a Subway Franchisee

**Investment Amount:** \$150,000

**Term:** 48 months      **Asset Collateral:** Furniture Fixtures and Equipment

**Deal Overview:**

Investment in business essential equipment, fittings and furnishings for a Subway franchise located in Port Washington, New York. With over 26,000 locations, Subway is the largest restaurant chain in the United States and is known for their range of affordable sandwiches. Located within Soundview Marketplace, this established mall location is anchored by well-known tenants including Rite Aid and a new Target. The borrower of the Company has successfully managed multiple Subway locations on Long Island, NY for a decade. Collateral for the loan comprises of a blanket asset lien on the Port Washington restaurant along with a corporate guarantee and unlimited personal guarantees by the owners of the Subway franchises.



**Borrower:** Avenues World Holdings, LLC      **Investment Amount:** \$578,017

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**Term:** 36 months      **Asset Collateral:** Information Technology Equipment

**Deal Overview:**

Investment in business essential classroom IT equipment for an elite private preparatory school located in New York, NY. All classes are taught utilizing MacBook Air computers and iPads, which are designed to replace textbooks with digital books – amalgamating education and technology on an individual basis according to the student’s level and needs. The investment is in equipment that is critical to the implementation and success of this teaching concept. The school’s IT department is Apple certified in the repair and service of this equipment, with any replacement costs to be borne by the parents of the students in order to ensure the equipment’s maintenance through the term of the financing. The equity investment will be returned in full during the term, while the transaction will provide additional upside to the Fund should Avenues purchase the equipment at the end of the term.



**Borrower:** Hudson Arts & Science Charter School Inc., an iLearn School      **Investment Amount:** \$357,019

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**Term:** 36 months      **Asset Collateral:** School Furniture Fixtures and Equipment

**Deal Overview:**

Investment in business essential classroom and school equipment to a charter school in New Jersey that is part of the iLearn Schools Network, a non-profit entity that is comprised of multiple separate charter school districts, focusing on the Science, Technology, Engineering, Arts and Math Program (STEAM). The current management team has been successfully operating charter schools in New Jersey since 2007. All schools operated by iLearn are publicly funded and tuition free. The equipment collateral has a strong in-place value for the school and a useful life in excess of the financing term. This particular school has been granted a four-year contract to operate through June 30, 2020, exceeding the life of the fund’s transaction.



**Borrower:** ADF Restaurant Group, LLC, a Pizza Hut Franchisee      **Investment Amount:** \$449,441

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**Term:** 36 months      **Asset Collateral:** Pizza Ovens

**Deal Overview:**



Investment in business essential equipment for one of the nation’s largest retail food franchise operations that currently owns and operates 205 Pizza Hut and Kentucky Fried Chicken restaurants in the Northeast and Mid-Atlantic regions of the United States. The investment consists of 17 double gas 40” pizza ovens with good in-place value and a useful life far in excess of the 36 month term. The company has a strong track record and the operational backing of its franchisor. In the event of a liquidation, SQN Fund V has a first priority security interest in the 17 ovens collateralizing this transaction.

## Performance

From August 11, 2016 through December 31, 2017, we admitted 237 Limited Partners with total capital contributions of \$11,382,618 resulting in the sale of 1,138,261.78 Units. We received cash contributions of \$10,909,599 and applied \$473,019 which would have otherwise been paid as sales commission to the purchase of 47,301.90 additional Units.

*Our revenue for the year ended December 31, 2017 and the period ended December 31, 2016 are summarized as follows:*

	<b>Year Ended December 31, 2017</b>	<b>Period Ended December 31, 2016</b>
<b>Revenue:</b>		
Rental income	\$ 109,024	\$ 18,171
Finance income	81,709	20,368
Interest income	110,365	-
Other income	600	316
Total Revenue	\$ 301,698	\$ 38,855

For the year ended December 31, 2017, we earned \$109,024 in rental income from five operating leases of pizza ovens equipment. We received monthly lease payments of approximately \$384,500 and recognized \$81,709 in finance income from five finance leases during the same period. We also recognized \$110,365 in interest income from collateralized loans receivable during the same period. As we acquire finance leases and operating leases, and as we participate in additional financing projects, we believe our revenue will grow significantly during 2018.



# Performance

Our expenses for the year ended December 31, 2017 and the period ended December 31, 2016 are summarized as follows:

	Year Ended December 31, 2017	Period Ended December 31, 2016
<b>Expenses:</b>		
Management fees - Investment Manager	\$ 750,000	\$ 183,468
Depreciation	95,601	16,123
Professional fees	349,390	76,664
Administration expense	242,939	35,320
Other expenses	15,371	2,030
Total Expenses	\$ 1,453,301	\$ 313,605

For the year ended December 31, 2017, we incurred \$1,453,301 in total expenses. We paid \$750,000 in management fees to our Investment Manager during the year ended December 31, 2017. We pay our Investment Manager a management fee during the Operating Period and the Liquidation Period equal to the greater of (i) 2.5% per annum of the aggregate offering proceeds, payable monthly in advance or (ii) \$62,500 per month. We recognized \$95,601 in depreciation expense and \$242,939 in administration expense. Administration expense mainly consists of expenses paid to the fund administrator. We also incurred \$349,390 in professional fees, which were mostly comprised of fees related to compliance with the rules and regulations of the SEC and consulting services. As the size and complexity of our activities grow, we expect that our professional fees will increase accordingly.

## **Net Loss**

As a result of the factors discussed above, we reported a net loss for the year ended December 31, 2017 of \$1,151,603 as compared to a net loss of \$274,750 for the period ended December 31, 2016.

Our General Partner anticipates that during our early years, income taxes on distributions to you and to our other limited partners will be, to an extent, tax-deferred by operating losses and depreciation deductions available from the portion of our equipment leased to third party end users under our operating leases, but not under its full payout leases or other investments.<sup>1</sup>

<sup>1</sup>From Q&A section on page XIII of the SQN Asset Income Fund V, L.P. Prospectus

## Distributions

During our Operating Period, we intend to pay cash distributions on a quarterly basis to our Limited Partners at 1.5% per quarter, the equivalent rate of 6.0% per annum, of each Limited Partners' capital contribution (pro-rated to the date of admission for each Limited Partner). The current distribution was increased to a rate of 1.625% per quarter, the equivalent of 6.5% per annum.

The amount and rate of cash distributions could vary and are not guaranteed. During the year ended December 31, 2017, we made quarterly cash distributions to our Limited Partners totaling approximately \$330,000, and we accrued \$181,062 for distributions due to Limited Partners which resulted in a distributions payable to Limited Partners of \$181,062 at December 31, 2017.

At December 31, 2017 we declared and accrued a distribution of approximately \$4,701 for distributions due to our General Partner which resulted in distributions payable to our General Partner of \$5,102 at December 31, 2017.

# Financial Statements

Balance Sheet	For the Year Ended December 31, 2017	For the Period Ended December 31, 2016
<b>Assets</b>		
Cash and cash equivalents	\$ 2,036,337	\$ 1,180,918
Restricted cash	-	70,200
Investments in finance leases, net	2,032,092	926,751
Investments in equipment subject to operating leases, net	223,102	318,703
Collateralized loans receivable, including accrued interest of \$28,997 and \$0	3,880,331	-
Other Assets	28,061	-
<b>Total Assets</b>	<b>\$ 8,199,923</b>	<b>\$ 2,496,572</b>
<b>Liabilities and Partners' Equity</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 103,158	\$ 90,602
Loan payable	-	1,000
Distributions payable to Limited Partners	181,062	40,088
Distributions payable to General Partner	5,102	401
Subscriptions received in advance	-	70,173
Deferred revenue	49,619	11,647
<b>Total Liabilities</b>	<b>338,941</b>	<b>213,911</b>
<b>Partners' Equity (Deficit):</b>		
Limited Partners	7,880,248	2,285,710
General Partner	(19,266)	(3,049)
<b>Total Equity</b>	<b>7,860,982</b>	<b>2,282,661</b>
<b>Total Liabilities and Partners' Equity</b>	<b>\$ 8,199,923</b>	<b>\$ 2,496,572</b>

# Financial Statements

## Statement of Operations

For the Year Ended  
December 31, 2017

For the Period Ended  
December 31, 2016

Revenue			
Rental income	\$	109,024	\$ 18,171
Finance income		81,709	20,368
Interest income		110,365	-
Other income		600	316
<b>Total Revenue</b>	\$	<b>301,698</b>	\$ <b>38,855</b>
Expenses			
Management fees - Investment Manager		750,000	183,468
Depreciation		95,601	16,123
Professional fees		349,390	76,664
Administration expense		242,939	35,320
Other expenses		15,371	2,030
<b>Total Expenses</b>		<b>1,453,301</b>	<b>313,605</b>
<b>Net loss</b>		<b>(1,151,603)</b>	<b>(274,750)</b>
Net loss attributable to the Partnership			
Limited Partners	\$	(1,140,087)	\$ (272,002)
General Partner		(11,516)	(2,748)
Net loss attributable to the Partnership	\$	<b>(1,151,603)</b>	\$ <b>(274,750)</b>
Weighted average number of limited partnership interests outstanding		458,105.11	269,944.71
Net loss attributable to Limited Partners per weighted average number of limited partnership interests outstanding	\$	(2.49)	\$ (1.01)

# Financial Statements

## Statement of Changes in Partners' Equity

For the Year Ended December 31, 2017

	Limited Partnership Interests	Total Equity	General Partner	Limited Partners
Balance, January 14, 2016	-	\$ -	\$ -	\$ -
Partners' capital contributions	332,548.10	3,326,581	100	3,326,481
Offering expenses	-	(495,950)	-	(495,950)
Underwriting fees	-	(232,731)	-	(232,731)
Net loss	-	(274,750)	(2,748)	(272,002)
Distributions to partners	-	(40,489)	(401)	(40,088)
Balance, December 31, 2016	332,548.10	\$ 2,282,661	\$ (3,049)	\$ 2,285,710
Partners' capital contributions	805,713.68	8,057,137	-	8,057,137
Offering expenses	-	(283,644)	-	(283,644)
Underwriting fees	-	(558,997)	-	(558,997)
Net loss	-	(1,151,603)	(11,516)	(1,140,087)
Distributions to partners	-	(474,882)	(4,701)	(470,121)
Redemptions to partners	(961.54)	(9,750)	-	(9,750)
Balance, December 31, 2017	1,137,300.24	\$ 7,860,982	\$ (19,266)	\$ 7,880,248

# Financial Statements

## Statement of Cash Flows

For the Year Ended  
December 31, 2017

For the Period Ended  
December 31, 2016

	For the Year Ended December 31, 2017	For the Period Ended December 31, 2016
<b>Cash flows used in operating activities:</b>		
Net loss	\$ (1,151,603)	\$ (274,750)
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>		
Finance income	(81,709)	(20,368)
Accrued interest income	(110,274)	-
Depreciation	95,601	16,123
<b>Change in operating assets and liabilities:</b>		
Minimum rents receivable	384,460	75,499
Accrued interest income	81,278	-
Other Assets	(28,061)	-
Accounts payable and accrued liabilities	12,383	90,602
Deferred revenue	37,972	11,647
Net cash used in operating activities	(759,953)	(101,247)
<b>Cash flows used in investing activities:</b>		
Purchase of finance leases	(1,408,092)	(981,882)
Purchase of equipment subject to operating leases	-	(334,826)
Cash paid for collateralized loans receivable	(4,291,715)	-
Cash received from collateralized loans receivable	440,380	-
Net cash used in investing activities	(5,259,427)	(1,316,708)

# Financial Statements

## Statement of Cash Flows (cont.)

For the Year Ended  
December 31, 2017

For the Period Ended  
December 31, 2016

	For the Year Ended December 31, 2017	For the Period Ended December 31, 2016
<b>Cash flows from financing activities:</b>		
Cash received from loan payable	-	1,000
Repayments of loan payable	(1,000)	-
Cash received from Limited Partner capital contributions	7,745,849	3,094,750
Cash received from General Partner capital contributions	-	100
Cash paid for Limited Partner distributions	(329,147)	-
Cash paid for Limited Partner redemptions	(9,750)	-
Cash paid for underwriting fees	(317,709)	(1,000)
Cash paid for offering costs	(283,644)	(495,950)
Cash received from subscriptions received in advance	-	70,173
Net cash provided by financing activities	6,804,599	2,669,073
Net increase in cash and cash equivalents	785,219	1,251,118
Cash and cash equivalents, beginning of period	1,251,118	-
Cash and cash equivalents, end of period	\$ 2,036,337	\$ 1,251,118
<b>Supplemental disclosure of non-cash investing and financing activities:</b>		
Units issued as underwriting fee discount	\$ 241,288	\$ 231,731
Distributions payable to General Partner	\$ 4,701	\$ 401
Distributions payable to Limited Partners	\$ 140,974	\$ 40,088

## Forward Looking Statements

*This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (the "Securities Act"), Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"), the Private Securities Litigation Reform Act of 1995 (the "PSLRA") or in releases made by the Securities and Exchange Commission (the "SEC"), all as may be amended from time to time, which are subject to the safe harbor created by those sections. Forward-looking statements are those that do not relate solely to historical fact and include, but are not limited to, statements that express our intentions, beliefs, expectations, strategies, predictions or any other statements relating to our future activities or other future events or conditions.*

*These statements are based on current expectations, estimates and projections about our business based, in part, on assumptions made by our General Partner and our Investment Manager. Forward-looking statements can be identified by, among other things, the use of forward-looking language, such as the words "plan," "believe," "expect," "anticipate," "intend," "estimate," "project," "may," "will," "would," "could," "should," "seeks," or "scheduled to," or other similar words, or the negative of these terms or other variations of these terms or comparable language, or by discussion of strategy or intentions.*

*These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may, and are likely to, differ materially from what is expressed or forecasted in the forward-looking statements due to numerous factors discussed from time to time in this Annual Report on Form 10-K, including the risks described in greater detail in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7.*

*In addition, such statements could be affected by risks and uncertainties related to our ability to raise additional equity contributions, investment objectives, competition, government regulations and requirements, the ability to find suitable equipment transactions, as well as general industry and market conditions and general economic conditions. Any forward-looking statements speak only as of the date on which they are made, and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this report.*



## **Additional Information**

A detailed financial report on SEC Form 10-Q or 10-K (whichever is applicable) is available to you. It is typically filed either 45 or 90 days after the end of the quarter or year, respectively. It contains financial statements, detailed sources and uses of cash, and explanatory notes. Please access these reports by:

Visiting: [www.thearboretumgroup.com](http://www.thearboretumgroup.com)

**Or**

Visiting: [www.sec.gov](http://www.sec.gov)

### **Administration:**

#### **Registered Office**

160 Greentree Drive, Suite 101  
Dover, DE 19904

#### **Registered Agent**

National Registered Agents, Inc.

#### **Investment Manager**

Arboretum Investment Advisors, LLC  
100 Arboretum Drive, Suite 105  
Portsmouth, NH 03801

#### **Auditor**

Baker Tilly Virchow Krause, LLP  
One Penn Plaza, Suite 3000  
New York, NY 10119