Form 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

☒ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
For the quarterly period ended March 31, 2002

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
For the transition period from _______ to _______

Commission File Number 0-24175

ATEL Capital Equipment Fund VII, L.P.
(Exact name of registrant as specified in its charter)

California	**94-3248318**
(State or other jurisdiction of incorporation or organization)	(I. R. S. Employer Identification No.)

235 Pine Street, 6th Floor, San Francisco, California 94104
(Address of principal executive offices)

Registrant's telephone number, including area code: (415) 989-8800

Indicate by a 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 ☒
No ☐

DOCUMENTS INCORPORATED BY REFERENCE

None

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements.

ATEL CAPITAL EQUIPMENT FUND VII, L.P.

BALANCE SHEETS

MARCH 31, 2002 AND DECEMBER 31, 2001
(Unaudited)

ASSETS

	2002	2001
Cash and cash equivalents	$ 793,447	$ 936,189
Accounts receivable, net of allowance for doubtful accounts of $418,067 in 2002 and $118,067 in 2001	4,121,588	5,759,540
Other assets	40,016	108,015
Investments in leases	130,654,904	129,049,875
Total assets	$135,609,955	$ 135,853,619

LIABILITIES AND PARTNERS' CAPITAL

	2002	2001
Non-recourse debt	$8,214,688	$9,971,225
Other long-term debt	44,044,000	38,540,000
Lines of credit	4,000,000	4,100,000
Accounts payable:		
General Partner	287,088	580,916
Other	767,376	510,598
Accrued interest expense	283,987	355,458
Interest rate swap contracts	1,081,885	1,323,006
Unearned operating lease income	1,020,697	976,565
Total liabilities	59,699,721	56,357,768
Partners' capital	75,910,234	79,495,851
Total liabilities and partners' capital	$135,609,955	$ 135,853,619

See accompanying notes.

ATEL CAPITAL EQUIPMENT FUND VII, L.P.

INCOME STATEMENTS

THREE MONTH PERIODS ENDED
MARCH 31, 2002 AND 2001
(Unaudited)

	2002	2001
Revenues:		
Leasing activities:		
Operating leases	$ 6,710,984	$ 8,292,884
Direct financing leases	403,680	278,843
Loss on sales of assets	(47,336)	(80,962)
Interest	6,117	22,392
Other	2,111	2,574
	7,075,556	8,515,731
Expenses:		
Depreciation and amortization	4,423,512	5,592,378
Interest expense	889,598	1,110,475
Other	303,022	426,046
Provision for doubtful accounts	300,000	-
Equipment and incentive management fees to General Partner	282,352	326,986
Cost reimbursements to General Partner	564,026	195,377
Professional fees	93,529	54,290
	6,856,039	7,705,552
Net income	$ 219,517	$ 810,179
Net income:		
General Partner	$ 296,307	$ 214,901
Limited Partners	(76,790)	595,278
	$ 219,517	$ 810,179
Net income per Limited Partnership Unit	$ (0.01)	$ 0.04
Weighted average number of Units outstanding	14,996,050	14,996,050

See accompanying notes.

ATEL CAPITAL EQUIPMENT FUND VII, L.P.

STATEMENT OF CHANGES IN PARTNERS' CAPITAL

THREE MONTH PERIOD ENDED
MARCH 31, 2002
(Unaudited)

	Limited Partners		General	Accumulated Other Comprehensive Income	
	Units	Amount	Partner	(Loss)	Total
Balance December 31, 2001	14,996,050	$ 80,818,857	$ -	$ (1,323,006)	$ 79,495,851
Distributions to partners		(3,749,948)	(296,307)	-	(4,046,255)
Unrealized decrease in value of interest rate swap contracts		-	-	241,121	241,121
Net income		(76,790)	296,307	-	219,517
Balance March 31, 2002	14,996,050	$ 76,992,119	$ -	$ (1,081,885)	$ 75,910,234

See accompanying notes.

ATEL CAPITAL EQUIPMENT FUND VII, L.P.

STATEMENT OF CASH FLOWS

THREE MONTH PERIODS ENDED
MARCH 31, 2002 AND 2001

	2002	2001
Operating activities:		
Net income	$ 219,517	$ 810,179
Adjustments to reconcile net income to cash provided by operating activities:		
Loss (gain) on sales of assets	47,336	80,962
Depreciation and amortization	4,423,512	5,592,378
Provision for doubtful accounts	(300,000)	-
Changes in operating assets and liabilities:		
Accounts receivable	1,937,952	1,349,027
Other assets	67,999	9,999
Accounts payable, General Partner	(293,828)	(330,704)
Accounts payable, other	256,778	(189,645)
Accrued interest expense	(71,471)	(69,727)
Unearned lease income	44,132	(43,271)
Net cash provided by operations	6,331,927	7,209,198
Investing activities:		
Proceeds from sales of assets	240,881	447,351
Reduction of net investment in direct financing leases	809,865	466,134
Purchases of equipment on operating leases	(3,959,522)	(1,950,111)
Purchases of equipment on direct financing leases	(3,059,140)	(451,922)
Initial direct costs paid to General Partner	(107,961)	(16,726)
Net cash used in investing activities	(6,075,877)	(1,505,274)
Financing activities:		
Repayments of other long-term debt	(4,596,000)	(4,940,000)
Borrowings under line of credit	9,700,000	4,500,000
Distributions to limited partners	(3,749,948)	(3,750,038)
Distributions to general partner	(296,307)	(214,901)
Repayments of non-recourse debt	(1,756,537)	(1,561,902)
Proceeds of other long-term debt	10,100,000	-
Repayments of borrowings under line of credit	(9,800,000)	-
Net cash used in financing activities	(398,792)	(5,966,841)
Net decrease in cash and cash equivalents	(142,742)	(262,917)
Cash and cash equivalents at beginning of period	936,189	1,321,417
Cash and cash equivalents at end of period	$ 793,447	$ 1,058,500
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	$ 961,069	$ 1,180,202

See accompanying notes.

ATEL CAPITAL EQUIPMENT FUND VII, L.P.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2002
(Unaudited)

1. Summary of significant accounting policies:

Interim financial statements:

The unaudited interim financial statements reflect all adjustments which are, in the opinion of the general partners, necessary to a fair statement of financial position and results of operations for the interim periods presented. All such adjustments are of a normal recurring nature. These unaudited interim financial statements should be read in conjunction with the most recent report on Form 10K.

2. Organization and partnership matters:

ATEL Capital Equipment Fund VII, L.P. (the Fund), was formed under the laws of the State of California on July 17 , 1996, for the purpose of acquiring equipment to engage in equipment leasing and sales activities.

Upon the sale of the minimum amount of Units of Limited Partnership interest (Units) of $1,200,000 and the receipt of the proceeds thereof on January 7, 1997, the Partnership commenced operations.

The Partnership does not make a provision for income taxes since all income and losses will be allocated to the Partners for inclusion in their individual tax returns.

3. Investment in leases:

The Partnership's investment in leases consists of the following:

	Balance December 31, 2001	Additions	Depreciation Expense and Amortization of Leases	Reclassi-fications and Dispositions	Balance March 31, 2002
Net investment in operating leases	$101,066,589	$ 3,959,522	$ (4,369,855)	$ (289,097)	$ 100,367,159
Net investment in direct financing leases	18,931,921	3,059,140	(809,865)	(155,559)	21,025,637
Assets held for sale or lease	9,267,614	-	-	156,439	9,424,053
Reserve for losses	(504,227)	-	-	-	(504,227)
Initial direct costs, net of accumulated amortization	287,978	107,961	(53,657)	-	342,282
	$129,049,875	$ 7,126,623	$ (5,233,377)	$ (288,217)	$ 130,654,904

ATEL CAPITAL EQUIPMENT FUND VII, L.P.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2002
(Unaudited)

3. Investment in leases (continued):

Property on operating leases consists of the following:

	Balance December 31, 2001	Additions	Reclassi-fications and Dispositions	Balance March 31, 2002
Transportation	$ 80,788,684	$ -	$ (180,106)	$ 80,608,578
Marine vessels/barges	27,030,136	-	-	27,030,136
Construction	22,831,963	-	(417,700)	22,414,263
Manufacturing	9,702,801	-	(28,868)	9,673,933
Mining	9,012,965	-	-	9,012,965
Office automation	5,297,632	-	(466,740)	4,830,892
Other	5,813,733	-	(120,237)	5,693,496
Materials handling	5,265,654	3,959,522	-	9,225,176
Communications	4,387,819	-	-	4,387,819
	170,131,387	3,959,522	(1,213,651)	172,877,258
Less accumulated depreciation	(69,064,798)	$ (4,369,855)	924,554	(72,510,099)
	$101,066,589	$ (410,333)	$ (289,097)	$ 100,367,159

All of the property on leases was acquired in 1997, 1998, 1999, 2001 and 2002.

At March 31, 2002, the aggregate amounts of future minimum lease payments are as follows:

	Operating Leases	Direct Financing Leases	Total
Nine months ending December 31, 2002	$ 14,809,827	$ 3,313,154	$ 18,122,981
Year ending December 31, 2003	14,488,289	3,953,273	18,441,562
2004	9,652,671	3,862,680	13,515,351
2005	6,430,497	3,791,411	10,221,908
2006	1,509,428	1,713,362	3,222,790
Thereafter	769,350	756,131	1,525,481
	$ 47,660,062	$ 17,390,011	$ 65,050,073

4. Non-recourse debt:

Notes payable to financial institutions are due in varying monthly, quarterly and semi-annual installments of principal and interest. The notes are secured by assignments of lease payments and pledges of the assets which were purchased with the proceeds of the particular notes. Interest rates on the notes vary from 7.0% to 16.6%.

Future minimum payments of non-recourse debt are as follows:

	Principal	Interest	Total
Nine months ending December 31, 2002	$ 4,000,535	$ 529,145	$ 4,529,680
Year ending December 31, 2003	3,261,507	288,853	3,550,360
2004	298,403	67,364	365,767
2005	322,838	42,927	365,765
2006	216,850	20,179	237,029
Thereafter	114,555	5,418	119,973
	$ 8,214,688	$ 953,886	$ 9,168,574

5. Other long-term debt:

In 1998, the Partnership entered into a $65 million receivables funding program (the Program) with a receivables financing company that issues commercial paper rated A1 by Standard and Poors and P1 by Moody's Investor Services. Under the Program, the receivables financing company receives a general lien against all of the otherwise unencumbered assets of the Partnership. The Program provides for borrowing at a variable interest rate (1.78273% at March 31, 2002). As of March 31, 2002, the program has been closed as to additional borrowings.

The Program requires the General Partner to enter into various interest rate swaps with a financial institution (also rated A1/P1) to manage interest rate exposure associated with variable rate obligations under the Program by effectively converting the variable rate debt to fixed rates. As of March 31, 2002, the Partnership receives or pays interest on a notional principal of $44,044,000, based on the difference between nominal rates ranging from 4.10% to 7.58% and the variable rate under the Program. No actual borrowing or lending is involved. The last of the swaps terminates in 2009. The differential to be paid or received is accrued as interest rates change and is recognized currently as an adjustment to interest expense related to the debt.

5. Other long-term debt (continued):

Borrowings under the Program are as follows:

Date Borrowed	Original Amount Borrowed	Balance March 31, 2002	Rate on Interest Swap Agreement
4/1/1998	$ 21,770,000	$ 3,047,000	6.220%
7/1/1998	25,000,000	4,989,000	6.155%
10/1/1998	20,000,000	8,333,000	5.550%
4/16/1999	9,000,000	2,972,000	5.890%
1/26/2000	11,700,000	8,007,000	7.580%
5/25/2001	2,000,000	1,692,000	5.790%
9/28/2001	6,000,000	5,201,000	4.360%
1/31/2002	4,400,000	4,230,000	4.100%
2/19/2002	5,700,000	5,573,000	5.490%
	$105,570,000	$ 44,044,000	

The long-term debt borrowings mature from 2004 through 2008. Future minimum principal payments of long-term debt are as follows:

Year ending December 31,	Principal	Interest	Total	Rates on Interest Swap Agreements*
Nine months ending December 31, 2002	$ 10,498,000	$ 1,739,562	$ 12,237,562	5.859% - 5.879%
Year ending December 31, 2003	11,524,000	1,653,145	13,177,145	5.858% - 5.878%
2004	9,458,000	1,041,833	10,499,833	5.871% - 5.910%
2005	7,875,000	539,350	8,414,350	5.927% - 6.257%
2006	2,810,000	206,986	3,016,986	6.414% - 7.009%
2007	903,000	103,979	1,006,979	7.007% - 7.211%
2008	635,000	46,443	681,443	7.245% - 7.580%
2009	341,000	12,229	353,229	7.58%
	$ 44,044,000	$ 5,343,527	$ 49,387,527	

* Represents the range of monthly weighted average fixed interest rates paid for amounts maturing in the particular year. The receive-variable rate portion of the swap represents commercial paper rates (1.78273% at March 31, 2002).

ATEL CAPITAL EQUIPMENT FUND VII, L.P.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2002
(Unaudited)

6. Related party transactions:

The terms of the Limited Partnership Agreement provide that the General Partner and/or Affiliates are entitled to receive certain fees for equipment acquisition, management and resale and for management of the Partnership.

The Limited Partnership Agreement allows for the reimbursement of costs incurred by the General Partner in providing services to the Partnership. Services provided include Partnership accounting, investor relations, legal counsel and lease and equipment documentation. The General Partner is not reimbursed for services where it is entitled to receive a separate fee as compensation for such services, such as acquisition and management of equipment. Reimbursable costs incurred by the General Partner are allocated to the Partnership based upon actual time incurred by employees working on Partnership business and an allocation of rent and other costs based on utilization studies.

Substantially all employees of the General Partner record time incurred in performing services on behalf of all of the Partnerships serviced by the General Partner. The General Partner believes that the costs reimbursed are the lower of (i) actual costs incurred on behalf of the Partnership or (ii) the amount the Partnership would be required to pay independent parties for comparable services in the same geographic location and are reimbursable in accordance with the Limited Partnership Agreement.

The General Partner and/or Affiliates earned fees, commissions and reimbursements, pursuant to the Limited Partnership Agreement as follows:

	2002	2001
Incentive management fees (computed as 4% of distributions of cash from operations, as defined in the Limited Partnership Agreement) and equipment management fees (computed as 3.5% of gross revenues from operating leases, as defined in the Limited Partnership Agreement plus 2% of gross revenues from full payout leases, as defined in the Limited Partnership Agreement).	$ 282,352	$ 326,986
Costs reimbursed to General Partner	564,026	195,377
	$ 846,378	$ 522,363

ATEL CAPITAL EQUIPMENT FUND VII, L.P.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2002
(Unaudited)

7. Line of credit:

The Partnership participates with the General Partner and certain of its affiliates in a $62,000,000 revolving line of credit with a financial institution that includes certain financial covenants. The line of credit expired on April 12, 2002 and has been extended through June 30, 2002. The General Partner is currently negotiating a new line of credit and anticipates that the current line of credit will be replaced before its extended expiration date. As of March 31, 2002, borrowings under the facility were as follows:

Amount borrowed by the Partnership under the acquisition facility	$	4,000,000
Amounts borrowed by affiliated partnerships and limited liability companies under the acquisition facility		15,300,000
Total borrowings under the acquisition facility		19,300,000
Amounts borrowed by the General Partner and its sister corporation under the warehouse facility		5,235,045
Total outstanding balance	$	24,535,045
Total available under the line of credit	$	62,000,000
Total outstanding balance		(24,535,045)
Remaining availability	$	37,464,955

Draws on the acquisition facility by any individual borrower are secured only by that borrower's assets, including equipment and related leases. Borrowings on the warehouse facility are recourse jointly to certain of the affiliated partnerships and limited liability companies, the Partnership and the General Partner.

The credit agreement includes certain financial covenants applicable to each borrower. The Partnership was in compliance with its covenants as of March 31, 2002.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Capital Resources and Liquidity

During the first quarter of 2002 and 2001, the Partnership's primary activity was engaging in equipment leasing activities.

In 2002 and 2001, the Partnership's primary source of liquidity was operating lease rents. The liquidity of the Partnership will vary in the future, increasing to the extent cash flows from leases exceed expenses, and decreasing as lease assets are acquired, as distributions are made to the limited partners and to the extent expenses exceed cash flows from leases.

As another source of liquidity, the Partnership has contractual obligations with a diversified group of lessees for fixed lease terms at fixed rental amounts. As the initial lease terms expire the Partnership will re-lease or sell the equipment. The future liquidity beyond the contractual minimum rentals will depend on the General Partner's success in re-leasing or selling the equipment as it comes off lease.

The Partnership participates with the General Partner and certain of its affiliates in a $62,000,000 revolving line of credit with a financial institution that includes certain financial covenants. The line of credit expired on April 12, 2002 and has been extended through June 30, 2002. The General Partner is currently negotiating a new line of credit and anticipates that the current line of credit will be replaced before its extended expiration date. As of March 31, 2002, borrowings under the facility were as follows:

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Total outstanding balance	$	24,535,045

Total available under the line of credit	$	62,000,000
Total outstanding balance		(24,535,045)
Remaining availability	$	37,464,955

Draws on the acquisition facility by any individual borrower are secured only by that borrower's assets, including equipment and related leases. Borrowings on the warehouse facility are recourse jointly to certain of the affiliated partnerships and limited liability companies, the Partnership and the General Partner.

The Partnership anticipates reinvesting a portion of lease payments from assets owned in new leasing transactions. Such reinvestment will occur only after the payment of all obligations, including debt service (both principal and interest), the payment of management and acquisition fees to the General Partner and providing for cash distributions to the Limited Partners.

The Partnership currently has available adequate reserves to meet contingencies, but in the event those reserves were found to be inadequate, the Partnership would likely be in a position to borrow against its current portfolio to meet such requirements. The General Partner envisions no such requirements for operating purposes.

No commitments of capital have been or are expected to be made other than for the acquisition of additional equipment. There were no such commitments as of March 31, 2002.

If inflation in the general economy becomes significant, it may affect the Partnership inasmuch as the residual (resale) values and rates on re-leases of the Partnership's leased assets may increase as the costs of similar assets increase. However, the Partnership's revenues from existing leases would not increase, as such rates are generally fixed for the terms of the leases without adjustment for inflation.

If interest rates increase significantly, the lease rates that the Partnership can obtain on future leases will be expected to increase as the cost of capital is a significant factor in the pricing of lease financing. Leases already in place, for the most part, would not be affected by changes in interest rates.

Cash Flows

In 2002 and 2001, the primary source of liquidity was rents from operating leases. Cash from operating activities was almost entirely from operating lease rents in both years.

In the first quarter of 2002 and 2001, the only sources of cash from investing activities was proceeds from sales of assets and rents from direct financing leases. In 2002, proceeds from sales of lease assets decreased compared to 2001. Proceeds from such sales are not expected to be consistent from one year to another. In 2002 and 2001 the primary investing uses of cash were the purchase of assets on operating and direct financing leases.

In 2002, sources of cash from investing activities consisted of amounts borrowed under the line of credit and under the other long-term debt facility. In 2001, the only source of cash from investing activities was borrowings under the line of credit. Repayments of other long-term debt have decreased only slightly as a result of the offsetting effects of scheduled debt payments and additional borrowings.

Results of operations

Operations resulted in a net income of $219,517 in 2002 compared to 810,179 in 2001. The Partnership's primary source of revenues is from operating leases. This is expected to remain true in future periods. Depreciation expense is the single largest expense of the Partnership. Depreciation is related to operating lease assets and thus, to operating lease revenues. Operating lease revenues and depreciation expense have decreased over the last year as a result of net asset dispositions.

Losses recognized on sales of assets have decreased from $80,962 in 2001 to $47,336 in 20021. Gains and losses are not expected to be consistent from one period to another.

Equipment management fees are based on the Partnership's rental revenues and have decreased in relation to decreases in the Partnership's revenues from leases. Such fees decreased from $311,703 in 2001 to $311,703 in 2002. Incentive management fees are based on the levels of distributions to limited partners and the sources of the cash distributed. Such fees have decreased from $15,283 in 2001 to zero in 2002.

The decrease in interest expense is related to the reduction of total outstanding debt as the result of scheduled payments.

In 2001, the amounts of costs reimbursed to the General Partner were limited by provisions of the Agreement of Limited Partnership. Costs which were incurred by the General Partner in 2001, but which were not allowed in that year, have been included in the first quarter of 2002. The costs amounts to approximately $274,000.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

No material legal proceedings are currently pending against the Partnership or against any of its assets. The following is a discussion of legal matters involving the Partnership, but which do not represent claims against the Partnership or its assets.

Applied Magnetics Corporation:

In January 2000, Applied Magnetics Corporation filed for protection from creditors under Chapter 11 of the U.S. Bankruptcy Code. The Partnership had assets with a total net book value of $8,048,095 leased to Applied Magnetics Corporation at the bankruptcy filing date. On January 31, 2000, the General Partner was appointed to the Official Committee of Unsecured Creditors and currently serves as the Chairperson of the Committee. Procedures were quickly undertaken for the liquidation of the Partnership's leased equipment, which proceeds resulted in recoveries of $1,773,798 or 21.7% of original equipment cost. As of November 1, 2000, liquidation of the assets was completed.

The debtor filed a Plan of Reorganization (the "Plan"), which was approved by a vote of the creditors of the debtor in October 2001. The Plan provided that the Debtor change its name to “Integrated Micro-Technology”, and enter into a new line of business, the manufacture and production of “micro-machines”. As part of the Plan, the Partnership, along with the other unsecured creditors, receives a proportionate share of their unsecured claims, in the form of ownership shares and warrants in the newly formed business. The success of this new business plan is highly uncertain.

On February 13, 2002, the reorganized Debtor filed a notice of objection to the Funds claim due to duplication and an improper liquidated damages provision, which the Funds intend to dispute.

The Partnership anticipates additional amounts may be recoverable through its equity interests in the reorganized lessee's business, however, any recoveries above the amounts received upon liquidation of the Partnership's equipment are highly uncertain and speculative.

Pioneer Companies, Inc.:

On July 31, 2001, petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code were filed by the Pioneer Companies, Inc., et al. The Partnership's Proof of Claim was timely filed on October 14, 2001, with the Bankruptcy Clerk in Houston. The Partnership is the successor in interest to First Union Rail Corporation (FURC) under four (4) tank car lease schedules for 36 tank cars with Pioneer Chlor-Alkali Company, Inc. n/k/a Pioneer Americas, Inc. (together, the “Lease”). FURC manages the Lease for the Partnership. The Order Confirming Debtor’s Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code ("Plan") was entered on November 28, 2001. The Effective Date, as defined in the Plan, was December 31, 2001. Pursuant to Schedules 6.1(a)(x) and 6.1(a)(y) of the Plan, the Lease was rejected by the debtor.

Although the equipment was to be returned to FURC by December 31, 2001, the debtor has continued to use and pay for the equipment under the lease on a month-to-month basis. A letter agreement has been forwarded to executed by the debtor to formalize an understanding for debtor’s continued use of the equipment under the terms of the Lease at least until March 31, 2002 on a month-to-month basis until the cars are returned. The debtor has also objected to the Fund’s claim, which objection is being disputed by the Fund. The full extent of any recovery is not known at this time.

Item 2. Changes In Securities.

Inapplicable.

Item 3. Defaults Upon Senior Securities.

Inapplicable.

Item 4. Submission Of Matters To A Vote Of Security Holders.

Inapplicable.

Item 5. Other Information.

Inapplicable.

Item 6. Exhibits And Reports On Form 8-K.

(a) Documents filed as a part of this report

1. Financial Statements

   Included in Part I of this report:

   Balance Sheets, March 31, 2002 and December 31, 2001.

   Income statements for the three month periods ended March 31, 2002 and 2001.

   Statement of changes in partners' capital for the three months ended March 31, 2002.

   Statements of cash flows for the three month periods ended March 31, 2002 and 2001.

   Notes to the Financial Statements

2. Financial Statement Schedules

   All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

(b) Report on Form 8-K

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date:
May 13, 2002

ATEL CAPITAL EQUIPMENT FUND VII, L.P.
(Registrant)

By: ATEL Financial Corporation
General Partner of Registrant

By: /s/ Dean L. Cash
Dean L. Cash
President and Chief Executive Officer
of General Partner

By: /s/ Paritosh K. Choksi
Paritosh K. Choksi
Principal financial officer
of registrant

By: /s/ Donald E. Carpenter
Donald E. Carpenter
Principal accounting
officer of registrant