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 September 30, 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. <u>Financial Statements.</u>

ATEL CAPITAL EQUIPMENT FUND VII, L.P.

BALANCE SHEETS

SEPTEMBER 30, 2002 AND DECEMBER 31, 2001
(Unaudited)

ASSETS

	2002	2001
Cash and cash equivalents	$ 1,919,683	$ 936,189
Accounts receivable, net of allowance for doubtful accounts of $618,067 in 2002 and $118,067 in 2001	2,951,284	5,759,540
Other assets	20,018	108,015
Investments in leases	117,054,315	129,049,875
Total assets	$121,945,300	$135,853,619

LIABILITIES AND PARTNERS' CAPITAL

	2002	2001
Long-term debt	$ 36,837,000	$ 38,540,000
Line of credit	10,300,000	4,100,000
Non-recourse debt	5,183,252	9,971,225
Accounts payable:		
General Partner	-	580,916
Other	660,102	510,598
Accrued interest payable	129,937	355,458
Interest rate swap contracts	737,092	1,323,006
Unearned operating lease income	1,085,399	976,565
Total liabilities	54,932,782	56,357,768
Partners' capital	67,012,518	79,495,851
Total liabilities and partners' capital	$121,945,300	$135,853,619

See accompanying notes.

ATEL CAPITAL EQUIPMENT FUND VII, L.P.

INCOME STATEMENTS

NINE AND THREE MONTH PERIODS ENDED
SEPTEMBER 30, 2002 AND 2001
(Unaudited)

	Nine Months Ended September 30, 2002	Nine Months Ended September 30, 2001	Three Months Ended September 30, 2002	Three Months Ended September 30, 2001
Revenues:				
Leasing activities:				
Operating leases	$ 19,066,158	$ 24,013,337	$ 6,522,507	$ 7,679,508
Direct financing	1,115,790	808,507	347,458	264,830
Loss on sales of assets	(1,283,977)	(444,808)	(225,989)	(93,768)
Interest	11,284	47,234	2,742	10,464
Other	156,438	9,614	66,379	4,447
	19,065,693	24,433,884	6,713,097	7,865,481
Expenses:				
Depreciation	13,967,963	15,399,088	4,872,131	4,627,209
Interest expense	2,486,353	3,128,713	748,945	969,202
Equipment and incentive management fees to General Partner	730,798	943,372	239,336	254,201
Provision for doubtful accounts	500,000	-	130,000	-
Provision for losses on lease assets	300,000	-	300,000	-
Other	531,084	462,489	213,176	122,274
Cost reimbursements to General Partner	755,205	895,938	82,796	403,395
Professional fees	153,614	141,573	5,134	37,664
Railcar maintenance	560,297	563,293	212,835	138,102
	19,985,314	21,534,466	6,804,353	6,552,047
Net (loss) income	$ (919,621)	$ 2,899,418	$ (91,256)	$ 1,313,434
Net (loss) income:				
General Partner	$ 899,824	$ 822,985	$ 303,240	$ 304,021
Limited Partners	(1,819,445)	2,076,433	(394,496)	1,009,413
	$ (919,621)	$ 2,899,418	$ (91,256)	$ 1,313,434
Net (loss) income per limited partnership unit	$ (0.12)	$ 0.14	$ (0.03)	$ 0.07
Weighted average number of Units outstanding	14,996,050	14,996,050	14,996,050	14,996,050

See accompanying notes.

ATEL CAPITAL EQUIPMENT FUND VII, L.P.

STATEMENT OF CHANGES IN PARTNERS' CAPITAL

NINE MONTH PERIOD ENDED
SEPTEMBER 30, 2002
(Unaudited)

	Limited Partners			Accumulated Other	
	Units	Amount	General Partner	Comprehensive Income	Total
Balance December 31, 2001	14,996,050	$ 80,818,857	$ -	$ (1,323,006)	$ 79,495,851
Unrealized decrease in value of				585,914	585,914
interest rate swap contracts		-	-		-
Distributions to partners		(11,249,802)	(899,824)	-	(12,149,626)
Net (loss) income		(1,819,445)	899,824	-	(919,621)
Balance September 30, 2002	14,996,050	$ 67,749,610	$ -	$ (737,092)	$ 67,012,518

See accompanying notes.

ATEL CAPITAL EQUIPMENT FUND VII, L.P.

STATEMENTS OF CASH FLOWS

NINE AND THREE MONTH PERIODS ENDED SEPTEMBER 30, 2002 AND 2001

	Nine Months Ended September 30, 2002	Nine Months Ended September 30, 2001	Three Months Ended September 30, 2002	Three Months Ended September 30, 2001
Operating activities:				
Net (loss) income	$ (919,621)	$ 2,899,418	$ (91,256)	$ 1,313,434
Adjustments to reconcile net income to cash provided by operating activities:				
Depreciation	13,967,963	15,399,088	4,872,131	4,627,209
Loss on sales of assets	1,283,977	444,808	225,989	93,768
Provision for doubtful accounts	500,000	-	130,000	-
Provision for losses on lease assets	300,000	-	300,000	-
Changes in operating assets and liabilities:				
Accounts receivable	2,308,256	778,771	389,813	(685,685)
Other assets	87,997	29,997	9,999	9,999
Accounts payable, General Partner	(580,916)	(293,287)	-	(471,314)
Accounts payable, other	149,504	946,084	(411,171)	1,088,625
Accrued interest expense	(225,521)	(300,656)	(48,971)	(90,529)
Unearned lease income	108,834	(67,385)	268,964	269,599
Net cash provided by operations	16,980,473	19,836,838	5,645,498	6,155,106
Investing activities:				
Proceeds from sales of assets	2,703,781	1,483,557	1,778,351	661,693
Reduction in net investment in direct financing leases	859,894	1,574,719	(737,462)	219,377
Purchases of equipment on operating leases	(3,959,522)	(1,950,111)	-	-
Payment of initial direct costs to General Partner	(107,961)	(16,726)	-	-
Purchases of equipment on direct financing leases	(3,052,572)	(492,988)	-	-
Net cash (used in) provided by investing activities	(3,556,380)	598,451	1,040,889	881,070

ATEL CAPITAL EQUIPMENT FUND VII, L.P.

STATEMENTS OF CASH FLOWS
(Continued)

SEPTEMBER 30, 2002 AND 2001
(Unaudited)

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2002	2001	2002	2001
Financing activities:				
Distributions to partners	(12,149,626)	(12,072,725)	(4,053,188)	(4,053,615)
Borrowings under line of credit	16,500,000	8,500,000	3,300,000	3,000,000
Repayments of borrowings under line of credit	(10,300,000)	(8,500,000)	-	(6,500,000)
Proceeds of long-term debt	10,100,000	8,000,000	-	6,000,000
Repayments of long-term debt	(11,803,000)	(11,222,000)	(3,692,000)	(3,108,000)
Repayments of non-recourse debt	(4,787,973)	(4,718,790)	(1,844,670)	(1,511,753)
Net cash used in financing activities	(12,440,599)	(20,013,515)	(6,289,858)	(6,173,368)
Net increase in cash and cash equivalents	983,494	421,774	396,529	862,808
Cash and cash equivalents at beginning of period	936,189	1,321,417	1,523,154	880,383
Cash and cash equivalents at end of period	$ 1,919,683	$ 1,743,191	$ 1,919,683	$ 1,743,191
Supplemental disclosures of cash flow information:				
Cash paid during the period for interest	$ 2,711,874	$ 3,429,369	$ 797,916	$ 1,059,731

See accompanying notes.

ATEL CAPITAL EQUIPMENT FUND VII, L.P.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 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. Contributions in the amount of $600 were received as of July 17, 1996, $100 of which represented the General Partner's (ATEL Financial Corporation's) continuing interest, and $500 of which represented the Initial Limited Partners' capital investment.

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 or Amortization of Leases	Reclassi-fications or Dispositions	Balance September 30, 2002
Net investment in operating leases	$ 101,066,589	$ 3,959,522	$ (13,821,227)	$ (1,751,577)	$ 89,453,307
Net investment in direct financing leases	18,931,921	3,052,572	(859,894)	(3,152,253)	17,972,346
Assets held for sale or lease	9,267,614	-	-	411,845	9,679,459
Reserve for losses	(504,227)	(300,000)	-	504,227	(300,000)
Initial direct costs, net of accumulated amortization	287,978	107,961	(146,736)	-	249,203
	$ 129,049,875	$ 6,820,055	$ (14,827,857)	$ (3,987,758)	$117,054,315

ATEL CAPITAL EQUIPMENT FUND VII, L.P.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2002
(Unaudited)

3. Investment in leases (continued):

Property on operating leases consists of the following:

	Balance December 31, 2001	Acquisitions, Dispositions & Reclassifications 1st Quarter	2nd Quarter	3rd Quarter	Balance September 30, 2002
Transportation	$ 80,788,684	$ (180,106)	$ (356,586)	$ (3,448,074)	$ 76,803,918
Marine vessels/barges	27,030,136	-	-	-	27,030,136
Construction	22,831,963	(417,700)	-	-	22,414,263
Manufacturing	9,702,801	(28,868)	(306,545)	-	9,367,388
Materials handling	5,265,654	3,959,522	(166,602)	-	9,058,574
Mining	9,012,965	-	-	-	9,012,965
Communications	4,387,819	-	-	(77,934)	4,309,885
Office automation	5,297,632	(466,740)	(1,119,362)	-	3,711,530
Other	5,813,733	(120,237)	320,234	242,316	6,256,046
	170,131,387	2,745,871	(1,628,861)	(3,283,692)	167,964,705
Less accumulated depreciation	(69,064,798)	(3,445,301)	(3,236,625)	(2,764,674)	(78,511,398)
	$ 101,066,589	$ (699,430)	$ (4,865,486)	$ (6,048,366)	$ 89,453,307

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

At September 30, 2002, the aggregate amounts of future minimum lease payments are as follows:

	Operating Leases	Direct Financing Leases	Total
Three months ending December 31, 2002	$ 4,589,199	$ 1,158,139	$ 5,747,338
Year ending December 31, 2003	16,526,171	3,935,864	20,462,035
2004	9,655,069	3,850,612	13,505,681
2005	6,430,497	3,779,344	10,209,841
2006	1,509,428	1,706,695	3,216,123
Thereafter	769,350	746,260	1,515,610
	$ 39,479,714	$ 15,176,914	$ 54,656,628

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 7.4% to 8.828%.

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

	Principal	Interest	Total
Three months ending December 31, 2002	$ 969,476	$ 65,782	$ 1,035,258
Year ending December 31, 2003	3,261,130	288,831	3,549,961
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
	$ 5,183,252	$ 490,501	$ 5,673,753

5. 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 (1.8105% at September 30, 2002).

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 September 30, 2002, the Partnership receives or pays interest on a notional principal of $36,837,000, 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. Long-term debt (continued):

Through hedge agreements, the interest rates have been effectively fixed. Borrowings under this facility are as follows:

Date Borrowed	Original Amount Borrowed	Balance September 30, 2002	Rate on Interest Swap Agreement
4/1/98	$ 21,770,000	$ 1,709,000	6.22000%
7/1/98	25,000,000	3,913,000	6.15500%
10/1/98	20,000,000	6,839,000	5.55000%
4/16/99	9,000,000	2,640,000	5.89000%
1/26/00	11,700,000	7,143,000	7.58000%
5/25/01	2,000,000	1,500,000	5.79000%
9/28/01	6,000,000	4,574,000	4.36000%
1/31/02	4,400,000	3,716,000	4.10000%
2/19/02	5,700,000	4,803,000	5.49000%
	$105,570,000	$ 36,837,000	

Future minimum principal payments of long-term debt are as follows:

	Principal	Interest	Total	Rates on Interest Swap Agreements*
Three months ending December 31, 2002	$ 3,291,000	$ 527,060	$ 3,818,060	5.859%-5.870%
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	539,650	8,414,650	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%-7.480%
2009	341,000	12,229	353,229	7.580%
	$ 36,837,000	$ 4,131,325	$ 40,968,325	

* 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 (1.8105% at September 30, 2002).

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 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 administrative services to the Partnership. Administrative 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 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 administrative 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 actual costs incurred on behalf of the Partnership or the amount the Partnership would be required to pay independent parties for comparable administrative 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).	$ 730,798	$ 943,372
Cost reimbursements to General Partner	755,205	895,938
	$ 1,486,003	$ 1,839,310

ATEL CAPITAL EQUIPMENT FUND VII, L.P.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2002
(Unaudited)

7. Partner's capital:

As of September 30, 2001, 14,996,050 Units ($149,960,050) were issued and outstanding. The Fund is authorized to issue up to 15,000,050 Units, including the 50 Units issued to the initial limited partners.

Available Cash from Operations, as defined in the Limited Partnership Agreement, shall be distributed as follows:

First, Distributions of Cash from Operations shall be 88.5% to the Limited Partners, 7.5% to the General Partner and 4% to the General Partner or its affiliate designated as the recipient of the Incentive Management Fee, until the Limited Partners have received Aggregate Distributions in an amount equal to their Original Invested Capital, as defined, plus a 10% per annum cumulative (compounded daily) return on their Adjusted Invested Capital, as defined in the Limited Partnership Agreement.

Second, 85% to the Limited Partners, 7.5% to the General Partner and 7.5% to the General Partner or its affiliate designated as the recipient of the Incentive Management Fee.

Available Cash from Sales or Refinancing, as defined in the Limited Partnership Agreement, shall be distributed as follows:

First, Distributions of Sales or Refinancings shall be 92.5% to the Limited Partners and 7.5% to the General Partner, until the Limited Partners have received Aggregate Distributions in an amount equal to their Original Invested Capital, as defined, plus a 10% per annum cumulative (compounded daily) return on their Adjusted Invested Capital.

Second, 85% to the Limited Partners, 7.5% to the General Partner and 7.5% to the General Partner or its affiliate designated as the recipient of the Incentive Management Fee.

ATEL CAPITAL EQUIPMENT FUND VII, L.P.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2002
(Unaudited)

8. Line of credit:

The Partnership participates with the General Partner and certain of its affiliates in a $43,654,928 revolving line of credit with a financial institution that includes certain financial covenants. The line of credit expires on June 28, 2004. As of September 30, 2002, borrowings under the facility were as follows:

Amount borrowed by the Partnership under the acquisition facility	$ 10,300,000
Amounts borrowed by affiliated partnerships and limited liability companies under the acquisition facility	21,900,000
Total borrowings under the acquisition facility	32,200,000
Amounts borrowed by the General Partner and its sister corporation under the warehouse facility	-
Total outstanding balance	$ 32,200,000
Total available under the line of credit	$ 43,654,928
Total outstanding balance	(32,200,000)
Remaining availability	$ 11,454,928

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 September 30, 2002.

9. Commitments:

As of September 30, 2002, the Company had no outstanding commitments to purchase lease equipment.

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

Capital Resources and Liquidity

During the first three quarters of 2002 and 2001, our primary activity was engaging in equipment leasing activities.

Our liquidity 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, we have contractual obligations with a diversified group of lessees for fixed lease terms at fixed rental amounts. As the initial lease terms expire we will re-lease or sell the equipment. The future liquidity beyond the contractual minimum rentals will depend on our 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 $43,654,928 revolving line of credit with a financial institution that includes certain financial covenants. The line of credit expires on June 28, 2004. As of September 30, 2002, borrowings under the facility were as follows:

Amount borrowed by the Partnership under the acquisition facility	$ 10,300,000
Amounts borrowed by affiliated partnerships and limited liability companies under the acquisition facility	11,600,000
Total borrowings under the acquisition facility	21,900,000
Amounts borrowed by the General Partner and its sister corporation under the warehouse facility	-
Total outstanding balance	$ 21,900,000
Total available under the line of credit	$ 43,654,928
Total outstanding balance	(21,900,000)
Remaining availability	$ 21,754,928

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.

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

We currently have available adequate reserves to meet contingencies, but in the event those reserves were found to be inadequate, we would likely be in a position to borrow against its current portfolio to meet such requirements. We envision no such requirements for operating purposes.

We do not expect to make commitments of capital other than for the acquisition of additional equipment. As of September 30, 2002, we had made none of these commitments.

If inflation in the general economy becomes significant, it may affect us in that the residual (resale) values and rates on re-leases of our leased assets may increase as the costs of similar assets increase. However, our 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 we 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. Our leases already in place, for the most part, would not be affected by changes in interest rates.

During 2002 and 2001, our primary source of liquidity was rents from operating leases.

In both 2002 and in 2001, our cash flows from operating activities came almost entirely from operating lease rents for both the three and nine month periods.

Our sources of cash from investing activities consisted of proceeds from sales of assets and direct financing lease rents. Rents from direct financing leases decreased compared to 2001 as a result of asset sales over the last year. We do not expect that the amounts of proceeds from sales of assets will be consistent from one period to another. In 2002 and 2001, we used cash in investing activities to purchase assets on operating and direct financing leases and to pay initial direct costs to the Managing Member.

In 2002 and 2001, borrowings on the line of credit and proceeds of long-term debt were our only sources of cash from financing sources.

The amounts we distributed to our partners have not changed significantly compared to 2001. The amounts of cash we used to repay non-recourse debt increased slightly for the nine month period and the three month period as a result of scheduled debt payments we have made. The portion of the debt payments attributed principal payments, as opposed to interest payments, has increased.

Results of operations

Our operations in 2002 resulted in a net loss of $919,621 (nine months) and $91,256 (three months). In 2001, our operations resulted in a net income of $2,899,418 (nine months) and $1,313,434 (three months). Our primary source of revenues is from operating leases. These lease revenues and the related depreciation expenses have decreased compared to 2001 as a result of asset sales over the last year. Equipment management fees are based on our rental revenues and have decreased due to decreases in our revenues from leases. Incentive management fees are based on the levels of distributions of cash from operations to limited partners. Our lease revenues and distributions of operating cash flows decreased compared to 2001, and as a result, management fees also decreased. Interest expense has decreased as a result of the scheduled debt payments we have made over the last year.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

No material legal proceedings are currently pending against the Partnership or against any of its assets.

Applied Magnetics Corporation:

In January 2000, Applied Magnetics Corporation (the Debtor) 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 Partnership's claim due to duplication and an improper liquidated damages provision. The Partnership disputed this and, as of July 26, 2002, agreement has been reached between the Partnership and Debtor as to the amount of the Partnership’s claim, and the Debtor’s objection to the Partnership’s claim was withdrawn.

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 continued to use and pay for the equipment under the lease on a month-to-month basis. A letter agreement has been executed by the debtor to formalize an understanding for debtor’s continued use of the equipment under the terms of the Lease on a month-to-month basis until the cars were returned. The debtor has also objected to the Partnership’s claim, which objection was being disputed by the Partnership and is likely to be resolved via an amended Proof of Claim. At this point, all equipment has been returned to the Partnership, and is in the process of being re-leased and/or sold. 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, September 30, 2002 and December 31, 2001.
   Statements of operations for the nine and three month periods ended September 30, 2002 and 2001.
   Statement of changes in partners' capital for the nine months ended September 30, 2002.
   Statement of cash flows for the nine and three month periods ended September 30, 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:
November 7, 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
Executive Vice President of
Managing Member and Principal
financial officer of registrant

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

CERTIFICATIONS

I, Paritosh K. Choksi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ATEL Cash Distribution Fund VII, LP;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

    a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

    b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

    c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

    a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 7, 2002

/s/ PARITOSH K. CHOKSI

Paritosh K. Choksi
Principal financial officer of registrant, Executive
Vice President of General Partner

CERTIFICATIONS

I, Dean L. Cash, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ATEL Cash Distribution Fund VII, LP;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 7, 2002

/s/ DEAN L. CASH
Dean L. Cash
President and Chief Executive
Officer of General Partner

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 on Form 10Q of ATEL Cash Distribution Fund VII, LP, (the "Partnership") for the period ended June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), and pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, I, Dean L. Cash, Chief Executive Officer of ATEL Financial Services, LLC, general partner of the Partnership, hereby certify that:

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

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

Date: November 7, 2002

/s/ DEAN L. CASH
Dean L. Cash
President and Chief Executive
Officer of General Partner

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 on Form 10Q of ATEL Cash Distribution Fund VII, LP, (the "Partnership") for the period ended June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), and pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, I, Paritosh K. Choksi, Chief Financial Officer of ATEL Financial Services, LLC, general partner of the Partnership, hereby certify that:

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

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

Date: November 7, 2002

/s/ PARITOSH K. CHOKSI
Paritosh K. Choksi
Executive Vice President of General
Partner, Principal financial officer of registrant