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, 2003

☐ 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.)

600 California Street, 6th Floor, San Francisco, California 94108-2733
(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 ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).
Yes ☐ No ☒

The number of Limited Partnership Units outstanding as of September 30, 2003 was 14,995,550.

DOCUMENTS INCORPORATED BY REFERENCE

None

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements.

ATEL CAPITAL EQUIPMENT FUND VII, L.P.

BALANCE SHEETS

SEPTEMBER 30, 2003 AND DECEMBER 31, 2002
(Unaudited)

ASSETS

	September 30, 2003 (Unaudited)	December 31, 2002
Cash and cash equivalents	$ 870,679	$ 2,194,169
Accounts receivable, net of allowance for doubtful accounts of $378,880 in 2003 and $403,067 in 2002	2,169,582	4,848,736
Due from General Partner	24,851	253,543
Other assets	-	10,019
Investments in leases	78,442,637	108,917,281
Total assets	$ 81,507,749	$116,223,748

LIABILITIES AND PARTNERS' CAPITAL

	September 30, 2003 (Unaudited)	December 31, 2002
Long-term debt	$ 17,536,000	$ 33,546,000
Line of credit	13,000,000	13,300,000
Non-recourse debt	2,176,571	4,577,308
Accounts payable	497,781	752,459
Accrued interest payable	41,121	192,403
Interest rate swap contracts	884,582	1,624,360
Unearned operating lease income	624,177	1,012,984
Total liabilities	34,760,232	55,005,514
Partners' capital	46,747,517	61,218,234
Total liabilities and partners' capital	$ 81,507,749	$116,223,748

See accompanying notes.

ATEL CAPITAL EQUIPMENT FUND VII, L.P.

STATEMENTS OF OPERATIONS

NINE AND THREE MONTH PERIODS ENDED
SEPTEMBER 30, 2003 AND 2002
(Unaudited)

	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2002	Three Months Ended September 30, 2003	Three Months Ended September 30, 2002
Revenues:				
Leasing activities:				
Operating leases	$ 14,674,318	$ 19,066,158	$ 4,736,287	$ 6,522,507
Direct financing	475,179	1,115,790	46,421	347,458
Gain (loss) on sales of assets	2,285,677	(1,283,977)	96,552	(225,989)
Interest	3,713	11,284	1,272	2,742
Other	177,615	156,438	128,914	66,379
	17,616,502	19,065,693	5,009,446	6,713,097
Expenses:				
Depreciation and amortization	11,350,471	13,967,963	3,478,857	4,872,131
Impairment losses	4,559,020	300,000	4,041,094	300,000
Interest expense	1,527,850	2,486,353	439,508	748,945
Cost reimbursements to General Partner	828,448	755,205	24,714	82,796
Equipment and incentive management fees to General Partner	751,255	730,798	279,773	239,336
Railcar maintenance	616,746	560,297	191,676	212,835
Franchise fees and income taxes	128,178	23,124	-	-
Professional fees	117,929	153,614	22,611	5,134
(Recovery of) provision for doubtful accounts	(3,000)	500,000	(139,000)	130,000
Other	770,874	507,960	446,979	213,176
	20,647,771	19,985,314	8,786,212	6,804,353
Net loss	$ (3,031,269)	$ (919,621)	$ (3,776,766)	$ (91,256)
Net loss:				
General Partner	$ 929,996	$ 899,824	$ 302,788	$ 303,240
Limited Partners	(3,961,265)	(1,819,445)	(4,079,554)	(394,496)
	$ (3,031,269)	$ (919,621)	$ (3,776,766)	$ (91,256)
Net loss per limited partnership unit	$ (0.26)	$ (0.12)	$ (0.27)	$ (0.03)
Weighted average number of Units outstanding	14,995,883	14,996,050	14,995,550	14,996,050

See accompanying notes.

ATEL CAPITAL EQUIPMENT FUND VII, L.P.

STATEMENTS OF CHANGES IN PARTNERS' CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2002
AND FOR THE
NINE MONTH PERIOD ENDED
SEPTEMBER 30, 2003
(Unaudited)

	Limited Partners		General	Accumulated Other Comprehensive	
	Units	Amount	Partner	Income (Loss)	Total
Balance December 31, 2001	14,996,050	$ 80,818,857	$ -	$ (1,326,006)	$ 79,492,851
Distributions to Limited Partners		(14,999,876)	-	-	(14,999,876)
Distributions to General Partner		-	(1,203,884)	-	(1,203,884)
Unrealized decrease in value of interest rate swap contracts		-	-	(298,354)	(298,354)
Net income (loss)		(2,976,387)	1,203,884	-	(1,772,503)
Balance December 31, 2002	14,996,050	62,842,594	-	(1,624,360)	61,218,234
Unrealized change in value of interest rate swap contracts		-	-	739,778	739,778
Limited partnership units repurchased	(500)	(1,844)	-	-	(1,844)
Distributions to Limited Partners		(11,247,386)	-		(11,247,386)
Distributions to General Partner		-	(929,996)	-	(929,996)
Net income (loss)		(3,961,265)	929,996	-	(3,031,269)
Balance September 30, 2003	14,995,550	$ 47,632,099	$ -	$ (884,582)	$ 46,747,517

See accompanying notes.

ATEL CAPITAL EQUIPMENT FUND VII, L.P.

STATEMENTS OF CASH FLOWS

NINE AND THREE MONTH PERIODS ENDED SEPTEMBER 30, 2003 AND 2002

	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2002	Three Months Ended September 30, 2003	Three Months Ended September 30, 2002
Operating activities:				
Net loss	$ (3,031,269)	$ (919,621)	$ (3,776,766)	$ (91,256)
Adjustments to reconcile net loss to cash provided by operating activities:				
(Gain) loss on sales of assets	(2,285,677)	1,283,977	(96,552)	225,989
Depreciation and amortization	11,350,471	13,967,963	3,478,857	4,872,131
Impairment losses	4,559,020	300,000	4,041,094	300,000
(Recovery of) provision for doubtful accounts	(3,000)	500,000	(139,000)	130,000
Changes in operating assets and liabilities:				
Accounts receivable	2,682,154	2,308,256	667,956	389,813
Due from General Partner	228,692	-	9,000	-
Other assets	10,019	87,997	-	9,999
Accounts payable, General Partner	-	(580,916)	-	-
Accounts payable, other	(254,678)	149,504	(145,017)	(411,171)
Accrued interest payable	(151,282)	(225,521)	(2,444)	(48,971)
Unearned operating lease income	(388,807)	108,834	(357,001)	268,964
Net cash provided by operations	12,715,643	16,980,473	3,680,127	5,645,498
Investing activities:				
Proceeds from sales of assets	15,665,275	2,703,781	722,478	1,778,351
Reduction in net investment in direct financing leases	1,185,555	859,894	214,878	(737,462)
Purchases of equipment on operating leases	-	(3,959,522)	-	-
Purchases of equipment on direct financing leases	-	(3,052,572)	-	-
Payment of initial direct costs to General Partner	-	(107,961)	-	-
Net cash provided by (used in) investing activities	16,850,830	(3,556,380)	937,356	1,040,889

ATEL CAPITAL EQUIPMENT FUND VII, L.P.

STATEMENTS OF CASH FLOWS
(Continued)

SEPTEMBER 30, 2003 AND 2002
(Unaudited)

	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2002	Three Months Ended September 30, 2003	Three Months Ended September 30, 2002
Financing activities:				
Distributions to partners	(12,177,382)	(12,149,626)	(4,052,736)	(4,053,188)
Borrowings under line of credit	17,500,000	16,500,000	3,000,000	3,300,000
Repayments of borrowings under line of credit	(17,800,000)	(10,300,000)	(4,000,000)	-
Proceeds of long-term debt	-	10,100,000	-	-
Repayments of long-term debt	(16,010,000)	(11,803,000)	(1,408,000)	(3,692,000)
Proceeds of non-recourse debt	1,489,905	-	1,489,905	-
Repayments of non-recourse debt	(3,890,642)	(4,787,973)	(406,616)	(1,844,670)
Repurchase of limited partnership units	(1,844)	-	-	-
Net cash used in financing activities	(30,889,963)	(12,440,599)	(5,377,447)	(6,289,858)
Net (decrease) increase in cash and cash equivalents	(1,323,490)	983,494	(759,964)	396,529
Cash and cash equivalents at beginning of period	2,194,169	936,189	1,630,643	1,523,154
Cash and cash equivalents at end of period	$ 870,679	$ 1,919,683	$ 870,679	$ 1,919,683
Supplemental disclosures of cash flow information:				
Cash paid during the period for interest	$ 1,679,132	$ 2,711,874	$ 441,952	$ 797,916
Schedule of non-cash transactions:				
Change in fair value of interest rate swap contracts	$ 739,778	$ 585,914	$ 236,698	$ (38,914)

See accompanying notes.

ATEL CAPITAL EQUIPMENT FUND VII, L.P.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2003
(Unaudited)

1. Summary of significant accounting policies:

Interim financial statements:

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information and with instructions to Form 10-Q and Article 10 of Regulation S-X. The unaudited interim financial statements reflect all adjustments which are, in the opinion of the General Partner, 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. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that effect reported amounts in the financial statements and accompanying notes. Therefore, actual results could differ from those estimates. Operating results for the three and nine months ended September 30, 2003 are not necessarily indicative of the results for the year ending December 31, 2003.

These unaudited interim financial statements should be read in conjunction with the financial statements and notes thereto contained in the report on Form 10-K for the year ended December 31, 2002, filed with the Securities and Exchange Commission.

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 Services, LLC'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.

Certain prior year balances have been reclassified to conform to the current year presentation.

ATEL CAPITAL EQUIPMENT FUND VII, L.P.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2003
(Unaudited)

3. Investment in leases:

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

	Balance December 31, 2002	Impairment Losses	Depreciation / Amortization Expense or Amortization of Direct Financing Leases	Reclassi-fications or Dispositions	Balance September 30, 2003
Net investment in operating leases	$ 82,215,309	$ (1,039,925)	$ (11,253,710)	$ (14,590,487)	$ 55,331,187
Net investment in direct financing leases	16,227,117	-	(1,185,555)	(6,223,986)	8,817,576
Assets held for sale or lease	10,263,086	(3,519,095)	-	7,434,875	14,178,866
Initial direct costs, net of accumulated amortization	211,769	-	(96,761)	-	115,008
	$ 108,917,281	$ (4,559,020)	$ (12,536,026)	$ (13,379,598)	$ 78,442,637

Operating leases:

Property on operating leases consists of the following:

	Balance December 31, 2002	Depreciation Expense and Impairment Losses	Reclassi-fications or Dispositions	Balance September 30, 2003
Transportation	$ 74,889,008	$ -	$ 6,725	$ 74,895,733
Construction	22,414,263	-	(2,339,711)	20,074,552
Marine vessels/barges	27,030,136	-	(16,875,136)	10,155,000
Mining	9,012,965	-	(369,793)	8,643,172
Materials handling	9,009,095	-	(4,390,694)	4,618,401
Manufacturing	9,367,388	-	(4,813,948)	4,553,440
Communications	4,309,885	-	(561,827)	3,748,058
Office automation	3,604,688	-	(83,642)	3,521,046
Other	6,034,386	-	(2,726,406)	3,307,980
	165,671,814	-	(32,154,432)	133,517,382
Less accumulated depreciation, including impairment losses	(83,456,505)	(12,293,635)	17,563,945	(78,186,195)
	$ 82,215,309	$ (12,293,635)	$ (14,590,487)	$ 55,331,187

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

3. Investment in leases (continued):

Impairment losses on operating lease assets are recorded as an addition to accumulated depreciation of the impaired assets. Depreciation expense and impairment losses consist of the following:

Depreciation expense	$ 11,253,710
Impairment losses	1,039,925
	$ 12,293,635

Direct financing leases:

The following lists the components of the Partnership's investment in direct financing leases:

	September 30, 2003	December 31, 2002
Total minimum lease payments receivable	$ 6,579,576	$ 14,018,775
Estimated residual values of leased equipment (unguaranteed)	4,800,103	6,286,069
Investment in direct financing leases	11,379,679	20,304,844
Less unearned income	(2,562,103)	(4,077,727)
Net investment in direct financing leases	$ 8,817,576	$ 16,227,117

At September 30, 2003, the aggregate amounts of future minimum lease payments are as follows:

	Operating Leases	Direct Financing Leases	Total
Three months ending December 31, 2003	$ 3,555,663	$ 623,316	$ 4,178,979
Year ending December 31, 2004	12,403,361	2,135,616	14,538,977
2005	7,920,453	2,135,616	10,056,069
2006	4,526,939	945,719	5,472,658
2007	3,660,007	535,056	4,195,063
2008	3,303,607	204,253	3,507,860
Thereafter	2,927,407	-	2,927,407
	$ 38,297,437	$ 6,579,576	$ 44,877,013

Impairments of investments in leases and assets held for sale or lease:

Due to continued declines in the markets for certain types of assets, during the first nine months of 2003, management determined that the value of various locomotives, an off shore supply vessel, covered grain hopper cars, barges and petroleum rail cars were impaired. The Company recorded a provision for impairments relating to those assets in the amount of $4,559,020.

ATEL CAPITAL EQUIPMENT FUND VII, L.P.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2003
(Unaudited)

3. Investment in leases (continued):

Impairments of investments in leases and assets held for sale or lease (continued):

During the first nine months of 2003, the Company recognized impairment losses on various types of equipment as set forth below. The impairments resulted from continued declines in the markets for the equipment.

Locomotives	$2,475,000
Off shore supply vessels	1,022,000
Covered grain hopper cars	517,925
Petroleum rail tank cars	325,462
Barges	218,633
	$ 4,559,020

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 5.5% to 7.0%. During the third quarter of 2003, an additional $1,489,905 was borrowed.

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

	Principal	Interest	Total
Three months ending December 31, 2003	$ 590,169	$ 24,321	$ 614,490
Year ending December 31, 2004	1,118,694	53,992	1,172,686
2005	251,586	24,182	275,768
2006	101,568	11,462	113,030
2007	90,838	5,141	95,979
2008	23,716	279	23,995
	$ 2,176,571	$ 119,377	$ 2,295,948

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 (1.1071% at September 30, 2003).

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, 2003, the Partnership receives or pays interest on a notional principal of $17,536,000, based on the difference between nominal rates ranging from 4.36% 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.

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, 2003	Rate on Interest Swap Agreement
4/1/1998	$ 21,770,000	$ 424,000	6.22000%
7/1/1998	25,000,000	2,676,000	6.15500%
10/1/1998	20,000,000	3,615,000	5.55000%
4/16/1999	9,000,000	1,947,000	5.89000%
1/26/2000	11,700,000	4,702,000	7.58000%
5/25/2001	2,000,000	994,000	5.79000%
9/28/2001	6,000,000	2,961,000	4.36000%
1/31/2002	4,400,000	217,000	*
2/19/2002	5,700,000	-	*
	$105,570,000	$ 17,536,000	

* Under the terms of the Program, no interest rate swap agreements were required for these borrowings.

ATEL CAPITAL EQUIPMENT FUND VII, L.P.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2003
(Unaudited)

5. Long-term debt (continued):

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

	Swap Notional / Debt Principal	Debt Principal Not Swapped	Interest	Total	Rates on Interest Swap Agreements*
Three months ending December 31, 2003	$ 1,729,000	$ 48,000	$ 258,765	$ 2,035,765	6.060%-6.074%
Year ending December 31, 2004	6,648,000	114,000	777,674	7,539,674	6.074%-6.135%
2005	5,405,000	12,000	404,456	5,821,456	6.146%-6.450%
2006	2,033,000	43,000	167,037	2,243,037	6.593%-6.897%
2007	901,000	-	75,818	976,818	6.872%-7.028%
2008	603,000	-	18,843	621,843	7.066%-7.580%
	$ 17,319,000	$ 217,000	$ 1,702,593	$ 19,238,593	

* 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 (1.1071% at September 30, 2003).

6. Related party transactions:

The terms of the Limited Partnership Agreement provide that the General Partner and/or its affiliates (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.

ATEL CAPITAL EQUIPMENT FUND VII, L.P.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2003
(Unaudited)

6. Related party transactions (continued):

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

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2003	2002	2003	2002
Incentive management fees and equipment management fees	$ 751,255	$ 730,798	$ 279,773	$ 239,336
Administrative costs reimbursed to General Partner	828,448	755,205	24,714	82,796
	$ 1,579,703	$ 1,486,003	$ 304,487	$ 322,132

7. Partner's capital:

As of September 30, 2003, 14,995,550 Units ($149,955,050) 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, 2003
(Unaudited)

7. Partner's capital (continued):

Distributions to the Limited Partners were as follows in 2003 and 2002:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2003	2002	2003	2002
Distributions	$ 11,247,386	$ 11,249,802	$ 3,749,948	$ 3,749,948
Weighted average number of Units outstanding	14,995,883	14,996,050	14,995,550	14,996,050
Weighted average distributions per Unit	$0.75	$0.75	$0.25	$0.25

8. Line of credit:

The Partnership participates with the General Partner and certain of its affiliates in a $56,282,201 revolving line of credit (comprised of an acquisition facility and a warehouse facility) with a financial institution that includes certain financial covenants. The line of credit expires on June 28, 2004. As of September 30, 2003, borrowings under the facility were as follows:

Amount borrowed by the Partnership under the acquisition facility	$ 13,000,000
Amounts borrowed by affiliated partnerships and limited liability companies under the acquisition facility	11,300,000
Total borrowings under the acquisition facility	24,300,000
Amounts borrowed by the General Partner and its sister corporation under the warehouse facility	-
Total outstanding balance	$ 24,300,000
Total available under the line of credit	$ 57,282,201
Total outstanding balance	(24,300,000)
Remaining availability	$ 32,982,201

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, 2003.

9. Commitments:

As of September 30, 2003, the Company had no outstanding commitments to purchase lease equipment.

ATEL CAPITAL EQUIPMENT FUND VII, L.P.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2003
(Unaudited)

10. Other comprehensive income (loss):

In 2003 and 2002, other comprehensive income (loss) consisted of the following:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2003	2002	2003	2002
Net loss	$ (3,031,269)	$ (919,621)	$ (3,776,766)	$ (91,256)
Other comprehensive income (loss):				
Change in fair value of interest rate swap contracts	739,778	585,914	236,698	(38,914)
Comprehensive net income (loss)	$ (2,291,491)	$ (333,707)	$ (3,540,068)	$ (130,170)

There were no other sources of comprehensive net income (loss).

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

Statements contained in this Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and elsewhere in this Form 10-Q, which are not historical facts, may be forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected. Investors are cautioned not to attribute undue certainty to these forward-looking statements, which speak only as of the date of this Form 10-Q. We undertake no obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this Form 10-Q or to reflect the occurrence of unanticipated events, other than as required by law.

Capital Resources and Liquidity

During the first three quarters of 2003 and 2002, 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 $56,282,201 revolving line of credit (comprised of an acquisition facility and a warehouse facility) with a financial institution that includes certain financial covenants. The line of credit expires on June 28, 2004. As of September 30, 2003, borrowings under the facility were as follows:

Amount borrowed by the Partnership under the acquisition facility	$ 13,000,000
Amounts borrowed by affiliated partnerships and limited liability companies under the acquisition facility	11,300,000
Total borrowings under the acquisition facility	24,300,000
Amounts borrowed by the General Partner and its sister corporation under the warehouse facility	-
Total outstanding balance	$ 24,300,000
Total available under the line of credit	$ 57,282,201
Total outstanding balance	(24,300,000)
Remaining availability	$ 32,982,201

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, 2003.

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, 2003, 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 2003, our primary sources of liquidity were rents from operating leases and proceeds from the sales of lease assets. In 2002, our primary source of liquidity was rents from operating leases. The sales proceeds in 2003 were, however, used primarily to repay long-term debt and did not provide a large amount of cash, net of those repayments.

In both 2003 and in 2002, 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 increased compared to 2002. This occurred as a result of lease asset reclassifications over the last year from assets off lease and from operating leases to direct financing leases. We do not expect that the amounts of proceeds from sales of assets will be consistent from one period to another. The majority of the sales proceeds were used to repay long-term debt, as noted above.

In 2002, borrowings on the line of credit and proceeds of long-term debt were our only sources of cash from financing sources. In 2003, we also borrowed $1,489,905 on a new non-recourse note payable.

The amounts we distributed to our partners have not changed significantly compared to 2002. The amounts of cash we used to repay non-recourse debt increased significantly for the nine month period and decreased for the three month period. The increase for the nine month period was the result of the early debt payments from proceeds generated from asset sales, as noted above. The decrease in the third quarter resulted from a decrease in the average outstanding balances compared to prior periods. This was partially a result of the additional debt repayments earlier in the year as noted above.

<u>Results of operations</u>

In 2003, our operations resulted in a net loss of $3,031,269 (nine months) and $3,776,766 (three months). Our operations in 2002 resulted in a net loss of $919,621 (nine months) and $91,256 (three months). Our primary source of revenues is from operating leases. These lease revenues and the related depreciation expenses have decreased compared to 2002 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 distributions of operating cash flows increased compared to 2002, and as a result, incentive management fees also increased. Interest expense has decreased as a result of the scheduled debt payments we have made over the last year.

Due to continued declines in the markets for certain types of assets, during the first nine months of 2003, we determined that the value of various locomotives, an off shore supply vessel, covered grain hopper cars, barges and petroleum rail cars were impaired. We recorded an a provision for impairments relating to those assets in the amount of $4,559,020 for the nine months ended, of which $4,041,094 was recorded during the three months ended September 30, 2003.

Item 3. Quantitative and Qualitative Disclosures of Market Risk.

The Fund, like most other companies, is exposed to certain market risks, including primarily changes in interest rates. The Fund believes its exposure to other market risks, including foreign currency exchange rate risk, commodity risk and equity price risk, are insignificant to both its financial position and results of operations.

In general, the Fund's strategy is to manage its exposure to interest rate risk by obtaining fixed rate debt. Current fixed rate debt is structured so as to match the cash flows required to service the debt to the payment streams under fixed rate lease receivables. The payments under the leases are assigned to the lenders in satisfaction of the debt. Furthermore, the Fund has historically been able to maintain a stable spread between its cost of funds and lease yields in both periods of rising and falling interest rates. Nevertheless, the Fund frequently funds leases with its floating rate line of credit and is, therefore, exposed to interest rate risk until fixed interest rate financing is arranged, or the floating interest rate line of credit is repaid. As of September 30, 2003, the outstanding balance on the floating rate line of credit was $13,000,000.

Also, the Fund entered into a receivables funding facility in 1998. Since interest on the outstanding balances under the facility varies, the Fund is exposed to market risks associated with changing interest rates. To hedge its interest rate risk, the Fund enters into interest rate swaps, which effectively convert the underlying interest characteristic on the facility from floating to fixed.

Under the swap agreements, the Fund makes or receives variable interest payments to or from the counterparty based on a notional principal amount. The net differential paid or received by the Fund is recognized as an adjustment to interest expense related to the facility balances. The amount paid or received represents the difference between the payments required under the variable interest rate facility and the amounts due under the facility at the fixed (hedged) interest rate. As of September 30, 2003, borrowings on the facility were $17,536,000 and the associated variable interest rate was 1.1071% and the average fixed interest rate achieved with the swap agreements was 6.074% at September 30, 2003. As of September 30, 2003, the estimated fair value of the interest rate swaps was $884,582.

Item 4. Controls and procedures.

Internal Controls

As of September 30, 2003, an evaluation was performed under the supervision and with the participation of the Fund’s management, including the CEO and CFO of the General Partner, of the effectiveness of the design and operation of the Fund’s disclosure controls and procedures. Based on that evaluation, the Fund’s management, including the CEO and CFO of the General Partner, concluded that the Fund’s disclosure controls and procedures were effective as of September 30, 2003. There have been no significant changes in the Fund’s internal controls or in other factors that could significantly affect internal controls subsequent to September 30, 2003.

Changes in internal controls

There have been no significant changes in our internal controls or in other factors that could significantly affect our disclosure controls and procedures subsequent to the evaluation date, nor were there any significant deficiencies or material weaknesses in our internal controls.

Evaluation of disclosure controls and procedures

Under the supervision and with the participation of our management, including the CEO and CFO, an evaluation of the effectiveness of the design and operation of the Fund's disclosure controls and procedures, as defined in Rules 240.13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934 was performed as of a date within ninety days before the filing date of this quarterly report. Based upon this evaluation, the CEO and CFO of the General Partner concluded that, as of the evaluation date, our disclosure controls and procedures were effective for the purposes of recording, processing, summarizing and timely reporting information required to be disclosed by us in the reports that we file under the Securities Exchange Act of 1934 and that such information is accumulated and communicated to our management in order to allow timely decisions regarding required disclosure.

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 (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 (IMT), 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 its 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.

On April 28, 2003, the Partnership received 139,133 shares of IMT stock, which is carried at zero value. 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.

Railcar, Ltd., et al.:

This matter relates to the breach by Railcar, Ltd., as lessee, of its obligations under a lease, where in lessee had the option of making minimum monthly payments. The lessee made the payments and then later rescinded the previously made payments arguing that they were made in error. The Partnership has attempted to resolve these issues amicably to no avail, and elected to file a complaint for the recovery of $187,835.85 in damages, while the Partnership makes continuing efforts to seek a non-judicial remedy or settlement. The Partnership anticipates that it has a high likelihood of a successful resolution of its complaint in this matter.

Martin Marietta Magnesia Specialties Inc.:

This is an action for breach of contract by Martin Marietta Magnesia Specialties, as lessee, for the failure by lessee to maintain the leased equipment in accordance with the conditions required by the lease. The Partnership has attempted to resolve these issues amicably to no avail, and elected to file a complaint for the recovery $179,678.83 in damages, while the Partnership makes continuing efforts to seek a non-judicial remedy or settlement. The Partnership anticipates that it has a high likelihood of a successful resolution of its complaint in this matter.

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 "Debtor"). 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 disputed by the Partnership and has been resolved with the Debtor allowing the Partnership an allowed secured claim in the amount of $193,765 via a stipulation that was filed with the court in April 2003.

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 as the unsecured claim amount is being paid out in the form of stock, which, while publicly traded, has a low valuation. The Partnership intends to hold onto the stock received until such time as the market price improves.

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, 2003 and December 31, 2002.

   Statements of operations for the nine and three month periods ended September 30, 2003 and 2002.

   Statements of changes in partners' capital for the year ended December 31, 2002 and for the nine months ended September 30, 2003.

   Statements of cash flows for the nine and three month periods ended September 30, 2003 and 2002.

   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.

3. Other Exhibits

   99.1 Certification of Paritosh K. Choksi
   99.2 Certification of Dean L. Cash
   99.3 Certification Pursuant to 18 U.S.C. section 1350 of Dean L. Cash
   99.4 Certification Pursuant to 18 U.S.C. section 1350 of Paritosh K. Choksi

(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 12, 2003

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

Exhibit 99.1

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 12, 2003

/s/ PARITOSH K. CHOKSI

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

Exhibit 99.2

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 12, 2003

/s/ DEAN L. CASH

Dean L. Cash
President and Chief Executive
Officer of General Partner

Exhibit 99.3

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 September 30, 2003 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 12, 2003

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

Exhibit 99.4

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 September 30, 2003 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 12, 2003

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