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 333-62477

ATEL Capital Equipment Fund VIII, LLC
(Exact name of registrant as specified in its charter)

California	**94-3307404**
(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 VIII, LLC

BALANCE SHEETS

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

ASSETS

	2002	2001
Cash and cash equivalents	$ 1,456,773	$ 2,269,137
Accounts receivable, net of allowance for doubtful accounts of $441,365 in 2002 and $41,365 in 2001	3,214,949	3,256,527
Other assets	77,500	85,000
Investments in leases	172,472,820	178,999,739
Total assets	$ 177,222,042	$ 184,610,403

LIABILITIES AND MEMBERS' CAPITAL

	2002	2001
Long-term debt	$ 80,465,000	$ 85,369,000
Non-recourse debt	6,014,964	6,014,964
Line of credit	2,800,000	2,500,000
Accounts payable:		
Managing Member	376,446	-
Other	417,284	838,267
Accrued interest payable	138,412	76,980
Interest rate swap contracts	4,503,068	4,700,622
Unearned operating lease income	2,363,647	1,748,618
Total liabilities	97,078,821	101,248,451
Members' capital	80,143,221	83,361,952
Total liabilities and members' capital	$ 177,222,042	$ 184,610,403

See accompanying notes.

ATEL CAPITAL EQUIPMENT FUND VIII, LLC

STATEMENT OF OPERATIONS

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

	2002	2001
Revenues:		
Leasing activities:		
Operating leases	$ 8,690,358	$ 13,818,603
Direct financing leases	216,017	260,626
(Loss) gain on sales of assets	(16,455)	1,784,650
Interest	5,989	81,171
Other	175,768	16,603
	9,071,677	15,961,653
Expenses:		
Depreciation and amortization	6,025,093	7,135,418
Interest expense	1,601,370	3,565,545
Asset management fees to Managing Member	417,414	602,965
Cost reimbursements to Managing Member	514,608	241,272
Provision for doubtful accounts	400,000	-
Professional fees	56,545	129,924
Other	135,655	61,355
	9,150,685	11,736,479
Net (loss) income	$ (79,008)	$ 4,225,174
Net (loss) income:		
Managing member	$ 250,296	$ 250,320
Other members	(329,304)	3,974,854
	$ (79,008)	$ 4,225,174
Net (loss) income per Limited Liability Company Unit	$ (0.02)	$ 0.29
Weighted average number of Units outstanding	13,570,188	13,570,188

STATEMENT OF CHANGES IN MEMBERS' CAPITAL

THREE MONTH PERIOD ENDED
MARCH 31, 2002
(Unaudited)

	Other Members		Managing	Accumulated Other Comprehensive Income	
	Units	Amount	Member	(Loss)	Total
Balance December 31, 2001	13,570,188	$ 88,062,574	$ -	$ (4,700,622)	$ 83,361,952
Distributions to members		(3,086,981)	(250,296)	-	(3,337,277)
Unrealized decrease in value of interest rate swap contracts				197,554	197,554
Net loss		(329,304)	250,296	-	(79,008)
Balance March 31, 2002	13,570,188	$ 84,646,289	$ -	$ (4,503,068)	$ 80,143,221

See accompanying notes.

ATEL CAPITAL EQUIPMENT FUND VIII, LLC

STATEMENT OF CASH FLOWS

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

	2002	2001
Operating activities:		
Net (loss) income	$ (79,008)	$ 4,225,174
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Gain on sales of assets	16,455	(1,784,650)
Depreciation and amortization	6,025,093	7,135,418
Provision for doubtful accounts	400,000	-
Changes in operating assets and liabilities:		
Accounts receivable	(358,422)	1,275,684
Other assets	7,500	7,500
Accounts payable, Managing Member	376,446	(82,842)
Accounts payable, other	(420,983)	(129,563)
Accrued interest expense	61,432	(52,456)
Unearned lease income	615,029	334,182
Net cash provided by operations	6,643,542	10,928,447
Investing activities:		
Reduction of net investment in direct financing leases	409,321	204,900
Proceeds from sales of assets	76,050	8,555,262
Purchases of equipment on operating leases	-	(27,625,407)
Purchases of equipment on direct financing leases	-	(174,207)
Payments of initial direct costs to managing member	-	(107,990)
Net cash provided by (used in) investing activities	485,371	(19,147,442)
Financing activities:		
Repayments of long-term debt	(8,804,000)	(4,253,000)
Proceeds of long-term debt	3,900,000	8,000,000
Borrowings on line of credit	3,800,000	11,223,497
Repayments of line of credit	(3,500,000)	-
Distributions to other members	(3,086,981)	(3,097,000)
Distributions to managing member	(250,296)	(250,320)
Repayments of non-recourse debt	-	(1,027,687)
Net cash (used in) provided by financing activities	(7,941,277)	10,595,490
Net (decrease) increase in cash and cash equivalents	(812,364)	2,376,495
Cash and cash equivalents at beginning of period	2,269,137	2,484,785
Cash and cash equivalents at end of period	$ 1,456,773	$ 4,861,280
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	$ 1,662,802	$ 3,513,089

See accompanying notes.

ATEL CAPITAL EQUIPMENT FUND VIII, LLC

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 managing member, 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 Company matters:

ATEL Capital Equipment Fund VIII, LLC. (the Company), was formed under the laws of the State of California on July 31, 1998, 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 Liability Company interest (Units) of $1,200,000 and the receipt of the proceeds thereof on January 13, 1999, the Company commenced operations.

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

	Balance December 31, 2001	Additions	Depreciation Expense and Amortization of Leases	Reclass-ifications and Dispositions	Balance March 31, 2002
Net investment in operating leases	$ 157,746,886	$ -	$ (5,938,328)	$ (93,273)	$ 151,715,285
Net investment in direct financing leases	14,181,674	-	(409,321)	(212)	13,772,141
Assets held for sale or lease	6,055,819	-	-	980	6,056,799
Initial direct costs	1,015,360	-	(86,765)	-	928,595
	$ 178,999,739	$ -	$ (6,434,414)	$ (92,505)	$ 172,472,820

ATEL CAPITAL EQUIPMENT FUND VIII, LLC

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2002
(Unaudited)

3. Investment in leases (continued):

Operating leases:

Property on operating leases consists of the following:

	Balance December 31, 2001	Additions and Depreciation	Reclass-ifications and Dispositions	Balance March 31, 2002
Transportation, rail	$ 37,626,277	$ -	$ -	$ 37,626,277
Manufacturing	49,700,638	-	-	49,700,638
Aircraft	38,535,439	-	-	38,535,439
Transportation, other	23,438,156	-	-	23,438,156
Containers	21,228,750	-	-	21,228,750
Natural gas compressors	14,051,601	-	-	14,051,601
Other	12,731,780	-	(178,918)	12,552,862
Materials handling	7,710,415	-	-	7,710,415
Marine vessel	3,952,500	-	-	3,952,500
	208,975,556	-	(178,918)	208,796,638
Less accumulated depreciation	(51,228,670)	(5,938,328)	85,645	(57,081,353)
	$ 157,746,886	$ (5,938,328)	$ (93,273)	$ 151,715,285

Direct financing leases:

As of March 31, 2002, investment in direct financing leases consists office automation equipment, point of sale equipment, over the road trailers and hotel laundry equipment. The following lists the components of the Company's investment in direct financing leases as of March 31, 2002:

Total minimum lease payments receivable	$ 11,494,365
Estimated residual values of leased equipment (unguaranteed)	4,785,672
Investment in direct financing leases	16,280,037
Less unearned income	(2,507,896)
Net investment in direct financing leases	$ 13,772,141

All of the property on leases was acquired in 1999, 2000 and 2001.

ATEL CAPITAL EQUIPMENT FUND VIII, LLC

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2002
(Unaudited)

3. Investment in leases (continued):

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	$ 23,145,024	$ 2,635,412	$ 25,780,436
Year ending December 31, 2003	25,176,885	2,948,178	28,125,063
2004	15,717,941	1,989,108	17,707,049
2005	11,389,500	1,901,705	13,291,205
2006	7,222,444	1,677,533	8,899,977
Thereafter	9,209,492	342,429	9,551,921
	$ 91,861,286	$ 11,494,365	$ 103,355,651

4. Non-recourse debt:

At March 31, 2002, non-recourse debt consists of notes payable to financial institutions. The notes are due in varying quarterly and semi-annual payments. Interest on the notes is at rates from 7.98% to 10.0%. The notes are secured by assignments of lease payments and pledges of assets. The notes mature from 2002 through 2006.

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

	Principal	Interest	Total
Nine months ending December 31, 2002	$ 312,109	$ 433,813	$ 745,922
Year ending December 31, 2003	397,915	483,617	881,532
2004	4,425,556	170,437	4,595,993
2005	418,256	77,737	495,993
2006	461,128	34,866	495,994
	$ 6,014,964	$ 1,200,470	$ 7,215,434

5. Other long-term debt:

In 1999, the Company entered into a $70 million receivables funding program (the Program) (which was subsequently increased to $125 million) 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 Company. 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 Managing Member 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 Company receives or pays interest on a notional principal of $80,465,000, based on the difference between nominal rates ranging from 3.60% to 7.72% 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.

Borrowings under the Program are as follows:

Date Borrowed	Original Amount Borrowed	Balance March 31, 2002	Rate on Interest Swap Agreement
11/11/1999	$ 20,000,000	$ 9,119,000	6.84%
12/21/1999	20,000,000	16,194,000	7.41%
12/24/1999	25,000,000	12,968,000	7.44%
4/17/2000	6,500,000	4,606,000	7.45%
4/28/2000	1,900,000	987,000	7.72%
8/3/2000	19,000,000	14,393,000	7.50%
10/31/2000	7,500,000	5,557,000	7.13%
1/29/2001	8,000,000	6,307,000	5.91%
6/1/2001	2,000,000	1,385,000	5.04%
9/1/2001	9,000,000	5,096,000	4.35%
1/31/2002	3,900,000	3,853,000	3.60%
	$ 122,800,000	$ 80,465,000	

ATEL CAPITAL EQUIPMENT FUND VIII, LLC

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2002
(Unaudited)

5. Other long-term debt (continued):

Other long-term debt borrowings mature from 2004 through 2009. Future minimum principal payments of long-term debt are as follows:

	Principal	Interest	Total	Rates on Interest Swap Agreements*
Nine months ending December 31, 2002	$ 17,722,000	$ 3,719,745	$ 21,441,745	6.842% - 6.861%
Year ending December 31, 2003	21,043,000	3,625,609	24,668,609	6.862% - 6.898%
2004	15,092,000	2,383,230	17,475,230	6.892% - 6.957%
2005	11,351,000	1,496,883	12,847,883	6.980% - 7.131%
2006	6,950,000	873,424	7,823,424	7.162% - 7.196%
2007	4,701,000	439,685	5,140,685	7.108% - 7.164%
2008	3,025,000	169,486	3,194,486	6.885% - 7.159%
2009	581,000	9,149	590,149	6.248% - 6.264%
	$ 80,465,000	$ 12,717,211	$ 93,182,211	

* 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).

6. Related party transactions:

The terms of the Limited Company Operating Agreement provide that the Managing Member and/or Affiliates are entitled to receive certain fees for equipment acquisition, management and resale and for management of the Company.

The Limited Liability Company Operating Agreement allows for the reimbursement of costs incurred by the Managing Member in providing services to the Company. Services provided include Company accounting, investor relations, legal counsel and lease and equipment documentation. The Managing Member 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 Managing Member are allocated to the Company based upon actual time incurred by employees working on Company business and an allocation of rent and other costs based on utilization studies.

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

The Managing Member and/or Affiliates earned fees, commissions and reimbursements, pursuant to the Limited Liability Company Agreement as follows:

	2002	2001
Costs reimbursed to Managing Member	$ 514,608	$ 241,272
Asset management fees to Managing Member	417,414	602,965
	$ 932,022	$ 844,237

ATEL CAPITAL EQUIPMENT FUND VIII, LLC

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	$	2,800,000
Amounts borrowed by affiliated partnerships and limited liability companies under the acquisition facility		16,500,000
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 quarters of 2002 and 2001, the Company's primary activities was engaging in equipment leasing activities.

During the funding period, the Company's primary source of liquidity is subscription proceeds from the public offering of Units. The liquidity of the Company 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 members and to the extent expenses exceed cash flows from leases.

As another source of liquidity, the Company has contractual obligations with a diversified group of lessees for fixed lease terms at fixed rental amounts. As the initial lease terms expire the Company will re-lease or sell the equipment. The future liquidity beyond the contractual minimum rentals will depend on the Managing Member'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:

Amount borrowed by the Partnership under the acquisition facility	$ 514,608
Amounts borrowed by affiliated partnerships and limited liability companies under the acquisition facility	18,785,392
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 Company 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 Managing Member and providing for cash distributions to the Limited Partners.

The Company currently has available adequate reserves to meet contingencies, but in the event those reserves were found to be inadequate, the Company would likely be in a position to borrow against its current portfolio to meet such requirements. The Managing Member 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 Company inasmuch as the residual (resale) values and rates on re-leases of the Company's leased assets may increase as the costs of similar assets increase. However, the Company'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 Company 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

During the first quarters of 2002 and 2001, the Company's primary source of liquidity was rents from operating leases.

In 2002 and 2001, the primary source of cash from operations was rents from operating leases. Operating leases are expected to remain as the primary source of cash from operations in future periods.

In 2002, rents from direct financing leases were the primary source of cash from investing activities. In 2001, the Company sold a large rail car fleet. The proceeds from that sale constituted the primary source of cash from investing activities in 2001. In 2001, uses of cash for investing activities consisted of cash used to purchase operating and direct financing lease assets and payments of initial direct costs associated with the lease asset purchases. There were no investing uses of cash in 2002.

In 2002and 2001, the only sources of cash from financing activities were borrowings under the line of credit and proceeds of long-term debt. Financing uses of cash included repayments of debt and distributions to the members.

Results of operations

Operations resulted in a net loss of $79,008 in 2002 compared to net income of $4,225,174 in 2001 . In 2002 and 2001, the Company's primary source of revenues was from operating leases. Depreciation is related to operating lease assets and thus, to operating lease revenues. It has decreased as a result of operating lease asset sales over the last year.

Asset management fees are based on the gross lease rents of the Company plus proceeds from the sales of lease assets. They are limited to certain percentages of lease rents, distributions to members and certain other items. The decrease is a direct result of the decreases in lease revenues.

Interest expense has decreased from $3,565,545 in 2001 to $1,601,370 in 2002 as a result of decreased debt balances in 2002 compared to those in 2001.Since March 31, 2001, more of the Company's debt has been under the receivables funding program. The interest rates on this program are considerably lower than those on the bank line of credit and on non-recourse debt. This shift to the receivables funding program has also helped to reduce interest expense compared to 2001.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

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

Emery Worldwide Airways, Inc.:

On January 25, 2002, the Company filed a complaint against its lessee, Emery Worldwide Airways, Inc., for failure by the lessee to properly maintain the condition and airworthiness of the aircraft on lease to the lessee, and for certain other breaches and defaults by the lessee as alleged in the complaint. The Company has claimed stipulated loss value damages in the amount of $5,648,173 as a result of the breaches and defaults under the lease by the lessee. A motion for summary judgment on the Company's claims is expected to be heard towards the end of May, 2002. As this matter is in its early stages, the outcome of the Company's claim is uncertain, although the Manager believes that currently there is a substantial likelihood of success in this matter.

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.
   Statement of operations for the three month periods ended March 31, 2002 and 2001.
   Statement of changes in partners' capital for the three month period 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 VIII, LLC
(Registrant)

By: ATEL Financial Corporation
Managing Member of Registrant

By: /s/ Dean L. Cash
Dean L. Cash
President and Chief Executive Officer
of Managing Member

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