# 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 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. <u>Financial Statements.</u>**

**ATEL CAPITAL EQUIPMENT FUND VIII, LLC**

**BALANCE SHEETS**

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

**ASSETS**

| | 2002 | 2001 |
|---|---|---|
| Cash and cash equivalents | $ 1,481,169 | $ 2,269,137 |
| Accounts receivable, net of allowance for doubtful accounts of $516,365 in 2002 and $41,365 in 2001 | 2,446,146 | 3,256,527 |
| Other assets | 62,500 | 85,000 |
| Investments in leases | 157,938,251 | 178,999,739 |
| Total assets | $161,928,066 | $184,610,403 |

**LIABILITIES AND MEMBERS' CAPITAL**

| | 2002 | 2001 |
|---|---|---|
| Long-term debt | $ 68,961,000 | $ 85,369,000 |
| Non-recourse debt | 5,862,716 | 6,014,964 |
| Line of credit | 7,100,000 | 2,500,000 |
| Accounts payable | 512,650 | 838,267 |
| Accrued interest payable | 140,628 | 76,980 |
| Interest rate swap contracts | 3,593,630 | 4,700,622 |
| Unearned operating lease income | 2,269,005 | 1,748,618 |
| Total liabilities | 88,439,629 | 101,248,451 |
| Members' capital | 73,488,437 | 83,361,952 |
| Total liabilities and members' capital | $161,928,066 | $184,610,403 |

See accompanying notes.

## ATEL CAPITAL EQUIPMENT FUND VIII, LLC

## 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 | $ 23,862,863 | $ 32,328,224 | $ 7,493,350 | $ 9,304,558 |
| Direct financing leases | 625,944 | 693,523 | 212,708 | 185,381 |
| Gain (loss) on sales of assets | 230,089 | 1,788,113 | (26,782) | - |
| Interest | 12,495 | 124,378 | 3,460 | 14,554 |
| Other | 185,097 | 26,921 | 1,947 | 1,012 |
| | 24,916,488 | 34,961,159 | 7,684,683 | 9,505,505 |
| Expenses: | | | | |
| Depreciation and amortization | 17,635,864 | 25,203,081 | 5,711,172 | 10,421,957 |
| Interest expense | 4,719,523 | 7,245,633 | 1,461,310 | 1,670,772 |
| Asset management fees to Managing Member | 1,152,763 | 1,445,643 | 382,140 | 435,665 |
| Cost reimbursements to Managing Member | 793,772 | 741,886 | 35,893 | 215,621 |
| Provision for doubtful accounts | 475,000 | - | - | - |
| Provision for losses on lease assets | 400,000 | - | 400,000 | - |
| Professional fees | 116,922 | 193,582 | 6,367 | 8,152 |
| Other | 591,388 | 224,010 | 211,538 | 60,288 |
| | 25,885,232 | 35,053,835 | 8,208,420 | 12,812,455 |
| Net loss | $ (968,744) | $ (92,676) | $ (523,737) | $ (3,306,950) |
| Net income (loss): | | | | |
| Managing member | $ 750,882 | $ 754,604 | $ 250,290 | $ 251,156 |
| Other members | (1,719,626) | (847,280) | (774,027) | (3,558,106) |
| | $ (968,744) | $ (92,676) | $ (523,737) | $ (3,306,950) |
| Net loss per Limited Liability Company Unit | $ (0.13) | $ (0.06) | $ (0.06) | $ (0.26) |
| Weighted average number of Units outstanding | 13,570,188 | 13,570,188 | 13,570,188 | 13,570,188 |

**ATEL CAPITAL EQUIPMENT FUND VIII, LLC**

**STATEMENT OF CHANGES IN MEMBERS' CAPITAL**

**NINE MONTH PERIOD ENDED**
**SEPTEMBER 30, 2002**
**(Unaudited)**

| | Other Members | | Managing | Accumulated Other Comprehensive | |
|---|---|---|---|---|---|
| | Units | Amount | Member | Income | Total |
| Balance December 31, 2001 | 13,570,188 | $ 88,062,574 | $ - | $ (4,700,622) | $ 83,361,952 |
| Unrealized decrease in value of interest rate swap contracts | | - | - | 1,106,992 | 1,106,992 |
| Distributions to members | | (9,260,881) | (750,882) | - | (10,011,763) |
| Net loss | | (1,719,626) | 750,882 | - | (968,744) |
| Balance September 30, 2002 | 13,570,188 | $ 77,082,067 | $ - | $ (3,593,630) | $ 73,488,437 |

See accompanying notes.

**ATEL CAPITAL EQUIPMENT FUND VIII, LLC**

**STATEMENTS OF CASH FLOWS**

**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 |
|---|---|---|---|---|
| **Operating activities:** | | | | |
| Net loss | $ (968,744) | $ (92,676) | $ (523,737) | $ (3,306,950) |
| Adjustments to reconcile net loss to cash provided by operating activities: | | | | |
| Depreciation | 17,635,864 | 25,203,081 | 5,711,172 | 10,421,957 |
| (Gain) loss on sales of assets | (230,089) | (1,788,113) | 26,782 | - |
| Provision for doubtful accounts | 475,000 | - | - | - |
| Provision for losses on lease assets | 400,000 | - | 400,000 | - |
| Changes in operating assets and liabilities: | | | | |
| Accounts receivable | 335,381 | (92,191) | (552,136) | (1,063,310) |
| Other assets | 22,500 | 22,500 | 7,500 | 7,500 |
| Accounts payable, Managing Member | - | (695,548) | (263,652) | (509,889) |
| Accounts payable, other | (325,617) | 277,384 | 19,747 | 384,584 |
| Accrued interest payable | 63,648 | (108,380) | 40,460 | (49,338) |
| Unearned lease income | 520,387 | 555,270 | 594,889 | 960,303 |
| **Net cash provided by operations** | 17,928,330 | 23,281,327 | 5,461,025 | 6,844,857 |
| **Investing activities:** | | | | |
| Reduction of net investment in direct financing leases | 2,294,372 | 1,930,535 | 256,905 | 533,700 |
| Proceeds from sales of assets | 1,292,530 | 8,601,318 | 147,204 | - |
| Purchases of equipment on direct financing leases | (293,750) | (810,271) | (293,750) | - |
| Payment of initial direct costs | (37,439) | (145,831) | (37,439) | - |
| Purchases of equipment on operating leases | - | (27,938,716) | - | - |
| **Net cash provided by (used in) investing activities** | 3,255,713 | (18,362,965) | 72,920 | 533,700 |

**ATEL CAPITAL EQUIPMENT FUND VIII, LLC**

**STATEMENTS OF CASH FLOWS**
**(Continued)**
**NINE AND THREE MONTH PERIODS ENDED**
**SEPTEMBER 30, 2002 AND 2001**
**(Unaudited)**

| | Nine Months Ended September 30, | | Three Months Ended September 30, | |
|---|---|---|---|---|
| | 2002 | 2001 | 2002 | 2001 |
| **Financing activities:** | | | | |
| Borrowings under line of credit | 8,900,000 | 20,756,335 | 3,100,000 | 4,000,000 |
| Repayments of line of credit | (4,300,000) | (19,756,335) | - | (12,223,497) |
| Proceeds of long-term debt | 3,900,000 | 19,000,000 | - | 9,000,000 |
| Repayments of long-term debt | (20,308,000) | (14,325,000) | (5,602,000) | (5,177,000) |
| Distributions to members | (9,260,881) | (9,316,505) | (3,086,911) | (3,097,588) |
| Repayments of non-recourse debt | (152,248) | (1,165,781) | - | - |
| Distributions to managing member | (750,882) | (754,604) | (250,290) | (251,156) |
| **Net cash used in financing activities** | (21,972,011) | (5,561,890) | (5,839,201) | (7,749,241) |
| **Net decrease in cash and cash equivalents** | (787,968) | (643,528) | (305,256) | (370,684) |
| **Cash and cash equivalents at beginning of period** | 2,269,137 | 2,484,785 | 1,786,425 | 2,211,941 |
| **Cash and cash equivalents at end of period** | $ 1,481,169 | $ 1,841,257 | $ 1,481,169 | $ 1,841,257 |
| | | | | |
| **Supplemental disclosures of cash flow information:** | | | | |
| Cash paid during the period for interest | $ 4,719,523 | $ 7,245,633 | $ 1,484,498 | $ 1,611,730 |

See accompanying notes.

**ATEL CAPITAL EQUIPMENT FUND VIII, LLC**

**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 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. Contributions in the amount of $600 were received as of October 7, 1998, $100 of which represented the Managing Member's (ATEL Financial Corporation's) continuing interest, and $500 of which represented the Initial Members' capital investment.

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 or Amortization of Leases | Reclassi-fications or Dispositions | Balance September 30, 2002 |
|---|---|---|---|---|---|
| Net investment in operating leases | $157,746,886 | $ - | $ (17,351,456) | $ (15,559,069) | $124,836,361 |
| Assets held for sale or lease | 6,055,819 | - | - | 14,713,970 | 20,769,789 |
| Net investment in direct financing leases | 14,181,674 | 293,750 | (2,294,372) | (217,342) | 11,963,710 |
| Initial direct costs, net of accumulated amortization | 1,015,360 | 37,439 | (284,408) | - | 768,391 |
| Reserve for losses | - | (400,000) | - | - | (400,000) |
| | $178,999,739 | $ (68,811) | $ (19,930,236) | $ (1,062,441) | $157,938,251 |

ATEL CAPITAL EQUIPMENT FUND VIII, LLC

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2002
(Unaudited)

**3. Investment in leases (continued):**

*Operating leases:*

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 |
|---|---|---|---|---|---|
| Manufacturing | $ 49,700,638 | $ - | $ - | $ (3) | $ 49,700,635 |
| Aircraft | 38,535,439 | - | (5,725,300) | - | 32,810,139 |
| Transportation, other | 23,438,156 | - | - | - | 23,438,156 |
| Containers | 21,228,750 | - | - | (21,250) | 21,207,500 |
| Transportation, rail | 37,626,277 | - | - | (16,523,854) | 21,102,423 |
| Natural gas compressors | 14,051,601 | - | - | - | 14,051,601 |
| Materials handling | 7,710,415 | - | - | (13,349) | 7,697,066 |
| Marine vessel | 3,952,500 | - | - | - | 3,952,500 |
| Other | 12,731,780 | (178,918) | - | (489,372) | 12,063,490 |
| | 208,975,556 | (178,918) | (5,725,300) | (17,047,828) | 186,023,510 |
| Less accumulated depreciation | (51,228,670) | (5,852,683) | (4,384,556) | 278,760 | (61,187,149) |
| | $157,746,886 | $ (6,031,601) | $ (10,109,856) | $ (16,769,068) | $124,836,361 |

*Direct financing leases:*

As of September 30, 2002, investment in direct financing leases consists office automation equipment. The following lists the components of the Company's investment in direct financing leases as of September 30, 2002:

| | |
|---|---|
| Total minimum lease payments receivable | $ 9,504,882 |
| Estimated residual values of leased equipment (unguaranteed) | 4,545,187 |
| Investment in direct financing leases | 14,050,069 |
| Less unearned income | (2,086,359) |
| Net investment in direct financing leases | $ 11,963,710 |

All of the property on leases was acquired in 1999, 2000, 2001 and 2002.

**ATEL CAPITAL EQUIPMENT FUND VIII, LLC**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2002**
**(Unaudited)**

### 3. Investment in leases (continued):

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 | $ 7,054,625 | $ 885,134 | $ 7,939,759 |
| Year ending December 31, 2003 | 25,173,965 | 2,509,590 | 27,683,555 |
| 2004 | 15,715,021 | 2,063,877 | 17,778,898 |
| 2005 | 11,386,580 | 1,976,473 | 13,363,053 |
| 2006 | 7,219,524 | 1,727,378 | 8,946,902 |
| Thereafter | 9,202,923 | 342,430 | 9,545,353 |
| | $ 75,752,638 | $ 9,504,882 | $ 85,257,520 |

### 4. Non-recourse debt:

At September 30, 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 14.0%. 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 |
|---|---|---|---|
| Three months ending December 31, 2002 | $ 159,861 | $ 170,840 | $ 330,701 |
| Year ending December 31, 2003 | 397,915 | 483,617 | 881,532 |
| 2004 | 4,425,556 | 170,437 | 4,595,993 |
| 2005 | 418,256 | 71,737 | 489,993 |
| 2006 | 461,128 | 34,866 | 495,994 |
| | $ 5,862,716 | $ 931,497 | $ 6,794,213 |

## 5. Other long-term debt:

In 1999, the Company entered into a $70 million receivables funding program (the Program) (which has been 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 (1.8105% at September 30, 2002).

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 September 30, 2002, the Company receives or pays interest on a notional principal of $68,961,000, 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 September 30, 2002 | Rate on Interest Swap Agreement |
|---|---|---|---|
| 11/11/99 | $ 20,000,000 | $ 6,861,000 | 6.84% |
| 12/21/99 | 20,000,000 | 15,268,000 | 7.41% |
| 12/24/99 | 25,000,000 | 10,198,000 | 7.44% |
| 4/17/00 | 6,500,000 | 4,064,000 | 7.45% |
| 4/28/00 | 1,900,000 | 739,000 | 7.72% |
| 8/3/00 | 19,000,000 | 12,869,000 | 7.50% |
| 10/31/00 | 7,500,000 | 4,825,000 | 7.13% |
| 1/29/01 | 8,000,000 | 5,391,000 | 5.91% |
| 6/1/01 | 2,000,000 | 982,000 | 5.04% |
| 9/1/01 | 9,000,000 | 4,401,000 | 4.35% |
| 1/31/02 | 3,900,000 | 3,363,000 | 3.60% |
| | $ 122,800,000 | $ 68,961,000 | |

**ATEL CAPITAL EQUIPMENT FUND VIII, LLC**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2002**
**(Unaudited)**

**5. Other long-term debt (continued):**

Other long-term debt borrowings mature from 2002 through 2009. 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 | $ 6,079,000 | $ 1,142,574 | $ 7,221,574 | 6.854%-6.860% |
| Year ending December 31, 2003 | 21,043,000 | 3,636,621 | 24,679,621 | 6.865%-6.901% |
| 2004 | 15,092,000 | 2,394,241 | 17,486,241 | 6.896%-6.962% |
| 2005 | 11,351,000 | 1,507,894 | 12,858,894 | 6.985%-7.137% |
| 2006 | 6,950,000 | 884,435 | 7,834,435 | 7.172%-7.203% |
| 2007 | 4,701,000 | 439,685 | 5,140,685 | 6.896%-7.028% |
| 2008 | 3,025,000 | 169,486 | 3,194,486 | 6.214%-6.887% |
| 2009 | 720,000 | 9,149 | 729,149 | 5.042%-5.068% |
| | $ 68,961,000 | $ 10,184,085 | $ 79,145,085 | |

* 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 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 administrative services to the Company. Administrative 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 administrative 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 actual costs incurred on behalf of the Company or the amount the Company would be required to pay independent parties for comparable administrative services in the same geographic location and are reimbursable in accordance with the Limited Liability Company Operating Agreement.

### 6. Related party transactions (continued):

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

| | 2002 | 2001 |
|---|---|---|
| Asset management fees to Managing Member | $ 1,152,763 | $ 1,445,643 |
| Cost reimbursements to Managing Member | 793,772 | 741,886 |
| Selling commissions (equal to 9.5% of the selling price of the Limited Liability Company units, deducted from Other Members' capital) | - | 5,716,800 |
| Reimbursement of other syndication costs to Managing Member | - | 2,788,098 |
| | $ 1,946,535 | $ 10,692,427 |

### 7. Member's capital:

As of September 30, 2002, 13,570,188 Units ($135,701,880) were issued and outstanding. The Company's registration statement with the Securities and Exchange Commission became effective December 7, 1998. The Company is authorized to issue up to 15,000,050 Units, including the 50 Units issued to the initial members.

The Company's Net Income, Net Losses, and Distributions are to be allocated 92.5% to the Members and 7.5% to the Managing Member.

**ATEL CAPITAL EQUIPMENT FUND VIII, LLC**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2002**
**(Unaudited)**

**8. Line of credit:**

The Company participates with the Managing Member 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 fund under the acquisition facility | $ 7,100,000 |
| Amounts borrowed by affiliated partnerships and limited liability companies under the acquisition facility | 14,800,000 |
| Total borrowings under the acquisition facility | 21,900,000 |
| Amounts borrowed by the Managing Member 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 fund and the Managing Member.

The credit agreement includes certain financial covenants applicable to each borrower. The fund was in compliance with its covenants as of September 30, 2002.

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

### Capital Resources and Liquidity

During the first nine months of 2002and 2001, the 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 members 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. Our 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 Company participates with the Managing Member 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 fund under the acquisition facility | $ 7,100,000 |
| Amounts borrowed by affiliated partnerships and limited liability companies under the acquisition facility | 14,800,000 |
| Total borrowings under the acquisition facility | 21,900,000 |
| Amounts borrowed by the Managing Member 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 fund and the Managing Member.

We anticipate reinvesting a portion of lease payments from assets owned in new leasing transactions. We will reinvest 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 Other Members.

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 our current portfolio to meet such requirements. We envision no such requirements for operating purposes.

We have not made any commitments of capital, nor do we expect to make any commitments, except for the acquisition of additional equipment. We had made no such commitments as of September 30, 2002.

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.

**Cash Flows**

During the first nine months of 2002 and 2001, our primary source of liquidity was operating lease rents.

Our primary source of cash flows from operating activities was operating lease revenues in both 2002 and on 2001.

In 2001, our most significant source of cash flows from investing was the proceeds that we received from the sales of lease assets. In the third quarter of 2001, our only significant source of cash from investing activities was rents from direct financing leases. In 2002, rents from direct financing leases were the most significant source of cash from investing activities. We received a smaller amount as proceeds from the sales of lease assets than in 2001. In both years, we used of cash in investing activities to purchase lease assets and to pay initial direct costs related to the asset

In 2001, our only sources of cash from financing activities was proceeds of long-term debt and borrowings on the line of credit. In 2002, our only financing sources of cash were borrowings under the line of credit and proceeds of long-term debt. Our repayments of debt have increased due to borrowings in 2001 and 2002.

**Results of operations**

In 2002, our operations resulted in a net loss of $968,744 for the nine month period and $523,737 for the three month period. In 2001, our operations resulted in a net loss of $92,676 for the nine month period and $3,306,950 for the three month period. Our primary source of revenues is from operating leases. In future periods, we also expect that operating leases will be our most significant source of revenues. Depreciation is related to operating lease assets and thus, to operating lease revenues. We expect it to decrease in future periods as leases mature and as we sell the related lease assets. Our lease rents and depreciation have decreased compared to 2001 as a result of sales over the last year.

Asset management fees are based on our gross lease rents plus the proceeds we receive from the sales of lease assets. They are limited to certain percentages of lease rents, distributions to members and certain other items. As assets are sold, lease rents are collected and distributions are made to the members, we expect these fees to decrease. These factors gave rise to the decrease in fees compared to 2001.

At September 30, 2001, we had total outstanding interest bearing debt of $98,502,963. As a result of scheduled debt payments, we have reduced that balance to $81,923,716 at September 30, 2002. This reduction in debt has caused our interest expense to decrease compared to 2001.

# PART II. OTHER INFORMATION

**Item 1. Legal Proceedings.**

No material legal proceedings are currently pending against the Partnership or against any of 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 has been filed. A ruling on the motion is expected in the 4th quarter of 2002. A trial date for this matter has been set for May 2003. As this matter is in its early stages, the outcome of the Company's claim is uncertain, although the Managing Member believes that currently there is a substantial likelihood of some recoveries in this matter.

*Burlington Northern Santa Fe Corporation:*

This complaint was filed for the recovery of $300,000 in damages for the "Agreed Value" of a destroyed locomotive, where THE CIT Group/Equipment Financing, Inc., acting as agent for the Company, agreed to "swap" the locomotive unit with Burlington Northern Santa Fe Corporation, without first obtaining the Company's consent to do so, as required by the agreement. A trial date has been set for May 2003. The Company feels that it has a reasonable basis for success in this matter.

*Solectron:*

This is a matter where the Company has declared Solectron Company, the lessee in default for failure to pay rent in a timely manner. A claim was filed on August 29, 2002, by the Managing Member on behalf of the Company in the amount of $13,332,328.10. The Company feels that it has a reasonable basis for success of some, if not all, of its claims in this matter. In response to the Company's claim, Solectron has filed a denial and counterclaim of unfair business conduct. The Company denies the counterclaim as spurious.

**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.
   Income statements for the nine and three month periods ended September 30, 2002 and 2001.
   Statement of changes in partners' capital for the nine month period ended September 30, 2002.
   Statements 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 VIII, LLC**
**(Registrant)**

By: ATEL Financial Corporation
Managing Member of Registrant

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

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 Capital Equipment Fund VIII, LLC;

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 Managing Member

## CERTIFICATIONS

I, Dean L. Cash, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ATEL Capital Equipment Fund VIII, LLC;

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
Managing Member

**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 Capital Equipment Fund VIII, LLC, (the "Company") for the period ended September 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, managing member of the Company, 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 Company.

Date: November 7, 2002

/s/ DEAN L. CASH
Dean L. Cash
President and Chief Executive
Officer of Managing Member

**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 Capital Equipment Fund VIII, LLC, (the "Company") for the period ended September 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, managing member of the Company, 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 Company.

Date: November 7, 2002

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