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, 2004

☐ 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 000-33103

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.)

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

Securities registered pursuant to section 12(b) of the Act: None
Securities registered pursuant to section 12(g) of the Act: Limited Liability Company Units

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 Liability Company Units outstanding as of March 31, 2004 was 13,570,188.

DOCUMENTS INCORPORATED BY REFERENCE

None

ATEL CAPITAL EQUIPMENT FUND VIII, LLC

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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited).

ATEL CAPITAL EQUIPMENT FUND VIII, LLC

BALANCE SHEETS

MARCH 31, 2004 AND DECEMBER 31, 2003

ASSETS

	March 31, 2004 (Unaudited)	December 31, 2003
Cash and cash equivalents	$ 544,135	$ 508,584
Accounts receivable, net of allowance for doubtful accounts of $236,115 in 2004 and $225,115 in 2003	1,817,041	2,124,902
Other assets	17,500	25,000
Investments in equipment and leases	101,512,893	107,564,258
Total assets	$ 103,891,569	$ 110,222,744

LIABILITIES AND MEMBERS' CAPITAL

	March 31, 2004 (Unaudited)	December 31, 2003
Long-term debt	$ 36,819,000	$ 39,946,000
Line of credit	12,000,000	9,500,000
Non-recourse debt	6,336,442	6,609,335
Accounts payable:		
Managing Member	330,423	889,555
Other	247,592	820,799
Accrued interest payable	127,730	115,844
Unearned operating lease income	703,941	1,236,498
Interest rate swap contracts	3,061,496	3,207,595
Total liabilities	59,626,624	62,325,626
Members' capital		
Accumulated other comprehensive loss	(3,019,319)	(3,143,144)
Members' capital	47,284,264	51,040,262
	44,264,945	47,897,118
Total liabilities and members' capital	$ 103,891,569	$ 110,222,744

See accompanying notes.

ATEL CAPITAL EQUIPMENT FUND VIII, LLC

STATEMENTS OF OPERATIONS

THREE MONTH PERIODS ENDED
MARCH 31, 2004 AND 2003
(Unaudited)

	2004	2003
Revenues:		
Leasing activities:		
Operating leases	$ 5,944,402	$ 7,378,891
Direct financing leases	340,794	172,311
Gain on sales of assets	449,642	154,414
Interest	926	2,012
Other	14,669	17,696
	6,750,433	7,725,324
Expenses:		
Depreciation of operating lease assets	4,816,678	5,336,930
Interest expense	878,434	2,022,644
Cost reimbursements to Managing Member	699,215	656,763
Asset management fees to Managing Member	271,849	300,571
Railcar maintenance	130,447	672,087
Professional fees	81,443	181,096
Amortization of initial direct costs	72,015	94,037
Outside services	51,956	50,836
Insurance	42,320	-
Provision for (recovery of) doubtful accounts	11,000	(200,000)
Impairment losses	-	1,910,861
Other	114,019	79,200
	7,169,376	11,105,025
Net loss	$ (418,943)	$ (3,379,701)
Net income (loss):		
Managing member	$ 250,294	$ 250,287
Other members	(669,237)	(3,629,988)
	$ (418,943)	$ (3,379,701)
Net loss per Limited Liability Company Unit	$ (0.05)	$ (0.27)
Weighted average number of Units outstanding	13,570,188	13,570,188

See accompanying notes.

ATEL CAPITAL EQUIPMENT FUND VIII, LLC

STATEMENTS OF CHANGES IN MEMBERS' CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2003
AND FOR THE
THREE MONTH PERIOD ENDED
MARCH 31, 2004
(Unaudited)

	Other Members		Managing	Accumulated Other Comprehensive	
	Units	Amount	Member	Income (Loss)	Total
Balance December 31, 2002	13,570,188	$ 71,908,105	$ -	$ (5,381,342)	$ 66,526,763
Distributions to members	-	(12,345,603)	(1,000,979)	-	(13,346,582)
Reclassification adjustment for portion of swap liability charged to net loss	-	-	-	64,451	64,451
Unrealized decrease in value of interest rate swap contracts	-	-	-	2,173,747	2,173,747
Net income (loss)	-	(8,522,240)	1,000,979	-	(7,521,261)
Balance December 31, 2003	13,570,188	51,040,262	-	(3,143,144)	47,897,118
Distributions to members	-	(3,086,761)	(250,294)	-	(3,337,055)
Unrealized decrease in value of interest rate swap contracts	-	-	-	123,825	123,825
Net income (loss)	-	(669,237)	250,294	-	(418,943)
Balance March 31, 2004	13,570,188	$ 47,284,264	$ -	$ (3,019,319)	$ 44,264,945

See accompanying notes.

ATEL CAPITAL EQUIPMENT FUND VIII, LLC

STATEMENTS OF CASH FLOWS

THREE MONTH PERIODS ENDED
MARCH 31, 2004 AND 2003
(Unaudited)

	2004	2003
Operating activities:		
Net loss	$ (418,943)	$ (3,379,701)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Gain on sales of assets	(449,642)	(154,414)
Depreciation of operating lease assets	4,816,678	5,336,930
Impairment losses	-	1,910,861
Amortization of initial direct costs	72,015	94,037
Provision for (recovery of) doubtful accounts	11,000	(200,000)
Changes in operating assets and liabilities:		
Accounts receivable	296,861	(1,046,101)
Due from Managing Member	-	171,119
Other assets	7,500	7,500
Accounts payable, Managing Member	(559,132)	260,648
Accounts payable, other	(573,207)	(25,420)
Accrued interest expense	11,886	28,151
Unearned lease income	(532,557)	246,393
Interest rate swap contracts	(22,274)	-
Net cash provided by operating activities	2,660,185	3,250,003
Investing activities:		
Reduction of net investment in direct financing leases	126,655	278,040
Proceeds from sales of assets	1,485,659	2,021,157
Net cash provided by investing activities	1,612,314	2,299,197
Financing activities:		
Borrowings under line of credit	3,500,000	3,900,000
Repayments of long-term debt	(3,127,000)	(5,421,000)
Distributions to Other Members	(3,086,761)	(3,086,875)
Repayments of borrowings under line of credit	(1,000,000)	(1,900,000)
Repayments of non-recourse debt	(272,893)	-
Distributions to Managing Member	(250,294)	(250,287)
Net cash used in financing activities	(4,236,948)	(6,758,162)
Net increase (decrease) in cash and cash equivalents	35,551	(1,208,962)
Cash and cash equivalents at beginning of period	508,584	2,263,479
Cash and cash equivalents at end of period	$ 544,135	$ 1,054,517
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	$ 866,548	$ 1,994,493
Schedule of non-cash transactions:		
Change in fair value of interest rate swaps contracts	$ 123,825	$ 310,830

See accompanying notes.

ATEL CAPITAL EQUIPMENT FUND VIII, LLC

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2004
(Unaudited)

1. Summary of significant accounting policies:

Basis of presentation:

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 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. 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 months ended March 31, 2004 are not necessarily indicative of the results for the year ending December 31, 2004.

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, 2003, filed with the Securities and Exchange Commission.

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. The Company shall continue until December 31, 2019.

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 Members for inclusion in their individual tax returns.

ATEL Financial Services, LLC (AFS), an affiliated entity, acts as the Managing Member of the Company.

Certain prior period amounts have been reclassified to conform to current period presentation.

The Company is in its operating phase and is making distributions on a monthly and quarterly basis.

3. Investment in equipment and leases:

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

	Balance December 31, 2003	Depreciation / Amortization Expense or Amortization of Direct Financing Leases	Reclass-ifications and Dispositions	Balance March 31, 2004
Net investment in operating leases	$ 87,112,340	$ (4,816,678)	$ (6,107,462)	$ 76,188,200
Net investment in direct financing leases	11,497,801	(126,655)	-	11,371,146
Assets held for sale or lease, net of accumulated depreciation of $26,746,348 in 2004 and $16,874,083 in 2003	8,636,682	-	5,071,445	13,708,127
Initial direct costs, net of accumulated amortization of $1,244,687 in 2004 and $1,345,313 in 2003	317,435	(72,015)	-	245,420
	$ 107,564,258	$ (5,015,348)	$ (1,036,017)	$ 101,512,893

Management periodically reviews the carrying values of its assets on leases and assets held for lease or sale. As a result of the review during the three month period ended March 31, 2003, management determined that the value of a fleet of covered hopper rail cars had declined in value to the extent that the carrying values had become impaired. This decline was the result of decreased long-term demand for these types of assets and a corresponding reduction in the amounts of rental payments that these assets could command. Management recorded a provision for the decline in value of those assets in the amount of $1,910,861 for the three months ended March 31, 2003. There were no such impairment losses in 2004.

Impairment losses are recorded as an addition to accumulated depreciation of the impaired assets. Depreciation expense and impairment losses on property subject to operating leases and property held for lease or sale consist of the following for the three month periods ended March 31:

	2004	2003
Depreciation expense	$ 4,816,678	$ 5,336,930
Impairment losses	-	1,910,861
	$ 4,816,678	$ 7,247,791

ATEL CAPITAL EQUIPMENT FUND VIII, LLC

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2004
(Unaudited)

3. Investment in equipment and leases (continued):

Operating leases:

Property on operating leases consists of the following:

	Balance December 31, 2003	Depreciation Expense	Reclass-ifications and Dispositions	Balance March 31, 2004
Manufacturing	$ 41,079,479	$ -	$ (15,109,991)	$ 25,969,488
Transportation, rail	34,295,402	-	(1,593,361)	32,702,041
Aircraft	15,448,037	-	-	15,448,037
Transportation, other	23,302,778	-	-	23,302,778
Containers	21,165,000	-	-	21,165,000
Other	10,991,981	-	(1,135,900)	9,856,081
Natural gas compressors	13,677,449	-	(136,146)	13,541,303
Materials handling	7,313,238	-	(786,212)	6,527,026
	167,273,364	-	(18,761,610)	148,511,754
Less accumulated depreciation	(80,161,024)	(4,816,678)	12,654,148	(72,323,554)
	$ 87,112,340	$ (4,816,678)	$ (6,107,462)	$ 76,188,200

Direct financing leases:

As of March 31, 2004, investment in direct financing leases consists of an anhydrous ammonia storage facility, 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, 2004:

Total minimum lease payments receivable	$ 15,334,189
Estimated residual values of leased equipment (unguaranteed)	1,290,842
Investment in direct financing leases	16,625,031
Less unearned income	(5,253,885)
Net investment in direct financing leases	$ 11,371,146

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

3. Investment in equipment and leases (continued):

At March 31, 2004, the aggregate amounts of future minimum lease payments are as follows:

	Operating Leases	Direct Financing Leases	Total
Nine months ending December 31, 2004	$ 11,393,762	$ 2,085,407	$ 13,479,169
Year ending December 31, 2005	11,533,863	2,509,643	14,043,506
2006	5,401,808	2,253,648	7,655,456
2007	3,436,648	1,686,719	5,123,367
2008	942,587	1,455,562	2,398,149
Thereafter	641,520	5,343,210	5,984,730
	$ 33,350,188	$ 15,334,189	$ 48,684,377

4. Non-recourse debt:

Notes payable to financial institutions are due in varying 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 on the notes is at rates ranging from 4.96% to 6.845%. The notes are secured by assignments of lease payments and pledges of assets. The notes mature from 2004 through 2007.

At March 31, 2004, future minimum payments of non-recourse debt are as follows:

	Principal	Interest	Total
Nine months ending December 31, 2004	$ 296,497	$ 147,543	$ 444,040
Year ending December 31, 2005	4,715,234	180,430	4,895,664
2006	646,128	57,792	703,920
2007	678,583	25,337	703,920
	$ 6,336,442	$ 411,102	$ 6,747,544

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 (1.4764% at March 31, 2004). The Program expired as to new borrowings in March 2002.

The Program requires AFS, on behalf of the Company, 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, 2004, the Company receives or pays interest on a notional principal of $35,908,041, based on the difference between nominal rates ranging from 4.35% to 7.72% and the variable rate under the Program. No actual borrowing or lending is involved. The termination of the swaps coincides with the maturity of the debt with the last of the swaps maturing in 2009. Through the swap agreements, the interest rates have been effectively fixed. 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. In 2003, the remaining amount owing on an original borrowing of $8,000,000 was repaid in full, though the associated swap will not mature until January 2005.

Borrowings under the Program are as follows:

Date Borrowed	Original Amount Borrowed	Balance March 31, 2004	Notional Balance March 31, 2004	Swap Value March 31, 2004	Payment Rate on Interest Swap Agreement
11/11/1999	$ 20,000,000	$ 3,096,000	$ 2,991,008	$ (164,706)	6.84%
12/21/1999	20,000,000	12,288,000	12,326,702	(1,520,600)	7.41%
12/24/1999	25,000,000	2,980,000	2,142,377	(151,371)	7.44%
4/17/2000	6,500,000	2,515,000	2,484,496	(169,883)	7.45%
4/28/2000	1,900,000	328,000	325,763	(23,153)	7.72%
8/3/2000	19,000,000	8,203,000	8,180,103	(702,837)	7.50%
10/31/2000	7,500,000	2,959,000	2,942,672	(216,503)	7.13%
1/29/2001	8,000,000	-	2,068,337	(42,177) *	5.91%
6/1/2001	2,000,000	26,000	-	-	5.04%
9/1/2001	9,000,000	2,478,000	2,446,583	(70,266)	4.35%
1/31/2002	3,900,000	1,946,000	-	-	**
	$ 122,800,000	$ 36,819,000	$ 35,908,041	$ (3,061,496)	

* This interest rate swap contract is deemed to be ineffective and the change in value for the three month period ended March 31, 2004 has been charged to operations.

** Under the terms of the Program, no interest rate swap agreement was required for this borrowing.

5. Other long-term debt (continued):

Other long-term debt borrowings mature from 2003 through 2009. At March 31, 2004, future minimum payments of other long-term debt are as follows:

	Debt Principal Swapped	Debt Principal Not Swapped	Interest	Total	Rates on Interest Swap Agreements*
Nine months ending December 31, 2004	$ 8,646,000	$ 758,000	$ 1,725,239	$ 11,129,239	6.985%-7.018%
Year ending December 31,					
2005	9,886,000	816,000	1,605,677	12,307,677	7.044%-7.154%
2006	7,130,000	120,000	970,792	8,220,792	7.186%-7.213%
2007	4,529,000	172,000	517,970	5,218,970	7.039%-7.103%
2008	3,013,000	12,000	247,771	3,272,771	6.832%-7.063%
2009	1,669,000	68,000	44,526	1,781,526	6.077%-6.600%
	$ 34,873,000	$ 1,946,000	$ 5,111,975	$ 41,930,975	

* 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 (1.4764% at March 31, 2004).

6. Related party transactions:

The terms of the Limited Company Operating Agreement provide that AFS 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 AFS in providing services to the Company. Services provided include Company accounting, investor relations, legal counsel and lease and equipment documentation. AFS 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 AFS are allocated to the Company based upon an estimate of 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 AFS record time incurred in performing services on behalf of all of the companies serviced by AFS. AFS 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.

During the three month periods ended March 31, 2004 and 2003, AFS and/or affiliates earned fees, commissions and reimbursements, pursuant to the Limited Liability Company Agreement as follows:

	2004	2003
Costs reimbursed to AFS	$ 699,215	$ 656,763
Asset management fees to AFS	271,849	300,571
	$ 971,064	$ 957,334

6. Related party transactions (continued):

In 2003, it came to the Company's attention that an affiliated company had under billed the Company in a prior year for interest costs associated with the financing of an asset acquired on its behalf. During the three months ended March 31, 2003, the Company recorded additional interest expense of $742,000 to correct the accounting for the transaction. The Company does not believe that this amount is material to the periods in which it should have been recorded, nor that it is material to the Company's operating results for the year ending December 31, 2003. The effect of the additional interest expense recorded in 2003 was to increase the loss in 2003 by $0.05 per Unit.

7. Line of credit:

The Company participates with AFS and certain of its affiliates in a $61,400,000 revolving line of credit (comprised of an acquisition facility and a warehouse facility) with a financial institution that includes certain financial covenants. During the quarter ended March 31, 2004, the facility was extended for an additional year. At the same time, the total available under the facility was increased. The line of credit expires on June 28, 2005. As of March 31, 2004, borrowings under the facility were as follows:

Amount borrowed by the Company under the acquisition facility	$	12,000,000
Amounts borrowed by affiliated partnerships and limited liability companies under the acquisition facility		14,500,000
Total borrowings under the acquisition facility		26,500,000
Amounts borrowed by AFS and its sister corporation under the warehouse facility		-
Total outstanding balance	$	26,500,000
Total available under the line of credit	$	61,400,000
Total outstanding balance		(26,500,000)
Remaining availability	$	34,900,000

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 Company and AFS.

The credit agreement includes certain financial covenants applicable to each borrower. The Company was in compliance with its covenants as of March 31, 2004. Interest rates on the balances outstanding at March 31, 2004 ranged from 2.99% to 4.00%.

8. Comprehensive loss:

For the three month periods ended March 31, 2004 and 2003, comprehensive losses consisted of the following:

	2004	2003
Net loss	$ (418,943)	$ (3,379,701)
Other comprehensive income:		
Change in value of interest rate swap contracts	123,825	310,830
Comprehensive net loss	$ (295,118)	$ (3,068,871)

There were no other sources of comprehensive net loss

9. Members' Capital:

As of March 31, 2004, 13,570,188 Units ($135,701,880) were issued and outstanding (including the 50 Units issued to the Initial Limited Members).

The Company's Net Income, Net Losses, and Distributions, as defined, are to be allocated 92.5% to the Other Members and 1% to AFS.

Distributions to the Other Members were as follows:

	Three Months Ended March 31, 2004	Three Months Ended March 31, 2003
Distributions	$ 3,086,761	$ 3,086,875
Weighted average number of Units outstanding	13,570,188	13,570,188
Weighted average distributions per Unit	$ 0.23	$ 0.23

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 quarters of 2004 and 2003, the Company's primary activity was engaging in equipment leasing and sales activities.

In the first quarter of 2004 and 2003, the Company's primary source of liquidity was operating lease rents. 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 AFS' success in re-leasing or selling the equipment as it comes off lease.

The Company participates with AFS and certain of its affiliates in a $61,400,000 revolving line of credit (comprised of an acquisition facility and a warehouse facility) with a financial institution that includes certain financial covenants. During the quarter ended March 31, 2004, the facility was extended for an additional year. At the same time, the total available under the facility was increased. The line of credit expires on June 28, 2005. As of March 31, 2004, borrowings under the facility were as follows:

Amount borrowed by the Company under the acquisition facility	$	12,000,000
Amounts borrowed by affiliated partnerships and limited liability companies under the acquisition facility		14,500,000
Total borrowings under the acquisition facility		26,500,000
Amounts borrowed by AFS and its sister corporation under the warehouse facility		-
Total outstanding balance	$	26,500,000
Total available under the line of credit	$	61,400,000
Total outstanding balance		(26,500,000)
Remaining availability	$	34,900,000

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 Company and AFS.

The credit agreement includes certain financial covenants applicable to each borrower. The Company was in compliance with its covenants as of March 31, 2004. Interest rates on the balances outstanding at March 31, 2004 ranged from 2.99% to 4.00%.

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 AFS 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. AFS 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, 2004.

AFS expects that aggregate borrowings in the future will not exceed 50% of aggregate equipment cost. In any event, the Limited Liability Company Operating Agreement limits such borrowings to 50% of the total cost of equipment, in aggregate. AFS does not anticipate any future non-recourse borrowings.

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 2004 and 2003, the Company's primary source of liquidity was rents from operating leases.

In the first quarters of 2004 and 2003, 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 both 2004 and 2003, proceeds from sales of assets was the primary source of cash from investing activities. Proceeds from the sales of lease assets are not expected to be consistent from one period to another. Asset sales are made as leases expire, as purchasers can be found and as the sales can be negotiated and completed. There were no investing uses of cash in 2004 or in 2003.

In the first quarters of 2004 and 2003, the only sources of cash from financing activities were borrowings under the line of credit. Financing uses of cash included repayments of debt of $4,127,000 and $7,321,000 in the first quarters of 2004 and 2003, respectively. Distributions were made to Other Members in amounts of $3,086,761 and $3,086,875 and to AFS in the amounts of $250,294 and $250,287 in the first quarters of 2004 and 2003, respectively. Repayments of debt for the quarter ended March 31, 2004 decreased from the same period in the prior year as a result of the reduction in scheduled repayments.

Results of operations

Operations resulted in a net loss of $426,284 in the quarter ended March 31, 2004 compared to a net loss of $3,379,701 in the quarter ended March 31, 2003. In the first quarters of 2004 and 2003, the Company's primary source of revenues was from operating leases. Operating lease rents have decreased in 2004 compared to 2003 as a result of two factors: (1) a larger portion of the Company's assets were off lease in the first quarter of 2004 than in 2003; and (2) there have been sales of assets over the last twelve months. Depreciation is related to operating lease assets and thus, to operating lease revenues. Consequently, depreciation decreased to $4,816,678 from $5,336,930 during the first quarters of 2004 and 2003, respectively, as a result of operating lease asset sales over the last year.

During the first quarter of 2003, the Company entered into negotiations relating to the early termination of an aircraft lease and the sale of the asset to the lessee. The negotiations were concluded in early April 2003 and the asset was sold. As a result, an impairment loss related to the aircraft was recorded in the first quarter of 2003 in the amount of $1,910,861. There were no similar impairments recognized in the first quarter of 2004.

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 in asset management fees to $271,849 from $300,571 during the first quarters of 2004 and 2003, respectively, is a direct result of the decreases in lease revenues.

Interest expense has decreased from $2,022,644 in the quarter ended March 31, 2003 to $885,775 in the quarter ended March 31, 2004. In 2003, it came to the Company's attention that an affiliated company had under billed the Company in a prior year for interest costs associated with the financing of an asset acquired on its behalf. During the three months ended March 31, 2003, the Company recorded additional interest expense of $742,000 to correct the accounting for the transaction. There was no similar charge in 2004. Overall debt has decreased from $79,214,855 at December 31, 2002 to $55,155,442 at March 31, 2004. This decrease in the debt balances has also resulted in decreased interest charges compared to the same period in 2003.

In the quarter ended March 31,2003, the Company incurred $672,087 of maintenance costs relating to railcars. These costs were incurred in order to be able to place the railcars on a new lease. Similar costs incurred during the quarter ended March 31, 2004 were $130,447. The costs did not increase the useful life of the assets or increase their value in the marketplace.

Recoveries of doubtful accounts decreased from $200,000 in the first quarter of 2003 to a provision of $11,000 in the first quarter of 2004. Recoveries of and provisions for doubtful accounts are not expected to be consistent from one period to another.

Item 3. Quantitative and Qualitative Disclosures of Market Risk.

The Company, like most other companies, is exposed to certain market risks, including primarily changes in interest rates. The Company 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 Company manages its exposure to interest rate risk by obtaining fixed rate debt. The 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 Company 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 Company frequently funds leases with its floating rate line of credit and is, therefore, exposed to interest rate risk until fixed rate financing is arranged, or the floating rate line of credit is repaid. As of March 31, 2004, there was $12,000,000 outstanding on the floating rate line of credit.

Also, the Company entered into a receivables funding facility in 1999. Since interest on the outstanding balances under the facility varies, the Company is exposed to market risks associated with changing interest rates. To hedge its interest rate risk, the Company enters into interest rate swaps that effectively convert the underlying interest characteristic on the facility from floating to fixed. Under the swap agreements, the Company 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 Company 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 March 31, 2004, borrowings on the facility were $36,819,000 and the associated variable interest rate was 1.4764%. The average fixed interest rate achieved with the swap agreements was 6.985%.

Item 4. Controls and procedures.

Evaluation of disclosure controls and procedures

Under the supervision and with the participation of our management (ATEL Financial Services, LLC as Managing Member of the registrant, including the chief executive officer and chief financial officer), an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures [as defined in Rules 240.13a-14(c) under the Securities Exchange Act of 1934] was performed as of the date of this report. Based upon this evaluation, the chief executive officer and the chief financial officer concluded that, as of the evaluation date, except as noted below, 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.

As disclosed in the Form 10-K for the year ended December 31, 2003, the chief executive and chief financial officer of the Managing Member of the Company had identified certain enhanced controls needed to facilitate a more effective closing of the Company's financial statements. During the first quarter of 2004 and since the end of the quarter, the Managing Member hired a new controller, added additional accounting staff personnel, and has instituted or revised existing procedures in order to ensure that the Company's ability to execute internal controls in accounting and reconciliation in the closing process is adequate in all respects. The Managing Member will continue to review its accounting procedures and practices to determine their effectiveness and adequacy and will take such steps as deemed necessary in the opinion of the Managing Member's chief executive and chief financial officers to ensure the adequacy of the Company's accounting controls and procedures.

The Managing Member's chief executive officer and chief financial officer have determined that no weakness in financial and accounting controls and procedures had any material effect on the accuracy and completeness of the Company's financial reporting and disclosure included in this report.

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, except as described in the prior paragraphs.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

In the ordinary course of conducting business, there may be certain claims, suits, and complaints filed against the Company. In the opinion of management, the outcome of such matters, if any, will not have a material impact on the Company's financial position or results of operations. 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.

Solectron:

This is a matter whereby the Company has declared a lessee in default for failure to pay rent in a timely manner, and for other various defaults. A claim was filed on August 29, 2002, by AFS on behalf of the Company in the amount of $13,332,328. The lessee filed a counter-claim against the Company asserting unfair business practices. In 2003, the Company elected to dismiss its suit and subsequently obtained a corresponding dismissal of Solectron's counter-claim. The Company is continuing to seek resolution of its claims as a negotiated settlement.

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 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.

2. Other Exhibits

   31.1 Certification of Paritosh K. Choksi
   31.2 Certification of Dean L. Cash
   32.1 Certification Pursuant to 18 U.S.C. section 1350 of Dean L. Cash
   32.2 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:
May 11, 2004

ATEL CAPITAL EQUIPMENT FUND VIII, LLC
(Registrant)

By: ATEL Financial Services LLC
Managing Member of Registrant

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

By: ________________________
Paritosh K. Choksi
Principal Financial Officer
of Registrant

By: ________________________
Donald E. Carpenter
Principal Accounting
Officer of Registrant

Exhibit 31.1

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 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 report;

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

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

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others within the entity, particularly during the period in which this report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected or is reasonably likely to materially affect the registrant's internal control over financial reporting; and

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

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; 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 over financial reporting.

Date: May 11, 2004

Paritosh K. Choksi
Principal Financial Officer of Registrant,
Executive Vice President of Managing Member

Exhibit 31.2

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 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 report;

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

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

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others within the entity, particularly during the period in which this report is being prepared;

    b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected or is reasonably likely to materially affect the registrant's internal control over financial reporting; and

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

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; 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 over financial reporting.

Date: May 11, 2004

Dean L. Cash
President and Chief Executive Officer of
Managing Member

Exhibit 32.1

CERTIFICATION

I, Dean L. Cash, Chief Executive Officer of ATEL Financial Services, LLC, Managing Member of ATEL Capital Equipment Fund VIII, LLC (the “Company”), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2004 (the “Report”) fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); 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: 5/11/2004

Dean L. Cash
President and Chief Executive
Officer of Managing Member

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION

I, Paritosh K. Choksi, Executive Vice President of ATEL Financial Services, LLC, Managing Member of ATEL Capital Equipment Fund VIII, LLC (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2004 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); 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: 5/11/2004

Paritosh K. Choksi
Executive Vice President of Managing
Member, Principal Financial Officer of Registrant

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.