Form 10-Q

UNITED STATES
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, 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 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.)

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 September 30, 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.

ATEL CAPITAL EQUIPMENT FUND VIII, LLC

BALANCE SHEETS

SEPTEMBER 30, 2004 AND DECEMBER 31, 2003
(Unaudited)

ASSETS

	September 30, 2004 (Unaudited)	December 31, 2003
Cash and cash equivalents	$ 354,371	$ 508,584
Accounts receivable, net of allowance for doubtful accounts of $115,115 in 2004 and $225,115 in 2003	1,725,951	2,124,902
Other assets	2,500	25,000
Investments in leases	66,249,626	107,564,258
Total assets	$ 68,332,448	$ 110,222,744

LIABILITIES AND MEMBERS' CAPITAL

	September 30, 2004 (Unaudited)	December 31, 2003
Long-term debt	$ 15,222,000	$ 39,946,000
Financing arrangement	1,000,000	9,500,000
Non-recourse debt	6,039,946	6,609,335
Accounts payable:		
Managing member	707,890	889,555
Other	241,972	820,799
Accrued interest payable	91,228	115,844
Interest rate swap contracts	1,864,852	3,207,595
Unearned operating lease income	862,317	1,236,498
Total liabilities	26,030,205	62,325,626
Other accumulated comprehensive loss	(954,330)	(3,143,144)
Members' capital	43,256,573	51,040,262
Total Members' capital	42,302,243	47,897,118
Total liabilities and Members' capital	$ 68,332,448	$ 110,222,744

See accompanying notes.

ATEL CAPITAL EQUIPMENT FUND VIII, LLC

STATEMENTS OF OPERATIONS

NINE AND THREE MONTH PERIODS ENDED
SEPTEMBER 30, 2004 AND 2003
(Unaudited)

	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003	Three Months Ended September 30, 2004	Three Months Ended September 30, 2003
Revenues:				
Leasing activities:				
Operating leases	$ 14,708,872	$ 20,664,386	$ 3,962,722	$ 6,386,973
Direct financing leases	799,723	607,527	186,063	273,769
Gain on sales of assets	5,775,106	749,759	3,597,194	60,104
Interest	4,577	5,106	2,804	1,454
Other	457,895	46,538	22,866	14,993
	21,746,173	22,073,316	7,771,649	6,737,293
Expenses:				
Depreciation of operating lease assets	12,303,855	15,303,869	3,285,546	4,902,273
Interest expense	3,175,740	4,277,728	1,524,344	1,123,248
Impairment losses	1,050,000	5,049,770	1,050,000	3,158,909
Cost reimbursements to Managing Member	738,928	789,166	19,586	35,433
Asset management fees to Managing Member	750,662	1,097,980	171,193	322,026
Railcar maintenance	621,648	954,559	354,674	148,379
Professional fees	179,117	367,255	10,648	81,255
Amortization of initial direct costs	177,245	281,499	39,988	93,425
Outside services	145,267	(10,086)	53,041	(93,665)
Insurance	139,678	143,688	53,903	143,688
(Recoveries of) provision for doubtful accounts	(110,000)	(237,000)	25,000	13,000
Franchise fees and state taxes	94,061	124,239	-	-
Aircraft maintenance	-	137,510	-	92,010
Other	252,285	199,748	57,800	89,902
	19,518,486	28,479,925	6,645,723	10,109,883
Net income (loss)	$ 2,227,687	$ (6,406,609)	$ 1,125,926	$ (3,372,590)
Net income (loss):				
Managing Member	$ 750,868	$ 750,691	$ 250,287	$ 250,287
Other Members	1,476,819	(7,157,300)	875,639	(3,622,877)
	$ 2,227,687	$ (6,406,609)	$ 1,125,926	$ (3,372,590)
Net income (loss) per Limited Liability Company Unit	$ 0.11	$ (0.53)	$ 0.06	$ (0.27)
Weighted average number of Units outstanding	13,570,188	13,570,188	13,570,188	13,570,188

See accompanying notes.

ATEL CAPITAL EQUIPMENT FUND VIII, LLC

STATEMENT OF CHANGES IN MEMBERS' CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2003
AND FOR THE NINE MONTH PERIOD ENDED
SEPTEMBER 30, 2004
(Unaudited)

	Other Members		Managing	Accumulated Other Comprehensive Income	
	Units	Amount	Member	(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 change 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	-	(9,260,508)	(750,868)	-	(10,011,376)
Reclassification adjustment for portion of swap liability charged to net income	-	-	-	846,071	846,071
Unrealized change in value of interest rate swap contracts	-	-	-	1,342,743	1,342,743
Net income	-	1,476,819	750,868	-	2,227,687
Balance September 30, 2004	13,570,188	$ 43,256,573	$ -	$ (954,330)	$ 42,302,243

See accompanying notes.

ATEL CAPITAL EQUIPMENT FUND VIII, LLC

STATEMENTS OF CASH FLOWS

NINE AND THREE MONTH PERIODS ENDED SEPTEMBER 30, 2004 AND 2003 (Unaudited)

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2004	2003	2004	2003
Operating activities:				
Net income (loss)	$ 2,227,687	$ (6,406,609)	$ 1,125,926	$ (3,372,590)
Adjustments to reconcile net income (loss) to cash provided by operating activities:				
Depreciation of operating lease assets	12,303,855	15,303,869	3,285,546	4,902,273
Amortization of initial direct costs	177,245	281,499	39,988	93,425
Gain on sales of assets	(5,775,106)	(749,759)	(3,597,194)	(60,104)
Impairment losses (recoveries)	1,050,000	5,049,770	1,050,000	3,158,909
(Recovery of) provision for doubtful accounts	(110,000)	(237,000)	25,000	13,000
Changes in operating assets and liabilities:				
Accounts receivable	508,951	177,839	(206,352)	(376,693)
Due from Managing Member	-	171,119	-	-
Other assets	22,500	22,500	7,500	7,500
Accounts payable, Managing Member	(181,665)	121,372	(383,228)	10,299
Accounts payable, other	(578,827)	(61,523)	(3,665)	(403,996)
Accrued interest expense	(24,616)	(27)	(48,211)	13,968
Unearned lease income	(374,181)	67,905	266,115	136,947
Interest rate swap contracts	846,071	-	890,552	-
Net cash provided by operations	10,091,914	13,740,955	2,451,977	4,122,938
Investing activities:				
Proceeds from sales of assets	32,931,008	12,870,512	22,611,329	613,677
Reduction of net investment in direct financing leases	627,630	1,108,178	300,169	199,794
Net cash provided by investing activities	33,558,638	13,978,690	22,911,498	813,471

ATEL CAPITAL EQUIPMENT FUND VIII, LLC

STATEMENTS OF CASH FLOWS
(Continued)
NINE AND THREE MONTH PERIODS ENDED
SEPTEMBER 30, 2004 AND 2003
(Unaudited)

	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003	Three Months Ended September 30, 2004	Three Months Ended September 30, 2003
Financing activities:				
Repayments of line of credit	(17,400,000)	(14,800,000)	(5,400,000)	(4,500,000)
Borrowings on line of credit	8,900,000	15,500,000	1,900,000	7,300,000
Repayments of long-term debt	(24,724,000)	(18,381,000)	(18,194,000)	(3,478,000)
Proceeds of non-recourse debt	-	2,563,149	-	2,563,149
Repayments of non-recourse debt	(569,389)	(1,602,855)	(296,496)	(1,435,001)
Distributions to other members	(9,260,508)	(9,258,529)	(3,086,874)	(3,086,875)
Distributions to Managing Member	(750,868)	(750,691)	(250,287)	(250,287)
Net cash used in financing activities	(43,804,765)	(26,729,926)	(25,327,657)	(2,887,014)
Net (decrease) increase in cash and cash equivalents	(154,213)	989,719	35,818	2,049,395
Cash and cash equivalents at beginning of period	508,584	2,263,479	318,553	1,203,803
Cash and cash equivalents at end of period	$ 354,371	$ 3,253,198	$ 354,371	$ 3,253,198
Supplemental disclosures of cash flow information:				
Cash paid during the period for interest	$ 2,354,285	$ 4,277,755	$ 726,486	$ 1,109,280
Schedule of non-cash transactions:				
Change in fair value of interest rate swap contracts	$ 1,342,743	$ 1,992,116	$ 198,072	$ 807,356

See accompanying notes.

ATEL CAPITAL EQUIPMENT FUND VIII, LLC

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2004
(Unaudited)

1. Summary of significant accounting policies:

Interim financial statements:

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information and with instructions to Form 10-Q and Article 10 of Regulation S-X. The unaudited interim financial statements reflect all adjustments which are, in the opinion of the 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 nine months ended September 30, 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 may 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 or quarterly basis.

ATEL CAPITAL EQUIPMENT FUND VIII, LLC

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2004
(Unaudited)

3. Investment in leases:

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

	Balance December 31, 2003	Impairment Losses	Depreciation / Amortization Expense or Amortization of Direct Financing Leases	Reclass-ifications and Dispositions	Balance September 30, 2004
Net investment in operating leases	$ 87,112,340	$ -	$ (12,303,855)	$ (20,910,530)	$ 53,897,955
Net investment in direct financing leases	11,497,801	-	(627,630)	(5,084,696)	5,785,475
Assets held for sale or lease, net of accumulated depreciation of $18,268,514 in 2004 and $16,874,083 in 2003	8,636,682	(1,050,000)	-	(1,160,676)	6,426,006
Initial direct costs, net of accumulated amortization of $1,349,917 in 2004 and $1,345,313 in 2003	317,435	-	(177,245)	-	140,190
	$107,564,258	$ (1,050,000)	$ (13,108,730)	$ (27,155,902)	$ 66,249,626

Management periodically reviews the carrying values of its assets on leases and assets held for lease or sale. As a result of a review during the nine month period ended September 30, 2003, management determined that the value of various assets had declined in value to the extent that the carrying values had become impaired. These declines were 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 $5,049,770 for the nine months ended September 30, 2003.

During the nine months ended September 30, 2004, management determined that the value of an aircraft currently off lease was impaired and a provision was made against income in the amount of $1,050,000.

In 2004 it came to the Company's attention that the Company had incorrectly calculated the amounts of depreciation expense associated with an operating lease from January 2001 through December 31, 2003. During the six months ended June 30, 2004, the Company recorded additional depreciation expense of $538,929 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 is it expected that this amount will be material to the Company's operating results for the year ending December 31, 2004. However, if this adjustment is ultimately deemed to be material to the Company's operating results for the year ending December 31, 2004, the Company will need to restate prior financial reporting periods, including the current period.

3. Investment in leases (continued):

The impact on prior financial reporting periods would be a reduction of members' equity of $538,929 ($0.04 per Unit) for all previous periods currently presented. The net loss for the nine month period ended September 30, 2003 would be increased by $134,733 ($0.01 per Unit) and net income for the three month period ended September 30, 2003 would be decreased by $44,911 ($0.003 per Unit). Net income for the nine month period ended September 30, 2004 would be increased by $538,929 ($0.04 per Unit).

In August 2004, the Company sold operating leases with original cost of $42,339,763 and net book value of $18,916,260 resulting in sales proceeds of $22,499,128. Portions of the proceeds were used to pay down Other Long-Term Debt of $15,956,000 and Financing Arrangement of $5,400,000.

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 assets held for lease or sale consist of the following for the three and nine month periods ended September 30:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2004	2003	2004	2003
Depreciation of operating lease assets	$ 12,303,855	$ 15,303,869	$ 3,285,546	$ 4,902,273
Impairment losses	1,050,000	5,049,770	1,050,000	3,158,909
	$ 13,353,855	$ 20,353,639	$ 4,335,546	$ 8,061,182

Net investment in operating leases:

Property on operating leases consists of the following:

	Balance December 31, 2003	Depreciation Expense	Reclass-ifications and Dispositions	Balance September 30, 2004
Transportation, rail	$ 34,295,402	$ -	$ 10,304,272	$ 44,599,674
Manufacturing	41,079,479	-	(36,479,656)	4,599,823
Containers	21,165,000	-	-	21,165,000
Transportation, other	23,302,778	-	(16,892,830)	6,409,948
Aircraft	15,448,037	-	-	15,448,037
Natural gas compressors	13,677,449	-	(136,146)	13,541,303
Materials handling	7,313,238	-	(5,905,848)	1,407,390
Other	10,991,981	-	(5,678,926)	5,313,055
	167,273,364	-	(54,789,134)	112,484,230
Less accumulated depreciation	(80,161,024)	(12,303,855)	33,878,604	(58,586,275)
	$ 87,112,340	$ (12,303,855)	$ (20,910,530)	$ 53,897,955

3. Investment in leases (continued):

Net investment in direct financing leases:

As of September 30, 2004, net investment in direct financing leases consists primarily of railcars and office automation equipment. The following lists the components of the Company's net investment in direct financing leases as of September 30, 2004:

Total minimum lease payments receivable	$ 6,746,289
Estimated residual values of leased equipment (unguaranteed)	1,241,016
Investment in direct financing leases	7,987,305
Less unearned income	(2,201,830)
Net investment in direct financing leases	$ 5,785,475

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

At September 30, 2004, the aggregate amounts of future minimum lease payments are as follows:

	Operating Leases	Financing Leases	Total
Three months ending December 31, 2004	$ 2,419,530	$ 504,137	$ 2,923,667
Year ending December 31, 2005	6,838,093	1,839,014	8,677,107
2006	2,595,791	1,461,648	4,057,439
2007	1,984,626	894,719	2,879,345
2008	1,165,740	663,561	1,829,301
2009	997,480	614,760	1,612,240
Thereafter	651,810	768,450	1,420,260
	$ 16,653,070	$ 6,746,289	$ 23,399,359

4. Non-recourse debt:

At September 30, 2004, 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 fixed at rates ranging from 4.96% to 6.85%. The notes are secured by assignments of lease payments and pledges of assets. The notes mature from 2005 through 2007.

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

	Principal	Interest	Total
Three months ending December 31, 2004	$ -	$ 30,470	$ 30,470
Year ending December 31, 2005	4,715,234	180,430	4,895,664
2006	646,128	57,792	703,920
2007	678,584	25,337	703,921
	$ 6,039,946	$ 294,029	$ 6,333,975

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 (2.1885% at September 30, 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 September 30, 2004, the Company receives or pays interest on a notional principal of $29,180,273, 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 were to coincide with the maturity of the debt with the last of the swaps maturing in 2008. 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.

During August 2004, an additional repayment of debt ($15,956,000) was made. As a result of this payment, as of September 30, 2004 all of the swaps are deemed to be partially ineffective and the Company de-designated the original hedge relationship. During the year, Accumulated Other Comprehensive Income ("AOCI") decreased by approximately $2,189,000 of which approximately $1,343,000 was related to the decrease in the fair value of the interest rate swap and approximately $846,000 was related to the reclassification of AOCI to earnings (included in interest expense) due to hedge ineffectiveness. Amounts remaining in AOCI are to be reclassified into earnings in a manner consistent with the earnings pattern of the underlying hedged item (generally reflected in interest expense).

Borrowings under the Program are as follows:

Date Borrowed	Original Amount Borrowed	Balance September 30, 2004	Notional Balance September 30, 2004	Swap Value September 30, 2004	Payment Rate on Interest Swap Agreement
11/11/1999	$ 20,000,000	$ 1,148,000	$ 2,243,231	$ (78,851)	6.84%
12/21/1999	20,000,000	7,624,000	11,262,813	(1,030,917)	7.41%
12/24/1999	25,000,000	283,000	1,641,493	(81,543)	7.44%
4/17/2000	6,500,000	1,471,000	1,897,151	(88,926)	7.45%
4/28/2000	1,900,000	92,000	242,173	(12,282)	7.72%
8/3/2000	19,000,000	851,000	6,641,488	(417,591)	7.50%
10/31/2000	7,500,000	1,128,000	2,292,890	(121,658)	7.13%
1/29/2001	8,000,000	-	1,048,123	(7,551)	5.91%
6/1/2001	2,000,000	-	-	-	5.04%
9/1/2001	9,000,000	1,130,000	1,910,911	(25,533)	4.35%
1/31/2002	3,900,000	1,495,000	-	-	*
	$122,800,000	$ 15,222,000	$ 29,180,273	$ (1,864,852)	

* 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 2004 through 2007. Future minimum principal payments of long-term debt are as follows:

	Debt Principal Swapped	Debt Principal Not Swapped	Interest	Total	Rates on Interest Swap Agreements*
Three months ending December 31, 2004	$ 1,614,000	$ 416,000	$ 253,967	$ 2,283,967	6.805%-6.830%
Year ending December 31, 2005	5,700,000	973,000	724,594	7,397,594	6.878%-7.172%
2006	3,362,000	60,000	377,573	3,799,573	7.337%-7.348%
2007	3,051,000	46,000	18,932	3,115,932	7.336%
	$ 13,727,000	$ 1,495,000	$ 1,375,066	$ 16,597,066	

* 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 (2.1885% at September 30, 2004).

6. Related party transactions:

The terms of the Limited Liability 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. 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.

6. Related party transactions (continued):

AFS and/or affiliates earned fees, commissions and reimbursements, pursuant to the Limited Liability Company Agreement during the nine and three month periods ended September 30, 2004 and 2003 as follows:

	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003	Three Months Ended September 30, 2004	Three Months Ended September 30, 2003
Administrative costs reimbursed to Managing Member	$ 738,928	$ 789,166	$ 19,586	$ 35,433
Reimbursements of other costs initially paid by AFS on behalf of the Company	361,506	294,662	81,539	101,146
Asset management fees to Managing Member	750,662	1,097,980	171,193	322,026
	$ 1,851,096	$ 2,181,808	$ 272,318	$ 458,605

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 ended 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. Member's capital:

As of September 30, 2004, 13,570,188 Units were issued and outstanding. The Company's registration statement with the Securities and Exchange Commission became effective December 7, 1998. The offering was concluded on November 30, 2000. 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 as defined in the Limited Liability Company Operating Agreement are to be allocated 92.5% to the Members and 7.5% to AFS.

Distributions to the Other Members were as follows:

	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003	Three Months Ended September 30, 2004	Three Months Ended September 30, 2003
Distributions	$ 9,260,508	$ 9,258,529	$ 3,086,874	$ 3,086,875
Weighted average number of Units outstanding	13,570,188	13,570,188	13,570,188	13,570,188
Weighted average distributions per Unit	$ 0.68	$ 0.68	$ 0.23	$ 0.23

8. Financing arrangement:

The Company participates with AFS and certain of its affiliates in a financing arrangement (comprised of a term loan to AFS, an acquisition facility and a warehouse facility) with a group of financial institutions that includes certain financial covenants. The available financing arrangement was amended during the current quarter and the overall financing arrangement was increased by $4,300,000 to $70,000,000 and expires in June 2006. The availability of borrowings available to the Company under this financing arrangement is reduced by the amount AFS has outstanding as a term loan. As of September 30, 2004 borrowings under the facility were as follows:

Total amount available under the financing arrangement	$	70,000,000
Term loan to AFS as of September 30, 2004		(2,809,091)
Total available under the acquisition and warehouse facilities		67,190,909
Amount borrowed by the Company under the acquisition facility		(1,000,000)
Amounts borrowed by affiliated partnerships and limited liability companies under the acquisition facility		(13,300,000)
Total remaining available under the acquisition and warehouse facilities	$	52,890,909

Subsequent to quarter end the revolving line of credit was increased $5,000,000 to an overall available credit limit of $75,000,000.

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 fund and AFS.

The credit agreement includes certain financial covenants applicable to each borrower. The Company was in compliance with its covenants as of September 30, 2004. The interest rate on the balance outstanding at September 30, 2004 was 3.74%.

9. Commitments:

As of September 30, 2004, the Company had no outstanding commitments to purchase lease equipment.

10. Other comprehensive income:

In 2004 and 2003, other comprehensive income consisted of the following:

	Nine Months Ended September 30,				Three Months Ended September 30,			
	2004		2003		2004		2003	
Net income (loss)	$	2,227,687	$	(6,406,609)	$	1,125,926	$	(3,372,590)
Other comprehensive income:								
Change in fair value of interest rate swap contracts		1,342,743		1,992,116		198,072		807,356
Comprehensive net income (loss)	$	3,570,430	$	(4,414,493)	$	1,323,998	$	(2,565,234)

There were no other sources of comprehensive net income.

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

During 2004 and 2003, the Company's primary sources of liquidity were rents from operating leases and proceeds from the sales of lease assets. 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.

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 Company participates with AFS and certain of its affiliates in a financing arrangement (comprised of a term loan to AFS, an acquisition facility and a warehouse facility) with a group of financial institutions that includes certain financial covenants. The available financing arrangement was amended during the current quarter and the overall financing arrangement was increased by $4,300,000 to $70,000,000 and expires in June 2006. The availability of borrowings available to the Company under this financing arrangement is reduced by the amount AFS has outstanding as a term loan. As of September 30, 2004 borrowings under the facility were as follows:

Total amount available under the financing arrangement	$ 70,000,000
Term loan to AFS as of September 30, 2004	(2,809,091)
Total available under the acquisition and warehouse facilities	67,190,909
Amount borrowed by the Company under the acquisition facility	(1,000,000)
Amounts borrowed by affiliated partnerships and limited liability companies under the acquisition facility	(13,300,000)
Total remaining available under the acquisition and warehouse facilities	$ 52,890,909

Subsequent to quarter end the revolving line of credit was increased $5,000,000 to an overall available credit limit of $75,000,000.

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 the Managing Member.

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 members.

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 September 30, 2004.

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 nine months of 2004 and 2003, the Company's primary sources of liquidity was operating lease rents and proceeds from the sales of lease assets.

In the first nine months 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 nine months of 2004 and 2003, the only source of cash from financing activities was borrowings under the line of credit. Financing uses of cash included repayments of debt of $24,724,000 and $18,381,000 in the nine month periods ended September 30, 2004 and 2003, respectively. In the three month periods ended September 30, 2004 and 2003, debt repayments were $18,194,000 and $3,478,000, respectively. Distributions were made to Other Members in amounts of $9,260,508 and $9,258,529 in the nine month periods ended September 30, 2004 and 2003, respectively and $3,086,874 and $3,086,875 in the three month periods ended September 30, 2004 and 2003, respectively. Distributions were made to AFS in the amounts of $750,868 and $750,691 in the nine month periods ended September 30, 2004 and 2003, respectively and $250,287 in the three month periods ended both September 30, 2004 and 2003. Repayments of debt for the nine and three month periods ended September 30, 2004 decreased from the same periods in the prior year as a result of the reduction in scheduled repayments.

In August 2004, the Company sold operating leases with original cost of $42,339,763 and net book value of $18,916,260 resulting in sales proceeds of $22,499,128. Portions of the proceeds were used to pay down Other Long-Term Debt of $15,956,000 and Financing Arrangement of $5,400,000.

Results of operations

Operations resulted in a net loss of $6,406,609 for the nine month period ended September 30, 2003 and $3,372,590 for the three month period ended September 30, 2003. In 2004, operations resulted in net income of $2,227,687 for the nine month period ended September 30 and $1,125,926 for the third quarter then ended. The Company's primary source of revenues is 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 during the first nine months 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 expense decreased in 2004 compared to 2003. For the nine month periods, depreciation decreased from $15,303,869 in 2003 to $12,303,855 in 2004 and for the three month periods, it decreased from $4,902,273 in 2003 to $3,285,546 in 2004.

During the second quarter of 2004, the Company received $406,348 of late payment fees included in other income in a settlement with a lessee. There were no similar amounts in 2003.

During the third quarter of 2004, the Company sold significant amounts of lease assets. These sales resulted in gains of $5,775,106 for the nine months ended September 30, 2004 compared to $749,759 in the comparable period in 2003. During the nine month period ended September 30, 2003, the Company recognized impairment losses of $5,049,770. In the comparable period in 2004, impairment losses were $1,050,000. Neither gains on sales of lease assets or impairment losses are expected to be consistent from one period to another. These factors are the primary reasons for the fluctuation of net income (loss) between 2003 and 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 from $1,097,980 in the nine months ended September 30, 2003 to $750,662 for the nine month period in 2004 and from $322,026 for the three month period ended September 30, 2003 to $171,193 for the three month period in 2004 are a direct result of decreases in lease revenues.

Interest expense has increased from $1,123,248 in the three month period ended September 30, 2003 to $1,524,344 in the three month period ended September 30, 2004. For the nine month periods ended September 30, interest expense decreased from $4,277,728 in 2003 to $3,175,740 in 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.

Due to unscheduled payments of other long-term debt in August 2004, the Company's swap agreements were deemed to be ineffective. This resulted in an additional charge to interest expense in the third quarter of $890,552. This is the cause of the increase in interest expense for the three month period ended September 30, 2004 compared to the comparable period in 2003. This one time expense was partially offset by the effects of the lower overall debt balances in 2004 compared to 2003. Overall debt has decreased from $79,214,855 at December 31, 2002 to $22,261,946 at

In the nine month periods ended September 30, 2004 and 2003, the Company incurred $621,648 and $954,559, respectively for maintenance costs relating to railcars. In the three month periods ended September 30, 2004 and 2003, the Company incurred $354,674 and $148,379, respectively, of such costs. These costs were incurred in order to be able to place the railcars on a new lease. The costs did not increase the useful life of the assets or increase their value in the marketplace.

Recoveries of doubtful accounts decreased from $237,000 to $110,000 for the nine month periods ended September 30, 2003 and 2004, respectively. For the three month periods ended September 30, 2003 and 2004, provisions for doubtful accounts increased from $13,000 to $25,000, respectively. Recoveries 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 September 30, 2004, there was $1,000,000 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 September 30, 2004, borrowings on the facility were $15,222,000 and the associated variable interest rate was 2.1885%. The average fixed interest rate achieved with the swap agreements was 6.805%.

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 has now settled this matter for $406,348.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

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.

(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:
November 11, 2004

ATEL CAPITAL EQUIPMENT FUND VIII, LLC
(Registrant)

By: ATEL Financial Services, LLC
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
Executive Vice President of
Managing Member, Principal
financial officer of registrant

By: /s/ Donald E. Carpenter
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: November 11, 2004

/s/ Paritosh K. Choksi
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: November 11, 2004

/s/ Dean L. Cash
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 September 30, 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: 11/11/2004

/s/ Paritosh K. Choksi
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 September 30, 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: 11/11/2004

/s/ Paritosh K. Choksi
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.