

# 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 June 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 333-47196**

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

**California**

(State or other jurisdiction of  
incorporation or organization)

**94-3375584**

(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 June 30, 2004 was 12,061,516.

### DOCUMENTS INCORPORATED BY REFERENCE

None

# ATEL CAPITAL EQUIPMENT FUND IX, LLC

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## Part I. FINANCIAL INFORMATION

### Item 1. Financial Statements.

#### ATEL CAPITAL EQUIPMENT FUND IX, LLC

#### BALANCE SHEETS

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

#### ASSETS

	June 30, 2004 (Unaudited)	December 31, 2003
Cash and cash equivalents	\$ 23,376,963	\$ 29,429,383
Accounts receivable, net of allowance for doubtful accounts of \$26,668 in 2004 and \$13,000 in 2003	1,119,188	1,323,526
Due from affiliate	469,838	4,142,025
Notes receivable	3,388,577	268,196
Other assets	186,070	310,158
Investments in leases	52,942,274	52,057,199
Total assets	<u>\$ 81,482,910</u>	<u>\$ 87,530,487</u>

#### LIABILITIES AND MEMBERS' CAPITAL

Accounts payable:		
Managing Member	\$ 495,871	\$ 18,804
Other	82,215	476,740
Deposits due to lessees	177,433	-
Unearned operating lease income	205,451	128,928
Total liabilities	960,970	624,472
Members' capital	80,521,940	86,906,015
Total liabilities and Members' capital	<u>\$ 81,482,910</u>	<u>\$ 87,530,487</u>

See accompanying notes.

**ATEL CAPITAL EQUIPMENT FUND IX, LLC**

**STATEMENTS OF OPERATIONS**

**SIX AND THREE MONTH PERIODS ENDED  
JUNE 30, 2004 AND 2003  
(Unaudited)**

	Six Months Ended June 30,		Three Months Ended June 30,	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Revenues:				
Leasing activities:				
Operating leases	\$ 5,014,182	\$ 4,530,250	\$ 2,512,091	\$ 2,380,006
Direct financing leases	293,015	57,791	139,222	9,012
Gain on sales of assets	10,069	104,373	-	104,373
Interest:				
Interest earned on cash deposits	170,141	404,894	83,836	238,012
Interest earned on notes receivable	78,240	106,171	77,034	42,298
Other	(13,517)	46,179	(16,849)	35,131
	<u>5,552,130</u>	<u>5,249,658</u>	<u>2,795,334</u>	<u>2,808,832</u>
Expenses:				
Depreciation of operating lease assets	4,141,587	3,597,453	2,082,860	1,918,909
Amortization of initial direct costs	330,802	203,106	168,540	113,037
Cost reimbursements to Managing Member	314,782	312,058	143,485	192,545
Asset management fees to Managing Member	258,894	256,771	113,269	136,806
Interest expense	250,343	166,803	115,178	82,291
Provision for doubtful accounts	192,000	-	23,000	-
Professional fees	169,946	56,646	67,079	23,812
Impairment losses	95,158	76,634	-	-
Franchise fees and state taxes	89,866	72,682	65,687	72,682
Other	133,086	77,195	64,160	28,920
	<u>5,976,464</u>	<u>4,819,348</u>	<u>2,843,258</u>	<u>2,569,002</u>
Net (loss) income	<u>\$ (424,334)</u>	<u>\$ 430,310</u>	<u>\$ (47,924)</u>	<u>\$ 239,830</u>
Net (loss) income:				
Managing Member	\$ 501,017	\$ 421,953	\$ 280,938	\$ 219,169
Other Members	(925,351)	8,357	(328,862)	20,661
	<u>\$ (424,334)</u>	<u>\$ 430,310</u>	<u>\$ (47,924)</u>	<u>\$ 239,830</u>
Net (loss) income per Limited Liability Company Unit	(\$0.08)	\$0.00	(\$0.03)	\$0.00
Weighted average number of Units outstanding	12,063,266	11,994,974	12,061,516	12,074,561

See accompanying notes.

**ATEL CAPITAL EQUIPMENT FUND IX, LLC**  
**STATEMENT OF CHANGES IN MEMBERS' CAPITAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**  
**AND FOR THE SIX MONTH PERIOD ENDED**  
**JUNE 30, 2004**  
**(Unaudited)**

	<u>Other Members</u>		<u>Managing</u>	<u>Total</u>
	<u>Units</u>	<u>Amount</u>	<u>Member</u>	
Balance December 31, 2002	11,037,141	\$ 88,816,997	\$ -	\$ 88,816,997
Capital contributions	1,028,125	10,281,250	-	10,281,250
Less selling commissions to affiliates	-	(976,719)	-	(976,719)
Other syndication costs to affiliates	-	(309,377)	-	(309,377)
Limited Liability Company Units repurchased	(250)	(1,923)	-	(1,923)
Distributions to Members	-	(10,633,086)	(862,142)	(11,495,228)
Net income (loss)	-	(271,127)	862,142	591,015
Balance December 31, 2003	12,065,016	86,906,015	-	86,906,015
Rescissions of capital contributions	(1,000)	(10,000)	-	(10,000)
Limited liability company units repurchased	(2,500)	(22,750)	-	(22,750)
Syndication costs recovered on rescission	-	1,344	-	1,344
Distributions to Members	-	(5,427,318)	(501,017)	(5,928,335)
Net income (loss)	-	(925,351)	501,017	(424,334)
Balance June 30, 2004	<u>12,061,516</u>	<u>\$ 80,521,940</u>	<u>\$ -</u>	<u>\$ 80,521,940</u>

See accompanying notes.

**ATEL CAPITAL EQUIPMENT FUND IX, LLC**

**STATEMENTS OF CASH FLOWS**

**SIX AND THREE MONTH PERIODS ENDED  
JUNE 30, 2004 AND 2003**

**(Unaudited)**

	Six Months Ended June 30,		Three Months Ended June 30,	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
<b>Operating activities:</b>				
Net (loss) income	\$ (424,334)	\$ 430,310	\$ (47,924)	\$ 239,830
Adjustments to reconcile net (loss) income to cash provided by operating activities:				
Gain on sales of assets	(10,069)	(104,373)	-	(104,373)
Depreciation of operating lease assets	4,141,587	3,597,453	2,082,860	1,918,909
Amortization of initial direct costs	330,802	203,106	168,540	113,037
Provision for doubtful accounts	192,000	-	23,000	-
Impairment losses	95,158	76,634	-	-
Changes in operating assets and liabilities:				
Accounts receivable	12,338	114,848	(438,128)	(240,712)
Due from Managing Member	-	-	63,583	-
Other assets	124,088	29,999	14,999	14,999
Accounts payable, Managing Member	477,067	121,431	495,871	(14,549)
Accounts payable, other	(394,525)	(1,332)	47,620	47,121
Deposits due to lessees	177,433	-	177,433	-
Unearned operating lease income	76,523	60,738	44,370	42,528
<b>Net cash provided by operating activities</b>	<u>4,798,068</u>	<u>4,528,814</u>	<u>2,632,224</u>	<u>2,016,790</u>

**ATEL CAPITAL EQUIPMENT FUND IX, LLC**

**STATEMENTS OF CASH FLOWS**  
(Continued)

**SIX AND THREE MONTH PERIODS ENDED**  
**JUNE 30, 2004 AND 2003**  
(Unaudited)

	Six Months Ended June 30,		Three Months Ended June 30,	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
<b>Investing activities:</b>				
Purchases of equipment on operating leases	(4,604,049)	(8,779,071)	(4,278,262)	(5,192,067)
Due from affiliate	3,672,187	-	(469,838)	-
Note receivable advances	(3,406,496)	-	(3,406,496)	-
Purchases of equipment on direct financing leases	(1,121,599)	(615,949)	(1,121,599)	34,051
Reduction of net investment in direct financing leases	1,014,747	138,425	524,047	(3,110)
Payments of initial direct costs to Managing Member	(615,395)	(1,060,498)	(430,423)	(501,751)
Payments received on notes receivable	129,261	281,376	48,001	151,498
Proceeds from sales of lease assets	40,597	1,087,663	19,499	1,087,663
<b>Net cash used in investing activities</b>	<u>(4,890,747)</u>	<u>(8,948,054)</u>	<u>(9,115,071)</u>	<u>(4,423,716)</u>
<b>Financing activities:</b>				
Distributions to Other Members	(5,427,318)	(5,204,092)	(2,713,008)	(2,703,086)
Distributions to Managing Member	(501,017)	(421,953)	(280,938)	(219,169)
Repurchase of limited liability company units	(22,750)	(1,923)	(22,750)	(1,923)
Rescissions of capital contributions	(10,000)	-	(10,000)	-
Syndication costs recovered on rescission	1,344	-	1,344	-
Capital contributions received	-	10,281,250	-	-
Payment of syndication costs to Managing Member	-	(1,329,030)	-	(41,189)
<b>Net cash (used in) provided by financing activities</b>	<u>(5,959,741)</u>	<u>3,324,252</u>	<u>(3,025,352)</u>	<u>(2,965,367)</u>
<b>Net decrease in cash and cash equivalents</b>	(6,052,420)	(1,094,988)	(9,508,199)	(5,372,293)
<b>Cash and cash equivalents at beginning of period</b>	<u>29,429,383</u>	<u>39,722,496</u>	<u>32,885,162</u>	<u>43,999,801</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 23,376,963</u>	<u>\$ 38,627,508</u>	<u>\$ 23,376,963</u>	<u>\$ 38,627,508</u>
<b>Supplemental disclosures of cash flow information:</b>				
Cash paid during the period for interest	<u>\$ 250,343</u>	<u>\$ 166,803</u>	<u>\$ 115,178</u>	<u>\$ 82,291</u>

See accompanying notes.

**ATEL CAPITAL EQUIPMENT FUND IX, LLC**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 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 six months ended June 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 IX, LLC (the Company) was formed under the laws of the state of California on September 27, 2000 for the purpose of acquiring equipment to engage in equipment leasing and sales activities. The Company may continue until December 31, 2019. The Company's offering was terminated as of January 15, 2003.

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 February 21, 2001, 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 acquisition phase and is making distributions on a monthly or quarterly basis.



**ATEL CAPITAL EQUIPMENT FUND IX, LLC**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2004  
(Unaudited)**

**3. Investment in leases:**

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

	Balance December 31, <u>2003</u>	<u>Additions</u>	Depreciation / Amortization Expense or Amortization of Direct Financing <u>Leases</u>	Reclass- ifications and <u>Dispositions</u>	Balance June 30, <u>2004</u>
Net investment in operating leases	\$ 43,443,437	\$ 4,604,049	\$ (4,141,587)	\$ (120,228)	\$ 43,785,671
Net investment in direct financing leases	6,357,227	1,121,599	(1,014,747)	-	6,464,079
Assets held for sale or lease, net of accumulated depreciation of \$170,300 in 2004 and zero in 2003	5,160	-	-	151,396	156,556
Initial direct costs, net of accumulated amortization of \$1,006,041 in 2004 and \$675,238 in 2003	2,251,375	615,395	(330,802)	-	2,535,968
	<u>\$ 52,057,199</u>	<u>\$ 6,341,043</u>	<u>\$ (5,487,136)</u>	<u>\$ 31,168</u>	<u>\$ 52,942,274</u>

*Net investment in operating leases:*

Property on operating leases consists of the following:

	Balance December 31, <u>2003</u>	<u>Additions and Depreciation</u>	Reclass- ifications and <u>Dispositions</u>	Balance June 30, <u>2004</u>
Mining	\$ 25,521,984	\$ 417,280	\$ -	\$ 25,939,264
Marine vessels	11,200,000	-	-	11,200,000
Manufacturing	10,437,852	287,925	38,633	10,764,410
Materials handling	5,879,564	817,484	(298,632)	6,398,416
Transportation	-	3,081,360	-	3,081,360
Communications	3,033,933	-	-	3,033,933
Natural gas compressors	621,508	-	(52,048)	569,460
Office furniture	562,248	-	-	562,248
	<u>57,257,089</u>	<u>4,604,049</u>	<u>(312,047)</u>	<u>61,549,091</u>
Less accumulated depreciation	<u>(13,813,652)</u>	<u>(4,141,587)</u>	<u>191,819</u>	<u>(17,763,420)</u>
	<u>\$ 43,443,437</u>	<u>\$ 462,462</u>	<u>\$ (120,228)</u>	<u>\$ 43,785,671</u>

The average assumed residual values for assets on operating leases were 28% at December 31, 2003 and at June 30, 2004.

**ATEL CAPITAL EQUIPMENT FUND IX, LLC**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2004  
(Unaudited)**

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

*Net investment in direct financing leases:*

As of June 30, 2004, net investment in direct financing leases consists office furniture and materials handling equipment. The following lists the components of the Company's net investment in direct financing leases as of June 30, 2004:

Total minimum lease payments receivable	\$ 6,636,642
Estimated residual values of leased equipment (unguaranteed)	753,359
Investment in direct financing leases	<u>7,390,001</u>
Less unearned income	(925,922)
Net investment in direct financing leases	<u><u>\$ 6,464,079</u></u>

All of the property on leases was acquired in 2001, 2002, 2003 and 2004.

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

	Year ending <u>December 31,</u>	Operating <u>Leases</u>	Direct Financing <u>Leases</u>	<u>Total</u>
Six months ending December 31, 2004	\$	5,379,350	\$ 1,457,621	\$ 6,836,971
Year ending December 31, 2005		10,757,351	2,057,519	12,814,870
2006		9,161,747	1,471,497	10,633,244
2007		4,447,314	954,725	5,402,039
2008		2,318,473	530,524	2,848,997
2009		1,340,528	164,756	1,505,284
Thereafter		217,729	-	217,729
		<u>\$ 33,622,492</u>	<u>\$ 6,636,642</u>	<u>\$ 40,259,134</u>

**4. Notes receivable:**

The Company has various notes receivable from parties who have financed the purchase of equipment through the Company. The terms of the notes receivable are 18 to 60 months and bear interest at rates ranging from 11% to 21%. The notes are secured by the equipment financed. As of June 30, 2004, the minimum future payments receivable are as follows:

	Year ending <u>December 31,</u>	
Six months ending December 31, 2004	\$	490,256
Year ending December 31, 2005		874,713
2006		617,296
2007		447,024
2008		447,024
2009		<u>1,818,006</u>
		4,694,319
Less portion representing interest		<u>(1,305,742)</u>
		<u><u>\$ 3,388,577</u></u>

**ATEL CAPITAL EQUIPMENT FUND IX, LLC**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2004  
(Unaudited)**

**5. 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 administrative services in the same geographic location and are reimbursable in accordance with the Limited Liability Company Operating Agreement.

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

	<u>Six Months</u>		<u>Three Months</u>	
	<u>Ended June 30,</u>		<u>Ended June 30,</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Costs reimbursed to AFS	\$ 314,782	\$ 312,058	\$ 143,485	\$ 192,545
Asset management fees to AFS	258,894	256,771	113,269	136,806
Selling commissions (equal to 9.5% of the selling price of the Limited Liability Company units, deducted from Other Members' capital)	-	976,719	-	-
Reimbursement of other syndication costs to AFS	-	352,311	-	41,189
	<u>\$ 573,676</u>	<u>\$ 1,897,859</u>	<u>\$ 256,754</u>	<u>\$ 370,540</u>

**ATEL CAPITAL EQUIPMENT FUND IX, LLC**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2004  
(Unaudited)**

**6. Line of credit:**

The Company participates with AFS and certain of its affiliates in a \$61,945,455 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 June 30, 2004, borrowings under the facility were as follows:

Amount borrowed by the Company under the acquisition facility	\$ -
Amounts borrowed by affiliated partnerships and limited liability companies under the acquisition facility	<u>18,000,000</u>
Total borrowings under the acquisition facility	18,000,000
Amounts borrowed by AFS and its sister corporation under the warehouse facility	-
Total outstanding balance	<u><u>\$ 18,000,000</u></u>
Total available under the line of credit	\$ 61,945,455
Total outstanding balance	<u>(18,000,000)</u>
Remaining availability	<u><u>\$ 43,945,455</u></u>

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 June 30, 2004.

**7. Member's capital:**

As of June 30, 2003, 12,061,516 Units were issued and outstanding. 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:

	Six Months		Three Months	
	Ended June 30,		Ended June 30,	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Distributions	\$ 5,427,318	\$ 5,204,092	\$ 2,713,008	\$ 2,703,086
Weighted average number of Units outstanding	12,063,266	11,994,974	12,061,516	12,074,561
Weighted average distributions per Unit	\$ 0.45	\$ 0.43	\$ 0.22	\$ 0.22

**ATEL CAPITAL EQUIPMENT FUND IX, LLC**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2004**  
**(Unaudited)**

**8. Commitments:**

As of June 30, 2004, the Company had outstanding commitments to purchase lease equipment totaling approximately \$32,973,000.

**9. Credit facility:**

In August 2002, the Company established a \$102 million receivables funding program with a receivables financing company that issues commercial paper rated A1 from Standard and Poors and P1 from Moody's Investor Services. In this receivables funding program, the lenders would receive liens against the Company's assets. The lender will be in a first position against certain specified assets and will be in either a subordinated or shared position against the remaining assets. The program provides for borrowing at a variable interest rate and requires AFS, on behalf of the Company, to enter into interest rate swap agreements with certain hedge counterparties (also rated A1/P1) to mitigate the interest rate risk associated with a variable interest rate note.

AFS anticipates that this program will allow the Company to have a more cost effective means of obtaining debt financing than available for individual non-recourse debt transactions. As of June 30, 2004, the Company had not borrowed under the facility. The program requires the Company to pay an annual standby fee equal to 0.3672% of the unused portion of the program. During the six month periods ended June 30, 2004 and 2003, the Company paid standby fees of \$197,625 and \$131,042, respectively. During the three month periods ended June 30, 2004 and 2003, the Company paid standby fees of \$92,820 and \$67,292, respectively.

## **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 2004 and 2003, the Company's primary activity was engaging in equipment leasing activities. Through January 15, 2003, the Company had received subscriptions for 12,065,266 Units (\$120,652,660). The Company's offering was terminated as of that date. As of June 30, 2004, 12,061,516 Units (\$120,615,160) were issued and outstanding.

During the funding period, the Company's primary source of liquidity is subscription proceeds from the public offering of Units. The liquidity of the Company will vary in the future, increasing to the extent cash flows from leases exceed expenses, and decreasing as lease assets are acquired, as distributions are made to the members and to the extent expenses exceed cash flows from leases.

As another source of liquidity, the Company has contractual obligations with a diversified group of lessees for fixed lease terms at fixed rental amounts. As the initial lease terms expire, the Company will re-lease or sell the equipment. The future liquidity beyond the contractual minimum rentals will depend on AFS'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 \$61,945,455 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 June 30, 2004, borrowings under the facility were as follows:

Amount borrowed by the Company under the acquisition facility	\$ -
Amounts borrowed by affiliated partnerships and limited liability companies under the acquisition facility	<u>18,000,000</u>
Total borrowings under the acquisition facility	18,000,000
Amounts borrowed by AFS and its sister corporation under the warehouse facility	<u>-</u>
Total outstanding balance	<u>\$ 18,000,000</u>
Total available under the line of credit	\$ 61,945,455
Total outstanding balance	<u>(18,000,000)</u>
Remaining availability	<u>\$ 43,945,455</u>

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.

Throughout the reinvestment period, 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 members. At June 30, 2004, the Company had commitments to purchase lease assets totaling approximately \$32,973,000. No other commitments of capital have been made.

AFS or an affiliate may purchase equipment in its own name, the name of an affiliate or the name of a nominee, a trust or otherwise and hold title thereto on a temporary or interim basis for the purpose of facilitating the acquisition of such equipment or the completion of manufacture of the equipment or for any other purpose related to the business of the Company, provided, however that: (i) the transaction is in the best interest of the Company; (ii) such equipment is purchased by the Company for a purchase price no greater than the cost of such equipment to AFS or affiliate (including any out-of-pocket carrying costs), except for compensation permitted by the Operating Agreement; (iii) there is no difference in interest terms of the loans secured by the equipment at the time acquired by AFS or affiliate and the time acquired by the Company; (iv) there is no benefit arising out of such transaction to AFS or its affiliate apart from the compensation otherwise permitted by the Operating Agreement; and (v) all income generated by, and all expenses associated with, equipment so acquired will be treated as belonging to the Company.

The credit agreement includes certain financial covenants applicable to each borrower. The Company was in compliance with its covenants as of June 30, 2004.

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. As of June 30, 2004, such commitments totaled approximately \$32,973,000.

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.

In August 2002, the Company established a \$102 million receivables funding program with a receivables financing company that issues commercial paper rated A1 from Standard and Poors and P1 from Moody's Investor Services. In this receivables funding program, the lenders would receive liens against the Company's assets. The lender will be in a first position against certain specified assets and will be in either a subordinated or shared position against the remaining assets. The program provides for borrowing at a variable interest rate and requires AFS, on behalf of the Company, to enter into interest rate swap agreements with certain hedge counterparties (also rated A1/P1) to mitigate the interest rate risk associated with a variable interest rate note.

AFS anticipates that this program will allow the Company to have a more cost effective means of obtaining debt financing than available for individual non-recourse debt transactions. As of June 30, 2004, the Company had not borrowed under the facility. The program requires the Company to pay an annual standby fee equal to 0.3672% of the unused portion of the program. During the six month periods ended June 30, 2004 and 2003, the Company paid standby fees of \$197,625 and \$131,042, respectively. During the three month periods ended June 30, 2004 and 2003, the Company paid standby fees of \$92,820 and \$67,292, respectively.

### **Cash Flows**

During the first half of 2004, the Company's primary source of liquidity was operating lease rents and the uninvested proceeds of the public offering (which terminated in 2003). During the first half of 2003, the Company's primary source of liquidity was the proceeds of its offering of Units which ended January 2003.

In 2004 and 2003, the primary source of cash from operations was rents from operating leases.

Rents from direct financing leases accounted for as reductions in the Company's net investment in direct financing leases and payments received on notes receivable were the primary sources of cash from investing activities in the first half of 2003. Cash from direct financing leases has increased from \$138,425 in the six month period ended June 30, 2003 to \$1,014,747 in the six month period ended June, 2004. Cash from direct financing leases has increased from (\$3,110) in the three month period ended June 30, 2003 to \$524,047 in the three month period ended June, 2004. The increases were a result of lease asset acquisitions over the last year. In the first half of 2004, the Company received payment of asset sales proceeds (\$4,142,025) that had been due from an affiliate as of December 31, 2003. In the first half of 2004, there was also a small amount of proceeds from sales of assets. Uses of cash for investing activities consisted of cash used to purchase operating and direct financing lease assets, payments of initial direct costs associated with the lease asset purchases (2004 and 2003) and advances on notes receivable (2004 only).

There were no financing sources of cash in 2004. In the first half of 2003, the primary source of cash from financing activities was the proceeds of the Company's public offering of Units of Limited Liability Company interest of \$10,281,250. In 2004, financing uses of cash consisted of distributions to the members, repurchases of Units and rescissions of capital contributions. In 2003, financing uses of cash consisted of payments of syndication costs associated with the offering and making distributions to the members. The amounts of such distributions in 2004 increased compared to 2003 as a result of sales of Units in the first quarter of 2003. The increase resulted from the increase in the weighted average number of Units outstanding in the first half of 2004 (12,063,266 Units - six months and 12,061,516 - three months) compared to the same period in 2003 (11,994,974 Units - six months and 12,074,561 - three months).

### **Results of operations**

On February 21, 2001, the Company commenced operations. In 2003, operations resulted in net income of \$430,310 for the six month period ended June 30 and \$239,830 for the three month period then ended. In 2004, operations resulted in a net loss of \$424,334 for the six month period ended June 30 and \$47,924 for the three month period then ended. The Company's primary source of revenues is from operating leases.

Depreciation of operating lease assets was \$4,141,587 and \$3,597,453 during the six month periods ended June 30, 2004 and 2003, respectively. Depreciation of operating lease assets was \$2,082,860 and \$1,918,909 during the three month periods ended June 30, 2004 and 2003, respectively. Depreciation expense is related to operating lease assets and thus, to operating lease revenues. Amortization of initial direct costs was \$330,802 and \$203,106 during the six month periods ended June 30, 2004 and 2003, respectively. Amortization of initial direct costs was \$168,540 and \$113,037 during the three month periods ended June 30, 2004 and 2003, respectively. Amortization of initial direct costs has increased in 2004 compared to 2003 as a result of the acquisitions of equipment that have taken place over the last year. Depreciation and amortization are expected to increase in future periods as acquisitions continue.

Asset management fees were \$258,894 and \$256,771 for the six month periods ended June 30, 2004 and 2003, respectively. Asset management fees were \$113,269 and \$136,806 for the three month periods ended June 30, 2004 and 2003, respectively. 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. As additional assets are acquired, as lease rents are collected and distributions are made to the members, these fees are expected to increase.

Interest expense of \$250,343 and \$166,803 for the six month periods ended June 30, 2004 and 2003, respectively, related primarily to maintaining the availability of the receivables funding facility established in August 2002.

In the first quarter of 2004, the Company provided \$169,000 for doubtful accounts related to the default of a borrower (Photuris, Inc.) on a note receivable.

Results of operations in future periods are expected to vary considerably from those of the first half of 2004 and 2003 as the Company continues to acquire significant amounts of lease assets.



### **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 expects to manage 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, AFS 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 expects to frequently fund leases with its floating interest rate line of credit and will, therefore, be exposed to interest rate risk until fixed rate financing is arranged, or the floating interest rate line of credit is repaid. As of June 30, 2004, there was no outstanding balance on the floating interest rate line of credit.

Also, the Company entered into a receivables funding facility in 2002. Since interest on the outstanding balances under the facility will vary, the Company will be exposed to market risks associated with changing interest rates. To hedge its interest rate risk, the Company expects to enter into interest rate swaps, which will effectively convert the underlying interest characteristic on the facility from floating to fixed. Under the swap agreements, the Company expects to make or receive 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 will represent 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. There were no borrowings under this facility as of June 30, 2004.

In general, it is anticipated that these swap agreements will eliminate the Company's interest rate risk associated with variable rate borrowings. However, the Company would be exposed to and would manage credit risk associated with the counterparty by dealing only with institutions it considers financially sound.

### **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.

#### *Silicon Access Networks, Inc.:*

Silicon Access Networks, Inc. ("SAN") advised AFS on July 8, 2002, that due to a further decline in expectations of future demand for SAN's products by potential customers in its target markets, SAN's Board of Directors had directed management to close a branch office located in North Carolina, which occurred in July 2002.

In September 2003, SAN defaulted on its note payable to the Company. Essentially all of the equipment financed was recovered and sold at auction in 2003. Assets remaining in inventory are carried at the estimated net realizable value of approximately \$5,200. On December 22, 2003, SAN filed for protection under the Bankruptcy Act. The Company's remaining claims are unsecured. No amounts relating to the unsecured claims have been included in the financial statements of the Company as of December 31, 2003 or as of June 30, 2004.

#### *Photuris, Inc.:*

Photuris, a debtor of the Company, has ceased operations. As of this date, no legal action has been initiated against the debtor. The Company also owns Series C preferred stock of Photuris. The original cost of the stock was \$190,158. The value of the stock has been written off in the first quarter of 2004. The Company also had a promissory note from Photuris for \$300,000. The note has been written down to the expected value of the collateral (approximately \$60,000) in the first quarter of 2004.

### **Item 2. Changes in 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 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:  
August 11, 2004

**ATEL CAPITAL EQUIPMENT FUND IX, 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

**CERTIFICATIONS**

I, Paritosh K. Choksi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ATEL Capital Equipment Fund IX, 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: August 11, 2004

/s/ Paritosh K. Choksi

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

**CERTIFICATIONS**

I, Dean L. Cash, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ATEL Capital Equipment Fund IX, 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: August 11, 2004

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

**CERTIFICATION**

I, Dean L. Cash, Chief Executive Officer of ATEL Financial Services, LLC, Managing Member of ATEL Capital Equipment Fund IX, 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 June 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: 8/11/2004

/s/ Dean L. Cash  
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.

**CERTIFICATION**

I, Paritosh K. Choksi, Executive Vice President of ATEL Financial Services, LLC, Managing Member of ATEL Capital Equipment Fund IX, 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 June 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: 8/11/2004

/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.