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, 2003

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
For the transition period from _______ to _______

Commission File Number 333-62477

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

California	**94-3307404**
(State or other jurisdiction of incorporation or organization)	(I. R. S. Employer Identification No.)

235 Pine Street, 6th Floor, San Francisco, California 94104
(Address of principal executive offices)

Registrant's telephone number, including area code: (415) 989-8800

Indicate by a check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ No ☐

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 Partnership Units outstanding as of June 30, 2003 was 13,570,188

DOCUMENTS INCORPORATED BY REFERENCE

None

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements.

ATEL CAPITAL EQUIPMENT FUND VIII, LLC

BALANCE SHEETS

JUNE 30, 2003 AND DECEMBER 31, 2002
(Unaudited)

ASSETS

	2003	2002
Cash and cash equivalents	$ 1,203,803	$ 2,263,479
Accounts receivable, net of allowance for doubtful accounts of $210,115 in 2003 and $516,365 in 2002	1,569,779	1,874,311
Due from Managing Member	-	171,119
Other assets	40,000	55,000
Investments in leases	124,144,668	149,100,763
Total assets	$126,958,250	$ 153,464,672

LIABILITIES AND MEMBERS' CAPITAL

	2003	2002
Long-term debt	$ 48,009,000	$ 62,912,000
Line of credit	8,500,000	10,600,000
Non-recourse debt	5,535,001	5,702,855
Accounts payable:		
Managing member	111,073	-
Other	1,040,193	697,720
Accrued interest payable	82,184	96,179
Interest rate swap contracts	4,196,582	5,381,342
Unearned operating lease income	1,478,771	1,547,813
Total liabilities	68,952,804	86,937,909
Members' capital	58,005,446	66,526,763
Total liabilities and members' capital	$126,958,250	$ 153,464,672

See accompanying notes.

ATEL CAPITAL EQUIPMENT FUND VIII, LLC

STATEMENTS OF OPERATIONS

SIX AND THREE MONTH PERIODS ENDED
JUNE 30, 2003 AND 2002
(Unaudited)

	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002	Three Months Ended June 30, 2003	Three Months Ended June 30, 2002
Revenues:				
Leasing activities:				
Operating leases	$ 14,277,413	$ 16,369,513	$ 6,898,522	$ 7,679,155
Direct financing leases	333,758	413,236	161,448	197,219
Gain on sales of assets	689,655	256,871	535,240	273,326
Interest	3,652	9,035	1,640	3,046
Other	31,545	183,150	13,849	7,382
	15,336,023	17,231,805	7,610,699	8,160,128
Expenses:				
Depreciation and amortization	10,589,670	11,924,692	5,158,703	5,899,599
Interest expense	3,154,480	3,258,213	1,131,836	1,656,843
Impairment losses (recoveries)	1,890,861	-	(20,000)	-
Aircraft and railcar maintenance	851,680	-	139,593	-
Asset management fees to Managing Member	775,954	770,623	475,384	353,209
Cost reimbursements to Managing Member	753,733	757,879	96,970	243,271
Professional fees	286,000	110,555	104,904	54,010
(Recoveries of) provision for doubtful accounts	(250,000)	475,000	(50,000)	75,000
Franchise fees and income taxes	124,239	62,902	124,239	62,902
Other	193,425	316,948	103,391	181,293
	18,370,042	17,676,812	7,265,020	8,526,127
Net (loss) income	$ (3,034,019)	$ (445,007)	$ 345,679	$ (365,999)
Net (loss) income:				
Managing member	$ 500,404	$ 500,592	$ 250,117	$ 250,296
Other members	(3,534,423)	(945,599)	95,562	(616,295)
	$ (3,034,019)	$ (445,007)	$ 345,679	$ (365,999)
Net (loss) income per Limited Liability Company Unit	$ (0.26)	$ (0.07)	$ 0.01	$ (0.08)
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

SIX MONTH PERIOD ENDED JUNE 30, 2003 (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		(6,171,654)	(500,404)		(6,672,058)
Unrealized change in value of interest rate swap contracts		-	-	1,184,760	1,184,760
Net (loss) income		(3,534,423)	500,404		(3,034,019)
Balance June 30, 2003	13,570,188	$ 62,202,028	$ -	$ (4,196,582)	$ 58,005,446

See accompanying notes.

STATEMENTS OF CASH FLOWS

SIX AND THREE MONTH PERIODS ENDED JUNE 30, 2003 AND 2002 (Unaudited)

	Six Months Ended June 30,		Three Months Ended June 30,	
	2003	2002	2003	2002
Operating activities:				
Net (loss) income	$ (3,034,019)	$ (445,007)	$ 345,679	$ (365,999)
Adjustments to reconcile net (loss) income to cash provided by operating activities:				
Depreciation and amortization	10,589,670	11,924,692	5,158,703	5,899,599
Gain on sales of assets	(689,655)	(256,871)	(535,240)	(273,326)
Impairment losses (recoveries)	1,890,861	-	(20,000)	-
(Recovery of) provision for doubtful accounts	(250,000)	475,000	(50,000)	75,000
Changes in operating assets and liabilities:				
Accounts receivable	554,532	887,517	1,600,635	1,245,939
Due from Managing Member	171,119	-	-	-
Other assets	15,000	15,000	7,500	7,500
Accounts payable, Managing Member	111,073	263,652	(149,575)	(112,794)
Accounts payable, other	342,473	(345,364)	367,893	75,619
Accrued interest expense	(13,995)	23,188	(42,146)	(38,244)
Unearned lease income	(69,042)	(74,502)	(315,435)	(689,531)
Net cash provided by operations	9,618,017	12,467,305	6,368,014	5,823,763

ATEL CAPITAL EQUIPMENT FUND VIII, LLC

STATEMENTS OF CASH FLOWS
(Continued)
SIX AND THREE MONTH PERIODS ENDED
JUNE 30, 2003 AND 2002
(Unaudited)

	Six Months Ended June 30,		Three Months Ended June 30,	
	2003	2002	2003	2002
Investing activities:				
Reduction of net investment in direct financing leases	908,384	2,037,467	630,344	1,628,146
Proceeds from sales of assets	12,256,835	1,145,326	10,235,678	1,069,276
Net cash provided by investing activities	13,165,219	3,182,793	10,866,022	2,697,422
Financing activities:				
Borrowings on line of credit	8,200,000	5,800,000	4,300,000	2,000,000
Repayments of line of credit	(10,300,000)	(4,300,000)	(8,400,000)	(800,000)
Proceeds of long-term debt	-	3,900,000	-	-
Repayments of long-term debt	(14,903,000)	(14,706,000)	(9,482,000)	(5,902,000)
Repayments of non-recourse debt	(167,854)	(152,248)	(167,854)	(152,248)
Distributions to other members	(6,171,654)	(6,173,970)	(3,084,779)	(3,086,989)
Distributions to Managing Member	(500,404)	(500,592)	(250,117)	(250,296)
Net cash provided by financing activities	(23,842,912)	(16,132,810)	(17,084,750)	(8,191,533)
Net (decrease) increase in cash and cash equivalents	(1,059,676)	(482,712)	149,286	329,652
Cash and cash equivalents at beginning of period	2,263,479	2,269,137	1,054,517	1,456,773
Cash and cash equivalents at end of period	$ 1,203,803	$ 1,786,425	$ 1,203,803	$ 1,786,425
Supplemental disclosures of cash flow information:				
Cash paid during the period for interest	$ 3,168,475	$ 3,235,025	$ 1,173,982	$ 1,539,938
Schedule of non-cash transactions:				
Change in fair value of interest rate swap contracts	$ 1,184,760	$ 716,027	$ 873,930	$ 518,473

See accompanying notes.

ATEL CAPITAL EQUIPMENT FUND VIII, LLC

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003
(Unaudited)

1. Summary of significant accounting policies:

Interim financial statements:

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles 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. 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, 2002, 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.

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, an affiliated entity, acts as the Managing Member of the Company.

3. Investment in leases:

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

	Balance December 31, 2002	Impairment Losses	Depreciation Expense or Amortization of Leases	Reclassi-fications or Dispositions	Balance June 30, 2003
Net investment in operating leases	$119,404,269	$ (1,890,861)	$ (10,401,597)	$ (7,169,271)	$ 99,942,540
Net investment in direct financing leases	11,233,604	-	(908,384)	2,150,693	12,475,913
Assets held for sale or lease	20,401,035	-	-	(9,161,102)	11,239,933
Reserves for losses	(2,612,500)	-	-	2,612,500	-
Initial direct costs, net of accumulated amortization	674,355	-	(188,073)	-	486,282
	$149,100,763	$ (1,890,861)	$ (11,498,054)	$ (11,567,180)	$ 124,144,668

ATEL CAPITAL EQUIPMENT FUND VIII, LLC

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003
(Unaudited)

3. Investment in leases (continued):

Operating leases:

Property on operating leases consists of the following:

	Balance December 31, 2002	Depreciation Expense and Impairment Losses	Acquisitions, Dispositions & Reclassifications 1st Quarter	Acquisitions, Dispositions & Reclassifications 2nd Quarter	Balance June 30, 2003
Manufacturing	$ 49,700,635	$ -	$ (3,611,588)	$ (1,388,346)	$ 44,700,701
Transportation, rail	21,054,669	-	12,618,467	179,679	33,852,815
Transportation, other	23,438,156	-	(135,378)	-	23,302,778
Containers	21,207,500	-	-	-	21,207,500
Aircraft	32,810,139		-	(17,362,102)	15,448,037
Natural gas compressors	14,051,601	-	-	(374,152)	13,677,449
Materials handling	7,380,720	-	-	-	7,380,720
Other	14,118,402	-	(20,150)	(2,700,242)	11,398,010
	183,761,822	-	8,851,351	(21,645,163)	170,968,010
Less accumulated depreciation	(64,357,553)	(12,292,458)	(3,769,534)	9,394,075	(71,025,470)
	$119,404,269	$ (12,292,458)	$ 5,081,817	$ (12,251,088)	$ 99,942,540

In 2003, there were charges to net income for impairments of operating lease assets in the amount of $517,926. The charges related to an aircraft on lease to Emery Worldwide. The impairment resulted from decreased estimated cash flows expected to be generated by the assets upon sale to the lessee.

Direct financing leases:

As of June 30, 2003, investment in direct financing leases consists primarily office automation equipment. The following lists the components of the Company's investment in direct financing leases as of June 30, 2003:

Total minimum lease payments receivable	$ 11,900,323
Estimated residual values of leased equipment (unguaranteed)	4,576,911
Investment in direct financing leases	16,477,234
Less unearned income	(4,001,321)
Net investment in direct financing leases	$ 12,475,913

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

3. Investment in leases (continued):

At June 30, 2003, the aggregate amounts of future minimum lease payments are as follows:

	Operating Leases	Direct Financing Leases	Total
Six months ending December 31, 2003	$ 12,121,117	$ 1,384,244	$ 13,505,361
Year ending December 31, 2004	15,061,852	2,627,548	17,689,400
2005	12,450,336	2,591,233	15,041,569
2006	8,308,771	2,342,138	10,650,909
2007	6,354,948	908,388	7,263,336
Thereafter	5,230,766	2,046,772	7,277,538
	$ 59,527,790	$ 11,900,323	$ 71,428,113

4. Non-recourse debt:

At June 30, 2003, non-recourse debt consists of notes payable to financial institutions. The notes are due in varying quarterly and semi-annual payments. Interest on the notes is at rates from 7.98% to 10.0%. The notes are secured by assignments of lease payments and pledges of assets. The notes mature from 2002 through 2006.

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

	Principal	Interest	Total
Six months ending December 31, 2003	$ 230,061	$ 342,563	$ 572,624
Year ending December 31, 2004	4,425,556	170,437	4,595,993
2005	418,256	77,737	495,993
2006	461,128	34,865	495,993
Thereafter	$ 5,535,001	$ 625,602	$ 6,160,603

5. Other long-term debt:

In 1999, the Company entered into a $70 million receivables funding program (the Program) (which was subsequently increased to $125 million) with a receivables financing company that issues commercial paper rated A1 by Standard and Poors and P1 by Moody's Investor Services. Under the Program, the receivables financing company receives a general lien against all of the otherwise unencumbered assets of the Company. The Program provides for borrowing at a variable interest rate (1.6178% at June 30, 2003), based on an index of A1 commercial paper. As of June 30, 2002, the Program was closed as to additional borrowings.

The Program requires the Managing Member to enter into various interest rate swaps with a financial institution (also rated A1/P1) to manage interest rate exposure associated with variable rate obligations under the Program by effectively converting the variable rate debt to fixed rates. As of June 30, 2002, the Company receives or pays interest on a notional principal of $48,009,000, based on the difference between nominal rates ranging from 3.60% to 7.72% and the variable rate under the Program. No actual borrowing or lending is involved. The last of the swaps terminates in 2009. The differential to be paid or received is accrued as interest rates change and is recognized currently as an adjustment to interest expense related to the debt.

Borrowings under the Program are as follows:

Date Borrowed	Original Amount Borrowed	Balance June 30, 2003	Rate on Interest Swap Agreement
11/11/1999	$ 20,000,000	$ 4,529,000	6.840%
12/21/1999	20,000,000	13,817,000	7.410%
12/24/1999	25,000,000	5,673,000	7.440%
4/17/2000	6,500,000	3,223,000	7.450%
4/28/2000	1,900,000	444,000	7.720%
8/3/2000	19,000,000	10,503,000	7.500%
10/31/2000	7,500,000	3,682,000	7.130%
1/29/2001	8,000,000	-	5.910%
6/1/2001	2,000,000	357,000	5.040%
9/1/2001	9,000,000	3,333,000	4.350%
1/31/2002	3,900,000	2,448,000	3.600%
	$ 122,800,000	$ 48,009,000	

ATEL CAPITAL EQUIPMENT FUND VIII, LLC

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003
(Unaudited)

5. Other long-term debt (continued):

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

	Principal	Interest	Total	Rates on Interest Swap Agreements*
Six months ending December 31, 2003	$ 9,151,000	$ 1,539,808	$ 10,690,808	6.964% - 6.974%
Year ending December 31, 2004	13,051,000	2,282,699	15,333,699	6.965% - 6.996%
2005	10,402,000	1,497,000	11,899,000	7.022% - 7.133%
2006	6,950,000	884,435	7,834,435	7.166% - 7.198%
2007	4,701,000	439,685	5,140,685	7.108% - 7.164%
2008	3,025,000	169,486	3,194,486	6.175% - 6.870%
2009	729,000	9,149	738,149	4.980% - 5.006%
	$ 48,009,000	$ 6,822,262	$ 54,831,262	

* Represents the range of monthly weighted average fixed interest rates paid for amounts maturing in the particular year. The receive-variable rate portion of the swap represents commercial paper rates (1.6178% at June 30, 2003).

6. Related party transactions:

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

The Limited Liability Company Operating Agreement allows for the reimbursement of costs incurred by the Managing Member in providing administrative services to the Company. Administrative services provided include Company accounting, investor relations, legal counsel and lease and equipment documentation. The Managing Member is not reimbursed for services where it is entitled to receive a separate fee as compensation for such services, such as acquisition and management of equipment. Reimbursable costs incurred by the Managing Member are allocated to the Company based upon actual time incurred by employees working on Company business and an allocation of rent and other costs based on utilization studies.

Substantially all employees of the Managing Member record time incurred in performing administrative services on behalf of all of the Companies serviced by the Managing Member. The Managing Member believes that the costs reimbursed are the lower of (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.

6. Related party transactions (continued):

The Managing Member and/or affiliates earned fees, commissions and reimbursements, pursuant to the Limited Liability Company Agreement during the six and three month periods ended June 30, 2003 and 2002 as follows:

	Six Months Ended June 30,		Three Months Ended June 30,	
	2003	2002	2003	2002
Asset management fees to Managing Member	$ 775,954	$ 770,623	$ 475,384	$ 353,209
Administrative costs reimbursed to Managing Member	753,733	757,879	96,970	243,271
	$ 1,529,687	$ 1,528,502	$ 572,354	$ 596,480

7. Member's capital:

As of June 30, 2003, 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 the Managing Member.

8. Line of credit:

The Company participates with the Managing Member and certain of its affiliates in a $56,736,746 revolving line of credit with a financial institution that includes certain financial covenants. The line of credit expires on June 28, 2004. As of June 30, 2003, borrowings under the facility were as follows:

Amount borrowed by the Company under the acquisition facility	$ 8,500,000
Amounts borrowed by affiliated partnerships and limited liability companies under the acquisition facility	18,000,000
Total borrowings under the acquisition facility	26,500,000
Amounts borrowed by the Managing Member and its sister corporation under the warehouse facility	-
Total outstanding balance	$ 26,500,000
Total available under the line of credit	$ 56,736,746
Total outstanding balance	(26,500,000)
Remaining availability	$ 30,236,746

ATEL CAPITAL EQUIPMENT FUND VIII, LLC

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003
(Unaudited)

8. Line of credit (continued):

Draws on the acquisition facility by any individual borrower are secured only by that borrower's assets, including equipment and related leases. Borrowings on the warehouse facility are recourse jointly to certain of the affiliated partnerships and limited liability companies, the fund and the Managing Member.

The credit agreement includes certain financial covenants applicable to each borrower. The Company was in compliance with its covenants as of June 30, 2003.

9. Commitments:

As of June 30, 2003, the Company had no outstanding commitments to purchase lease equipment.

10. Other comprehensive income:

In 2003 and 2002, other comprehensive income consisted of the following:

	Six Months Ended June 30,		Three Months Ended June 30,	
	2003	2002	2003	2002
Net (loss) income	$ (3,034,019)	$ (445,007)	$ 345,679	$ (365,999)
Other comprehensive income:				
Change in fair value of interest rate swap contracts	1,184,760	716,027	873,930	518,473
Comprehensive net (loss) income	$ (1,849,259)	$ 271,020	$ 1,219,609	$ 152,474

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 half of 2003 and 2002, the Company's primary activity was engaging in equipment leasing activities.

During 2003, the Company's primary sources of liquidity were rents from operating leases and proceeds from the sales of lease assets. During 2002, the Company's primary source of liquidity was rents from operating leases. The liquidity of the Company will vary in the future, increasing to the extent cash flows from leases exceed expenses, and decreasing as lease assets are acquired, as distributions are made to the members and to the extent expenses exceed cash flows from leases.

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

The Company participates with the Managing Member and certain of its affiliates in a $56,736,746 revolving line of credit with a financial institution that includes certain financial covenants. The line of credit expires on June 28, 2004. As of June 30, 2003, borrowings under the facility were as follows:

Amount borrowed by the Company under the acquisition facility	$	8,500,000
Amounts borrowed by affiliated partnerships and limited liability companies under the acquisition facility		18,000,000
Total borrowings under the acquisition facility		26,500,000
Amounts borrowed by the Managing Member and its sister corporation under the warehouse facility		-
Total outstanding balance	$	26,500,000
Total available under the line of credit	$	56,736,746
Total outstanding balance		(26,500,000)
Remaining availability	$	30,236,746

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 June 30, 2003.

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 half of 2003, the Company's primary sources of liquidity was operating lease rents and proceeds from the sales of lease assets. During the first half of 2002, the Company's primary source of liquidity was operating lease rents.

Sources of cash flows from operating activities consisted primarily of operating lease revenues in both years.

Rents from direct financing leases were the most significant source of cash from investing activities in 2002. In 2003, the most significant source of cash flows from investing activities was proceeds from the sales of lease assets.

Sources of cash from financing activities consisted of borrowings on the line of credit (2003 and 2002) and proceeds of long-term debt (2002). Financing uses of cash included repayments of long-tern debt, repayments of non-recourse debt, repayments of borrowings under the line of credit and distributions to the members.

Results of operations

Operations resulted in a net loss of $3,034,019 for the six month period ended June 30, 2003 and net income of $345,679 for the three month period ended June 30, 2003. In 2002, operations resulted in a net loss of $445,007 for the six month period ended June 30 and a net loss of $365,999 for the second quarter then ended. The Company's primary source of revenues is from operating leases. In future periods, operating leases are also expected to be the most significant source of revenues. Depreciation is related to operating lease assets and thus, to operating lease revenues. It is expected to decrease in future periods as leases mature and lease assets are sold.

Asset management fees are based on the gross lease rents of the Company plus proceeds from the sales of lease assets. Such fees are limited to certain percentages of lease rents, distributions to members and certain other items. As lease assets are sold and as revenues decline, these fees are expected to decrease.

During the first quarter of 2003, the Company entered into negotiations relating to the early termination of an aircraft lease and the sale of the asset to the lessee. The negotiations were concluded in early April 2003 and the asset was sold. As a result, an impairment loss related to the aircraft has been recorded in the first quarter of 2003 in the amount of $1,910,861. This provision is the single largest factor in the increase in the loss realized in the first quarter of 2003 compared to 2002. There were no similar impairments recognized in the first half of 2002.

In the six months ended June 30, 2003, the Company incurred $806,180 of maintenance costs relating to railcars. In the second quarter of 2003, the Company incurred $134,093 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. No similar costs were incurred during the comparable periods ended June 30, 2002.

Interest expense has decreased compared to 2002 due to debt repayments over the last year, thereby decreasing the average balances of outstanding interest bearing debt.

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 June 30, 2003, there was $8,500,000 outstanding on the floating rate line of credit.

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 June 30, 2003, borrowings on the facility were $48,009,000 and the associated variable interest rate was 1.2178%. The average fixed interest rate achieved with the swap agreements was 6.965% at June 30, 2003. As of June 30, 2003, the estimated fair value of the interest rate swaps was $4,196,582.

Item 4. Controls and procedures.

Internal Controls

As of June 30, 2003, an evaluation was performed under the supervision and with the participation of the Company's management, including the CEO and CFO of the Managing Member, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the CEO and CFO of the Managing Member, concluded that the Company's disclosure controls and procedures were effective as of June 30, 2003. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to June 30, 2003.

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.

Evaluation of disclosure controls and procedures

Under the supervision and with the participation of our management, including the CEO and CFO, 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) and 15d-14(c) under the Securities Exchange Act of 1934 was performed as of a date within ninety days before the filing date of this quarterly report. Based upon this evaluation, the CEO and CFO of the Managing Member concluded that, as of the evaluation date, 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.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

Burlington Northern Santa Fe Corporation:

On July 2, 2003, a claim was filed by the Managing Member, on behalf of the Company, against the lessee in San Francisco due to a dispute over the return condition of the leased equipment. Contemporaneous with the filing of its claim, the lessee filed a claim against the Company in Texas. Notwithstanding the respective filed claims, the Company is seeking a resolution with the lessee outside of litigation. The Company feels that there is a reasonable basis for it to resolve its claims satisfactorily with the lessee. It is too early in the process to determine if any liability will be incurred as a result of this litigation.

Solectron:

This is a matter where 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 the Managing Member, on behalf of the Company, in the amount of $13,332,328.10. The lessee filed a counter-claim against the Company asserting unfair business practices. An additional demand letter was issued on March 27, 2003, alleging the failure of the lessee to properly maintain the equipment it leased from the Company. The Company continues to seek resolution of its claims with the lessee. The Company feels that it has a reasonable basis for success of some, if not all, of its claims in this matter.

Item 2. Changes In Securities.

Inapplicable.

Item 3. Defaults Upon Senior Securities.

Inapplicable.

Item 4. Submission Of Matters To A Vote Of Security Holders.

Inapplicable.

Item 5. Other Information.

Inapplicable.

Item 6. Exhibits And Reports On Form 8-K.

(a) Documents filed as a part of this report

1. Financial Statements

   Included in Part I of this report:

   Balance Sheets, June 30, 2003 and December 31, 2002.

   Statements of operations for the six and three month periods ended June 30, 2003 and 2002.

   Statement of changes in partners' capital for the six month period ended June 30, 2003.

   Statements of cash flows for the six and three month periods ended June 30, 2003 and 2002.

   Notes to the Financial Statements

2. Financial Statement Schedules

   All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

(b) Report on Form 8-K

   None

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly report on Form 10Q of ATEL Capital Equipment Fund VIII, LLC, (the "Company") for the period ended June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), and pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, I, Dean L. Cash, Chief Executive Officer of ATEL Financial Services, LLC, managing member of the Company, hereby certify that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 ; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Dean L. Cash
Dean L. Cash
President and Chief Executive
Officer of Managing Member
August 12, 2003

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly report on Form 10Q of ATEL Capital Equipment Fund VIII, LLC, (the "Company") for the period ended June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), and pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, I, Paritosh K. Choksi, Chief Financial Officer of ATEL Financial Services, LLC, managing member of the Company, hereby certify that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 ; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Paritosh K. Choksi
Paritosh K. Choksi
Executive Vice President of Managing
Member, Principal financial officer of registrant
August 12, 2003

CERTIFICATIONS

I, Paritosh K. Choksi, certify that:

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

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: August 12, 2003

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

CERTIFICATIONS

I, Dean L. Cash, certify that:

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

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: August 12, 2003

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

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 12, 2003

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