Form 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

☒ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
For the quarterly period ended March 31, 2002

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

Commission File Number 000-28368

ATEL Cash Distribution Fund VI, L.P.
(Exact name of registrant as specified in its charter)

California	**94-3207229**
(State or other jurisdiction of incorporation or organization)	(I. R. S. Employer Identification No.)

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

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

Indicate by a check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒
No ☐

DOCUMENTS INCORPORATED BY REFERENCE

None

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements.

ATEL CASH DISTRIBUTION FUND VI, L.P.

BALANCE SHEETS

MARCH 31, 2002 AND DECEMBER 31, 2001
(Unaudited)

ASSETS

	2002	2001
Cash and cash equivalents	$ 981,811	$ 701,012
Accounts receivable, net of allowance for doubtful accounts of $861,254 in 2002 and 2001	2,663,257	7,200,988
Investments in leases	55,455,312	57,939,842
Total assets	$ 59,100,380	$ 65,841,842

LIABILITIES AND PARTNERS' CAPITAL

	2002	2001
Non-recourse debt	$ 17,058,846	$ 21,712,993
Lines of credit	6,500,000	4,500,000
Accounts payable:		
General Partner	284,164	208,687
Other	457,882	585,993
Accrued interest payable	17,948	762,476
Unearned operating lease income	113,490	63,013
Total liabilities	24,432,330	27,833,162
Partners' capital:		
General Partner	-	-
Limited Partners	34,668,050	38,008,680
Total partners' capital	34,668,050	38,008,680
Total liabilities and partners' capital	$ 59,100,380	$ 65,841,842

See accompanying notes.

ATEL CASH DISTRIBUTION FUND VI, L.P.

STATEMENTS OF OPERATIONS

THREE MONTH PERIODS ENDED
MARCH 31, 2002 AND 2001
(Unaudited)

	2002	2001
Revenues:		
Leasing activities:		
Operating leases	$ 3,255,804	$ 4,360,870
Direct financing leases	53,906	52,262
(Loss) gain on sales of assets	(283,280)	98,421
Interest	1,948	25,896
Other	894	7,797
	3,029,272	4,545,246
Expenses:		
Depreciation and amortization	1,782,960	2,415,771
Interest expense	515,222	640,379
Equipment and incentive management fees to General Partner	311,165	288,897
Cost reimbursements to General Partner	218,529	167,832
Other	167,949	140,724
Professional fees	59,891	27,366
	3,055,716	3,680,969
Net (loss) income	$ (26,444)	$ 864,277
Net (loss) income:		
General Partner	$ 33,017	$ 8,643
Limited Partners	(59,461)	855,634
	$ (26,444)	$ 864,277
Net (loss) income per Limited Partnership Unit	$ (0.00)	$ 0.07
Weighted average number of Units outstanding	12,500,050	12,500,050

STATEMENT OF CHANGES IN PARTNERS' CAPITAL

THREE MONTH PERIOD
ENDED MARCH 31, 2002
(Unaudited)

	Limited Partners		General	
	Units	Amount	Partner	Total
Balance December 31, 2001	12,500,050	$ 38,008,680	$ -	$ 38,008,680
Distributions to partners		(3,281,169)	(33,017)	(3,314,186)
Net loss		(59,461)	33,017	(26,444)
Balance March 31, 2002	12,500,050	$ 34,668,050	$ -	$ 34,668,050

See accompanying notes.

ATEL CASH DISTRIBUTION FUND VI, L.P.

STATEMENTS OF CASH FLOWS

THREE MONTH PERIODS ENDED
MARCH 31, 2002 AND 2001

	2002	2001
Operating activities:		
Net (loss) income	$ (26,444)	$ 864,277
Adjustment to reconcile net (loss) income to cash provided by operating activities:		
Depreciation and amortization	1,782,960	2,415,771
Gain on sales of assets	283,280	(98,421)
Changes in operating assets and liabilities:		
Accounts receivable	(262,269)	(1,223,751)
Accounts payable, General Partner	75,477	(93,646)
Accounts payable, other	(128,111)	237,822
Accrued interest payable	244,547	343,604
Unearned lease income	50,477	(20,533)
Net cash provided by operations	2,019,917	2,425,123
Investing activities:		
Proceeds from sales of assets	362,449	148,078
Reduction of net investment in direct financing leases	55,841	49,485
Net cash provided by investing activities	418,290	197,563
Financing activities:		
Distributions to partners	(3,314,186)	(3,399,750)
Repayments of non-recourse debt	(843,222)	(1,449,681)
Borrowings under line of credit	2,000,000	1,000,000
Net cash used in financing activities	(2,157,408)	(3,849,431)
Net increase (decrease) in cash and cash equivalents	280,799	(1,226,745)
Cash and cash equivalents at beginning of period	701,012	1,947,276
Cash and cash equivalents at end of period	$ 981,811	$ 720,531

Supplemental disclosures of cash flow information:

Cash paid during the period for interest	$ 270,675	$ 296,775

Supplemental disclosure of non-cash transactions:

Offset of accounts receivable and debt service per lease and debt agreement:		
Accrued interest payable	$ (989,075)	$ (1,404,335)
Non-recourse debt	(3,810,925)	(3,395,665)
Accounts receivable	$ (4,800,000)	$ (4,800,000)

See accompanying notes.

ATEL CASH DISTRIBUTION FUND VI, L.P.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2002
(Unaudited)

1. Summary of significant accounting policies:

Interim financial statements:

The unaudited interim financial statements reflect all adjustments which are, in the opinion of the general partners, necessary to a fair statement of financial position and results of operations for the interim periods presented. All such adjustments are of a normal recurring nature. These unaudited interim financial statements should be read in conjunction with the most recent report on Form 10K.

2. Organization and partnership matters:

ATEL Cash Distribution Fund VI, L.P. (the Fund), was formed under the laws of the State of California on June 29 , 1994, 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 Partnership interest (Units) of $1,200,000 and the receipt of the proceeds thereof on January 3, 1995, the Partnership commenced operations.

The Partnership does not make a provision for income taxes since all income and losses will be allocated to the Partners for inclusion in their individual tax returns.

3. Investment in leases:

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

	Balance December 31, 2001	Depreciation Expense and Amortization of Leases	Reclassi-fications and Dispositions	Balance March 31, 2002
Net investment in operating leases	$ 55,447,510	$ (1,740,318)	$ (694,881)	$ 53,012,311
Net investment in direct financing leases	921,543	(55,841)	-	865,702
Residual interests	34,161	-	-	34,161
Assets held for sale or lease	1,134,488	-	49,152	1,183,640
Reserve for losses	(188,009)	-	-	(188,009)
Initial direct costs, net of accumulated amortization	590,149	(42,642)	-	547,507
	$ 57,939,842	$ (1,838,801)	$ (645,729)	$ 55,455,312

ATEL CASH DISTRIBUTION FUND VI, L.P.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2002
(Unaudited)

3. Investment in leases (continued):

Property on operating leases consists of the following:

	Balance December 31, 2001	Additions and Depreciation	Reclassi-fications and Dispositions	Balance March 31, 2002
Transportation	$ 82,924,093	$ -	$ (1,174,264)	$ 81,749,829
Construction	19,955,096	-	-	19,955,096
Materials handling	10,062,364	-	(586,841)	9,475,523
Office automation	1,503,725	-	-	1,503,725
Other	1,042,203	-	(278,949)	763,254
Manufacturing	288,768	-	(210,284)	78,484
	115,776,249	-	(2,250,338)	113,525,911
Less accumulated depreciation	(60,328,739)	(1,740,318)	1,555,457	(60,513,600)
	$ 55,447,510	$ (1,740,318)	$ (694,881)	$ 53,012,311

All of the property on leases was acquired in 1995, 1996 and 1997.

At March 31, 2002, the aggregate amounts of future minimum lease payments are as follows:

	Operating Leases	Direct Financing Leases	Total
Nine months ending December 31, 2002	$ 5,367,632	$ 316,998	$ 5,684,630
Year ending December 31, 2003	3,620,155	182,355	3,802,510
2004	2,909,437	110,355	3,019,792
2005	2,706,562	98,760	2,805,322
2006	1,624,403	98,760	1,723,163
Thereafter	10,520,600	98,760	10,619,360
	$ 26,748,789	$ 905,988	$ 27,654,777

ATEL CASH DISTRIBUTION FUND VI, L.P.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2002
(Unaudited)

4. Non-recourse debt:

Notes payable to financial institutions are due in varying monthly, quarterly and semi-annual installments of principal and interest. The notes are secured by assignments of lease payments and pledges of the assets which were purchased with the proceeds of the particular notes. Interest rates on the notes vary from 6.37% to 12.22%.

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

	Principal	Interest	Total
Nine months ending December 31, 2002	$ 1,089,286	$ 719,639	$ 1,808,925
Year ending December 31, 2003	5,486,383	1,237,053	6,723,436
2004	821,505	633,381	1,454,886
2005	476,034	591,844	1,067,878
2006	679,762	548,359	1,228,121
Thereafter	8,505,876	2,493,684	10,999,560
	$ 17,058,846	$ 6,223,960	$ 23,282,806

5. Related party transactions:

The terms of the Limited Partnership Agreement provide that the General Partner and/or Affiliates are entitled to receive certain fees for equipment acquisition, management and resale and for management of the Partnership.

The Limited Partnership Agreement allows for the reimbursement of costs incurred by the General Partner in providing services to the Partnership. Services provided include Partnership accounting, investor relations, legal counsel and lease and equipment documentation. The General Partner 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 General Partner are allocated to the Partnership based upon actual time incurred by employees working on Partnership business and an allocation of rent and other costs based on utilization studies.

Substantially all employees of the General Partner record time incurred in performing services on behalf of all of the Partnerships serviced by the General Partner. The General Partner believes that the costs reimbursed are the lower of (i) actual costs incurred on behalf of the Partnership or (ii) the amount the Partnership would be required to pay independent parties for comparable services in the same geographic location and are reimbursable in accordance with the Limited Partnership Agreement.

ATEL CASH DISTRIBUTION FUND VI, L.P.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2002
(Unaudited)

5. Related party transactions (continued):

The General Partner and/or Affiliates earned fees, commissions and reimbursements, pursuant to the Limited Partnership Agreement as follows:

	2002	2001
Incentive management fees (computed as 4% of distributions of cash from operations, as defined in the Limited Partnership Agreement) and equipment management fees (computed as 5% of gross revenues from operating leases, as defined in the Limited Partnership Agreement plus 2% of gross revenues from full payout leases, as defined in the Limited Partnership Agreement).	$ 311,165	$ 288,897
Costs reimbursed to General Partner	218,529	167,832
	$ 529,694	$ 456,729

6. Line of credit:

The Partnership participates with the General Partner and certain of its affiliates in a $62,000,000 revolving line of credit with a financial institution that includes certain financial covenants. The line of credit expired on April 12, 2002 and has been extended through June 30, 2002. The General Partner is currently negotiating a new line of credit and anticipates that the current line of credit will be replaced before its extended expiration date. As of March 31, 2002, borrowings under the facility were as follows:

Amount borrowed by the Partnership under the acquisition facility	$ 6,500,000
Amounts borrowed by affiliated partnerships and limited liability companies under the acquisition facility	12,800,000
Total borrowings under the acquisition facility	19,300,000
Amounts borrowed by the General Partner and its sister corporation under the warehouse facility	5,235,045
Total outstanding balance	$ 24,535,045
Total available under the line of credit	$ 62,000,000
Total outstanding balance	(24,535,045)
Remaining availability	$ 37,464,955

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 Partnership and the General Partner.

The credit agreement includes certain financial covenants applicable to each borrower. The Partnership was in compliance with its covenants as of March 31, 2002.

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

Capital Resources and Liquidity

During the first quarter of 2002 and 2001, the Partnership's primary activity was engaging in equipment leasing activities. In 2002 and 2001, the Partnership's primary source of liquidity was rents from operating leases.

The liquidity of the Partnership 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 limited partners and to the extent expenses exceed cash flows from leases.

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

The Partnership participates with the General Partner and certain of its affiliates in a $62,000,000 revolving line of credit with a financial institution that includes certain financial covenants. The line of credit expired on April 12, 2002 and has been extended through June 30, 2002. The General Partner is currently negotiating a new line of credit and anticipates that the current line of credit will be replaced before its extended expiration date. As of March 31, 2002, borrowings under the facility were as follows:

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Total outstanding balance	$ 24,535,045
Total available under the line of credit	$ 62,000,000
Total outstanding balance	(24,535,045)
Remaining availability	$ 37,464,955

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 Partnership and the General Partner.

The Partnership 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 General Partner and providing for cash distributions to the Limited Partners.

The Partnership currently has available adequate reserves to meet contingencies, but in the event those reserves were found to be inadequate, the Partnership would likely be in a position to borrow against its current portfolio to meet such requirements. The General Partner envisions no such requirements for operating purposes.

Through March 31, 2002, the Partnership had borrowed $100,521,405 on a non-recourse basis. As of that date, $17,058,846 remained outstanding. The General Partner expects that aggregate borrowings in the future will not exceed 50% of aggregate equipment cost. In any event, the Agreement of Limited Partnership limits such borrowings to 50% of the total cost of equipment, in aggregate.

No commitments of capital have been or are expected to be made other than for the acquisition of additional equipment. As of March 31, 2002, there were no such commitments.

If inflation in the general economy becomes significant, it may affect the Partnership inasmuch as the residual (resale) values and rates on re-leases of the Partnership's leased assets may increase as the costs of similar assets increase. However, the Partnership'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 Partnership can obtain on future leases will be expected to increase as the cost of capital is a significant factor in the pricing of lease financing. Leases already in place, for the most part, would not be affected by changes in interest rates.

Cash Flows

During the first quarters of 2002 and 2001, the Partnership's primary source of cash from operating activities was rents from operating leases. Cash from operating activities was almost entirely from operating lease rents in both years.

Proceeds from the sales of assets and direct financing lease rents accounted for as reductions of the Partnership's net investment in direct financing leases were the only investing sources of cash in both 2002 and 2001. Proceeds from sales of lease assets increased from $148,078 in 2001 to $362,449 in 2002. Proceeds from sales of lease assets are not expected to be consistent from one year to another.

In 2002 and 2001, the only source of cash from financing activities was amounts borrowed on the line of credit. Repayments of non-recourse debt decreased as a result of scheduled debt payments.

Results of operations

Operations resulted in a net loss of $26,444 in 2002 compared to net income of $864,277 in 2001. The Partnership's primary source of revenues was from operating leases in both years. Operating lease revenues have declined as a result of lease maturities and sales of the underlying lease assets over the last year.

Sales of lease assets in 2002 resulted in losses of $283,280 compared to gains of $98,421 in 2001. The amounts of such gains and losses is not expected to be consistent from one year to another.

Interest expense has been reduced due to scheduled payments on the Partnership's non-recourse debt and due to reductions of the amounts borrowed under the line of credit.

Depreciation expense has decreased from $2,351,798 in 2001 to $1,740,318 in 2002. Depreciation is related to operating lease assets. The amount of such assets has decreased from $127,836,398 at January 1, 2001 to $113,525,911 at March 31, 2002. As operating leases mature and the assets are sold, operating lease revenues and depreciation expense will continue to decrease.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

No material legal proceedings are currently pending against the Partnership or against any of its assets. The following is a discussion of legal matters involving the Partnership but which do not represent claims against the Partnership or its assets.

Quaker Coal Company:

On December 31, 1997, Quaker Coal Company, one of the Partnership's lessees, requested a moratorium on lease payments from January through March 1998. No lease payments were made by the lessee through June of 1998, and as a result, the General Partner declared the lease in default. Subsequently, the lessee cured the outstanding payments and eventually satisfied substantially all lease payments due under the lease; however, the General Partner refused to waive the default and insisted on contractual damages. The General Partner filed a suit against the lessee for its contractual damages in the U.S. District Court of Northern California (the "Court"). On June 16, 2000, the lessee filed for protection under Chapter 11 of the U.S. Bankruptcy Code. The amounts of these damages have not been included in the financial statements included in Part II, Item 8.

The Partnership obtained a stipulation for relief from the automatic bankruptcy stay to allow the Court to issue its ruling, and filed a request to participate on the Official Committee of Unsecured Creditors in the bankruptcy proceedings. The Partnership succeeded in securing the return of its equipment, which has been liquidated, netting approximately 17% of the original equipment cost. The Court issued a ruling on March 4, 2001, denying the Partnership's claim for damages. The lessee subsequently filed a claim against the Partnership, for reimbursement of its legal expenses. The General Partner believes the Court's decision is erroneous, as a matter law, and has filed an appeal of the decision in the U.S. District Court of Appeals.

The lessee filed a plan of reorganization, which has been objected to by several large creditors, including the General Partner.

Upon the termination of the debtor's exclusivity period, competing plans were filed by other creditors to the plan, and voting on the competing plans occurred October 8, 2001. The results of the vote were that American Electric Power's ("AEP") Plan of Reorganization ("AEP Plan") was successful. Under the AEP Plan, the claim of the Partnership has been assigned to a liquidating trustee for resolution and satisfaction from the debtor's estate.

In January 2002, ATEL attended an appellate settlement conference seeking to resolve the outstanding disputed claim. A reserve has been set aside by the liquidating trustee in the amount of $1.2 million in partial satisfaction of the Partnership's claims and those of its affiliates, although this claim amount remains in dispute. Currently, the likelihood of recovery of amounts above the payment of the lease rent and the liquidation of the equipment already received remains speculative and highly uncertain.

Elkay Mining Company:

On December 17, 1999, Elkay Mining Company, a subsidiary of The Pittston Company, filed a suit for declaratory relief in response to a notice of event of default sent by the Partnership. The dispute surrounds the treatment by the lessee of a defect in the leased equipment, and the lessee's failure to notify that lessor of the defect in the equipment. All lease payments under that lease were made in a timely manner, and the equipment was returned and liquidated by the Partnership for $112,501.04, which is approximately 6% of the original equipment cost. The Partnership believes that it has suffered damages and loss as a result of actions of the lessee, in the amount of $773,402, which represents the difference in the proceeds netted from the sale of the equipment and the liquidated damages due under the lease. This matter has been litigated and the parties are awaiting decision from the Court.

The General Partner has filed for arbitration against the guarantor in San Francisco, as mandated by the lease. The General Partner believes that it has a reasonable basis for prevailing with respect to this matter, and will aggressively assert its defense.

Applied Magnetics Corporation:

In January 2000, Applied Magnetics Corporation filed for protection from creditors under Chapter 11 of the U. S. Bankruptcy Code. The Partnership had assets with a total net book value of $5,113,290 leased to Applied Magnetics Corporation at the bankruptcy filing date. On January 31, 2000, the General Partner was appointed to the Official Committee of Unsecured Creditors and served as the Chairperson of the Committee. Procedures were quickly undertaken for the liquidation of the Partnership's leased equipment, which proceeds resulted in the satisfaction of a portion of the non-recourse debt secured by the equipment. As of November 1, 2000, liquidation of the assets was

The debtor filed a Plan of Reorganization (the "Plan"), which was approved by a vote of the creditors of the debtor in October 2001. The Plan provided that the debtor change its name to “Integrated Micro-Technology”, and enter into a new line of business, the manufacture and production of “micro-machines”. As part of the Plan the Partnership, along with the other unsecured creditors, receive a proportionate share of their unsecured claims, in the form of ownership shares and warrants in the newly formed business. The success of this new business plan is highly uncertain.

On February 13, 2002, the reorganized Debtor filed a notice of objection to the Funds claim due to duplication and an improper liquidated damages provision, which the Funds intend to dispute.

The Partnership anticipates additional amounts may be recoverable through its equity interests in the reorganized lessee's business, however, any recoveries above the amounts received upon liquidation of the Partnership's equipment are highly uncertain and speculative.

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, March 31, 2002 and December 31, 2001.

   Statement of changes in partners' capital for the three months ended March 31, 2002.

   Statements of operations for the three month periods ended March 31, 2002 and 2001.

   Statements of cash flows for the three month periods ended March 31, 2002 and 2001.

   Notes to the Financial Statements

2. Financial Statement Schedules

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

(b) Report on Form 8-K

   None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date:
May 13, 2002

ATEL CASH DISTRIBUTION FUND VI, L.P.
(Registrant)

By: ATEL Financial Corporation
General Partner of Registrant

By: /s/ Dean L. Cash
Dean L. Cash
President and Chief Executive Officer
of General Partner

By: /s/ Paritosh K. Choksi
Paritosh K. Choksi
Principal financial officer
of registrant

By: /s/ Donald E. Carpenter
Donald E. Carpenter
Principal accounting
officer of registrant