Form 10-Q

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.**

For the quarterly period ended September 30, 2011

☐ **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 000-50687

ATEL Capital Equipment Fund X, LLC

(Exact name of registrant as specified in its charter)

California	**68-0517690**
(State or other jurisdiction of Incorporation or organization)	(I. R. S. Employer Identification No.)

600 California Street, 6th Floor, San Francisco, California 94108-2733
(Address of principal executive offices)

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

Securities registered pursuant to section 12(b) of the Act: **None**

Securities registered pursuant to section 12(g) of the Act: **Limited Liability Company Units**

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer, large accelerated filer and smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The number of Limited Liability Company Units outstanding as of October 31, 2011 was 13,971,486.

DOCUMENTS INCORPORATED BY REFERENCE

None.

ATEL CAPITAL EQUIPMENT FUND X, LLC

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

ATEL CAPITAL EQUIPMENT FUND X, LLC

BALANCE SHEETS

SEPTEMBER 30, 2011 AND DECEMBER 31, 2010
(in thousands)
(Unaudited)

	September 30, 2011	December 31, 2010
ASSETS		
Cash and cash equivalents	$ 1,728	$ 8,793
Accounts receivable, net of allowance for doubtful accounts of $49 at September 30, 2011 and $62 at December 31, 2010	852	1,866
Notes receivable, net of unearned interest income of $238 as of September 30, 2011 and unearned interest income of $336 as of December 31, 2010	1,364	1,705
Due from Managing Member	213	—
Due from affiliates	3	—
Prepaid expenses and other assets	60	80
Investment in securities	70	235
Investments in equipment and leases, net of accumulated depreciation of $69,347 at September 30, 2011 and $70,348 at December 31, 2010	64,161	71,475
Total assets	$ 68,451	$ 84,154
LIABILITIES AND MEMBERS' CAPITAL		
Accounts payable and accrued liabilities:		
Managing Member	$ 207	$ 137
Accrued distributions to Other Members	1,313	1,313
Other	717	685
Accrued interest payable	127	149
Interest rate swap contracts	329	579
Deposits due lessees	52	90
Non-recourse debt	22,969	26,481
Receivables funding program obligation	9,135	14,523
Unearned operating lease income	895	1,281
Total liabilities	35,744	45,238
Commitments and contingencies		
Members' capital:		
Managing Member	—	—
Other Members	32,707	38,916
Total Members' capital	32,707	38,916
Total liabilities and Members' capital	$ 68,451	$ 84,154

See accompanying notes.

ATEL CAPITAL EQUIPMENT FUND X, LLC

STATEMENTS OF INCOME

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010
(in thousands, except per unit data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenues:				
Leasing and lending activities:				
Operating leases	$ 4,196	$ 5,419	$ 13,198	$ 17,444
Direct financing leases	1,033	1,101	3,224	3,138
Interest on notes receivable	30	38	99	130
Gain on sales of lease assets and early termination of notes	123	190	881	283
Gain on sales or dispositions of securities	1	—	42	16
Other interest	1	2	4	2
Other	48	65	87	157
Total revenues	5,432	6,815	17,535	21,170
Expenses:				
Depreciation of operating lease assets	3,021	4,382	9,826	14,017
Asset management fees to Managing Member	59	316	540	924
Acquisition expense	88	154	293	206
Cost reimbursements to Managing Member	362	244	1,095	864
Amortization of initial direct costs	44	82	161	273
Interest expense	537	726	1,733	2,344
Impairment losses on equipment	124	—	224	282
Provision (reversal of provision) for credit losses	7	19	(10)	12
Provision for losses on investment in securities	—	—	96	—
Professional fees	27	32	155	265
Franchise fees and taxes	21	11	64	36
Outside services	17	12	43	103
Other	256	69	572	166
Total operating expenses	4,563	6,047	14,792	19,492
Other income (expense), net	97	(4)	117	264
Net income	$ 966	$ 764	$ 2,860	$ 1,942
Net income:				
Managing Member	$ 226	$ 227	$ 680	$ 680
Other Members	740	537	2,180	1,262
	$ 966	$ 764	$ 2,860	$ 1,942
Net income per Limited Liability Company Unit (Other Members)	$ 0.06	$ 0.04	$ 0.16	$ 0.09
Weighted average number of Units outstanding	13,971,486	13,971,486	13,971,486	13,971,486

See accompanying notes.

ATEL CAPITAL EQUIPMENT FUND X, LLC

STATEMENTS OF CHANGES IN MEMBERS' CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2010
AND FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2011
(in thousands, except per unit data)
(Unaudited)

	Other Members		Managing Member	Total
	Units	Amount		
Balance December 31, 2009	13,971,486	$ 47,966	$ —	$ 47,966
Distributions to Other Members ($0.80 per Unit)	—	(11,176)	—	(11,176)
Distributions to Managing Member	—	—	(906)	(906)
Net income	—	2,126	906	3,032
Balance December 31, 2010	13,971,486	38,916	—	38,916
Distributions to Other Members ($0.60 per Unit)	—	(8,389)	—	(8,389)
Distributions to Managing Member	—	—	(680)	(680)
Net income	—	2,180	680	2,860
Balance September 30, 2011	13,971,486	$ 32,707	$ —	$ 32,707

See accompanying notes.

ATEL CAPITAL EQUIPMENT FUND X, LLC

STATEMENTS OF CASH FLOWS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

(in thousands)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Operating activities:				
Net income	$ 966	$ 764	$ 2,860	$ 1,942
Adjustment to reconcile net income to cash provided by operating activities:				
Gain on sales of lease assets and early termination of notes	(123)	(190)	(881)	(283)
Depreciation of operating lease assets	3,021	4,382	9,826	14,017
Amortization of initial direct costs	44	82	161	273
Impairment losses on equipment	124	—	224	282
Provision (reversal of provision) for credit losses	7	19	(10)	12
Provision for losses on investment in securities	—	—	96	—
Change in fair value of interest rate swap contracts	(73)	(51)	(250)	(211)
Gain on sales or dispositions of securities	(1)	—	(42)	(16)
Changes in operating assets and liabilities:				
Accounts receivable	—	(27)	1,027	(163)
Prepaid expenses and other assets	(15)	(46)	20	26
Due from affiliates	(3)	—	(3)	5
Due from Managing Member	(213)	—	(213)	—
Accounts payable, Managing Member	27	95	70	193
Accounts payable, other	(396)	21	(44)	(55)
Accrued interest payable	(4)	(8)	(22)	38
Deposits due lessees	—	—	(38)	—
Unearned operating lease income	(46)	132	(386)	(855)
Net cash provided by operating activities	3,315	5,173	12,395	15,205
Investing activities:				
Purchases of equipment on operating leases	(4,455)	—	(7,057)	(149)
Improvements to direct financing lease equipment	—	—	(34)	—
Purchase of securities	—	—	—	(3)
Proceeds from sales of lease assets and early termination of notes	710	1,218	3,602	1,917
Payments of initial direct costs	(30)	(55)	(33)	(55)
Principal payments received on direct financing leases	463	274	1,583	1,139
Proceeds from sales or dispositions of securities	18	—	111	16
Principal payments received on notes receivable	108	156	337	566
Net cash (used in) provided by investing activities	(3,186)	1,593	(1,491)	3,431
Financing activities:				
Repayments under non-recourse debt	(1,176)	(1,143)	(3,512)	(3,280)
Repayments under receivables funding program	(1,551)	(2,709)	(5,388)	(8,799)
Settlement of amount due from affiliate (transfer of lease assets)	—	—	—	1,004
Distributions to Other Members	(2,795)	(2,794)	(8,389)	(8,382)
Distributions to Managing Member	(226)	(227)	(680)	(680)
Net cash used in financing activities	(5,748)	(6,873)	(17,969)	(20,137)
Net decrease in cash and cash equivalents	(5,619)	(107)	(7,065)	(1,501)
Cash and cash equivalents at beginning of period	7,347	11,472	8,793	12,866
Cash and cash equivalents at end of period	$ 1,728	$ 11,365	$ 1,728	$ 11,365
Supplemental disclosures of cash flow information:				
Cash paid during the period for interest	$ 541	$ 734	$ 1,755	$ 2,306
Cash paid during the period for taxes	$ 7	$ 3	$ 84	$ 64
Schedule of non-cash transactions:				
Distributions declared and payable to Managing Member at period-end	$ 106	$ 106	$ 106	$ 106
Distributions declared and payable to Other Members at period-end	$ 1,313	$ 1,313	$ 1,313	$ 1,313
Schedule of non-cash transactions:				
Improvements to operating lease equipment	$ 76	$ —	$ 76	$ —

See accompanying notes.

1. Organization and Limited Liability Company matters:

ATEL Capital Equipment Fund X, LLC (the ''Company'') was formed under the laws of the State of California on August 12, 2002 for the purpose of engaging in the sale of limited liability company investment units and acquiring equipment to engage in equipment leasing, lending and sales activities, primarily in the United States. The Managing Member or Manager of the Company is ATEL Financial Services, LLC (''AFS''), a California limited liability company. The Company may continue until December 31, 2022.

The Company conducted a public offering of 15,000,000 Limited Liability Company Units (''Units''), at a price of $10 per Unit. On April 9, 2003, subscriptions for the minimum number of Units (120,000, representing $1.2 million) had been received (excluding subscriptions from Pennsylvania investors) and AFS requested that the subscriptions be released to the Company. On that date, the Company commenced operations in its primary business. As of March 11, 2005, the offering was terminated. As of that date, subscriptions for 14,059,136 Units ($140.6 million) had been received, of which 87,650 Units ($720 thousand) were subsequently rescinded or repurchased (net of distributions paid and allocated syndication costs, as applicable) by the Company through September 30, 2011. As of September 30, 2011, 13,971,486 Units remain issued and outstanding.

The Company's principal objectives are to invest in a diversified portfolio of equipment that (i) preserves, protects and returns the Company's invested capital; (ii) generates regular distributions to the members of cash from operations and cash from sales or refinancing, with any balance remaining after certain minimum distributions to be used to purchase additional equipment during the reinvestment period (''Reinvestment Period'') (defined as six full years following the year the offering was terminated) which ends on December 31, 2011 and (iii) provides additional distributions following the Reinvestment Period and until all equipment has been sold. The Company is governed by the Limited Liability Company Operating Agreement (''Operating Agreement''), as amended.

Pursuant to the terms of the Operating Agreement, AFS receives compensation for services rendered and reimbursements for costs incurred on behalf of the Company (See Note 6). The Company is required to maintain reasonable cash reserves for working capital, the repurchase of Units and contingencies. The repurchase of Units is solely at the discretion of AFS.

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, 2010, filed with the Securities and Exchange Commission.

2. 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 the instructions to Form 10-Q as mandated by the Securities and Exchange Commission. The unaudited interim financial statements reflect all adjustments which are, in the opinion of the Managing Member, necessary for a fair statement of financial position and results of operations for the interim periods presented. All such adjustments are of a normal recurring nature. Operating results for the three and nine months ended September 30, 2011 are not necessarily indicative of the results to be expected for the full year.

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

During the first quarter 2011, the Company identified a misclassification in the presentation of amortization of unearned income on both direct financing leases and notes receivable on the 2010 statements of cash flows. An adjustment made to reflect proper classification results in a $1.1 million increase in net cash from operating activities and a corresponding decrease in net cash from investing activities for the quarter ended March 31, 2010. The Company incorrectly reported these interest income activities as an increase in the payments received on both direct financing leases and notes receivable. The appropriate classification of the receipt of interest income on direct financing leases and notes receivable is to record the $1.1 million as an inflow in the operating activities section of the statement of

2. Summary of significant accounting policies: – (continued)

cash flows. Such adjustment totaled $1.1 million and $3.3 million for the three and nine months ended September 30, 2010, respectively. The classification adjustment does not change the Company's financial position, net income or the net reported change in cash for the three and nine months ended September 30, 2010, nor does it affect the cash balance previously reported on the balance sheet.

The Company does not believe that this classification adjustment is material to cash flows for its previously filed Annual Report on Form 10-K or Quarterly Reports on Form 10-Q for the year ended December 31, 2010. Accordingly, the Company will revise its 2010 statements of cash flows prospectively in the 2011 Quarterly Reports on Form 10-Q and Annual Report on Form 10-K.

Footnote and tabular amounts are presented in thousands, except as to Units and per Unit data.

In preparing the accompanying unaudited financial statements, the Managing Member has reviewed events that have occurred after September 30, 2011, up until the issuance of the financial statements. No events were noted which would require disclosure in the footnotes to the financial statements, and adjustments thereto.

Use of estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Such estimates primarily relate to the determination of residual values at the end of the lease term and expected future cash flows used for impairment analysis purposes and determination of the allowance for doubtful accounts and reserve for credit losses on notes receivable.

Segment reporting:

The Company is not organized by multiple operating segments for the purpose of making operating decisions or assessing performance. Accordingly, the Company operates in one reportable operating segment in the United States.

The primary geographic regions in which the Company seeks leasing opportunities are North America and Europe. The table below summarizes geographic information relating to the sources, by nation, of the Company's total revenues for the nine months ended September 30, 2011 and 2010 and long-lived tangible assets as of September 30, 2011 and December 31, 2010 (dollars in thousands):

	Nine Months Ended September 30,			
	2011	% of Total	2010	% of Total
Revenue				
United States	$ 16,481	94%	$ 19,858	94%
United Kingdom	753	4%	984	5%
Canada	301	2%	328	1%
Total International	1,054	6%	1,312	6%
Total	$ 17,535	100%	$ 21,170	100%

	As of September 30,		As of December 31,	
	2011	% of Total	2010	% of Total
Long-lived assets				
United States	$ 62,257	97%	$ 68,186	95%
United Kingdom	1,233	2%	2,339	4%
Canada	671	1%	950	1%
Total International	1,904	3%	3,289	5%
Total	$ 64,161	100%	$ 71,475	100%

2. Summary of significant accounting policies: – (continued)

Investment in securities:

From time to time, the Company may purchase securities of its borrowers or receive warrants to purchase securities in connection with its lending arrangements.

Purchased securities

Purchased securities are generally not registered for public sale and are carried at cost. Such securities are adjusted to fair value if the fair value is less than the carrying value and such impairment is deemed by the Managing Member to be other than temporary. Factors considered by the Managing Member in determining fair value include, but are not limited to, available financial information, the issuer's ability to meet its current obligations and indications of the issuer's subsequent ability to raise capital. There was no incremental impairment to investment securities at September 30, 2011. Year-to-date, the Company had previously recorded fair value adjustments totaling $96 thousand which reduced the cost basis of certain investments deemed impaired at March 31, 2011. At December 31, 2010, the Company recorded a fair value adjustment of approximately $15 thousand to reduce the cost basis of an impaired investment security. Such impaired investment was subsequently disposed of in January 2011.

Warrants

Warrants owned by the Company are not registered for public sale, but are considered derivatives and are carried at an estimated fair value on the balance sheet at the end of the period, as determined by the Managing Member. At September 30, 2011 and December 31, 2010, the Managing Member estimated the fair value of the warrants to be nominal in amount. Likewise, gains and/or losses recognized on the net exercise of certain warrants during each of the three months ended September 30, 2011 and 2010, if any, were nominal in amount. The total net year-to-date gain on the exercise of warrants approximated $19 thousand and $14 thousand for the nine months ended September 30, 2011 and 2010, respectively.

Other income (expense), net:

The Company's other income (expense), net for the three and nine months ended September 30, 2011 and 2010 consists of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	**2010**	**2011**	**2010**
Foreign currency gain (loss)	$ 24	$ (55)	$ (133)	$ 53
Change in fair value of interest rate swap contracts	73	51	250	211
Total	$ 97	$ (4)	$ 117	$ 264

Per Unit data:

Net income and distributions per Unit are based upon the weighted average number of Other Members' Units outstanding during the period.

Recent accounting pronouncements:

In May 2011, the Financial Accounting Standards Board ("FASB") and International Accounting Standards Board ("IASB") (collectively the "Boards") issued Accounting Standards Update ("ASU") No. 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." ASU 2011-04 created a uniform framework for applying fair value measurement principles for companies around the world and clarified existing guidance in US GAAP. ASU 2011-04 is effective for the first reporting annual period beginning after December 15, 2011 and shall be applied prospectively. The Company anticipates that adoption of this update will not have a material impact on its financial position or results of operations.

2. Summary of significant accounting policies: – (continued)

In April 2011, the FASB issued ASU No. 2011-02, "A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring." ASU 2011-02 clarifies guidance on a creditor's evaluation of whether it has granted a concession to a borrower and a creditor's evaluation of whether a borrower is experiencing financial difficulties. The amendments in this update are effective for the first interim or annual period beginning on or after June 15, 2011, and should be applied retrospectively to the beginning of the annual period of adoption. As a result of applying these amendments, an entity may identify receivables that are newly considered impaired. For purposes of measuring impairment of those receivables, an entity should apply the amendments prospectively for the first interim or annual period beginning on or after June 15, 2011. In addition, an entity should disclose the information required by Accounting Standards Codification paragraphs 310-10-50-33 through 50-34, which was deferred by ASU 2011-01, for interim and annual periods beginning on or after June 15, 2011. The amendments in this update were adopted by the Company on July 1, 2011, and for purposes of measuring impairment, were applied retrospectively to January 1, 2011. The Company evaluated the guidance included in 2011-02 and has determined that it does not result in any new troubled debt restructurings that should be reported.

In January 2011, the FASB issued ASU No. 2011-01, "Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20." ASU 2011-01 temporarily delays the effective date of the disclosures about troubled debt restructurings in Update 2010-20 for public entities. The delay is intended to allow the Board time to complete its deliberations on what constitutes a troubled debt restructuring. The effective date of the new disclosures about troubled debt restructurings for public entities and the guidance for determining what constitutes a troubled debt restructuring will then be coordinated. The guidance became effective for the first interim or annual period beginning on or after June 15, 2011, and should be applied retrospectively to the beginning of the annual period of adoption. The adoption of this update did not have a material effect on the Company's financial position or results of operations.

3. Notes receivable, net:

The Company has various notes receivable from borrowers who have financed the purchase of equipment through the Company. The terms of the notes receivable are 17 to 120 months and bear interest at rates ranging from 8.42% to 11.97%. The notes are secured by the equipment financed. The notes mature from 2011 through 2016.

As of December 31, 2010, a note receivable with a net book value approximating $28 thousand was on non-accrual status and was considered impaired relative to its payment terms. Such note was modified to defer the repayment of principal until April 2012 while maintaining interest-only payments at the original rate of 11.78%. As of September 30, 2011, the aforementioned note continues in non-accrual status and reflects a total principal balance outstanding of $25 thousand. While, as of the same date, the note was current with respect to the restructured terms, management has determined that a $3 thousand adjustment was necessary to reflect fair value.

As of September 30, 2011, the minimum future payments receivable are as follows (in thousands):

Three months ending December 31, 2011	$ 124
Year ending December 31, 2012	520
2013	384
2014	221
2015	166
2016	188
	1,603
Less: portion representing unearned interest income	(238)
	1,365
Unamortized initial direct costs	2
Less: Reserve for impairment	(3)
Notes receivable, net	$ 1,364

3. Notes receivable, net: – (continued)

Initial direct costs (“IDC”) amortization expense related to notes receivable and the Company’s operating and direct financing leases for the three and nine months ended September 30, 2011 and 2010 are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
IDC amortization – notes receivable	$ —	$ 1	$ 1	$ 2
IDC amortization – lease assets	44	81	160	271
Total	$ 44	$ 82	$ 161	$ 273

4. Provision for credit losses:

The Company’s provision for credit losses are as follows (in thousands):

	Accounts Receivable Allowance for Doubtful Accounts			Valuation Adjustments on Financing Receivables		Total Allowance for Credit Losses
	Notes Receivable	Finance Leases	Operating Leases	Notes Receivable	Finance Leases	
Balance December 31, 2009	$ 19	$ 9	$ 20	$ 479	$ —	$ 527
Provision	6	(9)	17	20	—	34
Charge-offs	—	—	—	(499)	—	(499)
Balance December 31, 2010	25	—	37	—	—	62
(Reversal of provision) Provision	(25)	1	11	3	—	(10)
Balance September 30, 2011	$ —	$ 1	$ 48	$ 3	$ —	$ 52

Accounts Receivable

Accounts receivable represent the amounts billed under operating and direct financing lease contracts, and notes receivable which are currently due to the Company.

Allowances for doubtful accounts are typically established based upon their aging and historical charge off and collection experience and the creditworthiness of specifically identified lessees and borrowers, and invoiced amounts. Accounts receivable deemed uncollectible are generally charged off against the allowance on a specific identification basis. Recoveries of amounts that were previously written-off are recorded as other income in the period received.

Accounts receivable are generally placed in a non-accrual status (i.e., no revenue is recognized) when payments are more than 90 days past due. Additionally, management periodically reviews the creditworthiness of companies with lease or note payments outstanding less than 90 days. Based upon management’s judgment, such leases or notes may be placed in non-accrual status. Leases or notes placed on non-accrual status are only returned to an accrual status when the account has been brought current and management believes recovery of the remaining unpaid receivable is probable. Until such time, all payments received are applied only against outstanding principal balances.

Financing Receivables

In addition to the allowance established for delinquent accounts receivable, the total allowance related solely to financing receivables also includes anticipated impairment charges on notes receivable and direct financing leases.

Notes are considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal and/or interest when due according to the contractual terms of the note agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest when due. If it is determined that a loan is impaired with regard to scheduled payments, the Company will perform an analysis of the note to determine if an

4. Provision for credit losses: – (continued)

impairment valuation reserve is necessary. This analysis considers the estimated cash flows from the note, or the collateral value of the property underlying the note when note repayment is collateral dependent. Any required valuation reserve is charged to earnings when determined; and notes are charged off to the allowance as they are deemed uncollectible.

The asset underlying a direct financing lease contract is considered impaired if the estimated undiscounted future cash flows of the asset are less than its net book value. The estimated undiscounted future cash flows are the sum of the estimated residual value of the asset at the end of the asset's expected holding period and estimates of undiscounted future rents. The residual value assumes, among other things, that the asset is utilized normally in an open, unrestricted and stable market. Short-term fluctuations in the market place are disregarded and it is assumed that there is no necessity either to dispose of a significant number of the assets, if held in quantity, simultaneously or to dispose of the asset quickly.

As of September 30, 2011 and December 31, 2010, the Company's allowance for credit losses (related solely to financing receivables) and its recorded investment in financing receivables were as follows (in thousands):

September 30, 2011	Notes Receivable	Finance Leases	Total
Allowance for credit losses:			
Ending balance	$ 3	$ —	$ 3
Ending balance: individually evaluated for impairment	$ 3	$ —	$ 3
Ending balance: collectively evaluated for impairment	$ —	$ —	$ —
Ending balance: loans acquired with deteriorated credit quality	$ —	$ —	$ —
Financing receivables:			
Ending balance	$ 1,364[1]	$ 15,514[2]	$ 16,878
Ending balance: individually evaluated for impairment	$ 1,364	$ 15,514	$ 16,878
Ending balance: collectively evaluated for impairment	$ —	$ —	$ —
Ending balance: loans acquired with deteriorated credit quality	$ —	$ —	$ —

[1] Includes $2 of unamortized initial direct costs.

[2] Includes $57 of unamortized initial direct costs.

December 31, 2010	Notes Receivable	Finance Leases	Total
Allowance for credit losses:			
Ending balance	$ —	$ —	$ —
Ending balance: individually evaluated for impairment	$ —	$ —	$ —
Ending balance: collectively evaluated for impairment	$ —	$ —	$ —
Ending balance: loans acquired with deteriorated credit quality	$ —	$ —	$ —
Financing receivables:			
Ending balance	$ 1,705[3]	$ 19,536[4]	$ 21,241
Ending balance: individually evaluated for impairment	$ 1,705	$ 19,536	$ 21,241
Ending balance: collectively evaluated for impairment	$ —	$ —	$ —
Ending balance: loans acquired with deteriorated credit quality	$ —	$ —	$ —

[3] Includes $3 of unamortized initial direct costs.

[4] Includes $102 of unamortized initial direct costs.

4. Provision for credit losses: – (continued)

The Company evaluates the credit quality of its financing receivables on a scale equivalent to the following quality indicators related to corporate risk profiles:

Pass – Any account whose lessee/debtor, co-lessee/debtor or any guarantor has a credit rating on publicly traded or privately placed debt issues as rated by Moody's or S&P for either Senior Unsecured debt, Long Term Issuer rating or Issuer rating that are in the tiers of ratings generally recognized by the investment community as constituting an Investment Grade credit rating; or, has been determined by the Manager to be an Investment Grade Equivalent or High Quality Corporate Credit per its Credit Policy or has a Not Rated internal rating by the Manager and the account is not considered by the Chief Credit Officer of the Manager to fall into one of the three risk profiles below.

Special Mention – Any traditional corporate type account with potential weaknesses (e.g. large net losses or major industry downturns) or, any growth capital account that has less than three months of cash as of the end of the calendar quarter to fund their continuing operations. These accounts deserve management's close attention. If left uncorrected, those potential weaknesses may result in deterioration of the Fund's receivable at some future date.

Substandard – Any account that is inadequately protected by the current worth and paying capacity of the borrower or of the collateral pledged, if any. Accounts that are so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Fund will sustain some loss as the likelihood of fully collecting all receivables may be questionable if the deficiencies are not corrected. Such accounts are on the Manager's Credit Watch List.

Doubtful – Any account where the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. Accordingly, an account that is so classified is on the Manager's Credit Watch List, and has been declared in default and the Manager has repossessed, or is attempting to repossess, the equipment it financed. This category includes impaired notes and leases as applicable.

At September 30, 2011 and December 31, 2010, the Company's financing receivables by credit quality indicator and by class of financing receivables are as follows (excludes initial direct costs) (in thousands):

	Notes Receivable		Finance Leases	
	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010
Pass	$ 189	$ 335	$ 15,373	$ 19,413
Special mention	1,151	1,367	84	21
Substandard	25	—	—	—
Doubtful	—	—	—	—
Total	$ 1,365	$ 1,702	$ 15,457	$ 19,434

At September 30, 2011 and December 31, 2010, the net investment in financing receivables is aged as follows (in thousands):

September 30, 2011	30 – 59 Days Past Due	60 – 89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Financing Receivables	Recorded Investment>90 Days and Accruing
Notes receivable	$ —	$ —	$ —	$ —	$ 1,365	$ 1,365	$ —
Finance leases	—	1	4	5	15,452	15,457	4
Total	$ —	$ 1	$ 4	$ 5	$ 16,817	$ 16,822	$ 4

December 31, 2010	30 – 59 Days Past Due	60 – 89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Financing Receivables	Recorded Investment>90 Days and Accruing
Notes receivable	$ —	$ —	$ —	$ —	$ 1,702	$ 1,702	$ —
Finance leases	—	—	58	58	19,376	19,434	—
Total	$ —	$ —	$ 58	$ 58	$ 21,078	$ 21,136	$ —

4. Provision for credit losses: – (continued)

As discussed in Note 3, one of the Company's notes receivable continues to be in non-accrual status at September 30, 2011 and was considered impaired relative to its payment terms. While, as of the same date, the note was current with respect to its restructured terms, management has determined that a $3 thousand adjustment was necessary to reflect fair value. The Company did not carry an impairment reserve on its financing receivables at December 31, 2010.

At September 30, 2011, certain net investments in financing receivables with related accounts receivable past due more than 90 days are still on an accrual basis based on management's assessment of the collectability of such receivables. However, these accounts receivable are fully reserved and included in the allowance for doubtful accounts presented above. At December 31, 2010, there were no accounts receivable related to net investments in financing receivables placed in non-accrual status.

5. Investment in equipment and leases, net:

The Company's investment in equipment leases consists of the following (in thousands):

	Balance December 31, 2010	Reclassifications, Additions/ Dispositions and Impairment Losses	Depreciation/ Amortization Expense or Amortization of Leases	Balance September 30, 2011
Net investment in operating leases	$ 51,474	$ 2,940	$ (9,826)	$ 44,588
Net investment in direct financing leases	19,434	(2,394)	(1,583)	15,457
Assets held for sale or lease, net	180	3,674	—	3,854
Initial direct costs, net of accumulated amortization of $636 at September 30, 2011 and $782 at December 31, 2010	387	34	(159)	262
Total	$ 71,475	$ 4,254	$ (11,568)	$ 64,161

Additions to net investment in operating leases are stated at cost. IDC amortization expense related to operating leases and direct financing leases totaled $44 thousand and $81 thousand for the respective three months ended September 30, 2011 and 2010, and $160 thousand and $271 thousand for the respective nine months ended September 30, 2011 and 2010 (See Note 3).

Impairment of investments in leases and assets held for sale or lease:

Management periodically reviews the carrying values of its assets on leases and assets held for lease or sale. Impairment losses are recorded as an adjustment to the net investment in operating leases. During the third quarter of 2011, the Company deemed certain operating off-lease equipment to be impaired. Accordingly, the Company recorded fair value adjustments totaling $124 thousand which reduced the cost basis of the equipment. By comparison, the Company had no impairment losses during the third quarter of 2010. Impairment losses related to certain operating lease and off-lease equipment (assets) approximated $224 thousand and $282 thousand for the nine months ended September 30, 2011 and 2010, respectively.

The Company utilizes a straight line depreciation method for equipment in all of the categories currently in its portfolio of operating lease transactions. Depreciation expense on the Company's equipment was approximately $3.0 million and $4.4 million for the respective three months ended September 30, 2011 and 2010, and was approximately $9.8 million and $14.0 million for the respective nine months ended September 30, 2011 and 2010, respectively.

All of the leased property was acquired in the years beginning with 2003 through September 30, 2011.

5. Investment in equipment and leases, net: – (continued)

On April 30, 2009, a major lessee, Chrysler Corporation, filed for bankruptcy protection under Chapter 11. Under a pre-package agreement, a new company was formed to purchase the assets of old Chrysler – its plants, brands, land, equipment, as well as its contracts with the union, dealers and suppliers – from the bankruptcy court. Under this agreement, the Company had its leases with the old, bankrupt Chrysler assumed by the new Chrysler, Chrysler Group, LLC, which is 54% owned by Fiat. The new Chrysler has remitted payments relative to the affirmed leases. At April 1, 2011, Chrysler accounts were returned to accrual status.

As of September 30, 2011, there were no lease contracts placed in non-accrual status. At December 31, 2010, net investment in equipment underlying all lease contracts placed on a cash basis approximated $639 thousand, all of which were related to Chrysler. The Company also considered the equipment underlying the lease contracts for impairment and believes that such equipment is not impaired as of December 31, 2010. At both September 30, 2011 and December 31, 2010, the Company has certain other leases that have related accounts receivables aged 90 days or more that have not been placed on non-accrual status. In accordance with Company policy, such receivables are fully reserved. Management continues to closely monitor these leases, and all other lease contracts, for any actual change in collectability status and indication of necessary valuation adjustments.

Operating leases:

Property on operating leases consists of the following (in thousands):

	Balance December 31, 2010	Additions	Reclassifications, Dispositions and Impairment Losses	Balance September 30, 2011
Materials handling	$ 33,692	$ —	$ (7,047)	$ 26,645
Transportation, other	29,370	2,568	(2,478)	29,460
Transportation, rail	22,281	4,565	(1,388)	25,458
Manufacturing	9,843	—	(1,541)	8,302
Construction	7,522	—	(2,454)	5,068
Aircraft	4,732	—	—	4,732
Logging & lumber	4,125	—	—	4,125
Petro/natural gas	2,446	—	—	2,446
Agriculture	1,509	—	—	1,509
Data processing	937	—	—	937
Research	1,130	—	(762)	368
Mining	3,248	—	(3,248)	—
Other	359	—	(359)	—
	121,194	7,133	(19,277)	109,050
Less accumulated depreciation	(69,720)	(9,826)	15,084	(64,462)
Total	$ 51,474	$ (2,693)	$ (4,193)	$ 44,588

The average estimated residual value for assets on operating leases was 24% and 22% of the assets' original cost at September 30, 2011 and December 31, 2010, respectively. There were no operating leases placed in non-accrual status as of September 30, 2011. By comparison, there was an approximate $639 thousand of operating leases in non-accrual status at December 31, 2010.

5. Investment in equipment and leases, net: – (continued)

Direct financing leases:

As of September 30, 2011 and December 31, 2010, investment in direct financing leases generally consists of manufacturing, mining, materials handling, construction and cleaning and maintenance equipment. The components of the Company's investment in direct financing leases as of September 30, 2011 and December 31, 2010 are as follows (in thousands):

	September 30, 2011	December 31, 2010
Total minimum lease payments receivable	$ 24,259	$ 28,641
Estimated residual values of leased equipment (unguaranteed)	3,806	6,499
Investment in direct financing leases	28,065	35,140
Less unearned income	(12,608)	(15,706)
Net investment in direct financing leases	$ 15,457	$ 19,434
Net investment in direct financing leases placed in non-accrual status	$ —	$ 58

At September 30, 2011, the aggregate amounts of future minimum lease payments receivable are as follows (in thousands):

	Operating Leases	Direct Financing Leases	Total
Three months ending December 31, 2011	$ 3,371	$ 1,483	$ 4,854
Year ending December 31, 2012	9,908	5,311	15,219
2013	6,254	4,793	11,047
2014	3,482	4,538	8,020
2015	1,778	4,450	6,228
2016	515	3,684	4,199
Thereafter	608	—	608
	$ 25,916	$ 24,259	$ 50,175

6. Related party transactions:

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

The Operating Agreement allows for the reimbursement of costs incurred by AFS in providing administrative services to the Company. Administrative services provided include Company accounting, finance/treasury, investor relations, legal counsel and lease and equipment documentation. AFS is not reimbursed for services whereby it is entitled to receive a separate fee as compensation for such services, such as management of equipment. The Company would be liable for certain future costs to be incurred by AFS to manage the administrative services provided to the Company.

Each of ATEL Leasing Corporation (''ALC'') and AFS is a wholly-owned subsidiary of ATEL Capital Group and performs services for the Company. Acquisition services, equipment management, lease administration and asset disposition services are performed by ALC; investor relations, communications services and general administrative services for the Company are performed by AFS.

6. Related party transactions: – (continued)

Cost reimbursements to the Managing Member are based on its costs incurred in performing administrative services for the Company. These costs are allocated to each managed entity based on certain criteria such as managed assets, number of investors or contributed capital based upon the type of cost incurred. The Operating Agreement places an annual limit and a cumulative limit for cost reimbursements to AFS and/or affiliates. Any reimbursable costs incurred by AFS and/or affiliates during the year exceeding the annual and/or cumulative limits cannot be reimbursed in the current year, though such costs may be recovered in future years to the extent of the cumulative limit. As of September 30, 2011, the Company has not exceeded the annual and/or cumulative limitations discussed above.

During the three and nine months ended September 30, 2011 and 2010, AFS and/or affiliates earned fees and commissions, and billed for reimbursements, pursuant to the Operating Agreement as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Costs reimbursed to Managing Member and/or affiliates	$ 362	$ 244	$ 1,095	$ 864
Asset management fees to Managing Member and/or affiliates	59	316	540	924
Acquisition and initial direct costs paid to Managing Member	96	154	304	207
	$ 517	$ 714	$ 1,939	$ 1,995

During December 2009, operating lease assets were purchased and a lease agreement entered into by the Company with an original cost of $1.0 million. During the same month, the assets and associated lease were transferred to an affiliate of the Company resulting in an amount due from an affiliate equivalent to the original cost of the assets. The amount due from the affiliate was settled in January 2010.

7. Non-recourse debt:

At September 30, 2011, non-recourse debt consists of notes payable to financial institutions. The notes are due in monthly installments. Interest on the notes is at fixed rates ranging from 4.19% to 6.66%. The notes are secured by assignments of lease payments and pledges of assets. At September 30, 2011, gross operating lease rentals and future payments on direct financing leases totaled approximately $26.4 million over the remaining lease terms; and the carrying value of the pledged assets is $18.6 million. The notes mature at various dates from 2011 through 2017.

The non-recourse debt does not contain any material financial covenants. The debt is secured by liens granted by the Company to the non-recourse lenders on (and only on) the discounted lease transactions. The lenders have recourse only to the following collateral: the specific leased equipment; the related lease chattel paper; the lease receivables; and proceeds of the foregoing items. The non-recourse obligation is payable solely out of the respective specific security and the Company does not guarantee (nor is the Company otherwise contractually responsible for) the payment of the non-recourse debt as a general obligation or liability of the Company. Although the Company does not have any direct or general liability in connection with the non-recourse debt apart from the security granted, the Company is directly and generally liable and responsible for certain representations, warranties, and covenants made to the lenders, such as warranties as to genuineness of the transaction parties' signatures, as to the genuineness of the respective lease chattel paper or the transaction as a whole, or as to the Company's good title to or perfected interest in the secured collateral, as well as similar representations, warranties and covenants typically provided by non-recourse borrowers and customary in the equipment finance industry, and are viewed by such industry as being consistent with non-recourse discount financing obligations. Accordingly, as there are no financial covenants or ratios imposed on the Company in connection with the non-recourse debt, the Company has determined that there are no material covenants with respect to the non-recourse debt that warrant footnote disclosure.

7. Non-recourse debt: – (continued)

Future minimum payments of non-recourse debt are as follows (in thousands):

	Principal	Interest	Total
Three months ending December 31, 2011	$ 1,207	$ 366	$ 1,573
Year ending December 31, 2012	4,931	1,264	6,195
2013	4,689	954	5,643
2014	4,013	679	4,692
2015	4,208	410	4,618
2016	3,743	133	3,876
Thereafter	178	1	179
	$ 22,969	$ 3,807	$ 26,776

8. Borrowing facilities:

The Company participates with AFS and certain of its affiliates in a revolving credit facility (the ''Credit Facility'') comprised of a working capital facility to AFS, an acquisition facility (the ''Acquisition Facility'') and a warehouse facility (the ''Warehouse Facility'') to AFS, the Company and affiliates, and a venture facility available to an affiliate with a syndicate of financial institutions which Credit Facility includes certain financial covenants. The Credit Facility is for an amount up to $75 million and expires in June 2012. The lending syndicate providing the Credit Facility has a blanket lien on all of the Company's assets as collateral for any and all borrowings under the Acquisition Facility, and on a pro-rata basis under the Warehouse Facility.

As of September 30, 2011 and December 31, 2010, borrowings under the facility were as follows (in thousands):

	September 30, 2011	December 31, 2010
Total amount available under the financing arrangement	$ 75,000	$ 75,000
Amount borrowed by the Company under the acquisition facility	—	—
Amounts borrowed by affiliated partnerships and limited liability companies under the working capital, acquisition and warehouse facilities	—	(5,345)
Total remaining available under the working capital, acquisition and warehouse facilities	$ 75,000	$ 69,655

The Company and its affiliates pay an annual commitment fee to have access to this line of credit. As of September 30, 2011, the aggregate amount of the Credit Facility is potentially available to the Company, subject to certain sub-facility and borrowing-base limitations. However, as amounts are drawn on the Credit Facility by each of the Company and the affiliates who are borrowers under the Credit Facility, the amount remaining available to all borrowers to draw under the Credit Facility is reduced. As the Warehousing Facility is a short term bridge facility, any amounts borrowed under the Warehousing Facility, and then repaid by the affiliated borrowers (including the Company) upon allocation of an acquisition to a specific purchaser, become available under the Warehouse Facility for further short term borrowing.

As of September 30, 2011, the Company's Tangible Net Worth requirement under the Credit Facility was $15.0 million, the permitted maximum leverage ratio was not to exceed 1.25 to 1, and the required minimum interest coverage ratio was not to be less than 2 to 1. The Company was in compliance with these financial covenants under the Credit Facility with a minimum Tangible Net Worth, leverage ratio and interest coverage ratio, as calculated per the Credit Facility agreement of $33.0 million, 0.98 to 1, and 9.56 to 1, respectively, as of September 30, 2011. As such, as of September 30, 2011, the Company was in compliance with all material financial covenants, and with all other material conditions of the Credit Facility. The Company does not anticipate any covenant violations nor does it anticipate that any of these covenants will restrict its operations or its ability to procure additional financing.

8. Borrowing facilities: – (continued)

Fee and interest terms

The interest rate on the Credit Facility is based on either the LIBOR/Eurocurrency rate of 1-, 2-, 3- or 6-month maturity plus a lender designated spread, or the bank's Prime rate, which re-prices daily. Principal amounts of loans made under the Credit Facility that are prepaid may be re-borrowed on the terms and subject to the conditions set forth under the Credit Facility. At both September 30, 2011 and December 31, 2010, the Company had no outstanding borrowings under the acquisition facility.

Warehouse facility

To hold the assets under the Warehousing Facility prior to allocation to specific investor programs, a Warehousing Trust has been entered into by the Company, AFS, ALC, and certain of the affiliated partnerships and limited liability companies. The Warehousing Trust is used by the Warehouse Facility borrowers to acquire and hold, on a short-term basis, certain lease transactions that meet the investment objectives of each of such entities. Each of the leasing programs sponsored by AFS and ALC currently in its acquisition stage is a pro rata participant in the Warehousing Trust, as described below. When a program no longer has a need for short term financing provided by the Warehousing Facility, it is removed from participation, and as new leasing investment entities are formed by AFS and ALC and commence their acquisition stages, these new entities are added.

As of September 30, 2011, the investment program participants were the Company, ATEL Capital Equipment Fund XI, LLC, ATEL 12, LLC and ATEL 14, LLC. Pursuant to the Warehousing Trust, the benefit of the lease transaction assets, and the corresponding liabilities under the Warehouse Facility, inure to each of such entities based upon each entity's pro-rata share in the Warehousing Trust estate. The ''pro-rata share'' is calculated as a ratio of the net worth of each entity over the aggregate net worth of all entities benefiting from the Warehousing Trust estate, excepting that the trustees, AFS and ALC, are both jointly and severally liable for the pro rata portion of the obligations of each of the affiliated partnerships and limited liability companies participating under the Warehouse Facility. Transactions are financed through this Warehouse Facility only until the transactions are allocated to a specific program for purchase or are otherwise disposed by AFS and ALC. When a determination is made to allocate the transaction to a specific program for purchase by the program, the purchaser repays the debt associated with the asset, either with cash or by means of proceeds of a draw under the Acquisition Facility, and the asset is removed from the Warehouse Facility collateral, and ownership of the asset and any debt obligation associated with the asset are assumed solely by the purchasing entity.

There were no borrowings under the Warehouse Facility as of September 30, 2011. As of December 31, 2010, borrowings of $4.8 million were outstanding under the Warehouse Facility. The Company's maximum contingent obligation on the outstanding warehouse balance at December 31, 2010 was approximately $2.6 million.

9. Receivables funding program:

As of September 30, 2011, the Company had amounts outstanding under an $80 million receivables funding program (the ''RF Program'') with a receivables financing company that issued commercial paper rated A1 from Standard and Poor's and P1 from Moody's Investors Service. Under the RF Program, the lender holds liens against the Company's assets. The lender is in a first position against certain specified assets and in either a subordinated or shared position against the remaining assets. The RF Program does not contain any credit risk related default contingencies and is scheduled to mature in July 2014 at which time advances under the RF Program are to be repaid in full.

The RF Program provides for borrowing at a variable interest rate and requires 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 each variable interest rate note. The RF Program allowed the Company to have a more cost effective means of obtaining debt financing than available for individual non-recourse debt transactions.

9. Receivables funding program: – (continued)

The Company had approximately $9.1 million and $14.5 million outstanding under the RF Program at September 30, 2011 and December 31, 2010, respectively. During the three months ended September 30, 2011 and 2010, the Company paid program fees, as defined in the receivables funding agreement, totaling $11 thousand and $19 thousand, respectively. During the nine months ended September 30, 2011 and 2010, the Company paid program fees, as defined in the receivables funding agreement, totaling $37 thousand and $65 thousand, respectively. The RF Program fees are included in interest expense in the Company's statements of operations.

As of September 30, 2011, the Company has entered into interest rate swap agreements to receive or pay interest on a notional principal of $9.1 million based on the difference between nominal rates ranging from 3.21% to 5.39% and variable rates that ranged from 0.19% to 0.26%. As of December 31, 2010, the Company has entered into interest rate swap agreements to receive or pay interest on a notional principal of $14.5 million based on the difference between nominal rates ranging from 3.21% to 5.39% and variable rates that ranged from 0.23% to 0.35%. No actual borrowing or lending is involved. The termination of the swaps coincides with the maturity of the debt. Through the swap agreements, the interest rates have been effectively fixed. The differential to be paid or received is accrued as interest rates change and is recognized currently as an adjustment to interest expense related to the debt. The interest rate swaps are not designated as hedging instruments and are carried at fair value on the balance sheet with unrealized gain/loss included in the statements of income in other income/(expense).

In conjunction with the RF Program, the lender under the RF Program has entered into an inter-creditor agreement with the lenders under the Credit Facility with the respect to priority and the sharing of collateral pools of the Company, including the Acquisition Facility and Warehouse Facility described in Note 8 above. Among the provisions of the inter-creditor agreement are cross-default provisions and acceleration provisions requiring payment before stated maturity in a default situation.

At September 30, 2011 and December 31, 2010, borrowings and interest rate swap agreements under the RF Program are as follows (in thousands):

Date Borrowed	Original Amount Borrowed	Balance September 30, 2011	Notional Balance September 30, 2011	Swap Value September 30, 2011	Payment Rate On Interest Swap Agreement
January 16, 2007	$ 12,365	$ 1,230	$ 1,230	$ (41)	5.15%
July 2, 2007	7,222	356	356	(19)	5.39%
September 19, 2007	6,874	1,304	1,304	(58)	4.83%
January 15, 2008	10,018	1,041	1,041	(33)	3.58%
March 27, 2008	5,410	2,273	2,273	(83)	3.21%
May 16, 2008	10,194	2,479	2,479	(82)	3.69%
May 28, 2008	5,470	452	452	(13)	3.49%
	$ 57,553	$ 9,135	$ 9,135	$ (329)	

Date Borrowed	Original Amount Borrowed	Balance December 31, 2010	Notional Balance December 31, 2010	Swap Value December 31, 2010	Payment Rate On Interest Swap Agreement
January 16, 2007	$ 12,365	$ 2,119	$ 2,119	$ (96)	5.15%
July 2, 2007	7,222	779	779	(37)	5.39%
September 19, 2007	6,874	2,202	2,202	(107)	4.83%
January 15, 2008	10,018	1,822	1,822	(60)	3.58%
March 27, 2008	5,410	2,998	2,998	(113)	3.21%
May 16, 2008	10,194	3,691	3,691	(141)	3.69%
May 28, 2008	5,470	912	912	(25)	3.49%
	$ 57,553	$ 14,523	$ 14,523	$ (579)	

9. Receivables funding program: – (continued)

At September 30, 2011, the minimum principal repayment schedule under the Program is as follows (in thousands):

Three months ending December 31, 2011	$	1,469
Year ending December 31, 2012		4,358
2013		2,528
2014		780
	$	9,135

At September 30, 2011, there are specific leases that are identified as collateral under the Program with expected future lease receivables of approximately $9.3 million at their discounted present value.

During the three months ended September 30, 2011 and 2010, the weighted average interest rates on the RF Program, including interest on the swap contracts, were 5.04% and 4.99%, respectively. During the nine months ended September 30, 2011 and 2010, the weighted average interest rates were 4.90% and 5.04%, respectively. The RF Program discussed above includes certain financial and non-financial covenants applicable to the Company as borrower. The Company was in compliance with all covenants as of September 30, 2011 and December 31, 2010.

10. Commitments:

At September 30, 2011, there were commitments to fund investments in notes receivable totaling approximately $1.0 million. This amount represents contract awards which may be cancelled by the prospective lessee or may not be accepted by the Company.

11. Guarantees:

The Company enters into contracts that contain a variety of indemnifications. The Company's maximum exposure under these arrangements is unknown. However, the Company has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

The Managing Member knows of no facts or circumstances that would make the Company's contractual commitments outside standard mutual covenants applicable to commercial transactions between businesses. Accordingly, the Company believes that these indemnification obligations are made in the ordinary course of business as part of standard commercial and industry practice, and that any potential liability under the Company's similar commitments is remote. Should any such indemnification obligation become payable, the Company would separately record and/or disclose such liability in accordance with GAAP.

12. Members' capital:

Units issued and outstanding were 13,971,486 at both September 30, 2011 and December 31, 2010. The Company was authorized to issue up to 15,000,000 Units in addition to the Units issued to the initial members (50 Units). The Company ceased offering Units on March 11, 2005.

The Company has the right, exercisable in the Manager's discretion, but not the obligation, to repurchase Units of a Unitholder who ceases to be a U.S. Citizen, for a price equal to 100% of the holder's capital account. The Company is otherwise permitted, but not required, to repurchase Units upon a holder's request. The repurchase of Fund units is made in accordance with Section 13 of the Amended and Restated Limited Liability Company Operating Agreement. The repurchase would be at the discretion of the Manager on terms it determines to be appropriate under given circumstances, in the event that the Manager deems such repurchase to be in the best interest of the Company; provided, the Company is never required to repurchase any Units. Upon the repurchase of any Units by the Fund, the tendered Units are cancelled. Units repurchased in prior periods were repurchased at amounts representing the original investment less cumulative distributions made to the Unitholder with respect to the Units. All Units repurchased during a quarter are deemed to be repurchased effective the last day of the preceding quarter, and are not deemed to be outstanding during, or entitled to allocations of net income, net loss or distributions for the quarter in which such repurchase occurs.

12. Members' capital: – (continued)

As defined in the Operating Agreement, the Company's net income, net losses, and distributions, are to be allocated 92.5% to the Other Members and 7.5% to AFS. In accordance with the terms of the Operating Agreement, additional allocations of income were made to AFS during the respective nine months ended September 30, 2011 and 2010. The amounts allocated were determined to bring AFS's ending capital account balance to zero at the end of the period.

Distributions to the Other Members were as follows (in thousands, except as to Units and per Unit data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Distributions declared	$ 2,795	$ 2,794	$ 8,389	$ 8,382
Weighted average number of Units outstanding	13,971,486	13,971,486	13,971,486	13,971,486
Weighted average distributions per Unit	$ 0.20	$ 0.20	$ 0.60	$ 0.60

13. Fair value measurements:

Fair value measurements and disclosures are based on a fair value hierarchy as determined by significant inputs used to measure fair value. The three levels of inputs within the fair value hierarchy are defined as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis, generally on a national exchange.

Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuations in which all significant inputs are observable in the market.

Level 3 – Valuation is modeled using significant inputs that are unobservable in the market. These unobservable inputs reflect the Company's own estimates of assumptions that market participants would use in pricing the asset or liability.

At September 30, 2011 and December 31, 2010, only the fair value of the Company's interest rate swap contracts was measured on a recurring basis. However, at September 30, 2011, the Company measured the fair values of certain impaired off-lease equipment and an impaired note receivable on a non-recurring basis. At December 31, 2010, the fair values of impaired operating lease and off-lease equipment, and that of impaired investment securities were measured on a non-recurring basis. The measurement methodologies are as follows:

Interest rate swaps

The fair value of interest rate swaps is estimated using a valuation method (discounted cash flow) with inputs that are defined or that can be corroborated by observable market data. The discounted cash flow approach utilizes each swap's notional amount, payment and termination dates, swap coupon, and the prevailing market rate and pricing data to determine the present value of the future swap payments. Accordingly, such swap contracts are classified within Level 2 of the valuation hierarchy.

Impaired lease and/or off-lease equipment

At September 30, 2011, the Company deemed certain operating off-lease equipment to be impaired. Accordingly, the Company recorded fair value adjustments totaling $124 thousand which reduced the cost basis of the equipment. The Company had previously recorded fair value adjustments totaling $100 thousand during the first half of 2011. At December 31, 2010, fair value adjustments related to impaired lease and off-lease equipment totaled $282 thousand. Such fair value adjustments are non-recurring. Under the Fair Value Measurements Topic of the FASB Accounting Standards Codification, the fair value of impaired lease assets are classified within Level 3 of the valuation hierarchy as the data sources utilized for the valuation of such assets reflect significant inputs that are unobservable in the market. Such valuation utilizes a market approach technique and uses inputs that reflect the sales price of similar assets sold by affiliates and/or information from third party remarketing agents not readily available in the market.

13. Fair value measurements: – (continued)

Impaired notes receivable

The fair value of the Company's notes receivable is estimated using either third party appraisals of collateral or discounted cash flow analyses based upon current market rates for similar types of lending arrangements, with adjustments for non-accrual loans as deemed necessary. At September 30, 2011, the Company deemed a note receivable impaired based upon an independent appraisal of the underlying collateral. Accordingly, the Company recorded a non-recurring adjustment totaling $3 thousand which reduced the cost basis of the note. Under the Fair Value Measurements Topic of the FASB Accounting Standards Codification, the fair value of the impaired notes receivable is classified within Level 3 of the valuation hierarchy. Such valuation utilizes a market approach technique and uses inputs from third party appraisers that utilize current market transactions as adjusted for certain factors specific to the underlying collateral.

Impaired investment securities

The Company's investment securities are not registered for public sale and are carried at cost. The investment securities are adjusted for impairment, if any, based upon factors which include, but are not limited to, available financial information, the issuer's ability to meet its current obligations and indications of the issuer's subsequent ability to raise capital. There was no incremental impairment to investment securities at September 30, 2011. Year-to-date, the Company had previously recorded fair value adjustments totaling $96 thousand which reduced the cost basis of certain investments deemed impaired at March 31, 2011. At December 31, 2010, the fair value adjustment relative to an impaired investment security approximated $15 thousand. Such fair value adjustment was non-recurring. Under the Fair Value Measurements Topic of the FASB Accounting Standards Codification, the fair value of the impaired investment security was classified within Level 1 of the valuation hierarchy as the security is actively traded on the Canadian national exchange. Accordingly, there is sufficient trading frequency and volume to provide pricing information on an ongoing basis. The impaired security was disposed of in January 2011.

The following table presents the fair value measurement of assets and liabilities measured at fair value on a recurring and non-recurring basis and the level within the hierarchy in which the fair value measurements fall at September 30, 2011 and December 31, 2010 (in thousands):

	September 30, 2011	Level 1 Estimated Fair Value	Level 2 Estimated Fair Value	Level 3 Estimated Fair Value
Assets measured at fair value on a non-recurring basis:				
Impaired off-lease assets	$ 152	$ —	$ —	$ 152
Impaired notes receivable	$ 22	$ —	$ —	$ 22
Liabilities measured at fair value on a recurring basis:				
Interest rate swaps	$ 329	$ —	$ 329	$ —

	December 31, 2010	Level 1 Estimated Fair Value	Level 2 Estimated Fair Value	Level 3 Estimated Fair Value
Assets measured at fair value on a non-recurring basis:				
Impaired lease and off-lease assets	$ 119	$ —	$ —	$ 119
Impaired investment securities	$ 41	$ 41	$ —	$ —
Liabilities measured at fair value on a recurring basis:				
Interest rate swaps	$ 579	$ —	$ 579	$ —

The following disclosure of the estimated fair value of financial instruments is made in accordance with the guidance provided by the Financial Instruments Topic of the FASB Accounting Standards Codification. Fair value estimates, methods and assumptions, set forth below for the Company's financial instruments, are made solely to comply with the requirements of the Financial Instruments Topic and should be read in conjunction with the Company's financial statements and related notes.

13. Fair value measurements: – (continued)

The Company has determined the estimated fair value amounts by using market information and valuation methodologies that it considers appropriate and consistent with the fair value accounting guidance. Considerable judgment is required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize or has realized in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Cash and cash equivalents

The recorded amounts of the Company's cash and cash equivalents approximate fair value because of the liquidity and short-term maturity of these instruments.

Notes receivable

The fair value of the Company's notes receivable is estimated using either third party appraisals of collateral or discounted cash flow analyses based upon current market rates for similar types of lending arrangements, with adjustments for non-accrual loans as deemed necessary.

Investment in securities

The Company's investment securities are not registered for public sale and are carried at cost which management believes approximates fair value, as appropriately adjusted for impairment.

Non-recourse debt

The fair value of the Company's non-recourse debt is estimated using discounted cash flow analyses, based upon current market borrowing rates for similar types of borrowing arrangements.

Borrowings

Borrowings include the outstanding amounts on the Company's acquisition facility and the RF Program. The carrying amount of these variable rate obligations approximate fair value based on current borrowing rates for similar types of borrowings.

Commitments and Contingencies

Management has determined that no recognition for the fair value of the Company's loan commitments is necessary because their terms are made on a market rate basis and require borrowers to be in compliance with the Company's credit requirements at the time of funding.

The fair value of contingent liabilities (or guarantees) is not considered material because management believes there has been no event that has occurred wherein a guarantee liability has been incurred or will likely be incurred.

Limitations

The fair value estimates presented herein were based on pertinent information available to the Company as of September 30, 2011 and December 31, 2010. Although the Company is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since those dates and, therefore, current estimates of fair value may differ significantly from the amounts presented herein.

13. Fair value measurements: – (continued)

The following table presents estimated fair values of the Company's financial instruments in accordance with the guidance provided by the Financial Instruments Topic of the FASB Accounting Standards Codification at September 30, 2011 and December 31, 2010 (in thousands):

	September 30, 2011		December 31, 2010	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:				
Cash and cash equivalents	$ 1,728	$ 1,728	$ 8,793	$ 8,793
Notes receivable	1,364	1,364	1,705	1,705
Investment in securities	70	70	235	235
Financial liabilities:				
Non-recourse debt	22,969	24,204	26,481	27,219
Borrowings	9,135	9,135	14,523	14,523
Interest rate swap contracts	329	329	579	579

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. In particular, the economic recession and changes in general economic conditions, including, fluctuations in demand for equipment, lease rates, and interest rates, may result in delays in investment and reinvestment, delays in leasing, re-leasing, and disposition of equipment, and reduced returns on invested capital. The Company’s performance is subject to risks relating to lessee defaults and the creditworthiness of its lessees. The Company’s performance is also subject to risks relating to the value of its equipment at the end of its leases, which may be affected by the condition of the equipment, technological obsolescence and the market for new and used equipment at the end of lease terms. 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.

Overview

ATEL Capital Equipment Fund X, LLC (the ‘‘Company’’) is a California limited liability company that was formed in August 2002 for the purpose of engaging in the sale of limited liability company investment units and acquiring equipment to generate revenues from equipment leasing and sales activities, primarily in the United States. The Managing Member of the Company is ATEL Financial Services, LLC (‘‘AFS’’), a California limited liability company.

The Company conducted a public offering of 15,000,000 Limited Liability Company Units (‘‘Units’’), at a price of $10 per Unit. The offering was terminated in March 2005. During 2005, the Company completed its initial acquisition stage with the investment of the net proceeds from the public offering of Units. Subsequently, during the reinvestment period (‘‘Reinvestment Period’’) (defined as six full years following the year the offering was terminated), the Company has utilized its credit facilities and reinvested cash flow in excess of certain amounts required to be distributed to the Other Members to acquire additional equipment. Throughout the Reinvestment Period, which ends December 31, 2011, the Company anticipates continued reinvestment of cash flow in excess of minimum distributions and other obligations.

The Company may continue until December 31, 2022. Periodic distributions will be paid at the discretion of the Managing Member.

Results of Operations

The three months ended September 30, 2011 versus the three months ended September 30, 2010

The Company had net income of $966 thousand and $764 thousand for the three months ended September 30, 2011 and 2010, respectively. The results for the third quarter of 2011 reflect the combination of a reduction in total operating expenses and a decrease in total revenues when compared to the prior year period.

Revenues

Total revenues for the third quarter of 2011 declined by $1.4 million, or 20%, as compared to the prior year period. The decrease was primarily due to lower operating and direct financing lease revenues, and in gain on sales of lease assets and early termination of notes.

Operating lease revenues decreased by $1.2 million primarily as a result of continued run-off and dispositions of lease assets. Direct financing lease revenues declined by $68 thousand as the impact of operating lease assets which were re-leased as direct financing leases during the second half of 2010 was more than offset by run-off of the portfolio; and, gain on sales of lease assets decreased by $67 thousand largely due to a period over period change in the mix of assets sold.

Expenses

Total expenses for the third quarter of 2011 decreased by $1.5 million, or 25%, as compared to the prior year period. The net decline in expenses was primarily due to decreases in depreciation expense, asset management fees paid to AFS and interest expense offset, in part, by increases in other expense, impairment losses on equipment and costs reimbursed to AFS.

The decrease in depreciation expense totaled $1.4 million and was largely a result of run-off and sales of lease assets. Asset management fees paid to AFS declined by $257 thousand primarily as a result of the decline in managed assets and related rents. Moreover, interest expense decreased by $189 thousand largely due to an approximate $12.5 million decline in outstanding borrowings since September 30, 2010.

Partially offsetting the aforementioned decreases in expenses was a $188 thousand increase in other expense, a $124 thousand increase in impairment losses on equipment, and a $118 thousand increase in costs reimbursed to AFS. Other expense increased largely due to higher maintenance costs on aging railcars and increases in property taxes and bank charges. The increase in impairment losses reflects third quarter 2011 adjustments made to certain off-lease assets, including certain vehicles and research equipment, deemed impaired by the Company. During the same period, the secondary market for certain vehicles and research equipment deteriorated, and the reduced estimated realizable secondary market values for such items of the Company's leased and off-lease equipment resulted in the recognition of impairment losses. The Company attributed these market conditions to the continued weak economy and low demand for these types of assets. The Company had consulted with various third party marketing agents to help determine any necessary residual value adjustments caused by such market conditions. The Company did not consider such impairment to create any concentration of risk in its portfolio based on geographic region, type of asset, customer or industry group.

Moreover, costs reimbursed to AFS increased primarily due to a refinement of allocation methodologies employed by the Managing Member to better allocate costs to the Company based upon its current operations.

Other income (expense), net

The Company recorded other income, net totaling $97 thousand and other expense, net totaling $4 thousand for the three months ended September 30, 2011 and 2010, respectively. The $101 thousand favorable variance was comprised of a $79 thousand favorable change in foreign currency transaction gains and losses and a $22 thousand favorable change in the fair value of the Company's interest rate swap contracts.

The favorable change in foreign currency gains or losses was primarily due to the period over period weakness of the U.S. currency against the British pound at the time of the transactions. The Company's foreign currency transactions are primarily denominated in British pounds.

The increase in the value of the interest rate swaps was mostly driven by the decline in the notional balance of outstanding contracts offset, in part, by the lower interest rate environment which adversely impacts the Company as the fixed rate payer in the swap contracts.

The nine months ended September 30, 2011 versus the nine months ended September 30, 2010

The Company had net income of $2.9 million and $1.9 million for the nine months ended September 30, 2011 and 2010, respectively. The results for the first nine months of 2011 reflect a reduction in total operating expenses and a decrease in total revenues when compared to the prior year period.

Revenues

Total revenues for the first nine months of 2011 declined by $3.6 million, or 17%, as compared to the prior year period. The decrease was primarily due to lower operating lease revenues and other revenue offset, in part, by increases in gain on sales of lease assets and early termination of notes, and in direct financing lease revenues.

Operating lease revenues decreased by $4.2 million largely as a result of continued run-off and dispositions of lease assets; and, other revenue declined by $70 thousand primarily due to a reduction in additional billings for excess wear and tear on returned equipment.

Partially offsetting the aforementioned decreases in revenues was a $598 thousand increase in gains recognized on sales of lease assets and an $86 thousand increase in direct financing lease revenues. The increase in gains recognized on sales of lease assets reflects a higher volume and the change in mix of assets sold during the current year period; and, direct financing lease revenues increased as certain previously terminated operating lease assets were re-leased as direct financing leases during the second half of 2010.

Expenses

Total expenses for the first nine months of 2011 decreased by $4.7 million, or 24%, as compared to the prior year period. The net decline in expenses was primarily due to decreases in depreciation expense, interest expense, asset management fees paid to AFS, amortization of initial direct costs and professional fees offset, in part, by increases in other expense, costs reimbursed to AFS, and the provision for losses on investment in securities.

The decrease in depreciation expense totaled $4.2 million and was largely a result of run-off and sales of lease assets. Interest expense decreased by $611 thousand largely due to an approximate $12.5 million decline in outstanding borrowings since September 30, 2010; and, asset management fees paid to AFS decreased by $384 thousand primarily as a result of the decline in managed assets and related rents. Moreover, amortization of initial direct costs related to asset purchases declined by $112 thousand largely due to continued run-off of the lease and loan portfolios offset, in part, by lease asset purchases approximating $7.1 million during the first nine months of 2011; and, professional fees declined by $110 thousand largely due to a period over period decrease in audit related fees.

Partially offsetting the aforementioned decreases in expenses was a $407 thousand increase in other expense, a $231 thousand increase in costs reimbursed to AFS, and a $96 thousand increase in the provision for losses on investment in securities.

The increase in other expense was largely due to higher maintenance costs on aging railcars and increases in freight and shipping costs, property taxes, bank charges, inspection fees, and in printing and postage costs related to investor communications. Costs reimbursed to AFS increased primarily due to a refinement of allocation methodologies employed by the Managing Member to better allocate costs to the Company based upon its current operations.

Moreover, the provision for losses on investment securities increased as a result of fair value adjustments recorded on two impaired equity investments totaling $55 thousand and $41 thousand. By comparison, there were no impaired investment securities during the prior year period. The adjustments reflect an approximate 87% reduction in valuation of one impaired investment as determined by investee cash burn and potential for additional venture investors, and an approximate 66% reduction in valuation of the second impaired investment as determined by cash payments received in a private transaction whereby the Fund liquidated its warrant position.

Other income, net

Other income, net for the first nine months of 2011 decreased by $147 thousand as compared to the prior year period. The net decrease in other income, net was a result of a $186 thousand unfavorable change in foreign currency transaction gains and losses recognized during the first nine months of 2011 offset, in part, by a $39 thousand favorable change in the fair value of the Company's interest rate swap contracts as compared to the prior year period.

The unfavorable change in foreign currency gains or losses was primarily due to the period over period strength of the U.S. currency against the British pound at the time of the transactions. The Company's foreign currency transactions are primarily denominated in British pounds.

The increase in the value of the interest rate swaps was mostly driven by the decline in the notional balance of outstanding contracts since September 30, 2011 offset, in part, by the lower interest rate environment which adversely impacts the Company as the fixed rate payer in the swap contracts.

Capital Resources and Liquidity

At September 30, 2011 and December 31, 2010, the Company's cash and cash equivalents totaled $1.7 million and $8.8 million, respectively. The liquidity of the Company varies, increasing to the extent cash flows from leases and proceeds of asset sales exceed expenses and decreasing as lease assets are acquired, as distributions are made to the Other Members and to the extent expenses exceed cash flows from leases and proceeds from asset sales.

The primary source of liquidity for the Company is its cash flow from leasing activities. As the 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 remarketing or selling the equipment as it comes off rental.

In a normal economy, if inflation in the general economy becomes significant, it may affect the Company in as much 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. In addition, if interest rates increase significantly under such circumstances, 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.

The Company currently believes it has available adequate reserves to meet its immediate cash requirements and those of the next twelve months, 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.

Cash Flows

The following table sets forth summary cash flow data (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net cash provided by (used in):				
Operating activities	$ 3,315	$ 5,173	$ 12,395	$ 15,205
Investing activities	(3,186)	1,593	(1,491)	3,431
Financing activities	(5,748)	(6,873)	(17,969)	(20,137)
Net decrease in cash and cash equivalents	$ (5,619)	$ (107)	$ (7,065)	$ (1,501)

The three months ended September 30, 2011 versus the three months ended September 30, 2010

During the three months ended September 30, 2011 and 2010, the Company's primary source of liquidity was cash flow from its portfolio of operating and direct financing lease contracts, and its investments in notes receivable. Moreover, the Company realized $710 thousand and $1.2 million of proceeds from the sale or disposition of equipment and early termination of certain notes during the respective three month periods ended September 30, 2011 and 2010.

During the same periods, cash was primarily used to purchase equipment for long-term operating leases. Total equipment purchased amounted to $4.5 million during the third quarter of 2011 as compared to none during the prior year period. In addition, cash was used to pay distributions to both the Other Members and the Managing Member, totaling a combined $3.0 million for each of the third quarters of 2011 and 2010. Cash was also used to partially pay down $2.7 million and $3.9 million of debt during the respective third quarters of 2011 and 2010; and, to pay invoices related to management fees and expenses, and other payables.

The nine months ended September 30, 2011 versus the nine months ended September 30, 2010

During the nine months ended September 30, 2011 and 2010, the Company's primary source of liquidity was cash flow from its portfolio of operating and direct financing lease contracts, and its investments in notes receivable. The Company also realized $3.6 million and $1.9 million of proceeds from the sale or disposition of equipment and early termination of certain notes during the respective nine month periods ended September 30, 2011 and 2010. In addition, during the prior year period, the Company received a $1.0 million settlement related to a December 31, 2009 reassignment of certain operating lease assets to an affiliate.

During the same comparative periods, cash was primarily used to pay distributions to both the Other Members and the Managing Member, totaling a combined $9.1 million for each of the nine month periods ended September 30, 2011 and 2010. Cash was also used to partially pay down $8.9 million and $12.1 million of debt during the respective first nine months of 2011 and 2010. Moreover, cash was used to purchase equipment for long-term operating leases. Total equipment purchased amounted to $7.1 million during the first nine months of 2011. There were no equipment purchases during the prior year period. Finally, cash was used during both comparative periods to pay invoices related to management fees and expenses, and other payables.

Revolving credit facility

The Company participates with AFS and certain of its affiliates in a revolving credit facility (the "Credit Facility") comprised of a working capital facility to AFS, an acquisition facility (the "Acquisition Facility") and a warehouse facility (the "Warehouse Facility") to AFS, the Company and affiliates, and a venture facility available to an affiliate, with a syndicate of financial institutions.

Receivable funding program

In addition to the Credit Facility, as of September 30, 2011, the Company had amounts outstanding under an $80 million receivables funding program (the "RF Program") with a receivables financing company that issued commercial paper rated A1 from Standard and Poor's and P1 from Moody's Investor Services. Under the RF Program, the lender holds liens against the Company's assets. The lender is in a first position against certain specified assets and is in either a subordinated or shared position against the remaining assets. The ability to draw down on the RF Program terminated on July 31, 2008, and the RF Program matures in July 2014 upon repayment in full of all outstanding amounts due under the Program.

Compliance with covenants

The Credit Facility and the RF Program (collectively, the "Facilities") include certain financial and non-financial covenants applicable to each borrower, including the Company. Such covenants include covenants typically found in credit facilities of the size and nature of the Facilities, such as accuracy of representations, good standing, absence of liens and material litigation, etc. The Company was in compliance with all covenants under the Facilities as of September 30, 2011. The Company considers certain financial covenants to be material to its ongoing use of the Facilities and these covenants are described below.

Material financial covenants

Under the Credit Facility, the Company is required to maintain a specific tangible net worth, to comply with a leverage ratio and an interest coverage ratio, and to comply with other terms expressed in the Credit Facility, including limitation on the incurrence of additional debt and guaranties, defaults, and delinquencies. The material financial covenants are summarized as follows:

Under both the RF Program and Credit Facility:

Minimum Tangible Net Worth: $15 million
Leverage Ratio (leverage to Tangible Net Worth): not to exceed 1.25 to 1

Under the Credit Facility Only:

Collateral Value: Collateral value under the Warehouse Facility must exceed outstanding borrowings under that facility.
EBITDA to Interest Ratio: Not less than 2 to 1 for the four fiscal quarters just ended.

"EBITDA" is defined under the Credit Facility as, for the relevant period of time (1) gross revenues (all payments from leases and notes receivable) for such period minus (2) expenses deducted in determining net income for such period plus (3) to the extent deducted in determining net income for such period (a) provision for income taxes and (b) interest expense, and (c) depreciation, amortization and other non-cash charges. Extraordinary items and gains or losses on (and proceeds from) sales or dispositions of assets outside of the ordinary course of business are excluded in the calculation of EBITDA. "Tangible Net Worth" is defined as, as of the date of determination, (i) the net worth of the Company, after deducting therefrom (without duplication of deductions) the net book amount of all assets of the Company, after deducting any reserves and other amounts for assets which would be treated as intangibles under accounting principles generally accepted in the United States of America ("GAAP"), and after certain other adjustments permitted under the agreements.

The financial covenants referred to above are applicable to the Company only to the extent that the Company has borrowings outstanding under the Facilities. As of September 30, 2011, the Company's Tangible Net Worth requirement under the Credit Facility was $15 million and under the RF Program was $15 million, the permitted maximum leverage ratio under the Facilities was 1.25 to 1, and under the Credit Facility, the required minimum interest coverage ratio (EBITDA/interest expense) was 2 to 1. The Company was in compliance with each of these financial covenants with a minimum Tangible Net Worth, leverage ratio and (EBITDA) interest coverage ratio, as calculated per the Credit Facility agreement of $33.0 million, 0.98 to 1, and 9.56 to 1, respectively, as of September 30, 2011. As such, as of September 30, 2011, the Company was in compliance with all such material financial covenants.

Reconciliation to GAAP of EBITDA

For purposes of compliance with the Credit Facility covenants, the Company uses a financial calculation of EBITDA which is not in accordance with GAAP. The EBITDA is utilized by the Company to calculate one of its debt covenant ratios.

The following is a reconciliation of net income to EBITDA for the nine months ended September 30, 2011 (in thousands):

Net income – GAAP basis	$ 2,860
Interest expense	1,733
Depreciation of operating lease assets	9,826
Amortization of initial direct costs	161
Impairment losses on equipment	224
Reversal of provision for credit losses	(10)
Provision for losses on investment in securities	96
Change in fair value of interest rate swap contracts	(250)
Principal payments received on direct financing leases	1,583
Principal payments received on notes receivable	337
EBITDA (for Credit Facility financial covenant calculation only)	$ 16,560

Events of default, cross-defaults, recourse and security

The terms of both of the Facilities include standard events of default by the Company which, if not cured within applicable grace periods, could give lenders remedies against the Company, including the acceleration of all outstanding borrowings and a demand for repayment in advance of their stated maturity. If a breach of any material term of either of the Facilities should occur, the lenders may, at their option, increase borrowing rates, accelerate the obligations in advance of their stated maturities, terminate the facility, and exercise rights of collection available to them under the express terms of the facility, or by operation of law. The lenders also retain the discretion to waive a violation of any covenant at the Company's request.

The Company is currently in compliance with its obligations under the Facilities. In the event of a technical default (e.g., the failure to timely file a required report, or a one-time breach of a financial covenant), the Company believes it has ample time to request and be granted a waiver by the lenders, or, alternatively, cure the default under the existing provisions of its debt agreements, including, if necessary, arranging for additional capital from alternate sources to satisfy outstanding obligations.

The lending syndicate providing the Credit Facility has a blanket lien on all of the Company's assets as collateral for any and all borrowings under the Acquisition Facility, and on a pro-rata basis under the Warehouse Facility.

In conjunction with the RF Program, the lender under the RF Program has entered into an inter-creditor agreement with the lenders under the Credit Facility with respect to priority and the sharing of collateral pools of the Company, including under the Acquisition Facility and Warehouse Facility. Among the provisions of the inter-creditor agreement are cross-default provisions among the Credit Facility and the RF Program.

The Acquisition Facility is generally recourse solely to the Company, and is not cross-defaulted to any other obligations of affiliated companies under the Credit Facility, except as described in this paragraph, and in connection with the RF Program, as noted above. The Facilities are cross-defaulted to a default in the payment of any debt (other than non-recourse debt) or any other agreement or condition beyond the period of grace (not exceeding 30 days), the effect of which would entitle the lender under such agreement to accelerate the obligations prior to their stated maturity in an individual or aggregate principal amount in excess of 15% of the Company's consolidated Tangible Net Worth with respect to the Credit Facility, and $2.5 million with respect to the RF Program. Also, a bankruptcy of AFS will trigger a default for the Company under the Credit Facility.

Non-Recourse Long-Term Debt

As of September 30, 2011, the Company had non-recourse long-term debt totaling $23.0 million. Such non-recourse notes payable do not contain any material financial covenants. The notes are secured by a lien granted by the Company to the non-recourse lenders on (and only on) the discounted lease transactions. The lenders have recourse only to the following collateral: the specific leased equipment; the related lease chattel paper; the lease receivables; and proceeds of the foregoing items.

The Operating Agreement limits aggregate borrowings to 50% of the total cost of equipment. For detailed information on the Company's debt obligations, see Notes 7 through 9 in Item 1. Financial Statements.

Distributions

The Company commenced periodic distributions, based on cash flows from operations, beginning with the month of April 2003. The first distribution payment was made in May 2003 and additional monthly and/or quarterly distributions have been consistently made through September 2011.

Commitments and Contingencies and Off-Balance Sheet Transactions

Commitments and Contingencies

At September 30, 2011, there were commitments to fund investments in notes receivable totaling approximately $1.0 million. This amount represents contract awards which may be cancelled by the prospective lessee or may not be accepted by the Company.

Off-Balance Sheet Transactions

None.

Recent Accounting Pronouncements

Information regarding recent accounting pronouncements is included in Note 2 to the financial statements, Summary of significant accounting policies, as set forth in Part I, Item 1, Financial Statements (Unaudited).

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, the Company evaluates its estimates, which are based upon historical experiences, market trends and financial forecasts, and upon various other assumptions that management believes to be reasonable under the circumstances and at that certain point in time. Actual results may differ, significantly at times, from these estimates under different assumptions or conditions.

The Company's critical accounting policies are described in its Annual Report on Form 10-K for the year ended December 31, 2010. There have been no material changes to the Company's critical accounting policies since December 31, 2010.

Item 4. Controls and Procedures.

Evaluation of disclosure controls and procedures

The Company's Managing Member's President and Chief Executive Officer, and Executive Vice President and Chief Financial Officer and Chief Operating Officer (''Management''), evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this report. Based on the evaluation of the Company's disclosure controls and procedures, Management concluded that as of the end of the period covered by this report, the design and operation of these disclosure controls and procedures were effective.

The Company does not control the financial reporting process, and is solely dependent on the Management of the Managing Member, which is responsible for providing the Company with financial statements in accordance with generally accepted accounting principles in the United States. The Managing Member's disclosure controls and procedures, as it is applicable to the Company, were effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States.

Changes in internal control

There were no changes in the Managing Member's internal control over financial reporting, as it is applicable to the Company, during the quarter ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, the Managing Member's internal control over financial reporting, as it is applicable to the Company.

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.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. [Removed and Reserved].

Item 5. Other Information.

None.

Item 6. Exhibits.

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 Dean L. Cash
   31.2 Certification of Paritosh K. Choksi
   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

SIGNATURES

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

Date: November 14, 2011

ATEL CAPITAL EQUIPMENT FUND X, 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
ATEL Financial Services, LLC (Managing Member)

By: /s/ Paritosh K. Choksi

Paritosh K. Choksi
Executive Vice President and Chief Financial Officer and
Chief Operating Officer of ATEL Financial Services, LLC
(Managing Member)

By: /s/ Samuel Schussler

Samuel Schussler
Vice President and Chief Accounting Officer of
ATEL Financial Services, LLC (Managing Member)

Exhibit 31.1

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR RULE 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Dean L. Cash, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ATEL Capital Equipment Fund X, 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(s) 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) 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

    d) 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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(s) 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 control over financial reporting.

Date: November 14, 2011

/s/ Dean L. Cash

Dean L. Cash
President and Chief Executive Officer of
ATEL Financial Services, LLC (Managing Member)

Exhibit 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR RULE 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Paritosh K. Choksi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ATEL Capital Equipment Fund X, 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(s) 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) 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

   d) 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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(s) 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 control over financial reporting.

Date: November 14, 2011

/s/ Paritosh K. Choksi

Paritosh K. Choksi
Executive Vice President and Chief Financial
Officer and Chief Operating Officer of
ATEL Financial Services, LLC (Managing Member)

Exhibit 32.1

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

In connection with the Quarterly Report of ATEL Capital Equipment Fund X, LLC (the ''Company'') on Form 10-Q for the period ended September 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the ''Report''), I, Dean L. Cash, President and Chief Executive Officer of ATEL Financial Services, LLC, Managing Member of the Company, hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, 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.

Date: November 14, 2011

/s/ Dean L. Cash

Dean L. Cash
President and Chief Executive Officer of
ATEL Financial Services, LLC (Managing Member)

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

Exhibit 32.2

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

In connection with the Quarterly Report of ATEL Capital Equipment Fund X, LLC (the ''Company'') on Form 10-Q for the period ended September 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the ''Report''), I, Paritosh K. Choksi, Executive Vice President and Chief Financial Officer and Chief Operating Officer of ATEL Financial Services, LLC, Managing Member of the Company, hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, 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.

Date: November 14, 2011

/s/ Paritosh K. Choksi

Paritosh K. Choksi
Executive Vice President and
Chief Financial Officer and Chief Operating Officer of
ATEL Financial Services, LLC (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.