
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2006

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
(State or other jurisdiction of
Incorporation or organization)

68-0517690
(I. R. S. Employer
Identification No.)

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

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

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

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes No

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 April 30, 2007 was 13,987,486.

DOCUMENTS INCORPORATED BY REFERENCE

None

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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

ATEL CAPITAL EQUIPMENT FUND X, LLC

BALANCE SHEETS

JUNE 30, 2006 AND DECEMBER 31, 2005
(Unaudited)

	June 30, 2006	December 31, 2005
ASSETS		
Cash and cash equivalents	\$ 25,956,565	\$ 37,269,638
Accounts receivable	1,612,752	446,770
Notes receivable, net of unearned interest income of \$2,404,863 at June 30, 2006 and \$2,438,109 at December 31, 2005	9,919,699	8,699,947
Prepays and other assets	20,369	56,379
Investment in securities	145,043	74,999
Investments in equipment and leases, net of accumulated depreciation of \$16,360,631 at June 30, 2006 and \$11,076,538 at December 31, 2005	68,084,227	58,641,893
Total assets	<u>\$105,738,655</u>	<u>\$105,189,626</u>
LIABILITIES AND MEMBERS' CAPITAL		
Accounts payable and accrued liabilities:		
Managing Member	\$ 614,190	\$ 429,080
Accrued distributions to Other Members	1,315,375	1,357,329
Other	3,075,105	353,319
Accrued interest payable	7,583	—
Acquisition facility obligation	3,500,000	—
Deposits due lessees	80,738	110,977
Unearned operating lease income	1,114,081	916,557
Total liabilities	9,707,072	3,167,262
Commitments and contingencies		
Total Members' capital	96,031,583	102,022,364
Total liabilities and Members' capital	<u>\$105,738,655</u>	<u>\$105,189,626</u>

See accompanying notes.

ATEL CAPITAL EQUIPMENT FUND X, LLC

STATEMENTS OF OPERATIONS

THREE AND SIX MONTHS ENDED

JUNE 30, 2006 AND 2005

(Unaudited)

	<u>Three Months</u> <u>Ended June 30,</u>		<u>Six Months</u> <u>Ended June 30,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues:				
Leasing activities:				
Operating leases	\$ 3,342,920	\$ 2,464,914	\$ 6,374,822	\$ 4,471,053
Direct financing leases	32,056	47,531	67,811	112,715
Gain on sales of assets	6,979	25,115	7,135	25,115
Interest on notes receivable	277,406	144,882	507,069	286,486
Interest income	244,003	355,203	478,219	528,426
Gain on sales of securities	—	6,250	7,598	6,250
Other	27,022	1,469	30,760	5,005
Total revenues	3,930,386	3,045,364	7,473,414	5,435,050
Expenses:				
Depreciation of operating lease assets	2,758,456	2,000,568	5,285,790	3,561,702
Asset management fees to Managing Member	156,583	129,074	295,329	224,289
Acquisition expense	229,541	358,800	461,834	684,241
Cost reimbursements to Managing Member	204,032	178,663	402,976	347,722
Amortization of initial direct costs	69,243	49,052	130,433	89,925
Interest expense	7,583	—	18,583	—
Provision for doubtful accounts	(3,136)	—	—	—
Professional fees	233,753	8,629	443,962	27,080
Franchise fees and taxes	132,366	74,161	157,366	74,161
Insurance	12,484	—	37,537	—
Outside services	111,656	38,320	191,193	36,112
Other	(8,492)	15,456	(20,078)	79,013
Total operating expenses	3,904,069	2,852,723	7,404,925	5,124,245
Other income (expense), net	17,219	(20,753)	991	(22,904)
Net income	\$ 43,536	\$ 171,888	\$ 69,480	\$ 287,901
Net income (loss):				
Managing Member	\$ 230,898	\$ 227,247	\$ 454,520	\$ 515,901
Other Members	(187,362)	(55,359)	(385,040)	(228,000)
	<u>\$ 43,536</u>	<u>\$ 171,888</u>	<u>\$ 69,480</u>	<u>\$ 287,901</u>
Net loss per Limited Liability Company Unit (Other Members)	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.02)
Weighted average number of Units outstanding	14,005,986	14,015,652	14,005,986	13,406,893

See accompanying notes.

ATEL CAPITAL EQUIPMENT FUND X, LLC
STATEMENT OF CHANGES IN MEMBERS' CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2005
AND FOR THE
SIX MONTHS ENDED
JUNE 30, 2006
(Unaudited)

	<u>Other Members</u>		<u>Managing Member</u>	<u>Total</u>
	<u>Units</u>	<u>Amount</u>		
Balance December 31, 2004	11,722,823	\$ 93,503,507	\$ —	\$ 93,503,507
Capital Contributions	2,313,863	23,138,630	—	23,138,630
Less selling commissions to affiliates	—	(2,082,477)	—	(2,082,477)
Other syndication costs to affiliates	—	(629,186)	—	(629,186)
Rescissions of capital contributions	(10,000)	(96,333)	—	(96,333)
Repurchase of units	(20,700)	(173,951)	—	(173,951)
Distributions to Other Members (\$0.87 per Unit)	—	(11,973,296)	—	(11,973,296)
Distributions to Managing Member	—	—	(970,397)	(970,397)
Net income (loss)	—	335,470	970,397	1,305,867
Balance December 31, 2005	14,005,986	102,022,364	—	102,022,364
Distributions to Other Members (\$0.40 per Unit)	—	(5,605,741)	—	(5,605,741)
Distributions to Managing Member	—	—	(454,520)	(454,520)
Net income (loss)	—	(385,040)	454,520	69,480
Balance June 30, 2006	<u>14,005,986</u>	<u>\$ 96,031,583</u>	<u>\$ —</u>	<u>\$ 96,031,583</u>

See accompanying notes.

ATEL CAPITAL EQUIPMENT FUND X, LLC

STATEMENTS OF CASH FLOWS

THREE AND SIX MONTHS ENDED

JUNE 30, 2006 AND 2005

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Operating activities:				
Net income	\$ 43,536	\$ 171,888	\$ 69,480	\$ 287,901
Adjustment to reconcile net loss to cash provided by operating activities:				
Gain on sales of lease assets	(6,979)	(25,115)	(7,135)	(25,115)
Depreciation of operating lease assets	2,758,456	2,000,568	5,285,790	3,561,702
Amortization of initial direct costs	69,243	49,052	130,433	89,925
Provision for losses and doubtful accounts	(3,136)	—	—	—
Gain on sale of securities	—	(6,250)	(7,598)	(6,250)
Changes in operating assets and liabilities:				
Accounts receivable	(560,323)	(644,333)	(1,165,982)	(1,236,299)
Due from Managing Member	—	—	—	59,482
Prepays and other assets	10,877	80,956	36,010	—
Other assets	—	(293,436)	—	(286,952)
Accounts payable, Managing Member	(888,202)	(74,806)	185,110	230,947
Accounts payable, other	2,320,070	(70,388)	2,679,832	15,882
Accrued interest payable	250	—	7,583	—
Deposits due lessees	(19,006)	9,115	(30,239)	9,115
Unearned operating lease income	170,177	165,231	197,524	481,808
Net cash provided by operating activities	<u>3,894,963</u>	<u>1,362,482</u>	<u>7,380,808</u>	<u>3,182,146</u>
Investing activities:				
Purchases of equipment on operating leases	(9,886,349)	(10,896,984)	(14,923,534)	(20,031,042)
Proceeds from sales of lease assets	22,518	576,994	32,841	576,994
Reduction of net investment in direct financing leases	136,247	148,176	289,376	341,627
Note receivable advances	(1,978,808)	(220,468)	(2,444,828)	(813,957)
Payments received on notes receivable	712,335	311,652	1,211,482	597,326
Payments of initial direct costs	(166,023)	(200,239)	(236,511)	(259,997)
Purchase of investment securities	—	—	(70,044)	—
Proceeds from sale of securities	—	6,250	7,598	6,250
Net cash used in investing activities	<u>(11,160,080)</u>	<u>(10,274,619)</u>	<u>(16,133,620)</u>	<u>(19,582,799)</u>
Financing activities:				
Borrowings under acquisition facility	3,500,000	—	3,500,000	—
Capital contributions received	—	(75,330)	—	22,869,770
Payment of syndication costs to Managing Member	—	(192,256)	—	(2,759,027)
Distributions to Other Members	(2,800,979)	(2,711,583)	(5,605,741)	(5,045,544)
Distributions to Managing Member	(230,898)	(219,858)	(454,520)	(408,687)
Net cash used in financing activities	<u>468,123</u>	<u>(3,199,027)</u>	<u>(2,560,261)</u>	<u>14,656,512</u>
Net increase (decrease) in cash and cash equivalents	(6,796,994)	(12,111,164)	(11,313,073)	(1,744,141)
Cash and cash equivalents at beginning of period	<u>32,753,559</u>	<u>61,134,882</u>	<u>37,269,638</u>	<u>50,767,859</u>
Cash and cash equivalents at end of period	<u>\$ 25,956,565</u>	<u>\$ 49,023,718</u>	<u>\$ 25,956,565</u>	<u>\$ 49,023,718</u>
Supplemental disclosures of cash flow information:				
Cash paid during the period for interest	\$ —	\$ —	\$ 11,000	\$ —
Cash paid during the period for taxes	\$ 132,366	\$ 74,161	\$ 157,366	\$ 74,161

Schedule of non-cash transactions:

Distributions payable to Managing Member at period-end	<u>\$ 106,652</u>	<u>\$ 107,214</u>	<u>\$ 106,652</u>	<u>\$ 107,214</u>
Distributions payable to Other Members at period-end	<u>\$ 1,315,375</u>	<u>\$ 1,322,315</u>	<u>\$ 1,315,375</u>	<u>\$ 1,322,315</u>

See accompanying notes.

ATEL CAPITAL EQUIPMENT FUND X, LLC

NOTES TO FINANCIAL STATEMENTS

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 of the Company is ATEL Financial Services, LLC ("AFS"), a California limited liability corporation. The Company may continue until December 31, 2021.

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 \$1,200,000) 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 (leasing and lending activities). Total gross contributions in the amount of \$140,600,908 (14,059,136 units) were received as of June 30, 2006, \$140,600,408 of which represented AFS's continuing interest, and \$500 of which represented the Initial Member's capital investment. During the period from Inception through June 30, 2006, rescissions and repurchases totaled \$491,961 (53,150 units). The offering was terminated on March 11, 2005.

As of June 30, 2006, 14,005,986 Units (\$140,059,860) were issued and outstanding.

As a limited liability company, the liability of any individual member for the obligations of the Fund is limited to the extent of capital contributions to the Fund by the individual member.

Pursuant to the Company Operating Agreement, AFS receives compensation and reimbursements for services rendered on behalf of the Company (Note 5). AFS is required to maintain in the Company reasonable cash reserves for working capital, the repurchase of Units and contingencies. The repurchase of Units is solely at the discretion of the Managing Member.

The Company, or AFS on behalf of the Company, has incurred costs in connection with the organization, registration and issuance of the Limited Liability Company Units (Note 5). The amount of such costs to be borne by the Company is limited by certain provisions of the Company's Operating Agreement. The Company will pay AFS and affiliates of AFS substantial fees which may result in a conflict of interest. The Company will pay substantial fees to AFS and its affiliates before distributions are paid to investors even if the Company does not produce profits. Therefore, the financial position of the Company could change significantly.

The Company's principal objectives are to invest in a diversified portfolio of equipment that will (i) preserve, protect and return the Company's invested capital; (ii) generate 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, and (iii) provide additional distributions following the Reinvestment Period and until all equipment has been sold. The Company is governed by its Limited Liability Company Operating Agreement (Operating Agreement).

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, 2005, filed with the Securities and Exchange Commission.

2. Summary of significant accounting policies:

Basis of presentation:

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States, ("GAAP") for interim financial information and with instructions to Form 10-Q and Article 10 of Regulation S-X. The unaudited interim financial statements reflect all adjustments which are, in the opinion of the Managing Member, necessary 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. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that effect reported amounts in the financial statements and accompanying notes. Therefore, actual results could differ from those estimates. Operating results for the three and six months ended June 30, 2006 are not necessarily indicative of the results for the year ended December 31, 2006.

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

ATEL CAPITAL EQUIPMENT FUND X, LLC

NOTES TO FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued):

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 notes receivable.

Cash and cash equivalents:

Cash and cash equivalents include cash in banks and cash equivalent investments with original maturities of ninety days or less.

Credit risk:

Financial instruments that potentially subject the Company to concentrations of credit risk include cash and cash equivalents, direct finance lease receivables, notes receivable and accounts receivable. The Company places its cash deposits and temporary cash investments with creditworthy, high quality financial institutions and, therefore, believes that such concentration of such deposits and temporary cash investments is not deemed to create a significant risk to the Company. Accounts receivable represent amounts due from lessees in various industries, related to equipment on operating and direct financing leases.

Accounts receivable:

Accounts receivable represent the amounts billed under operating and direct financing lease and notes receivable contracts that are currently due to the Company. Allowances for doubtful accounts are typically established based on historical charge offs and collection experience and are usually determined by specifically identified lessees and invoiced amounts. Accounts receivable deemed uncollectible are charged off to the allowance on specific identification basis. Amounts recovered that were previously written-off are recorded as other income in the period received.

Direct financing leases and related revenue recognition:

Income from direct financing lease transactions is reported using the financing method of accounting, in which the Company's investment in the leased property is reported as a receivable from the lessee to be recovered through future rentals. The interest income portion of each rental payment is calculated so as to generate a constant rate of return on the net receivable outstanding.

Allowances for losses on direct financing leases are typically established based on historical charge offs and collections experience and are usually determined by specifically identified lessees and billed and unbilled receivables. Direct financing leases are charged off to the allowance when they are deemed uncollectible.

Direct financing leases 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 credit worthiness of all direct finance lessees with payments outstanding less than 90 days. Based upon management's judgment, direct finance lessees may be placed in a non-accrual status. Leases 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 lease payments is probable.

Equipment on operating leases and related revenue recognition:

Equipment subject to operating leases is stated at cost. Depreciation is being recognized on a straight-line method over the terms of the related leases to the equipment's estimated residual values at the end of the leases.

Operating lease revenue is recognized on a straight-line basis over the term of the underlying leases. The initial lease terms will vary as to the type of equipment subject to the leases, the needs of the lessees and the terms to be negotiated, but initial leases are generally from 24 to 96 months. The difference between rent received and rental revenue recognized is recorded as unearned operating lease income on the balance sheet.

ATEL CAPITAL EQUIPMENT FUND X, LLC

NOTES TO FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued):

Notes receivable, unearned interest income and related revenue recognition:

The Company records all future payments of principal and interest on notes as notes receivable which is then offset by the amount of any related unearned interest income. For financial statement purposes, the Company reports only the net amount of principal due on the balance sheet. The unearned interest is recognized over the term of the note and the income portion of each note payment is calculated so as to generate a constant rate of return on the net balance outstanding. Any fees or costs related to notes receivable are recorded as part of the net investment in notes receivable and amortized over the term of the loan.

Allowances for losses on notes receivable are typically established based on historical charge offs and collections experience and are usually determined by specifically identified borrowers and billed and unbilled receivables. Notes are charged off to the allowance as they are deemed uncollectible.

Notes 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 credit worthiness of companies with note payments outstanding less than 90 days. Based upon management's judgment, notes may be placed in a non-accrual status. 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.

Initial direct costs:

The Company capitalizes initial direct costs ("IDC") associated with the origination and funding of lease assets and investments in notes receivable as defined in Statement of Financial Accounting Standards ("SFAS") No. 91 ("SFAS No. 91") "Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases." IDC includes both internal costs (e.g., labor and overhead) and external broker fees incurred with the origination. The costs are amortized on a lease by lease basis based on actual lease term using a straight-line method for operating leases and the effective interest rate method for direct finance leases and notes receivable. Upon disposal of the underlying lease assets, both the initial direct costs and the associated accumulated amortization are relieved. Costs related to leases or notes receivable that are not consummated are not eligible for capitalization as initial direct costs and are expensed as acquisition expense.

Acquisition expense:

Acquisition expense represents costs which include, but are not limited to, legal fees and expenses, travel and communication expenses, cost of appraisals, accounting fees and expenses and miscellaneous expenses related to the selection and acquisition of equipment which are reimbursable to the Managing Member under the terms of the Operating Agreement. As the costs are not eligible for capitalization as initial direct costs, such amounts are expensed as incurred.

Asset valuation:

Recorded values of the Company's asset portfolio are periodically reviewed for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." An impairment loss is measured and recognized only if the estimated undiscounted future cash flows of the asset are less than their 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. Impairment is measured as the difference between the fair value (as determined by the discounted estimated future cash flows) of the asset and its carrying value on the measurement date.

ATEL CAPITAL EQUIPMENT FUND X, LLC

NOTES TO FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued):

Segment reporting:

The Company reports segment information in accordance with SFAS No. 131 “Disclosures about Segments of an Enterprise and Related Information.” SFAS No. 131 establishes annual and interim standards for operating segments of a company. It also requires entity-wide disclosures about the products and services an entity provides, the material countries in which it holds assets and reports revenue, and its major customers. 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 Company’s chief operating decision makers are the Managing Member’s Chief Operating Officer and its Chief Executive Officer. The Company believes that its equipment leasing business operates as one reportable segment because: a) the Company measures profit and loss at the equipment portfolio level as a whole; b) the chief operating decision makers do not review information based on any operating segment other than the equipment leasing transaction portfolio; c) the Company does not maintain discrete financial information on any specific segment other than its equipment financing operations; d) the Company has not chosen to organize its business around different products and services other than equipment lease financing; and e) the Company has not chosen to organize its business around geographic areas.

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 six months ended June 30, 2006 and 2005 and long-lived tangible assets as of June 30, 2006 and December 31, 2005:

	For the six months ended June 30,			
	2006	% of Total	2005	% of Total
Revenue				
United States	\$ 6,780,457	91%	\$ 5,043,400	93%
United Kingdom	560,480	7%	249,419	4%
Canada	132,477	2%	142,231	3%
Total International	692,957	9%	391,650	7%
Total	\$ 7,473,414	100%	\$ 5,435,050	100%

	As of June 30,		As of December 31,	
	2006	% of Total	2005	% of Total
Long-lived tangible assets				
United States	\$61,228,858	90%	\$51,234,368	87%
United Kingdom	4,544,823	7%	5,005,945	9%
Canada	2,310,546	3%	2,401,580	4%
Total International	6,855,369	10%	7,407,525	13%
Total	\$68,084,227	100%	\$58,641,893	100%

ATEL CAPITAL EQUIPMENT FUND X, LLC

NOTES TO FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued):

Derivative financial instruments:

In June 1998, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities,” which established new accounting and reporting standards for derivative instruments. SFAS No. 133 has been amended by SFAS No. 137, issued in June 1999, by SFAS No. 138, issued in June 2000 and by SFAS No. 149, issued in June 2003.

SFAS No. 133, as amended, requires the Company to recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. It further provides criteria as to when derivative instruments can be designated as fair value, cash flow, or foreign currency hedges, and establishes accounting standards for reporting changes in the fair value of the derivative instruments. The Company records derivative instruments at fair value in the balance sheet and recognizes the offsetting gains or losses as adjustments to net income.

Credit exposure from derivative financial instruments, which are assets, arises from the risk of a counterparty default on the derivative contract. The amount of the loss created by the default is the replacement cost or current positive fair value of the defaulted contract.

SFAS No. 133, as amended, had no impact on the Company’s financial statements as of and for the periods ended June 30, 2006 and December 31, 2005 as the Company did not utilize derivatives in those periods.

Foreign currency transactions:

Foreign currency transaction gains and losses are reported in the results of operations as other income in the period in which they occur. Currently, the Company does not use derivative instruments to hedge its economic exposure with respect to assets, liabilities and firm commitments as the foreign currency transactions and risks to date have not been significant. The Company recognized a foreign currency gain of \$991 and a foreign currency loss of \$22,904 for the six months ended June 30, 2006 and 2005, respectively, which are included in other income (expense), net in each of the reporting periods.

Investment in securities

Purchased securities

Purchased securities are not registered for public sale and are carried at lower of cost or market at the end of the period as determined by the Managing Member. Factors considered by the Managing Member in determining fair value include cost, the type of investment, subsequent purchases of the same or similar investments by the Company or other investors, the current financial position and operating results of the company issuing the securities and such other factors as may be deemed relevant. The Managing Member’s estimate and assumption of fair value of the private securities may differ significantly from the values that would have been used had a ready market existed, and the differences could be material.

Warrants

Warrants owned by the Company are not registered for public sale and are carried at an estimated fair value on the balance sheet at the end of the period, as determined by the Managing Member. Factors considered by the Managing Member in determining fair value include cost, the type of investment, subsequent purchases of the same or similar investments by the Company or other investors, the current financial position and operating results of the company issuing the securities and such other factors as may be deemed relevant. The Managing Member’s estimate and assumption of fair value of the private securities may differ significantly from the values that would have been used had a ready market existed, and the differences could be material. At June 30, 2006 and December 31, 2005, the Managing Member the estimated fair value of the warrants to be nominal in amount.

Unearned operating lease income:

The Company records prepayments on operating leases as a liability, unearned operating lease income. The liability is recorded when the prepayments are received and recognized as operating lease revenue ratably over the period to which the prepayments relate.

ATEL CAPITAL EQUIPMENT FUND X, LLC

NOTES TO FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued):

Income taxes:

The Company is treated as a partnership for federal income tax purposes. Pursuant to the provisions of Section 701 of the Internal Revenue Code, a partnership is not subject to federal income taxes. Accordingly, the Company has provided current franchise income taxes for only those states which levy income taxes on partnerships.

Other income (expense), net:

Other income for the six months ended June 30, 2006 was solely comprised of a foreign currency gain of \$991, while other expense for the six months ended June 30, 2005 was solely comprised of a foreign currency loss of \$22,904.

Per Unit data:

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

3. Notes receivable, net:

The Company has various notes receivable from parties who have financed the purchase of equipment through the Company. The terms of the notes receivable are 16 to 120 months and bear interest at rates ranging from 9% to 21%. The notes are secured by the equipment financed. There were no impaired notes as of June 30, 2006 and December 31, 2005. As of June 30, 2006, the minimum future payments receivable are as follows:

Six months ending December 31, 2006	\$ 1,830,409
Year ending December 31, 2007	3,398,911
2008	2,564,877
2009	2,424,369
2010	393,128
2011	393,128
Thereafter	1,262,647
	<u>12,267,469</u>
Less: portion representing unearned interest income	<u>(2,404,863)</u>
	9,862,606
Unamortized initial direct costs	57,093
Notes receivable, net	<u>\$ 9,919,699</u>

ATEL CAPITAL EQUIPMENT FUND X, LLC

NOTES TO FINANCIAL STATEMENTS

3. Notes receivable, net (continued):

For the six months ended June 30, 2006, IDC amortization expense related to notes receivable was \$27,045. Together with IDC amortization expense related to operating leases and direct finance leases (discussed in Note 4) of \$103,388, total IDC amortization expense was \$130,433.

For the six months ended June 30, 2005, IDC amortization expense related to notes receivable was \$24,300. Together with IDC amortization expense related to operating leases and direct finance leases (discussed in Note 4) of \$65,625, total IDC amortization expense was \$89,925.

4. Investment in equipment and leases, net:

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

	Balance December 31, 2005	Reclassifications & Additions / Dispositions	Depreciation / Amortization Expense or Amortization of Leases	Balance June 30, 2006
Net investment in operating leases	\$55,841,987	\$ 14,913,368	\$(5,285,790)	\$65,469,565
Net investment in direct financing leases	2,171,111	(14,870)	(289,376)	1,866,865
Initial direct costs, net of accumulated amortization of \$319,360 in 2006 and \$287,147 in 2005	628,795	222,390	(103,388)	747,797
Total	<u>\$58,641,893</u>	<u>\$ 15,120,888</u>	<u>\$(5,678,554)</u>	<u>\$68,084,227</u>

Additions to net investment in operating leases are stated at cost and include amounts accrued at June 30, 2006 related to asset purchase obligations.

For the six months ended June 30, 2006, IDC amortization expense related to operating and direct finance leases was \$103,388. Together with IDC amortization expense related to notes receivable (as discussed in Note 3) of \$27,045, total IDC amortization expense was \$130,433.

For the six months ended June 30, 2005, IDC amortization expense related to operating and direct finance leases was \$65,625. Together with IDC amortization expense related to notes receivable (as discussed in Note 3) of \$24,300, total IDC amortization expense was \$89,925.

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

Impairment losses are recorded as an addition to accumulated depreciation of the impaired assets. Depreciation expense on property subject to operating leases and property held for lease or sale was \$5,285,790 and \$3,561,702 for the six months ended June 30, 2006 and 2005, respectively. There were no lease assets held for sale at June 30, 2006 and December 31, 2005. There were no impairment losses for the six months ended June 30, 2006 and 2005.

All of the leased property was acquired between 2003 and 2006.

ATEL CAPITAL EQUIPMENT FUND X, LLC

NOTES TO FINANCIAL STATEMENTS

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

Operating leases:

Property on operating leases consists of the following:

	Balance December 31, 2005	Additions	Reclassifications or Dispositions	Balance June 30, 2006
Mining	\$ 19,360,007	\$ —	\$ (5,947,682)	\$ 13,412,325
Transportation	12,148,615	—	—	12,148,615
Materials handling	22,537,634	5,606,144	(12,366,326)	15,777,452
Manufacturing	5,848,508	3,210,159	4,467,654	13,526,321
Data processing	1,079,722	—	—	1,079,722
Transportation, rail	5,944,039	5,950,043	(11,864)	11,882,218
Construction	—	157,188	9,366,482	9,523,670
Logging & Lumber	—	—	4,479,872	4,479,872
	<u>66,918,525</u>	<u>14,923,534</u>	<u>(11,864)</u>	<u>81,830,195</u>
Less accumulated depreciation	<u>(11,076,538)</u>	<u>(5,285,790)</u>	<u>1,698</u>	<u>(16,360,630)</u>
Total	<u>\$ 55,841,987</u>	<u>\$ 9,637,744</u>	<u>\$ (10,166)</u>	<u>\$ 65,469,565</u>

The average estimated residual value for assets on operating leases at June 30, 2006 and December 31, 2005 were 23% and 26% of the assets' original cost, respectively.

Direct financing leases:

As of June 30, 2006, investment in direct financing leases consists of materials handling equipment and office furniture. The following lists the components of the Company's investment in direct financing leases as of June 30, 2006 and December 31, 2005:

	June 30, 2006	December 31, 2005
Total minimum lease payments receivable	\$1,745,707	\$ 2,102,894
Estimated residual values of leased equipment (unguaranteed)	323,809	338,680
Investment in direct financing leases	2,069,516	2,441,574
Less unearned income	(202,651)	(270,463)
Net investment in direct financing leases	<u>\$1,866,865</u>	<u>\$ 2,171,111</u>

At June 30, 2006, the aggregate amounts of future minimum lease payments receivable are as follows:

	Operating Leases	Direct Financing Leases	Total
Six months ending December 31, 2006	\$ 7,849,909	\$ 314,934	\$ 8,164,843
Year ending December 31, 2007	13,301,086	548,847	13,849,933
2008	12,443,424	483,446	12,926,870
2009	9,975,136	398,480	10,373,616
2010	4,910,169	—	4,910,169
2011	2,893,558	—	2,893,558
Thereafter	4,356,673	—	4,356,673
	<u>\$55,729,955</u>	<u>\$1,745,707</u>	<u>\$57,475,662</u>

ATEL CAPITAL EQUIPMENT FUND X, LLC

NOTES TO FINANCIAL STATEMENTS

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

The Company utilizes a straight line depreciation method for equipment in all of the categories currently in its portfolio of lease transactions. The useful lives for investment in leases by category are as follows:

<u>Equipment category</u>	<u>Useful Life (yrs)</u>
Mining	30 - 40
Transportation, rail	30 - 35
Manufacturing	10 - 20
Materials handling	7 - 10
Transportation	7 - 10
Logging & Lumber	7 - 10
Construction	7 - 10
Data processing	3 - 5

5. 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 for 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. Reimbursable costs incurred by AFS are allocated to the Company based upon estimated time incurred by employees working on Company business and an allocation of rent and other costs based on utilization studies. 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”); ATEL Equipment Corporation (“AEC”); ATEL Investor Services (“AIS”); and AFS is a wholly-owned subsidiary of ATEL Capital Group and performs services for the Company. Acquisition services are performed for the Company by ALC; equipment management, lease administration and asset disposition services are performed by AEC; investor relations and communications services are performed by AIS; and general administrative services for the Company are performed by AFS.

Cost reimbursements to Managing Member are based on costs incurred by AFS in performing administrative services for the Company that are allocated to each fund that AFS manages based on certain criteria such as existing or new leases, number of investors or equity depending on the type of cost incurred.

During the six months ended June 30, 2006 and 2005, AFS and/or affiliates earned fees, commissions and reimbursements, pursuant to the Operating Agreement as follows:

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30,</u>	<u>June 30,</u>	<u>June 30,</u>	<u>June 30,</u>
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Costs reimbursed to Managing Member	\$204,032	\$178,663	\$ 402,976	\$ 347,722
Asset management fees to Managing Member	156,583	129,074	295,329	224,289
Selling commissions (equal to 9% of the selling price of the Limited Liability Company Units, deducted from Other Members’ capital)	—	—	—	2,082,138
Reimbursement of other syndication costs to Managing Member, deducted from Other Members’ capital	—	44,025	—	676,889
Acquisition and initial direct costs paid to Managing Member	314,540	454,213	579,299	822,746
	<u>\$675,155</u>	<u>\$805,975</u>	<u>\$1,277,604</u>	<u>\$4,153,784</u>

ATEL CAPITAL EQUIPMENT FUND X, LLC

NOTES TO FINANCIAL STATEMENTS

6. Borrowing facilities:

The Company participates with AFS and certain of its affiliates in a financing arrangement ((the “Master Terms Agreement”) comprised of a working capital facility to AFS, an acquisition facility and a warehouse facility to AFS, the Company and affiliates and a venture facility available to an affiliate) with a group of financial institutions that includes certain financial and non-financial covenants. The financial arrangement is \$75,000,000 and expires in June 2007. The availability of borrowings available to the Company under this financing arrangement is reduced by the amount outstanding on any of the above mentioned facilities.

As of June 30, 2006, borrowings under the facility were as follows:

Total amount available under the financing arrangement	\$ 75,000,000
Amount borrowed by the Company under the acquisition facility	(3,500,000)
Amounts borrowed by affiliated partnerships and limited liability companies under the acquisition facility	(14,000,000)
Total remaining available under the acquisition and warehouse facilities	<u>\$ 57,500,000</u>

The Company is contingently liable for principal payments under the warehouse facility as borrowings are recourse jointly and severally to the extent of the pro-rata share of the Company’s net worth as compared to the aggregate net worth of certain of the affiliated partnerships and limited liability companies of the Company and including AFS and ALC (which latter two entities are 100% liable). The Company and its affiliates pay an annual commitment fee to have access to this line of credit. There were no borrowings under the warehouse facility as of June 30, 2006 and December 31, 2005.

The interest rate on the Master Terms Agreement 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 Master Terms Agreement that are prepaid may be re-borrowed on the terms and subject to the conditions set forth under the Master Terms Agreement.

Draws on the acquisition facility by any affiliated partnership and/or limited liability company borrower are secured by a blanket lien on that borrower’s assets, including but not limited to equipment and related leases.

To manage the warehousing facility for the holding of assets prior to allocation to specific investor programs, a Warehousing Trust Agreement has been entered into by the Company, AFS, ALC, and certain of the affiliated partnerships and limited liability companies.

The warehousing facility is used 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 Agreement, 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 will be added. As of June 30, 2006, the investment program participants were ATEL Capital Equipment Fund VII, L.P., ATEL Capital Equipment Fund VIII, LLC, ATEL Capital Equipment Fund IX, LLC, the Company and ATEL Capital Equipment Fund XI, LLC. Pursuant to the Warehousing Trust Agreement, the benefit of the lease transaction assets, and the corresponding liabilities under the warehouse borrowing 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 warehouse trust estate, excepting that the trustees, AFS and ALC, are both liable for their pro-rata shares of the obligations based on their respective net worth, and jointly liable for the pro rata portion of the obligations of each of the affiliated partnerships and limited liability companies participating under the borrowing facility. Transactions are financed through this warehousing 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 the acquisition facility financing, 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.

The financing arrangement discussed above includes certain financial and non-financial covenants applicable to each borrower. The Company and affiliates were not in compliance with non-financial covenants as of June 30, 2006. The Managing Member, on behalf of all borrowers, requested and received a waiver of this covenant from the lenders until May 31, 2007.

ATEL CAPITAL EQUIPMENT FUND X, LLC

NOTES TO FINANCIAL STATEMENTS

6. Borrowing facilities (continued):

As of June 30, 2006, the Company had \$3,500,000 outstanding under the acquisition facility. There were no outstanding borrowings as of December 31, 2005. Interest on the acquisition facility is based on either the thirty day LIBOR rate or the bank's prime rate. The effective interest rate on borrowings at June 30, 2006 was 8.25%. The carrying amount of the Company's acquisition facility obligation approximates fair value.

7. Commitments:

At June 30, 2006, there were commitments to purchase lease assets totaling approximately \$19,282,669. This amount represents contract awards which may be cancelled by the prospective lessee or may not be accepted by the Company.

8. 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.

In the normal course of business, the Company enters into contracts of various types, including lease contracts, contracts for the sale or purchase of lease assets, management contracts, loan agreements, credit lines and other debt facilities. It is prevalent industry practice for most contracts of any significant value to include provisions that each of the contracting parties—in addition to assuming liability for breaches of the representations, warranties, and covenants that are part of the underlying contractual obligations—also assume an obligation to indemnify and hold the other contracting party harmless for such breaches, for harm caused by such party's gross negligence and willful misconduct, including, in certain instances, certain costs and expenses arising from the contract. The Managing Member has substantial experience in managing similar leasing programs subject to similar contractual commitments in similar transactions, and the losses and claims arising from these commitments have been insignificant, if any. Generally, to the extent these contracts are performed in the ordinary course of business under the reasonable business judgment of the Managing Member, no liability will arise as a result of these provisions. The Managing Member has no reason to believe that the facts and circumstances relating to the Company's contractual commitments differ from those it has entered into on behalf of the prior programs it has managed. 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.

9. Member's capital:

Units issued and outstanding were 14,005,986 at June 30, 2006 and December 31, 2005. The Company is authorized to issue up to 15,000,000 Units in addition to the Units issued to the initial members (50 Units).

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 in 2006 and 2005. 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:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Distributions declared	\$ 2,800,979	\$ 2,802,718	\$ 5,605,741	\$ 6,367,859
Weighted average number of Units outstanding	14,005,986	14,015,652	14,005,986	13,406,893
Weighted average distributions per Unit	0.20	0.20	0.40	0.47

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

Statements contained in this Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and elsewhere in this Form 10-Q, which are not historical facts, may be forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected. Investors are cautioned not to attribute undue certainty to these forward-looking statements, which speak only as of the date of this Form 10-Q. We undertake no obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this Form 10-Q or to reflect the occurrence of unanticipated events, other than as required by law.

Capital Resources and Liquidity

The Company’s public offering provided for a total maximum capitalization of \$150,000,000. As of March 12, 2005, the offering was concluded. As of that date, subscriptions for 14,059,136 Units had been received, of which 53,150 Units were rescinded or repurchased by the Company through June 30, 2006. The liquidity of the Company will vary in the future, 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 Members and to the extent expenses exceed cash flows from leases and proceeds from asset sales.

The Company participates with ATEL Financial Services, LLC (“AFS”) and certain of its affiliates, as defined in the Operating Agreement, in a financing arrangement ((the “Master Terms Agreement”) comprised of a working capital facility to AFS, an acquisition facility and a warehouse facility to AFS, the Company and affiliates, and a venture facility available to an affiliate) with a group of financial institutions that includes certain financial and non-financial covenants. The financing arrangement is \$75,000,000 and expires in June 2007. The availability of borrowings available to the Company under this financing arrangement is reduced by the amount outstanding on any of the above mentioned facilities.

Borrowings under the facility as of June 30, 2006 were as follows:

Total amount available under the financing arrangement	\$ 75,000,000
Amount borrowed by the Company under the acquisition facility	(3,500,000)
Amount borrowed by affiliated partnerships and limited liability companies under the acquisition facility	(14,000,000)
Total available under the above mentioned facilities	<u>\$ 57,500,000</u>

The Company is contingently liable for principal payments under the warehouse facility as borrowings are recourse jointly and severally to the extent of the pro-rata share of the Company’s net worth as compared to the aggregate net worth of certain of the affiliated partnerships and limited liability companies of the Company and including AFS and ATEL Leasing Corporation (“ALC”) (which latter two entities are 100% liable). The Company and its affiliates pay an annual commitment fee to have access to this line of credit. There were no borrowings under the warehouse facility as of June 30, 2006 and December 31, 2005.

The interest rate on the Master Terms Agreement 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 Master Terms Agreement that are prepaid may be re-borrowed on the terms and subject to the conditions set forth under the Master Terms Agreement.

Draws on the acquisition facility by any affiliated partnership and/or limited liability company borrower are secured only by that borrower’s assets, including but not limited to equipment and related leases.

To manage the warehousing facility for the holding of assets prior to allocation to specific investor programs, a Warehousing Trust Agreement has been entered into by the Company, AFS, ALC, and certain of the affiliated partnerships and limited liability companies. The warehousing facility is used 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 Agreement, 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 will be added. As of June 30, 2006, the investment program participants were ATEL Capital Equipment Fund VII, L.P., ATEL Capital Equipment Fund VIII, LLC, ATEL Capital Equipment Fund IX, LLC, the Company and ATEL Capital Equipment Fund XI, LLC. Pursuant to the Warehousing Trust Agreement, the benefit of the lease transaction assets, and the corresponding liabilities under the warehouse borrowing 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 warehouse trust estate, excepting that the trustees, AFS and ALC, are both liable for their pro-rata shares of the obligations based on their respective net worth, and jointly liable for the pro rata portion of the obligations of each of the affiliated partnerships and limited liability companies participating under the borrowing facility. Transactions are financed through this warehousing 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 the acquisition facility financing, 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.

The financing arrangement discussed above includes certain financial and non-financial covenants applicable to each borrower. The Company and affiliates were not in compliance with non-financial covenants as of June 30, 2006. The Managing Member, on behalf of all borrowers, requested and received a waiver of this covenant from the lenders until May 31, 2007.

As of June 30, 2006, the Company had \$3,500,000 outstanding under the acquisition facility. There were no outstanding borrowings as of December 31, 2005. Interest on the acquisition facility is based on either the thirty day LIBOR rate or the bank's prime rate. The effective interest rate on borrowings at June 30, 2006 was 8.25%.

Throughout the reinvestment period, the Company anticipates reinvesting a portion of lease payments from assets owned in new leasing transactions. Such reinvestment will occur only after the payment of all current obligations, including debt service (both principal and interest), the payment of management and acquisition fees to AFS, and providing for cash distributions to the members.

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

The Company currently 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.

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.

If interest rates increase significantly, the lease rates that the Company can obtain on future leases will be expected to increase as the cost of capital is a significant factor in the pricing of lease financing. Leases already in place, for the most part, would not be affected by changes in interest rates. For detailed information on the Company's debt obligations, see footnotes 6 through 8 in the notes to the financial statements.

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

AFS expects that aggregate borrowings in the future will be approximately 50% of aggregate equipment cost. In any event, the Operating Agreement limits such borrowings to 50% of the total cost of equipment, in aggregate.

As of June 30, 2006, cash balances consisted of working capital and amounts reserved for distributions to be paid in July 2006, generated from operations in 2006.

At June 30, 2006, there were commitments to purchase lease assets totaling approximately \$19,282,669. This amount represents contract awards which may be cancelled by the prospective lessee or may not be accepted by the Company.

The Company announced the commencement of regular 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 June 2006.

Cash Flows

The three months ended June 30, 2006 versus the three months ended June 30, 2005

In 2006 and 2005, the Company's primary source of cash from operations was rents from operating leases. Cash flows from operations increased by \$2,532,481 from \$1,362,482 in 2005 to \$3,894,963 in 2006. The increase was due to increased revenues primarily as result of the increase in the Company's lease assets. Operating lease revenue increased \$878,006 from \$2,464,914 in 2005 to \$3,342,920 in 2006. In addition, cash from operations was impacted by an increase in accounts payable and accrued liabilities, which favorably impacted cash flows by \$1,431,868 in 2006 compared to an unfavorable impact of \$145,194 in 2005.

In 2006 and 2005, the primary use of cash in investing activities was the origination and funding of lease assets and investments in notes receivable. Cash used in investing activities increased by \$885,461 from \$10,274,619 in 2005 to \$11,160,080 in 2006. The increase in cash used in investing activities was primarily due to an increase in funding of investments in notes receivable partially offset by a decrease in purchases of lease assets. Cash used to fund investments in notes receivable increased by \$1,758,340 from \$220,468 in 2005 to \$1,978,808 in 2006, while cash used to purchase lease assets declined by \$1,010,635 from \$10,896,984 in 2005 to \$9,886,349 in 2006.

In 2006 and 2005, the main use of cash in financing activities was payment of distributions to the Managing Member and Other Members. Cash provided by financing activities totaled \$468,123 in 2006 while cash used in financing activities totaled \$3,199,027 in 2005. Cash increased as the Company utilized its credit facility and borrowed \$3,500,000 during the second quarter of 2006. There were no sources of cash from borrowing activities during 2005. Also, cash provided by proceeds from the sale of Units ceased subsequent to the Company's termination of the offering in March 2005.

The six months ended June 30, 2006 versus the six months ended June 30, 2005

In 2006 and 2005, the Company's primary source of cash from operations was rents from operating leases. Cash flows from operations increased by \$4,198,662 from \$3,182,146 in 2005 to \$7,380,808 in 2006. The increase was primarily due to increased operating lease revenues resulting from the increase in the Company's lease assets. Operating lease revenue increased \$1,903,769 from \$4,471,053 in 2005 to \$6,374,822 in 2006. Additionally, the increase in accounts payable and accrued liabilities favorably impacted cash flows by \$2,864,942 in 2006 compared to \$246,829 in 2005.

In 2006 and 2005, the primary use of cash in investing activities was the origination and funding of lease assets and investments in notes receivable. Cash used in investing activities decreased by \$3,449,179 from \$19,582,799 in 2005 to \$16,133,620 in 2006. The decrease in cash used in investing activities was primarily due to a decrease in purchases of lease assets partially offset by an increase in funding of investments in notes receivable. Cash used to purchase lease assets declined by \$5,107,508 from \$20,031,042 in 2005 to \$14,923,534 in 2006, while cash used to fund investments in notes receivable increased by \$1,630,871 from \$813,957 in 2005 to \$2,444,828 in 2006.

In 2006, the Company's primary source of cash from financing activities was borrowings under various debt agreements, net of repayments; while in 2005, the primary source of cash was the proceeds of its offering of Units. In both 2006 and 2005, the main usage of cash was payment of distributions to the Managing Member and Other Members. Cash used in financing activities was \$2,560,261 in 2006 while cash provided by financing activities totaled \$14,656,512. The decrease is primarily due to the termination of the sale of Units. Cash in 2005 included \$22,869,770 of proceeds from the sale of Units. During 2006, the Company borrowed \$3,500,000 from its acquisition facility.

Results of Operations

As of April 9, 2003, the Company, had received and accepted subscriptions for the minimum amount of the offering (\$1,200,000). As of that date, the Company commenced operations in its primary business ("leasing and lending activities"). After the Company's public offering and its initial asset acquisition stage terminate, the results of operations are expected to change significantly.

Cost reimbursements to Managing Member are based on costs incurred by AFS in performing administrative services for the Company that are allocated to each Company that AFS manages based on certain criteria such as existing or new leases, number of investors or equity depending on the type of cost incurred.

The three months ended June 30, 2006 versus the three months ended June 30, 2005

The Company had net income of \$43,536 and \$171,888 for the three months ended June 30, 2006 and 2005, respectively. Net income declined as the increase in year over year revenues was more than offset by a slightly higher increase in operating expenses.

Revenues increased by \$885,022 from \$3,045,364 in 2005 to \$3,930,386 in 2006 primarily due to an increase in operating lease revenue. Operating lease revenue increased by \$878,006, or 36%, from \$2,464,914 in 2005 to \$3,342,920 in 2006. The increase was primarily due to earning assets acquired in 2005 and 2006.

The Company's largest expense is depreciation, which is directly related to its acquisition of operating lease assets during its initial acquisition phase. Depreciation expense totaled \$2,758,456 and \$2,000,568 for the three months ended June 30, 2006 and 2005, respectively.

The Company also incurs certain expenses related to the acquisition of assets. As defined by the Company's Operating Agreement, acquisition expense shall mean expenses including, but not limited to, legal fees and expenses, travel and communication expenses, costs of appraisals, accounting fees and expenses, and miscellaneous expenses relating to selection and acquisition of equipment, whether or not acquired. Acquisition expense totaled \$229,541 and \$358,800 for the three months ended June 30, 2006 and 2005, respectively.

Cost reimbursements to Managing Member increased by \$25,369 from \$178,663 in 2005 to \$204,032 in 2006.

Professional fees and outside services increased by \$298,460 from \$46,949 in 2005 to \$345,409 in 2006 as the Company contracted outside professionals to assist in managing the process of restating and filing previously filed financial statements.

The Company recorded other income of \$17,219 and other expense of \$20,753 for the three months ended June 30, 2006 and 2005, respectively, which represents gains and losses on foreign exchange transactions recognized for each period.

The six months ended June 30, 2006 versus the six months ended June 30, 2005

The Company had net income of \$69,480 and \$287,901 for the six months ended June 30, 2006 and 2005, respectively. Net income declined as the growth in revenues was exceeded by the increase in expenses. Total revenues increased by \$2,038,364, or 38%, from \$5,435,050 in 2005 to \$7,473,414 in 2006 while expenses increased by \$2,280,680, or 45%, from \$5,124,245 in 2005 to \$7,404,925 in 2006.

The increase in revenues was driven primarily by increases in operating leases revenue and interest earned on the notes receivable. Revenues from operating leases increased by \$1,903,769 from \$4,471,053 in 2005 to \$6,374,822 in 2006, primarily due to the acquisition of lease assets during 2005 and 2006. The interest earned on the notes receivable increased by \$220,583 from \$286,486 in 2005 to \$507,069 in 2006.

As previously mentioned, the Company's largest expense is depreciation. Depreciation expense totaled \$5,285,790 and \$3,561,702 for the six months ended June 30, 2006 and 2005, respectively.

Acquisition expense totaled \$461,834 and \$684,241 for the six months ended June 30, 2006 and 2005, respectively.

Professional fees and outside services increased by \$571,963 from \$63,192 in 2005 to \$635,155 in 2006 as the Company contracted outside professionals to facilitate restating and filing of previously filed financial statements.

Certain other operating expenses—including asset management fees to Managing Member, cost reimbursements to Managing Member, amortization of IDC costs and interest expense, increased as a result of increases in the Company's lease assets and borrowings. These expenses increased by \$185,385 from \$661,936 in 2005 to \$847,321 in 2006.

The Company recorded other income of \$991 and other expense of \$22,904 for the six months ended June 30, 2006 and 2005, respectively, which represents gains and losses on foreign exchange transactions recognized for each period.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Company, like most other companies, is exposed to certain market risks, including primarily changes in interest rates. The Company believes its exposure to other market risks, including foreign currency exchange rate risk, commodity risk and equity price risk, are insignificant to both its financial position and results of operations.

In general, the Company expects to manage its exposure to interest rate risk by obtaining fixed rate debt. The fixed rate debt is to be structured so as to match the cash flows required to service the debt to the payment streams under fixed rate lease receivables. The payments under the leases are assigned to the lenders in satisfaction of the debt. Furthermore, AFS has historically been able to maintain a stable spread between its cost of funds and lease yields in both periods of rising and falling interest rates. Nevertheless, the Company expects to frequently fund leases with its floating interest rate line of credit and will, therefore, be exposed to interest rate risk until fixed rate financing is arranged, or the floating interest rate line of credit is repaid.

Item 4. Controls and procedures.

Evaluation of disclosure controls and procedures

The Company's Managing Member's Chief Executive Officer, and Executive Vice President and Chief Financial and Operating Officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15 (e)) during and as of the end of the period covered by this report. Based on this evaluation, the Chief Executive Officer and Executive Vice President and Chief Financial and Operating Officer concluded that at June 30, 2006, certain material weaknesses existed in the Company's internal control over financial reporting.

As reported in our Form 10-K for the year ended December 31, 2005, the Company does not control the financial reporting process, and is dependent on the Managing Member, who is responsible for providing the Company with financial statements in accordance with generally accepted accounting principles. The Managing Member's disclosure controls and procedures over the: a) application of generally accepted accounting principles for leasing transactions (specifically, timely identification and recording of impairment of leased assets, accumulating and capitalizing costs for initiating leases ("IDC"), and properly amortizing costs associated with the initiation of a lease); b) allocation of costs incurred by the Managing Member on behalf of the Company; c) process of identifying and estimating liabilities in the correct period; d) proper accounting for investments in warrants (specifically, determining the appropriate carrying amount and proper disclosures for warrants, including classification of these investments as derivatives and the related accounting in accordance with SFAS No. 133, amended by SFAS Nos. 137, 138 and 149); and e) financial statement close process, including evaluating the relative significance of misstatements, and preparation of financial statements and related disclosures, were determined to be ineffective and constitute material weaknesses in internal control over financial reporting.

Changes in internal control

The Managing Member has reviewed the material weaknesses believes that the following corrective actions taken as a whole will address the material weaknesses in its disclosure controls and procedures described above. These corrective actions are as follows:

With regard to the timely identification and recording of impairment of leased assets, the Managing Member has strengthened its quarterly impairment analysis through additional management review of the analysis.

With regard to IDC, the accounting guidance has been reviewed, and a standard cost model (the "Model") has been developed that includes quarterly reviews from management. Information from the model drives the rates to be capitalized on a lease by lease basis. IDC is amortized over the term of the lease based on a straight-line basis for operating leases and on the effective interest method for direct finance leases and notes receivable.

With regard to the allocations of costs and expenses incurred by the Managing Member, the allocation process has been reviewed and the costs and expenses have been properly allocated in accordance with the Limited Liability Company Operating Agreement.

With regard to identifying and estimating liabilities in the correct periods, the Managing Member has performed a detailed review to identify and record the liabilities, in the correct period. A standardized quarterly review process has been implemented to ensure the identification and estimation of the liabilities.

With regard to the proper accounting and related disclosures of the Company's investment in warrants, the Managing Member has reviewed the accounting guidance, and a policy has been developed. This policy includes: (1) obtaining, when possible, directly from portfolio companies data on the per share value of their latest round of funding, (2) searching publicly available databases to determine status of initial public offerings by the portfolio companies, and (3) when required per policy, running the Black-Scholes option pricing model to determine carrying values on certain warrants where values are not determined based upon a contract between both parties.

The Managing Member has taken the following steps to mitigate the weakness regarding its financial statement close process: a Chief Accounting Officer and an SEC reporting manager have been hired, and the controller position has been split into two separate roles to ensure proper management of the Managing Member and the managed Funds' accounting operations. Controls and job functions are being redesigned to increase the documentation of processes and transparency of procedures going forward.

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 1A. Risk Factors

There were no material changes in the risk factors previously disclosed in the Company's Prospectus, as amended on Form POS AM, Post-Effective Amendment No. 5, which was filed on November 29, 2004. The Company's offering was terminated on March 11, 2005.

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

Inapplicable.

Item 3. Defaults Upon Senior Securities.

Inapplicable.

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

Inapplicable.

Item 5. Other Information.

Inapplicable.

Item 6. Exhibits.

Documents filed as a part of this report

1. Financial Statement Schedules

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

2. Other Exhibits

31.1 Certification of Paritosh K. Choksi

31.2 Certification of Dean L. Cash

32.1 Certification Pursuant to 18 U.S.C. section 1350 of Dean L. Cash

32.2 Certification Pursuant to 18 U.S.C. section 1350 of Paritosh K. Choksi

SIGNATURES

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

Date: May 31, 2007

**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 Managing Member

By: /s/ Paritosh K. Choksi
Paritosh K. Choksi
Principal Financial Officer of Registrant

CERTIFICATIONS

I, Paritosh K. Choksi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ATEL Capital Equipment Fund 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 officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, 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) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers 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: May 31, 2007

/s/ Paritosh K. Choksi

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

CERTIFICATIONS

I, Dean L. Cash, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ATEL Capital Equipment Fund 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 officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, 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) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers 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: May 31, 2007

/s/ Dean L. Cash

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

CERTIFICATION

I, Dean L. Cash, Chief Executive Officer of ATEL Financial Services, LLC, Managing Member of ATEL Capital Equipment Fund X, LLC (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2006 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 31, 2007

/s/ Dean L. Cash

Dean L. Cash

President and Chief Executive
Officer of Managing Member

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

CERTIFICATION

I, Paritosh K. Choksi, Executive Vice President of ATEL Financial Services, LLC, Managing Member of ATEL Capital Equipment Fund X, LLC (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2006 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 31, 2007

/s/ Paritosh K. Choksi

Paritosh K. Choksi

Executive Vice President of Managing

Member, Principal Financial Officer of Registrant

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