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**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, 2009

**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 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, 2009 was 13,971,486.

**DOCUMENTS INCORPORATED BY REFERENCE**

None.

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# 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, 2009 AND DECEMBER 31, 2008**

(in thousands)

(Unaudited)

	<b>September 30, 2009</b>	<b>December 31, 2008</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 8,923	\$ 3,050
Accounts receivable, net of allowance for doubtful accounts of \$32 at September 30, 2009 and \$37 at December 31, 2008	390	771
Notes receivable, net of unearned interest income of \$521 as of September 30, 2009 and unearned interest income of \$883 and allowance for credit losses of \$479 as of December 31, 2008	2,503	5,223
Prepaid expenses and other assets	147	126
Investment in securities	248	367
Investments in equipment and leases, net of accumulated depreciation of \$64,618 at September 30, 2009 and \$53,467 at December 31, 2008	92,467	101,528
<b>Total assets</b>	<b>\$ 104,678</b>	<b>\$ 111,065</b>
<b>LIABILITIES AND MEMBERS' CAPITAL</b>		
Accounts payable and accrued liabilities:		
Managing Member	\$ 212	\$ 328
Accrued distributions to Other Members	1,313	1,313
Other	485	1,234
Accrued interest payable	121	85
Interest rate swap contracts	1,172	1,810
Deposits due lessees	90	90
Acquisition facility obligation	—	5,000
Non-recourse debt	19,647	—
Receivables funding program obligation	29,344	39,916
Unearned operating lease income	2,070	2,202
<b>Total liabilities</b>	<b>54,454</b>	<b>51,978</b>
Commitments and contingencies		
<b>Total Members' capital</b>	<b>50,224</b>	<b>59,087</b>
<b>Total liabilities and Members' capital</b>	<b>\$ 104,678</b>	<b>\$ 111,065</b>

See accompanying notes.

**ATEL CAPITAL EQUIPMENT FUND X, LLC**

**STATEMENTS OF OPERATIONS**

**THREE AND NINE MONTHS ENDED**

**SEPTEMBER 30, 2009 AND 2008**

(in thousands, except per unit data)

**(Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
<b>Revenues:</b>				
<b>Leasing activities:</b>				
Operating leases	\$ 6,600	\$ 6,634	\$ 20,028	\$ 18,982
Direct financing leases	232	56	407	117
Interest on notes receivable	61	147	258	540
Gain on sales of assets and early termination of notes	3	479	121	502
(Loss) gain on sales of securities	—	—	(46)	27
Other interest	3	24	4	116
Other	14	36	27	48
<b>Total revenues</b>	<b>6,913</b>	<b>7,376</b>	<b>20,799</b>	<b>20,332</b>
<b>Expenses:</b>				
Depreciation of operating lease assets	5,361	5,482	16,607	15,672
Asset management fees to Managing Member	351	441	950	956
Acquisition expense	6	293	133	1,173
Cost reimbursements to Managing Member	248	208	686	749
Amortization of initial direct costs	105	106	323	309
Interest expense	667	641	2,048	1,754
Provision for losses and doubtful accounts	81	31	166	74
Provision for losses on investment in securities	—	—	50	—
Professional fees	110	13	298	363
Franchise fees and taxes	29	—	65	5
Outside services	18	50	60	99
Other	11	39	103	227
<b>Total operating expenses</b>	<b>6,987</b>	<b>7,304</b>	<b>21,489</b>	<b>21,381</b>
Other income (expense) , net	221	(105)	916	52
<b>Net income (loss)</b>	<b>\$ 147</b>	<b>\$ (33)</b>	<b>\$ 226</b>	<b>\$ (997)</b>
<b>Net income (loss):</b>				
Managing Member	\$ 227	\$ 226	\$ 680	\$ 680
Other Members	(80)	(259)	(454)	(1,677)
	<u>\$ 147</u>	<u>\$ (33)</u>	<u>\$ 226</u>	<u>\$ (997)</u>
<b>Net loss per Limited Liability Company Unit (Other Members)</b>	<b>\$ (0.01)</b>	<b>\$ (0.02)</b>	<b>\$ (0.03)</b>	<b>\$ (0.12)</b>
Weighted average number of Units outstanding	13,971,486	13,975,486	13,971,779	13,977,384

See accompanying notes.

**ATEL CAPITAL EQUIPMENT FUND X, LLC**  
**STATEMENTS OF CHANGES IN MEMBERS' CAPITAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
**AND FOR THE**  
**NINE MONTHS ENDED**  
**SEPTEMBER 30, 2009**  
(in thousands, except per unit data)  
**(Unaudited)**

	<u>Other Members</u>		<u>Managing Member</u>	<u>Total</u>
	<u>Units</u>	<u>Amount</u>		
Balance December 31, 2007	13,985,486	\$ 74,814	\$ —	\$ 74,814
Syndication costs allocation adjustment	—	8	—	8
Rescissions of capital contributions	(10,000)	(74)	—	(74)
Distributions to Other Members (\$0.80 per Unit)	—	(11,179)	—	(11,179)
Distributions to Managing Member	—	—	(906)	(906)
Net (loss) income	—	(4,482)	906	(3,576)
Balance December 31, 2008	13,975,486	59,087	—	59,087
Repurchases of capital contributions	(4,000)	(26)	—	(26)
Distributions to Other Members (\$0.60 per Unit)	—	(8,383)	—	(8,383)
Distributions to Managing Member	—	—	(680)	(680)
Net (loss) income	—	(454)	680	226
Balance September 30, 2009	<u>13,971,486</u>	<u>\$ 50,224</u>	<u>\$ —</u>	<u>\$ 50,224</u>

See accompanying notes.

**ATEL CAPITAL EQUIPMENT FUND X, LLC**

**STATEMENTS OF CASH FLOWS**

**THREE AND NINE MONTHS ENDED  
SEPTEMBER 30, 2009 AND 2008**

(in thousands)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2009	2008	2009	2008
<b>Operating activities:</b>				
Net income (loss)	\$ 147	\$ (33)	\$ 226	\$ (997)
Adjustment to reconcile net income (loss) to cash provided by operating activities:				
Gain on sales of lease assets and early termination of notes	(3)	(479)	(121)	(502)
Depreciation of operating lease assets	5,361	5,482	16,607	15,672
Amortization of initial direct costs	105	106	323	309
Amortization of unearned income on direct finance leases	(232)	(56)	(407)	(117)
Amortization of unearned income on notes receivable	(61)	(147)	(258)	(540)
Provision for losses and doubtful accounts	81	31	166	74
Provision for losses on investment in securities	—	—	50	—
Change in fair value of interest rate swap contracts	(54)	13	(639)	(82)
Gain (loss) on sale of securities	—	—	46	(27)
Changes in operating assets and liabilities:				
Accounts receivable	1,750	1,018	388	296
Prepaid expenses and other assets	(62)	(85)	(21)	(22)
Accounts payable, Managing Member	226	(219)	(116)	(121)
Accounts payable, other	(32)	5	(749)	(843)
Accrued interest payable	44	(10)	36	16
Deposits due lessees	—	—	—	(2)
Unearned operating lease income	201	346	(132)	175
<b>Net cash provided by operating activities</b>	<b>7,471</b>	<b>5,972</b>	<b>15,399</b>	<b>13,289</b>
<b>Investing activities:</b>				
Purchases of equipment on operating leases	(458)	(3,053)	(1,898)	(25,733)
Purchases of equipment under direct finance leases	(6,054)	(428)	(6,054)	(5,991)
Proceeds from sales of lease assets and early termination of notes	19	1,380	979	1,771
Payments of initial direct costs	(53)	(136)	(76)	(290)
Payments received on direct finance leases	533	205	1,376	566
Notes receivable advances	—	—	—	(250)
Payments received on notes receivable	286	684	1,082	2,293
Proceeds from sale of investment securities	1	42	79	114
<b>Net cash used in investing activities</b>	<b>(5,726)</b>	<b>(1,306)</b>	<b>(4,512)</b>	<b>(27,520)</b>
<b>Financing activities:</b>				
Borrowings under acquisition facility	500	5,000	5,000	15,250
Repayments under acquisition facility	(2,000)	(1,500)	(10,000)	(14,250)
Borrowings under non-recourse debt	12,836	—	20,419	—
Repayments under non-recourse debt	(462)	—	(772)	—
Borrowings under receivables funding program	—	—	—	31,092
Repayments under receivables funding program	(3,214)	(3,612)	(10,572)	(9,226)
Repurchases of capital contributions	—	—	(26)	(74)
Syndication costs refunded to Managing Member	—	—	—	8
Distributions to Other Members	(2,795)	(2,795)	(8,383)	(8,385)
Distributions to Managing Member	(227)	(226)	(680)	(680)
<b>Net cash provided by (used in) financing activities</b>	<b>4,638</b>	<b>(3,133)</b>	<b>(5,014)</b>	<b>13,735</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>6,383</b>	<b>1,533</b>	<b>5,873</b>	<b>(496)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>2,540</b>	<b>3,922</b>	<b>3,050</b>	<b>5,951</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 8,923</b>	<b>\$ 5,455</b>	<b>\$ 8,923</b>	<b>\$ 5,455</b>

**Supplemental disclosures of cash flow information:**

Cash paid during the period for interest	<u>\$ 623</u>	<u>\$ 651</u>	<u>\$ 2,012</u>	<u>\$ 1,738</u>
Cash paid during the period for taxes	<u>\$ —</u>	<u>\$ 2</u>	<u>\$ 66</u>	<u>\$ 63</u>
<b>Schedule of non-cash transactions:</b>				
Distributions declared and payable to Other Members at period-end	<u>\$ 1,313</u>	<u>\$ 1,313</u>	<u>\$ 1,313</u>	<u>\$ 1,313</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 company. 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 \$1.2 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 by the Company through September 30, 2009. As of September 30, 2009, 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 and reimbursements for services rendered on behalf of the Company (See Note 5). 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.

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 (See 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.

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, 2008, filed with the Securities and Exchange Commission.

#### 2. Summary of significant accounting policies:

##### *Basis of presentation:*

The Company has prepared the accompanying unaudited financial statements pursuant to the rules and regulations of 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.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted pursuant to such rules and regulations. Operating results for the interim periods presented are not necessarily indicative of the results to be expected for the full year.

## ATEL CAPITAL EQUIPMENT FUND X, LLC

### NOTES TO FINANCIAL STATEMENTS

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

Certain prior period amounts have been reclassified to conform to the current period presentation. These reclassifications had no effect on equity or net income.

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

In preparing the accompanying unaudited financial statements, the Company has reviewed, as determined necessary by the Managing Member, events that have occurred after September 30, 2009, up until the issuance of the financial statements, which occurred on November 16, 2009. No events were noted which would require disclosure in the footnotes to the financial statements.

#### *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 allowances for doubtful accounts and 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, 2009 and 2008 and long-lived tangible assets as of September 30, 2009 and December 31, 2008 (in thousands):

	<u>For the nine months ended September 30,</u>			
	<u>2009</u>	<u>% of Total</u>	<u>2008</u>	<u>% of Total</u>
<b>Revenue</b>				
United States	\$ 19,052	92%	\$ 18,691	92%
United Kingdom	1,480	7%	1,480	7%
Canada	267	1%	161	1%
Total International	1,747	8%	1,641	8%
Total	<u>\$ 20,799</u>	<u>100%</u>	<u>\$ 20,332</u>	<u>100%</u>
	<u>As of September 30,</u>		<u>As of December 31,</u>	
	<u>2009</u>	<u>% of Total</u>	<u>2008</u>	<u>% of Total</u>
<b>Long-lived assets</b>				
United States	\$ 87,138	94%	\$ 96,473	95%
United Kingdom	3,839	4%	5,055	5%
Canada	1,490	2%	—	0%
Total International	5,329	6%	5,055	5%
Total	<u>\$ 92,467</u>	<u>100%</u>	<u>\$ 101,528</u>	<u>100%</u>

**ATEL CAPITAL EQUIPMENT FUND X, LLC**

**NOTES TO FINANCIAL STATEMENTS**

**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. Management has concluded that there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the instruments. Accordingly, such investment is stated at cost. At March 31, 2009, the Company deemed an investment security to be impaired. Accordingly, the Company recorded a fair value adjustment of approximately \$50 thousand which reduced the cost basis of the investment. Such fair value adjustment is non-recurring. Under the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification, the investment security is classified within Level 3 of the valuation hierarchy. The Company had no Level 3 assets prior to the aforementioned impaired security. The impaired investment security was disposed of during the second quarter of 2009. There were no additional impaired securities at September 30, 2009.

*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, 2009 and December 31, 2008, the Managing Member estimated the fair value of the warrants to be nominal in amount.

*Other income (expense), net:*

The Company's other income (expense), net for the three and nine months ended September 30, 2009 consists of the following (in thousands):

	<u>Three Months</u>		<u>Nine Months</u>	
	<u>Ended September 30,</u>		<u>Ended September 30,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Foreign currency gain (loss)	\$ 167	\$ (92)	\$ 277	\$ (30)
Change in fair value of interest rate swap contracts	54	(13)	639	82
<b>Total</b>	<b>\$ 221</b>	<b>\$ (105)</b>	<b>\$ 916</b>	<b>\$ 52</b>

*Per Unit data:*

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

*Recent accounting pronouncements:*

The Generally Accepted Accounting Principles Topic of the FASB Accounting Standards Codification identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. The guidance is effective for financial statements issued for interim and annual periods ending after

## ATEL CAPITAL EQUIPMENT FUND X, LLC

### NOTES TO FINANCIAL STATEMENTS

#### **2. Summary of significant accounting policies (continued):**

September 15, 2009. The Company adopted the guidance for its third quarter 2009 interim reporting period. The adoption of the guidance did not have a significant impact on the Company's financial position, results of operations or cash flows.

The Subsequent Events Topic of the FASB Accounting Standards Codification establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The guidance is effective for interim or annual financial periods ending after June 15, 2009, and shall be applied prospectively. The Company adopted the guidance for its second quarter 2009 interim reporting period. The adoption of the guidance did not have a significant impact on the Company's financial position, results of operations or cash flows.

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification provides guidance on determining fair value when there is no active market or where the price inputs being used represent distressed sales. The guidance is effective for interim and annual periods ending after June 15, 2009 and has been adopted by the Company for its second quarter 2009 interim reporting period with no impact on its financial position, results of operations or cash flows.

The Financial Instruments Topic of the FASB Accounting Standards Codification increases the frequency of fair value disclosures for financial instruments within the scope of the Topic from an annual basis to a quarterly basis. The guidance is effective for interim reporting periods ending after June 15, 2009. The Company adopted the guidance for its second quarter 2009 interim reporting period without significant effect on the Company's financial position, results of operations or cash flows.

The Derivatives and Hedging Topic of the FASB Accounting Standards Codification requires that objectives for using derivative instruments be disclosed in terms of underlying risk and accounting designation. The fair value of derivative instruments and their gains and losses will need to be presented in tabular format in order to present a more complete picture of the effects of using derivative instruments. The guidance is effective for financial statements issued for fiscal years beginning after November 15, 2008. The Company adopted the provisions of the guidance on January 1, 2009. The adoption did not have a significant effect on the Company's financial position, results of operations or cash flows.

The Business Combinations Topic of the FASB Accounting Standards Codification establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non controlling interest in the acquiree and the goodwill acquired. The guidance also establishes disclosure requirements which will enable users to evaluate the nature and financial effects of the business combination. The guidance is effective for fiscal years beginning after December 15, 2008 and will impact the Company only if it elects to enter into a business combination subsequent to December 31, 2008.

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements. The guidance was to be effective for fiscal years beginning after November 15, 2007. However, in February 2008, the FASB deferred the effective date of the guidance as it pertains to fair value measurements of nonfinancial assets and nonfinancial liabilities until fiscal years beginning after November 15, 2008. On January 1, 2008, the Company adopted the provisions of the guidance except as it applies to its investment in equipment and leases, and other nonfinancial assets and nonfinancial liabilities. The deferred provisions of the guidance were implemented effective January 1, 2009 without significant effect on the Company's financial position, results of operations or cash flows.

**ATEL CAPITAL EQUIPMENT FUND X, LLC**

**NOTES TO FINANCIAL STATEMENTS**

**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 36 to 120 months and bear interest at rates ranging from 8% to 16%. The notes are secured by the equipment financed. The notes mature from 2009 through 2016

There were no impaired notes at September 30, 2009. At December 31, 2008, the Company had a \$479 thousand reserve for impairment losses related to a \$499 thousand note receivable. The impaired note was subsequently written-off during the third quarter of 2009. There were no notes receivable placed in non-accrual status as of September 30, 2009. As of December 31, 2008, the total amount of net notes receivable placed in non-accrual status was nominal in amount.

As of September 30, 2009, the minimum future payments receivable are as follows (in thousands):

Three months ending December 31, 2009	\$ 281
Year ending December 31, 2010	892
2011	571
2012	405
2013	295
2014	221
Thereafter	354
	<u>3,019</u>
Less: portion representing unearned interest income	<u>(521)</u>
	2,498
Unamortized indirect costs	5
Notes receivable, net	<u>\$2,503</u>

IDC amortization expense related to notes receivable and the Company's operating and direct finance leases for the three and nine months ended September 30, 2009 and 2008 are as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
IDC amortization - notes receivable	\$ 2	\$ 3	\$ 6	\$ 15
IDC amortization - lease assets	103	103	317	294
Total	<u>\$ 105</u>	<u>\$ 106</u>	<u>\$ 323</u>	<u>\$ 309</u>

**ATEL CAPITAL EQUIPMENT FUND X, LLC**

**NOTES TO FINANCIAL STATEMENTS**

**4. Investment in equipment and leases, net:**

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

	Balance December 31, 2008	Reclassifications & Additions / Dispositions	Depreciation/ Amortization Expense or Amortization of Leases	Balance September 30, 2009
Net investment in operating leases	\$ 93,501	\$ 466	\$ (16,607)	\$ 77,360
Net investment in direct financing leases	6,911	8,200	(969)	14,142
Assets held for sale or lease, net	130	140	—	270
Impairment loss reserve	—	(49)	—	(49)
Initial direct costs, net of accumulated amortization of \$1,109 at September 30, 2009 and \$946 at December 31, 2008	986	75	(317)	744
Total	<u>\$ 101,528</u>	<u>\$ 8,832</u>	<u>\$ (17,893)</u>	<u>\$ 92,467</u>

Additions to net investment in operating leases are stated at cost and include amounts accrued at September 30, 2009 related to asset purchase obligations.

IDC amortization expense related to operating leases and direct finance leases totaled \$103 thousand and \$103 thousand for the respective three-month periods ended September 30, 2009 and 2008, and \$317 thousand and \$294 thousand for the respective nine-month periods ended September 30, 2009 and 2008 (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 2009, the Company deemed certain inventoried lease assets to be impaired. Accordingly, the Company recorded a fair value adjustment of approximately \$49 thousand which reduced the cost basis of the assets. Such fair value adjustment is non-recurring. Under the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification, the impaired lease assets are classified within Level 3 of the valuation hierarchy as the data sources utilized for the valuation of such assets reflect third party information that are unobservable in the market. There were no impairment losses prior to the third quarter of 2009. Depreciation expense on property subject to operating leases and property held for lease or sale was approximately \$5.4 million and \$5.5 million for the respective three months ended September 30, 2009 and 2008, and was approximately \$16.6 million and \$15.7 million for the respective nine months ended September 30, 2009 and 2008.

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, LLC, which is 35% owned by Fiat. The new Chrysler has remitted payments relative to the affirmed leases. However, at September 30, 2009, payments on certain operating leases still remained delinquent. The Company, in accordance with its accounting policy for delinquent operating leases, has reversed the billed but not yet paid amounts, and placed these respective operating leases on a non-accrual and cash bases pending resumption of recurring payment activity. The Company also considered the net book value of the equipment underlying the lease contracts of \$1.2 million for impairment as well as the collectability of the remaining unbilled direct financing lease receivables of \$200 thousand and believes that, as of September 30, 2009 no probable impairment exists in either instance.

**ATEL CAPITAL EQUIPMENT FUND X, LLC**

**NOTES TO FINANCIAL STATEMENTS**

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

All of the leased property was acquired in years beginning with 2003 through 2009.

*Operating leases:*

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

	Balance December 31, 2008	Additions	Reclassifications or Dispositions	Balance September 30, 2009
Materials handling	\$ 40,910	\$ 425	\$ (2,087)	\$ 39,248
Transportation, other	30,074	897	(70)	30,901
Transportation, rail	22,469	—	—	22,469
Manufacturing	12,523	—	—	12,523
Construction	10,035	478	(837)	9,676
Mining	15,899	—	(6,325)	9,574
Aircraft	3,026	—	1,706	4,732
Logging & lumber	4,728	—	—	4,728
Petro/natural gas	2,446	—	—	2,446
Agriculture	—	98	1,411	1,509
Research	—	—	1,443	1,443
Data processing	937	—	—	937
Other	3,425	—	(2,855)	570
	<u>146,472</u>	<u>1,898</u>	<u>(7,614)</u>	<u>140,756</u>
Less accumulated depreciation	<u>(52,971)</u>	<u>(16,607)</u>	<u>6,182</u>	<u>(63,396)</u>
Total	<u>\$ 93,501</u>	<u>\$ (14,709)</u>	<u>\$ (1,432)</u>	<u>\$ 77,360</u>

The average estimated residual value for assets on operating leases was 24% of the assets' original cost at September 30, 2009 and December 31, 2008.

*Direct financing leases:*

As of September 30, 2009, investment in direct financing leases consists of railcars, manufacturing, mining and materials handling equipment. During the first quarter of 2009, the Company recognized approximately \$103 thousand of impairment loss related to a direct financing lease asset. There was no impairment loss recognized during the second and third quarters of 2009. The following lists the components of the Company's investment in direct financing leases as of September 30, 2009 and December 31, 2008 (in thousands):

	September 30, 2009	December 31, 2008
Total minimum lease payments receivable	\$ 19,345	\$ 4,302
Estimated residual values of leased equipment (unguaranteed)	<u>4,924</u>	<u>3,184</u>
Investment in direct financing leases	24,269	7,486
Less unearned income	<u>(10,127)</u>	<u>(575)</u>
Net investment in direct financing leases	<u>\$ 14,142</u>	<u>\$ 6,911</u>
Net investment in direct financing leases placed in non- accrual status	<u>\$ 200</u>	<u>\$ —</u>

**ATEL CAPITAL EQUIPMENT FUND X, LLC**

**NOTES TO FINANCIAL STATEMENTS**

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

At September 30, 2009, the aggregate amounts of future minimum lease payments receivable are as follows (in thousands):

	<u>Operating Leases</u>	<u>Direct Financing Leases</u>	<u>Total</u>
Three months ending December 31, 2009	\$ 5,857	\$ 1,100	\$ 6,957
Year ending December 31, 2010	19,258	3,530	22,788
2011	11,696	3,134	14,830
2012	7,892	2,789	10,681
2013	4,847	2,572	7,419
2014	2,152	2,388	4,540
Thereafter	798	3,832	4,630
	<u>\$52,500</u>	<u>\$19,345</u>	<u>\$71,845</u>

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 (in years):

<u>Equipment category</u>	<u>Useful Life</u>
Mining	30 - 40
Transportation, rail	30 - 35
Aircraft	20 - 30
Manufacturing	10 - 20
Construction	7 - 10
Logging & lumber	7 - 10
Materials handling	7 - 10
Petro/natural gas	7 - 10
Transportation, other	7 - 10
Research	7 - 10
Agriculture	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 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.

**ATEL CAPITAL EQUIPMENT FUND X, LLC**

**NOTES TO FINANCIAL STATEMENTS**

**5. 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 total 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, 2009, the Company has not exceeded the annual and/or cumulative limitations discussed above.

During the three and nine months ended September 30, 2009 and 2008, AFS and/or affiliates earned fees, commissions and reimbursements, pursuant to the Operating Agreement as follows (in thousands):

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Costs reimbursed to Managing Member and/or affiliates	\$ 248	\$ 208	\$ 686	\$ 749
Asset management fees to Managing Member and/or affiliates	351	441	950	956
Acquisition and initial direct costs paid to Managing Member	59	420	203	1,416
	<u>\$ 658</u>	<u>\$ 1,069</u>	<u>\$ 1,839</u>	<u>\$ 3,121</u>

**6. Non-recourse debt:**

At September 30, 2009, non-recourse debt consists of notes payable to financial institutions. The notes are due in varying quarterly and semi-annual 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, 2009, gross operating lease rentals and future payments on direct financing leases totaled approximately \$23.7 million over the remaining lease terms; and the carrying value of the pledged assets is \$16.2 million. The notes mature at various dates from 2010 through 2016.

The non-recourse note payable does not contain any material financial covenant. The note is secured by a lien granted by the Company to the non-recourse lender on (and only on) the discounted lease transaction. The lender has 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 this specific security and the Company does not guarantee (nor is the Company otherwise contractually responsible for) the payment of non-recourse note as a general obligation or liability of the Company. Although the Company does not have any direct general liability in connection with the non-recourse note apart from the security granted, the Company is directly and generally liable and responsible for certain representations, warranties, and covenants made to the lender, such as warranties as to genuineness of the transaction parties' signatures, as to the genuineness of the 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 a non-recourse discount financing obligation. Accordingly, as there are no financial covenants or ratios imposed on the Company in connection with this non-recourse obligation, the Company has determined that there are no material covenants with respect to the non-recourse note that warrant footnote disclosure.

**ATEL CAPITAL EQUIPMENT FUND X, LLC**

**NOTES TO FINANCIAL STATEMENTS**

**6. Non-recourse debt (continued):**

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Three months ending December 31, 2009	\$ 767	\$ 302	\$ 1,069
Year ending December 31, 2010	3,159	1,093	4,252
2011	3,232	900	4,132
2012	3,343	701	4,044
2013	2,993	499	3,492
2014	2,202	339	2,541
Thereafter	3,951	240	4,191
	<u>\$19,647</u>	<u>\$4,074</u>	<u>\$23,721</u>

**7. 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. Originally scheduled to expire in June 2009, the Credit Facility was amended effective December 22, 2008 to extend the term of the agreement through June 2010.

As of September 30, 2009 and December 31, 2008, borrowings under the facility were as follows (in thousands):

	<u>September 30, 2009</u>	<u>December 31, 2008</u>
Total amount available under the financing arrangement	\$ 75,000	\$ 75,000
Amount borrowed by the Company under the acquisition facility	—	(5,000)
Amounts borrowed by affiliated partnerships and limited liability companies under the acquisition and warehouse facilities	—	(3,823)
Total remaining available under the acquisition and warehouse facilities	<u>\$ 75,000</u>	<u>\$ 66,177</u>

The Company and its affiliates pay an annual commitment fee to have access to this line of credit. As of September 30, 2009, there were no borrowings under the Warehouse Facility. As of December 31, 2008, borrowings of \$1.3 million were outstanding under the Warehouse Facility. The Company's maximum contingent obligation on the outstanding warehouse balance at December 31, 2008 was approximately \$629 thousand.

As of September 30, 2009, the aggregate amount remaining unutilized under 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.

## ATEL CAPITAL EQUIPMENT FUND X, LLC

### NOTES TO FINANCIAL STATEMENTS

#### 7. Borrowing facilities (continued):

As of and for the nine-month period ended September 30, 2009, 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 \$51.4 million, 0.96 to 1, and 10.05 to 1, respectively, for the same period ended September 30, 2009. As such, as of September 30, 2009, the Company and its affiliates were 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.

#### 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. During the third quarter of 2009, the Company has repaid all outstanding borrowings under the Credit Facility. The weighted average interest rate on borrowings was 3.03% and 2.48% for the three and nine months ended September 30, 2009, respectively. As of December 31, 2008, the effective interest rate on borrowings ranged from 1.76% to 2.69%; and the weighted average interest rate on borrowings was 4.36% and 4.74% for the three and nine months ended September 30, 2008.

#### 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, 2009, the investment program participants were ATEL Capital Equipment Fund IX, LLC, the Company, ATEL Capital Equipment Fund XI, LLC and ATEL 12, 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.

**ATEL CAPITAL EQUIPMENT FUND X, LLC**

**NOTES TO FINANCIAL STATEMENTS**

**8. Receivables funding program:**

As of September 30, 2009, the Company had an \$80 million receivables funding program (the “RF Program”) with a receivables financing company that issues commercial paper rated A1 from Standard and Poor’s and P1 from Moody’s Investors Service. Under the RF Program, the lender receives 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 contingency triggers and is scheduled to mature in August 2011 when advances under the RF Program have to be repaid in full.

The RF Program provides for borrowing at a variable interest rate and requires AFS, on behalf of the Company, to enter into interest rate swap agreements with certain hedge counterparties (also rated A1/P1) to mitigate the interest rate risk associated with a variable interest rate note. The RF Program allows the Company to have a more cost effective means of obtaining debt financing than available for individual non-recourse debt transactions.

The Company had approximately \$29.3 million and \$39.9 million outstanding under the RF Program at September 30, 2009 and December 31, 2008, respectively. During the three months ended September 30, 2009 and 2008, the Company paid program fees, as defined in the receivables funding agreement, totaling \$34 thousand and \$47 thousand, respectively. During the nine months ended September 30, 2009 and 2008, such fees totaled \$108 thousand and \$175 thousand, respectively. The RF Program fees are included in interest expense in the Company’s statements of income.

As of September 30, 2009, the Company has entered into interest rate swap agreements to receive or pay interest on a notional principal of \$29.3 million based on the difference between nominal rates ranging from 3.21% to 5.39% and variable rates that ranged from 0.92% to 3.35%. As of December 31, 2008, the Company had interest rate swap agreements to receive or pay interest on a notional principal of \$39.9 million based on the difference between nominal rates ranging from 3.21% to 5.39% and the variable rates that ranged from 1.45% to 4.95%. 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/(loss).

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 7 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, 2009 and December 31, 2008, borrowings and interest rate swap agreements under the RF Program are as follows (in thousands):

<u>Date Borrowed</u>	<u>Original Amount Borrowed</u>	<u>Balance September 30, 2009</u>	<u>Notional Balance September 30, 2009</u>	<u>Swap Value September 30, 2009</u>	<u>Payment Rate On Interest Swap Agreement</u>
January 16, 2007	\$12,365	\$ 4,892	\$ 4,892	\$ (243)	5.15%
July 2, 2007	7,222	2,278	2,278	(113)	5.39%
September 19, 2007	6,874	3,784	3,784	(216)	4.83%
January 15, 2008	10,018	4,540	4,540	(136)	3.58%
March 27, 2008	5,410	4,141	4,141	(255)	3.21%
May 16, 2008	10,194	6,910	6,910	(135)	3.69%
May 28, 2008	5,470	2,799	2,799	(74)	3.49%
	<u>\$57,553</u>	<u>\$ 29,344</u>	<u>\$ 29,344</u>	<u>\$ (1,172)</u>	

**ATEL CAPITAL EQUIPMENT FUND X, LLC**

**NOTES TO FINANCIAL STATEMENTS**

**8. Receivable funding program (continued):**

<u>Date Borrowed</u>	<u>Original Amount Borrowed</u>	<u>Balance December 31, 2008</u>	<u>Notional Balance December 31, 2008</u>	<u>Swap Value December 31, 2008</u>	<u>Payment Rate On Interest Swap Agreement</u>
January 16, 2007	\$12,365	\$ 6,718	\$ 6,718	\$ (392)	5.15%
July 2, 2007	7,222	3,523	3,523	(195)	5.39%
September 19, 2007	6,874	4,947	4,947	(316)	4.83%
January 15, 2008	10,018	6,828	6,828	(222)	3.58%
March 27, 2008	5,410	4,788	4,788	(188)	3.21%
May 16, 2008	10,194	8,814	8,814	(371)	3.69%
May 28, 2008	5,470	4,298	4,298	(126)	3.49%
	<u>\$57,553</u>	<u>\$ 39,916</u>	<u>\$ 39,916</u>	<u>\$ (1,810)</u>	

The fair value of the interest rate swaps is estimated by the counterparty using inputs that are defined or that can be corroborated by observable market data. Accordingly, under the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification, such swap contracts are classified within Level 2 of the valuation hierarchy.

At September 30, 2009, the minimum repayment schedule under the Program is as follows (in thousands):

Three months ending December 31, 2009	\$ 3,563
Year ending December 31, 2010	11,258
2011	6,857
2012	4,358
2013	2,528
2014	780
	<u>\$ 29,344</u>

At September 30, 2009, there are specific leases that are identified as collateral under the Program with expected future lease receivables of approximately \$29.8 million at their discounted present value.

The weighted average interest rate on the RF Program was 5.54% and 5.33% during the respective three months ended September 30, 2009 and 2008, and 6.11% and 5.70% during the respective nine months ended September 30, 2009 and 2008. The RF Program discussed above includes certain financial and non-financial covenants applicable to each borrower. The Company and affiliates were in compliance with all covenants as of September 30, 2009.

**9. Commitments:**

At September 30, 2009, there were commitments to purchase lease assets totaling approximately \$6.0 million. This amount represents contract awards which may be cancelled by the prospective lessee or may not be accepted by the Company.

**10. 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.

## ATEL CAPITAL EQUIPMENT FUND X, LLC

### NOTES TO FINANCIAL STATEMENTS

#### 10. Guarantees (continued):

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.

#### 11. Member's capital:

Units issued and outstanding were 13,971,486 and 13,975,486 at September 30, 2009 and December 31, 2008, respectively. 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 Unit holder 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 unit-holder 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.

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 2009 and 2008. 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,	
	2009	2008	2009	2008
Distributions declared	\$ 2,795	\$ 2,795	\$ 8,383	\$ 8,385
Weighted average number of Units outstanding	13,971,486	13,975,486	13,971,779	13,977,384
Weighted average distributions per Unit	<u>\$ 0.20</u>	<u>\$ 0.20</u>	<u>\$ 0.60</u>	<u>\$ 0.60</u>

#### 12. Fair value of financial instruments:

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.

**ATEL CAPITAL EQUIPMENT FUND X, LLC**

**NOTES TO FINANCIAL STATEMENTS**

**12. Fair value of financial instruments (continued):**

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, 2009 and December 31, 2008, only the Company’s interest rate swap contracts were measured on a recurring basis. In addition, at September 30, 2009, the Company measured the fair value of impaired off-lease assets on a non-recurring basis. Such estimate of measurement methodology is as follows:

*Interest rate swaps*

The fair value of interest rate swaps is estimated by the counterparty using inputs that are defined or that can be corroborated by observable market data. Accordingly, such swap contracts are classified within Level 2 of the valuation hierarchy.

*Impaired off-lease assets*

During the third quarter of 2009, the Company deemed certain inventoried lease assets to be impaired. Accordingly, the Company recorded a fair value adjustment of approximately \$49 thousand which reduced the cost basis of the assets. Such fair value adjustment is non-recurring. Under the Fair Value Measurements Topic of the FASB Accounting Standards Codification, the impaired lease assets are classified within Level 3 of the valuation hierarchy as the data sources utilized for the valuation of such assets reflect third party information that are unobservable in the market. There were no impaired lease assets as of December 31, 2008. The Company had no Level 3 lease assets prior to the third quarter of 2009.

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, 2009 and December 31, 2008 (in thousands):

	<u>September 30, 2009</u>	<u>Level 1 Estimated Fair Value</u>	<u>Level 2 Estimated Fair Value</u>	<u>Level 3 Estimated Fair Value</u>
<b>Assets measured at fair value on a non-recurring basis:</b>				
Impaired off-lease assets	\$ 126	\$ —	\$ —	\$ 126
<b>Liabilities measured at fair value on a recurring basis:</b>				
Interest rate swaps	\$ 1,172	\$ —	\$ 1,172	\$ —
	<u>December 31, 2008</u>	<u>Level 1 Estimated Fair Value</u>	<u>Level 2 Estimated Fair Value</u>	<u>Level 3 Estimated Fair Value</u>
<b>Liabilities measured at fair value on a recurring basis:</b>				
Interest rate swaps	\$ 1,810	\$ —	\$ 1,810	\$ —

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.

## ATEL CAPITAL EQUIPMENT FUND X, LLC

### NOTES TO FINANCIAL STATEMENTS

#### 12. Fair value of financial instruments (continued):

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.

##### *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 Company's notes receivable are stated at the amount at which the asset could be transferred in a current transaction, exclusive of transaction costs such as prepayment penalties.

##### *Investment in 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. Management has concluded that there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the instruments. Accordingly, such investment is stated at cost.

##### *Borrowings*

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

##### *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.

##### *Limitations*

The fair value estimates presented herein were based on pertinent information available to the Company as of September 30, 2009 and December 31, 2008. 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.

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, 2009 and December 31, 2008 (in thousands):

	<u>September 30, 2009</u>		<u>December 31, 2008</u>	
	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>
<b>Financial assets:</b>				
Cash and cash equivalents	\$ 8,923	\$ 8,923	\$ 3,050	\$ 3,050
Notes receivable	2,503	2,503	5,223	5,223
<b>Financial liabilities:</b>				
Non-recourse debt	19,647	19,599	—	—
Borrowings	29,344	29,344	44,916	44,916
Interest rate swap contracts	1,172	1,172	1,810	1,810

## **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, 2021. Periodic distributions will be paid at the discretion of the Managing Member.

### **Results of Operations**

*The three months ended September 30, 2009 versus the three months ended September 30, 2008*

The Company had net income of \$147 thousand for the third quarter of 2009 as compared to a net loss of \$33 thousand for the third quarter of 2008. Results for the third quarter of 2009 reflect an increase in other income, net and decreases in both total revenues and total operating expenses when compared to the prior year period.

#### *Revenues*

Total revenues for the third quarter of 2009 decreased by \$463 thousand, or 6%, as compared to the prior year period. The decrease was primarily due to a decline in gains recognized on the sales of lease assets and early termination of notes as well as the reduction in interest income on the notes receivable. These aforementioned decreases were offset, in part, by an increase in direct financing lease revenues.

The decline in gains on sales of lease assets and early termination of notes totaled \$476 thousand and was primarily attributable to the lower demand for the type of lease assets sold during the current quarter as compared to assets sold during the prior year period, coupled with the period over period decline in notes that terminated before their scheduled maturities; and interest income on the notes receivable was reduced by \$86 thousand as a result of maturities and/or early termination of the notes.

Partially offsetting the aforementioned decreases in revenues was a \$176 thousand increase in direct financing lease revenues, which was attributable to a new lease that commenced in September 2009.

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, LLC, which is 35% owned by Fiat. The new Chrysler has remitted payments relative to the affirmed leases. However, at September 30, 2009, payments on certain operating leases still remained delinquent. The Company, in accordance with its accounting policy for delinquent operating leases, has reversed the billed but not yet paid amounts, and placed these respective operating leases on a non-accrual and cash bases pending resumption of recurring payment activity. The Company also considered the equipment underlying the lease contracts for impairment and believes that such equipment is not impaired as of September 30, 2009.

#### *Expenses*

Total expenses for the third quarter of 2009 decreased by \$317 thousand, or 4%, as compared to the prior year period on lower acquisition expense, depreciation expense and asset management fees paid to AFS. These decreases were offset, in part, by increases in professional fees, provision for losses, and cost reimbursements to AFS.

The decrease in acquisition expense totaled \$287 thousand and was a result of the period over period decline in acquisition phase activity as the Fund has approached full investment. Depreciation expense was reduced by \$121 thousand primarily due to the termination of an operating lease asset which was subsequently re-leased as a direct financing lease; and asset management fees paid to AFS declined by \$90 thousand mainly due to a period over period decline in managed assets and related rents.

Partly offsetting the above mentioned decreases in expenses were increases of \$97 thousand, \$50 thousand and \$40 thousand in professional fees, provision for losses, and cost reimbursements to AFS. The increase in professional fees was mainly attributable to a period over period increase in legal fees primarily related to the new direct financing lease. The provision for losses increased as a result of impairment losses recognized on certain inventoried lease assets; and costs reimbursed to AFS increased mainly due to higher administrative costs.

#### *Other income, net*

The Company recorded other income, net totaling \$221 thousand for the third quarter of 2009 as compared to other expense, net of \$105 thousand for the prior year period, a \$326 thousand net increase. The net increase in other income, net was a result of a \$259 thousand favorable change in foreign currency transaction gains and losses recognized during the third quarter of 2009 as compared to the prior year period, coupled with a \$67 thousand favorable change in the fair value of the Company's interest rate swap contracts.

The increase in foreign currency gains was largely due to the quarter over quarter weakness of the U.S. currency against the British pound, which comprises the majority of the Company's foreign currency transactions; and 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, 2008 offset, in part, by the impact of the lower interest rate environment.

#### *The nine months ended September 30, 2009 versus the nine months ended September 30, 2008*

The Company had net income of \$226 thousand for the first nine months of 2009 as compared to a net loss of \$997 thousand for the prior year period. Results for the first nine months of 2009 reflect increases in total revenues and other income, net offset, in part, by an increase in total operating expenses.

#### *Revenues*

Total revenues for the first nine months of 2009 increased by \$467 thousand, or 2%, as compared to the prior year period. The increase was mainly a result of a period over period growth in revenues from both operating and direct financing leases offset, in part, by decreases in gains recognized on the sales of lease assets and early termination of notes, interest income on notes receivable, other interest income and gain on sales of securities.

Operating and direct financing lease revenues increased by \$1.0 million and \$290 thousand, respectively, due to revenues derived from operating and direct financing lease assets originated since September 2008.

Partially offsetting the aforementioned increases in revenues was a reduction in gains on sales of lease assets and early termination of notes, which declined by approximately \$381 thousand mostly due to the lower demand for the type of lease assets sold during 2009 as compared to assets sold during the prior year, coupled with and the period over period decline in notes that terminated before their scheduled maturities. Likewise, interest income on the notes receivable was reduced by \$282 thousand as a result of maturities and/or early termination of the notes. Moreover, other interest income declined primarily due to the change in the account nature to a non-interest bearing account to ensure maximum Federal Deposit Insurance Corporation ("FDIC") insurance coverage on deposits; and gain on sale of securities decreased by \$73 thousand largely due to a loss on final settlement of a security in early 2009.

#### *Expenses*

Total expenses for the first nine months of 2009 increased by \$108 thousand, or 1%, as compared to the prior year period. The net increase in total expenses was primarily due to increased depreciation, interest expense and provision for losses offset, in part, by decreased acquisition expense, other expense and professional fees.

The increase in depreciation expense totaled \$935 thousand and was primarily due to the net increase in depreciable lease assets originated since September 30, 2008. The increase in depreciation expense was slightly reduced by the third quarter 2009 termination of an operating lease which was re-leased as a direct financing lease as previously noted. The increase in interest expense totaled \$294 thousand and was mainly a result of increased borrowings since early 2008 combined with an increase in non-utilization fees and payments on the interest rate swap contracts related to the receivables funding program. In addition, the provision for losses increased by \$92 thousand due to impairment losses recognized on certain inventoried lease assets and direct financing lease assets.

Partly offsetting the above mentioned increases in expenses were decreases of \$1.0 million, \$124 thousand and \$65 thousand in acquisition expense, other expense and professional fees, respectively. The decrease in acquisition expense was a result of the period over period decline in acquisition phase activity as the Fund has approached full investment. Other expense declined as the prior year amount included fees related to the amendment of the Company's receivables funding credit facility. In addition, the change in the nature of the Company's bank account to a non-interest bearing account resulted in lower bank charges. Finally, professional fees declined largely as a result of a period over period decline in audit and tax-related fees offset, in part, by increased legal fees primarily related to the new direct financing lease.

#### *Other income, net*

Other income, net for the third quarter of 2009 increased by \$864 thousand as compared to the prior year period. The net increase in other income, net was a result of a \$557 thousand favorable change in the fair value of the Company's interest rate swap contracts, combined with a \$307 thousand favorable foreign currency transaction gains and losses recognized during the third quarter of 2009 as compared to the prior year period.

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, 2008 offset, in part, by the impact of the lower interest rate environment; and the increase in foreign currency gains was largely due to the year over year weakness of the U.S. currency against the British pound, which comprises the majority of the Company's foreign currency transactions.

#### **Capital Resources and Liquidity**

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 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.

The change in the Company's cash flow for the three and nine months ended September 30, 2009 when compared to the three and nine months ended September 30, 2008 is as follows:

*The three months ended September 30, 2009 versus the three months ended September 30, 2008*

- *Operating Activities*

Net cash provided by operating activities during the third quarter of 2009 increased by \$1.5 million as compared to the prior year period. The net increase in cash flow was mainly due to increased collections of accounts receivable, a favorable current quarter over quarter change in accounts payable and accrued liabilities, and improved results of operations, as adjusted for non-cash revenue and expense items such as gains on sales of assets and depreciation expense. These increases were offset, in part, by a reduction in unearned operating lease income.

The increase in collections of accounts receivable improved cash flow by \$732 thousand and was mainly a result of higher amounts of billings accrued at the end of the second quarter of 2009 versus the same period in 2008. Accordingly, this resulted in higher amounts of receivables collected during the third quarter of 2009 as compared to the prior year period. Likewise, the favorable current quarter over quarter change in accounts payable and accrued liabilities improved cash flow by \$462 thousand. The increase was primarily due to period-end accruals related to costs reimbursable to AFS. Moreover, the net improvement in operating results, as adjusted for non-cash items, improved cash flow by \$427 and was mainly a result of the increase in direct financing lease revenues combined with the decreased in acquisition expense and asset management fees paid to AFS.

As a partial offset, the decrease in unearned operating lease income reduced cash by \$145 thousand and was primarily due to a period over period decline in prepaid rents received.

- *Investing Activities*

Net cash used in investing activities during the third quarter of 2009 increased by \$4.4 million as compared to the prior year period. The net decrease in cash flow reflects approximately \$6.1 million of cash used to refurbish existing assets relative to a new direct financing lease. Moreover, cash flow was unfavorably impacted by a \$1.4 million decline in proceeds from sales of lease assets and early termination of notes. The decrease in proceeds is reflective of the type and quantity of assets sold, as well as the period over period reduction in early termination of the notes. Cash flow was also unfavorably impacted by a \$398 thousand reduction in payments received on notes receivable. The decrease was primarily due to run-off and early termination of the notes.

Partly offsetting the aforementioned decreases in cash flow were increases totaling \$2.6 million and \$328 thousand resulting from reduced asset purchases and increased payments received on direct financing leases, respectively. The decrease in purchases of lease assets was primarily due to the decline in acquisition phase activity as the Fund has approached full investment; and the increase in payments received on direct financing leases was primarily attributable to a new lease that commenced in September 2009

- *Financing Activities*

Net cash provided by financing activities totaled \$4.6 million for the third quarter of 2009 as compared to cash used in financing activities totaling \$3.1 million for the third quarter of 2008, an increase of \$7.8 million. The net increase in cash flow was largely due to approximately \$12.8 million of new non-recourse debt related to the refurbishment and re-leasing of certain existing assets. This increase in cash flow was offset, in part, by a \$4.5 million decrease in borrowings against the Company's credit facility, which is consistent with the decline in acquisition phase activity.

*The nine months ended September 30, 2009 versus the nine months ended September 30, 2008*

- *Operating Activities*

Net cash provided by operating activities during the first nine months of 2009 increased by \$2.1 as compared to the prior year period. The net increase in cash flow was mainly due to an increase in results of operations, as adjusted for non-cash revenue and expense items such as gains on sales of assets and depreciation expense, a favorable current year-to-date change in accounts payable and accrued liabilities and increased collections of accounts receivable. These increases were offset, in part, by a reduction in unearned operating lease income.

The net improvement in operating results, as adjusted for non-cash items, improved cash flow by \$2.2 million and was mainly a result of increases in both operating lease and direct financing lease revenues totaling \$1.0 million and \$290 thousand, respectively. Operating results also improved due to a \$1.0 million reduction in acquisition expense.

Likewise, the favorable current year-to-date change in accounts payable and accrued liabilities improved cash flow by \$119 thousand. The increase was attributable to higher amounts of accruals related to asset purchase obligations paid during 2008. Moreover, the increase in collections of accounts receivable improved cash flow by \$91 thousand and was mainly a result of higher amounts of billings recorded during the first nine months of 2009 versus the same period in 2008, representing incremental revenues from assets acquired since early 2008. Accordingly, this resulted in higher amounts of receivables collected during the first nine months of 2009 versus the prior year period.

As a partial offset, the decrease in unearned operating lease income reduced cash by \$307 thousand and was primarily due to a period over period decline in prepaid rents received.

- *Investing Activities*

Net cash used in investing activities during the first nine months of 2009 declined by \$23.0 million as compared to the prior year period. The net decrease in cash used (increase in cash flow) was largely due to decreases in the origination and funding of lease assets and notes receivable, and an increase in payments received on direct financing leases. These increases in cash flow were offset, in part, by a decline in payments received on the notes and reduced proceeds from sales of lease assets and early termination of notes.

The reduction in purchases of lease assets and funding of notes receivable improved cash flow by \$23.8 million and \$250 thousand, respectively, and were primarily due to the decline in acquisition phase activity as the Fund has approached full investment. Similarly, the increase in payments received on direct financing leases improved cash flow by \$810 thousand and was largely due to income realized from assets acquired primarily during 2008.

Partly offsetting the aforementioned increases in cash were decreases in payments received on notes receivable and proceeds from sales of lease assets and early termination of notes totaling \$1.2 million and \$792 thousand, respectively. The decline in payments received on notes receivable was mainly due to run-off and early termination of certain notes; and the decline in proceeds from sales of lease assets and early termination of notes is reflective of the type and quantity of assets sold, and a period over period decrease in early termination of notes.

- *Financing Activities*

Net cash used in financing activities totaled \$5.0 million for the first nine months of 2009 as compared to cash provided by financing activities totaling \$13.7 million during the prior year period, a decrease of \$18.7 million. The net reduction in cash was primarily due to a \$38.4 million decrease in proceeds from borrowings, net of repayments, under the acquisition facility and receivables funding program. The decrease in net borrowings from the credit facilities is consistent with the decline in the Company's acquisition phase activity.

Partially offsetting the aforementioned decrease in cash flow was a \$19.6 million increase in non-recourse debt. As previously noted, approximately \$12.8 million of new non-recourse debt was utilized during the third quarter of 2009 and is related to the refurbishment and re-leasing of certain existing assets.

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

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 and notes would not increase as such rates are generally fixed for the terms of the leases and notes without adjustment for inflation. In addition, if interest rates increase significantly under such circumstances, the rates that the Company can obtain on future leases or financing transactions will be expected to increase as the cost of capital is a significant factor in the pricing of lease financing and investments in notes receivable. Leases and notes already in place, for the most part, would not be affected by changes in interest rates.

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.

### 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, 2009, the Company had an \$80 million receivables funding program (the “RF Program”) with a receivables financing company that issues 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 and affiliates were in compliance with all covenants under the Facilities as of September 30, 2009. 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 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 and for the nine-month period ended September 30, 2009, 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 \$51.4 million, 0.96 to 1, and 10.05 to 1, respectively, for the same period ended September 30, 2009. As such, as of September 30, 2009, the Company and its affiliates were 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 generally accepted accounting principles (“GAAP”). The EBITDA is utilized by the Company to calculate one of its debt covenant ratios.

The following is a reconciliation of EBITDA to net income for the nine months ended September 30, 2009 (in thousands):

Net income - GAAP basis	\$ 226
Interest expense	2,048
Depreciation and amortization	16,607
Amortization of initial direct costs	323
Provision for losses and doubtful accounts	166
Provision for losses on investment in securities	50
Change in fair value of interest rate swap contracts	(639)
Payments received on direct finance leases	1,376
Payments received on notes receivable	1,082
Amortization of unearned income on direct finance leases	(407)
Amortization of unearned income on notes receivable	(258)
EBITDA (for Credit Facility financial covenant calculation only)	<u>\$20,574</u>

#### 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."

AFS expects that aggregate borrowings in the future may approximate as much as 50% of aggregate equipment cost. In any event, the Operating Agreement limits such borrowings to 50% of the total cost of equipment, in aggregate. For detailed information on the Company's debt obligations, see Notes 6 through 8 in Item 1. Financial Statements.

Due to the bankruptcy of a major lessee, Chrysler Corporation, the Company, in accordance with its accounting policy for allowance for doubtful accounts, has placed all operating and direct financing leases with Chrysler on non-accrual status pending resumption of recurring payment activity. As a result, the Company has provided for its related billed, but not yet paid, lease payments as of September 30, 2009 through its results of operations. The Company also considered the net book value of the equipment underlying the lease contracts of \$1.2 million for impairment as well as the collectability of the remaining unbilled direct financing lease receivables of \$200 thousand and believes that, as of September 30, 2009 no probable impairment exists in either instance.

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 2009.

At September 30, 2009, there were commitments to purchase lease assets and fund investments in notes receivable (see Note 9, Commitments, as set forth in Item 1. Financial Statements).

#### **Item 4T. 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, 2009 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. Submission of Matters to a Vote of Security Holders.**

None.

### **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 16, 2009

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)

**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 16, 2009

/s/ Dean L. Cash

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Dean L. Cash

President and Chief Executive Officer of  
ATEL Financial Services, LLC (Managing Member)

**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 16, 2009

/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)

**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, 2009 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 16, 2009

/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.

**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, 2009 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 16, 2009

/s/ Paritosh K. Choksi

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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.