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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 March 31, 2010

**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 000-51858

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

**California**  
(State or other jurisdiction of  
Incorporation or organization)

**20-1357935**  
(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 April 30, 2010 was 5,210,507.

**DOCUMENTS INCORPORATED BY REFERENCE**

None.

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## ATEL CAPITAL EQUIPMENT FUND XI, LLC

### Index

<b>Part I. <u>Financial Information</u></b>	3
Item 1. <u>Financial Statements (Unaudited)</u>	3
<u>Balance Sheets, March 31, 2010 and December 31, 2009</u>	3
<u>Statements of Operations for the three months ended March 31, 2010 and 2009</u>	4
<u>Statements of Changes in Members' Capital for the year ended December 31, 2009 and for the three months ended March 31, 2010</u>	5
<u>Statements of Cash Flows for the three months ended March 31, 2010 and 2009</u>	6
<u>Notes to the Financial Statements</u>	7
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	19
Item 4T. <u>Controls and Procedures</u>	24
<b>Part II. <u>Other Information</u></b>	25
Item 1. <u>Legal Proceedings</u>	25
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	25
Item 3. <u>Defaults Upon Senior Securities</u>	25
Item 4. <u>[Reserved]</u>	25
Item 5. <u>Other Information</u>	25
Item 6. <u>Exhibits</u>	25

**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements (Unaudited).**

**ATEL CAPITAL EQUIPMENT FUND XI, LLC**

**BALANCE SHEETS**

**MARCH 31, 2010 AND DECEMBER 31, 2009**

(In Thousands)

**(Unaudited)**

	<b>March 31, 2010</b>	<b>December 31, 2009</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,032	\$ 3,654
Accounts receivable, net of allowance for doubtful accounts of \$186 as of March 31, 2010 and \$210 as of December 31, 2009	178	213
Notes receivable, net of unearned interest income of \$415 of March 31, 2010 and \$472 as of December 31, 2009	2,246	2,570
Investment in securities	312	306
Investments in equipment and leases, net of accumulated depreciation of \$26,579 as of March 31, 2010 and \$25,912 as of December 31, 2009	23,047	24,917
Other assets	35	39
<b>Total assets</b>	<b><u>\$ 29,850</u></b>	<b><u>\$ 31,699</u></b>
<b>LIABILITIES AND MEMBERS' CAPITAL</b>		
Accounts payable and accrued liabilities:		
Managing Member	\$ 165	\$ 87
Accrued distributions to Other Members	551	551
Other	442	412
Non-recourse debt	8,000	8,924
Unearned operating lease income	684	437
<b>Total liabilities</b>	<b><u>9,842</u></b>	<b><u>10,411</u></b>
Commitments and contingencies		
Members' capital:		
Managing Member	—	—
Other Members	20,008	21,288
<b>Total Members' capital</b>	<b><u>20,008</u></b>	<b><u>21,288</u></b>
<b>Total liabilities and Members' capital</b>	<b><u>\$ 29,850</u></b>	<b><u>\$ 31,699</u></b>

See accompanying notes.

**ATEL CAPITAL EQUIPMENT FUND XI, LLC**

**STATEMENTS OF OPERATIONS**

**THREE MONTHS ENDED**

**MARCH 31, 2010 AND 2009**

(In Thousands Except for Units and Per Unit Data)

**(Unaudited)**

	Three months ended	
	March 31,	
	2010	2009
<b>Revenues:</b>		
Operating lease income	\$ 1,952	\$ 2,815
Direct financing leases	25	11
Notes receivable interest income	57	105
Gain of sale of assets and early termination of notes	88	9
Gain (loss) on sale or disposition of securities	2	(54)
Other	13	6
<b>Total revenues</b>	<b>2,137</b>	<b>2,892</b>
<b>Expenses:</b>		
Depreciation of operating lease assets	1,579	2,246
Asset management fees to Managing Member	125	148
Acquisition expense	—	5
Cost reimbursements to Managing Member	132	87
Reversal of provision for doubtful accounts	(24)	(8)
Provision for losses on investment in securities	—	50
Amortization of initial direct costs	33	41
Interest expense	139	269
Professional fees	79	69
Outside services	15	9
Other	30	24
<b>Total operating expenses</b>	<b>2,108</b>	<b>2,940</b>
Other loss, net	(7)	(24)
<b>Net income (loss)</b>	<b>\$ 22</b>	<b>\$ (72)</b>
<b>Net income (loss):</b>		
Managing Member	\$ 97	\$ 98
Other Members	(75)	(170)
	<u>\$ 22</u>	<u>\$ (72)</u>
<b>Net loss per Limited Liability Company Unit (Other Members)</b>	<b>\$ (0.01)</b>	<b>\$ (0.03)</b>
<b>Weighted average number of Units outstanding</b>	<b>5,210,507</b>	<b>5,221,174</b>

See accompanying notes.

**ATEL CAPITAL EQUIPMENT FUND XI, LLC**  
**STATEMENTS OF CHANGES IN MEMBERS' CAPITAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
**AND FOR THE**  
**THREE MONTHS ENDED**  
**MARCH 31, 2010**

(In Thousands Except for Units and Per Unit Data)  
**(Unaudited)**

	<u>Other Members</u>		<u>Managing Member</u>	<u>Total</u>
	<u>Units</u>	<u>Amount</u>		
Balance December 31, 2008	5,230,507	\$ 25,514	\$ —	\$ 25,514
Repurchases of Units	(20,000)	(100)	—	(100)
Distributions to Other Members (\$0.92 per Unit)	—	(4,819)	—	(4,819)
Distributions to Managing Member	—	—	(391)	(391)
Net income	—	693	391	1,084
Balance December 31, 2009	5,210,507	21,288	—	21,288
Distributions to Other Members (\$0.23 per Unit)	—	(1,205)	—	(1,205)
Distributions to Managing Member	—	—	(97)	(97)
Net (loss) income	—	(75)	97	22
Balance March 31, 2010	<u>5,210,507</u>	<u>\$ 20,008</u>	<u>\$ —</u>	<u>\$ 20,008</u>

See accompanying notes.

**ATEL CAPITAL EQUIPMENT FUND XI, LLC**

**STATEMENTS OF CASH FLOWS**

**THREE MONTHS ENDED  
MARCH 31, 2010 AND 2009**

(In Thousands)  
(Unaudited)

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>Operating activities:</b>		
Net income (loss)	\$ 22	\$ (72)
Adjustment to reconcile net income (loss) to cash provided by operating activities:		
Gain on sales of assets and early termination of notes	(88)	(9)
Depreciation of operating lease assets	1,579	2,246
Amortization of initial direct costs	33	41
Amortization of unearned income on direct financing leases	(25)	(11)
Amortization of unearned income on notes receivable	(57)	(105)
Reversal of provision for doubtful accounts	(24)	(8)
Provision for losses on investment in securities	—	50
(Gain) loss on sale or disposition of securities	(2)	54
Changes in operating assets and liabilities:		
Accounts receivable	59	60
Prepaid and other assets	4	5
Accounts payable, Managing Member	78	9
Accrued distributions to Other Members	—	(2)
Accounts payable, other	30	128
Unearned operating lease income	247	59
<b>Net cash provided by operating activities</b>	<b><u>1,856</u></b>	<b><u>2,445</u></b>
<b>Investing activities:</b>		
Purchase of securities	(6)	—
Proceeds from early termination of notes receivable	1	84
Proceeds from sales of lease assets	327	76
Payments of initial direct costs	—	(1)
Payments received on direct financing leases	45	3
Proceeds from sale of securities	2	71
Payments on notes receivable	379	348
<b>Net cash provided by investing activities</b>	<b><u>748</u></b>	<b><u>581</u></b>
<b>Financing activities:</b>		
Repayments under non-recourse debt	(924)	(1,296)
Borrowings under acquisition facility	—	500
Distributions to Other Members	(1,205)	(1,205)
Distributions to Managing Member	(97)	(98)
Repurchases of Units	—	(100)
<b>Net cash used in financing activities</b>	<b><u>(2,226)</u></b>	<b><u>(2,199)</u></b>
<b>Net increase in cash and cash equivalents</b>	<b>378</b>	<b>827</b>
<b>Cash and cash equivalents at beginning of period</b>	<b><u>3,654</u></b>	<b><u>904</u></b>
<b>Cash and cash equivalents at end of period</b>	<b><u>\$ 4,032</u></b>	<b><u>\$ 1,731</u></b>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the period for interest	<u>\$ 143</u>	<u>\$ 276</u>
Cash paid during the period for taxes	<u>\$ —</u>	<u>\$ 1</u>
<b>Schedule of non-cash transactions:</b>		
Distributions payable to Other Members at period-end	<u>\$ 551</u>	<u>\$ 552</u>
Distributions payable to Managing Member at period-end	<u>\$ 45</u>	<u>\$ 45</u>

See accompanying notes.

## ATEL CAPITAL EQUIPMENT FUND XI, LLC

### NOTES TO FINANCIAL STATEMENTS

#### **1. Organization and Limited Liability Company matters:**

ATEL Capital Equipment Fund XI, LLC (the “Company”) was formed under the laws of the State of California on June 25, 2004. The Company was formed for the purpose of acquiring equipment to engage in equipment leasing, lending and sales activities. Also, from time to time, the Company may purchase securities of its borrowers or receive warrants to purchase securities in connection with its lending arrangements. The Managing Member of the Company is ATEL Financial Services, LLC (“AFS”), a California limited liability company. The Company may continue until December 31, 2025. Each Member’s personal liability for obligations of the Company generally will be limited to the amount of their respective contributions and rights to undistributed profits and assets of the Company.

The Company conducted a public offering of 15,000,000 Limited Liability Company Units (“Units”), at a price of \$10 per Unit. On May 31, 2005, subscriptions for the minimum number of Units (120,000, representing \$1.2 million) had been received and AFS requested that the subscriptions be released to the Company. On that date, the Company commenced operations in its primary business (acquiring equipment to engage in equipment leasing, lending and sales activities). As of July 13, 2005, the Company had received subscriptions for 958,274 Units (\$9.6 million), thus exceeding the \$7.5 million minimum requirement for Pennsylvania, and AFS requested that the remaining funds in escrow (from Pennsylvania investors) be released to the Company. The Company terminated sales of Units effective April 30, 2006. Life-to-date net contributions through March 2010 totaled \$52.2 million, consisting of approximately \$52.8 million in gross contributions from Other Members purchasing Units under the public offering less rescissions and repurchases of \$632 thousand. As of March 31, 2010, 5,210,507 Units were 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 December 31, 2012, and (iii) provides additional distributions following the Reinvestment Period and until all equipment has been sold. The Company is governed by its Limited Liability Company Operating Agreement (“Operating Agreement”), as amended.

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

The Company is in its acquisition phase and is making distributions on a monthly and quarterly basis. Periodic distributions commenced in June 2005.

The Company’s 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, 2009, filed with the Securities and Exchange Commission.

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

##### *Basis of presentation:*

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and with the instructions to Form 10-Q as mandated by the Securities and Exchange Commission. The unaudited interim financial statements reflect all adjustments which are, in the opinion of the Managing Member, necessary for a fair statement of financial position and results of operations for the interim periods presented. All such adjustments are of a normal recurring nature. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions in the financial

## ATEL CAPITAL EQUIPMENT FUND XI, LLC

### NOTES TO FINANCIAL STATEMENTS

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

statements and accompanying notes. Therefore, actual results could differ from those estimates. Operating results for the three months ended March 31, 2010 are not necessarily indicative of the results to be expected for the full year.

Certain prior period amounts have been reclassified to conform to the current period presentation. 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 Managing Member has reviewed events that have occurred after March 31, 2010 up until the issuance of the financial statements. 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 for determination of the allowance for doubtful accounts and reserve for credit losses on notes receivable.

#### *Segment reporting:*

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

The Company's principal decision makers are the Managing Member's Chief Executive Officer and its Chief Financial Officer and Chief Operating Officer. The Company believes that its equipment leasing business operates as one reportable segment because: a) the Company measures profit and loss at the equipment portfolio level as a whole; b) the principal decision makers do not review information based on any operating segment other than the equipment leasing transaction portfolio; c) the Company does not maintain discrete financial information on any specific segment other than its equipment financing operations; d) the Company has not chosen to organize its business around different products and services other than equipment lease financing; and e) the Company has not chosen to organize its business around geographic areas.

The primary geographic regions in which the Company seeks leasing opportunities are North America and Europe. The table below summarizes geographic information relating to the sources, by nation, of the Company's total revenues for the three months ended March 31, 2010 and 2009 and long-lived assets as of March 31, 2010 and December 31, 2009 (in thousands):

	For the three months ended March 31,			
	2010	% of Total	2009	% of Total
Revenue				
United States	\$ 1,947	91%	\$ 2,663	92%
United Kingdom	190	9%	229	8%
Total International	190	9%	229	8%
Total	\$ 2,137	100%	\$ 2,892	100%

**ATEL CAPITAL EQUIPMENT FUND XI, LLC**

**NOTES TO FINANCIAL STATEMENTS**

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

	<u>As of March 31,</u>		<u>As of December 31,</u>	
	<u>2010</u>	<u>% of Total</u>	<u>2009</u>	<u>% of Total</u>
Long-lived assets				
United States	\$ 21,634	94%	\$ 23,339	94%
United Kingdom	1,413	6%	1,578	6%
Total International	1,413	6%	1,578	6%
<b>Total</b>	<b>\$ 23,047</b>	<b>100%</b>	<b>\$ 24,917</b>	<b>100%</b>

*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. There were no impaired securities at March 31, 2010. 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. The impaired investment security was disposed of during the second quarter of 2009. There were no additional impaired securities at December 31, 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, as determined by the Managing Member, on the balance sheet as assets or liabilities. At March 31, 2010 and December 31, 2009, the Managing Member estimated the fair value of the warrants to be nominal in amount.

*Foreign currency transactions:*

Foreign currency transaction gains and losses are reported in the results of operations as "other income" or "other loss" in the period in which they occur. Currently, the Company does not use derivative instruments to hedge its economic exposure with respect to assets, liabilities and firm commitments as the foreign currency transactions risks to date have not been significant. The Company recognized net foreign currency losses of \$7 thousand and \$24 thousand for the three months ended March 31, 2010 and 2009, respectively.

*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.

## ATEL CAPITAL EQUIPMENT FUND XI, LLC

### NOTES TO FINANCIAL STATEMENTS

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

##### *Recent accounting pronouncements:*

In February 2010, the FASB issued Accounting Standards Update (“ASU”) No. 2010-09 “Subsequent Events—Amendments to Certain Recognition and Disclosure Requirements” (“ASU 2010-09”), which amends FASB ASC Topic 855, Subsequent Events, so that SEC filers no longer are required to disclose the date through which subsequent events have been evaluated in originally issued and revised financial statements. ASU No. 2010-09 was effective immediately and was adopted by the Company for its yearend 2009 reporting period with no impact on its financial position, results of operations or cash flows.

In January 2010, the FASB issued ASU No. 2010-06, “Improving Disclosure about Fair Value Measurement” (“ASU 2010-06”). ASU 2010-06 requires additional disclosures related to recurring or nonrecurring fair-value measurements including significant transfers into and out of Level 1 and Level 2 fair-value measurements, and information on purchases, sales, issuances, and settlements in a rollforward reconciliation of Level 3 fair-value measurements. Except for disclosure regarding the purchases, sales, issuances and settlements relating to Level 3 measurements, which will be effective for fiscal years beginning after December 15, 2010, the guidance became effective for the Company beginning January 1, 2010 and was adopted during the first quarter of 2010 with no impact on the Company’s financial position, results of operations or cash flows.

#### 3. Notes receivable:

The Company has various notes receivable from borrowers who have financed the purchase of equipment through the Company. The terms of the notes receivable were generally up to 120 months and bear interest at rates ranging from 8.4% to 13.6%. The notes are secured by the equipment financed. The notes mature from 2010 through 2016. There were no impaired notes or notes placed in nonaccrual status at March 31, 2010 and December 31, 2009.

The minimum future payments receivable as of March 31, 2010 are as follows (in thousands):

Nine months ending December 31, 2010	\$ 869
Year ending December 31, 2011	521
2012	399
2013	295
2014	221
2015	166
Thereafter	188
	2,659
Less: portion representing unearned interest income	(415)
	2,244
Unamortized indirect costs	2
Notes receivable, net	\$2,246

IDC amortization expense related to notes receivable and the Company’s operating and direct financing leases for the three months ended March 31, 2010 and 2009 are as follows (in thousands):

	Three months ended	
	March 31,	
	2010	2009
IDC amortization - notes receivable	\$ 1	\$ 3
IDC amortization - lease assets	32	38
Total	\$ 33	\$ 41

**ATEL CAPITAL EQUIPMENT FUND XI, LLC**

**NOTES TO FINANCIAL STATEMENTS**

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

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

	Balance December 31, 2009	Reclassifications & Additions / Dispositions	Depreciation/ Amortization Expense or Amortization of Leases	Balance March 31, 2010
Net investment in operating leases	\$ 24,174	\$ (228)	\$ (1,579)	\$ 22,367
Net investment in direct financing leases	163	16	(20)	159
Assets held for sale or lease, net	383	(27)	—	356
Initial direct costs, net of accumulated amortization of \$426 at March 31, 2010 and \$414 at December 31, 2009	197	—	(32)	165
<b>Total</b>	<b>\$ 24,917</b>	<b>\$ (239)</b>	<b>\$ (1,631)</b>	<b>\$ 23,047</b>

IDC amortization expense related to operating leases and direct finance leases totaled \$32 thousand and \$38 thousand for the respective three-month periods ended March 31, 2010 and 2009 (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. No impairment losses were recorded during the three months ended March 31, 2010 and 2009. Depreciation expense on property subject to operating leases and property held for lease or sale was approximately \$1.6 million and \$2.2 million for the respective three months ended March 31, 2010 and 2009.

All of the leased property was acquired during the years 2005 through 2009.

*Operating leases:*

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

	Balance December 31, 2009	Additions	Reclassifications or Dispositions	Balance March 31, 2010
Materials handling	\$ 15,873	\$ —	\$ (431)	\$ 15,442
Transportation, rail	11,723	—	—	11,723
Transportation, other	11,059	—	—	11,059
Construction	2,982	—	—	2,982
Aviation	1,658	—	—	1,658
Marine	1,415	—	—	1,415
Manufacturing	1,171	—	—	1,171
Logging & lumber	1,150	—	(369)	781
Research	725	—	—	725
Office furniture	146	—	—	146
	47,902	—	(800)	47,102
Less accumulated depreciation	(23,728)	(1,579)	572	(24,735)
<b>Total</b>	<b>\$ 24,174</b>	<b>\$ (1,579)</b>	<b>\$ (228)</b>	<b>\$ 22,367</b>

## ATEL CAPITAL EQUIPMENT FUND XI, LLC

### NOTES TO FINANCIAL STATEMENTS

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

The average estimated residual value for assets on operating leases was 22% and 21% of the assets' original cost at March 31, 2010 and December 31, 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 Group, LLC, which is 35% owned by Fiat. The new Chrysler has remitted payments relative to the affirmed leases. However, at March 31, 2010, the account remains on cash basis in accordance with Company policy as the short payment history of the new Chrysler does not yet substantiate its ability to maintain accounts current.

At March 31, 2010, net investment in equipment underlying lease contracts placed in non-accrual status approximated \$1.5 million, of which \$1.0 million was related to Chrysler. At December 31, 2009, such investment totaled \$1.7 million, of which \$1.1 million was related to Chrysler. The related accounts receivable from such contracts approximated \$168 thousand at both March 31, 2010 and December 31, 2009.

#### *Direct financing leases:*

As of March 31, 2010, investment in direct financing leases consists of materials handling equipment. The following lists the components of the Company's investment in direct financing leases as of March 31, 2010 and December 31, 2009 (in thousands):

	March 31, 2010	December 31, 2009
Total minimum lease payments receivable	\$ 227	\$ 180
Estimated residual values of leased equipment (unguaranteed)	36	35
Investment in direct financing leases	263	215
Less unearned income	(104)	(52)
Net investment in direct financing leases	<u>\$ 159</u>	<u>\$ 163</u>

There were no investment in direct financing lease assets in non-accrual status at March 31, 2010 and December 31, 2009.

At March 31, 2010, the aggregate amounts of future minimum lease payments to be received are as follows (in thousands):

	Operating Leases	Direct Financing Leases	Total
Nine months ending December 31, 2010	\$ 4,979	\$ 127	\$ 5,106
Year ending December 31, 2011	4,131	72	4,203
2012	2,741	28	2,769
2013	1,848	—	1,848
2014	1,162	—	1,162
2015	677	—	677
	<u>\$15,538</u>	<u>\$ 227</u>	<u>\$15,765</u>

## ATEL CAPITAL EQUIPMENT FUND XI, LLC

### NOTES TO FINANCIAL STATEMENTS

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

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

<u>Equipment category</u>	<u>Useful Life</u>
Transportation, rail	30 - 35
Aviation	20 - 30
Marine vessels	20 - 30
Manufacturing	10 - 20
Construction	7 - 10
Logging & lumber	7 - 10
Materials handling	7 - 10
Office furniture	7 - 10
Research	7 - 10
Transportation, other	7 - 10

#### 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.

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; and investor relations, communications services and general administrative services are performed by AFS.

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 reimbursable in future years to the extent of the cumulative limit. As of March 31, 2010, the Company has not exceeded the annual and/or cumulative limitations discussed above.

AFS and/or affiliates earned fees, commissions and reimbursements, pursuant to the Operating Agreement as follows during each of the three months ended March 31, 2010 and 2009 (in thousands):

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<u>2010</u>	<u>2009</u>
Costs reimbursed to Managing Member and/or affiliates	\$ 132	\$ 87
Asset management fees to Managing Member and/or affiliates	125	148
Acquisition and initial direct costs paid to Managing Member	—	5
	<u>\$ 257</u>	<u>\$ 240</u>

## ATEL CAPITAL EQUIPMENT FUND XI, LLC

### NOTES TO FINANCIAL STATEMENTS

#### 6. Non-recourse Debt:

At March 31, 2010, 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 4.33% to 6.65%. The notes are secured by assignments of lease payments and pledges of assets. At March 31, 2010, gross lease rentals totaled approximately \$8.9 million over the remaining lease terms; and the carrying value of the pledged assets is approximately \$12.1 million. The notes mature from 2010 through 2015.

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.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Nine months ending December 31, 2010	\$ 2,320	\$ 294	\$2,614
Year ending December 31, 2011	1,873	267	2,140
2012	1,284	181	1,465
2013	1,065	118	1,183
2014	819	64	883
2015	639	17	656
	<u>\$ 8,000</u>	<u>\$ 941</u>	<u>\$8,941</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 March 31, 2010 and December 31, 2009, borrowings under the facility were as follows (in thousands):

	<u>March 31, 2010</u>	<u>December 31, 2009</u>
Total available under the financing arrangement	\$ 75,000	\$ 75,000
Amount borrowed by the Company under the acquisition facility	—	—
Amounts borrowed by affiliated partnerships and Limited Liability Companies under the working capital, acquisition and warehouse facilities	(1,159)	(1,750)
Total remaining available under the working capital, acquisition and warehouse facilities	<u>\$ 73,841</u>	<u>\$ 73,250</u>

## ATEL CAPITAL EQUIPMENT FUND XI, LLC

### NOTES TO FINANCIAL STATEMENTS

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

The Company and its affiliates pay an annual commitment fee to have access to this line of credit. As of March 31, 2010, 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.

As of March 31, 2010, the Company's Tangible Net Worth requirement under the Credit Facility was \$10 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 \$20.0 million, 0.40 to 1, and 15.04 to 1, respectively, as of March 31, 2010. As such, as of March 31, 2010, 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. At both March 31, 2010 and December 31, 2009, the Company had no outstanding borrowings under the acquisition facility. The weighted average interest rate on borrowings was 2.43% during the three months ended March 31, 2009.

#### *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 March 31, 2010, the investment program participants were ATEL Capital Equipment Fund X, LLC, the Company 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

## ATEL CAPITAL EQUIPMENT FUND XI, LLC

### NOTES TO FINANCIAL STATEMENTS

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

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.

As of March 31, 2010, borrowings of \$1.2 million were outstanding under the Warehouse Facility. The Company's maximum obligation on the outstanding warehouse balance at March 31, 2010 was approximately \$269 thousand. As of December 31, 2009, there were no borrowings under the Warehouse Facility.

#### 8. Guarantees:

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

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

#### 9. Members' capital:

As of March 31, 2010 and December 30, 2009, 5,210,507 Units were issued and outstanding. The Fund was authorized to issue up to 15,000,000 Units. The Company terminated sales of Units effective April 30, 2006.

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.

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

	Three Months Ended March 31,	
	2010	2009
Distributions	\$ 1,205	\$ 1,205
Weighted average number of Units outstanding	5,210,507	5,221,174
Weighted average distributions per Unit	\$ 0.23	\$ 0.23

## ATEL CAPITAL EQUIPMENT FUND XI, LLC

### NOTES TO FINANCIAL STATEMENTS

#### 10. Fair value measurements:

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

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

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 March 31, 2010, only the Company's warrants were measured on a recurring basis. Such estimate of measurement methodology is as follows:

#### *Warrants*

The fair value of the Company's holdings in warrants is estimated by the Managing Member based on reasonable assumptions and information available. Accordingly, such warrants are classified within Level 3 of the valuation hierarchy. Given these instruments lack an active market and are illiquid as they represent warrants in private companies, it is very difficult to obtain market driven fair values. Therefore, the Company has developed an internally generated valuation method based on assumptions other market participants would use in similar circumstances. The significant assumptions utilized by management in its warrant valuation methodology include intrinsic value, risk free rate of return and volatility. In addition, the Company has considered illiquidity of these holdings and has applied an illiquidity discount. At March 31, 2010 and December 31, 2009, the Managing Member estimated the fair value of the warrants to be nominal in amount.

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.

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 fair value of the Company's notes receivable is estimated using discounted cash flow analyses, based upon current market rates for similar types of lending arrangements.

**ATEL CAPITAL EQUIPMENT FUND XI, LLC**

**NOTES TO FINANCIAL STATEMENTS**

**10. Fair value measurements (continued):**

*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. At March 31, 2010 and December 31, 2009, 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 and that it is not practicable to estimate the fair value of the investment because of its illiquidity. Accordingly, such investment is stated at cost.

*Non-recourse debt*

The fair value of the Company's non-recourse debt is estimated using discounted cash flow analyses, based upon the 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 March 31, 2010 and December 31, 2009. 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 at March 31, 2010 and December 31, 2009 (in thousands):

	March 31, 2010		December 31, 2009	
	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>
Financial assets:				
Cash and cash equivalents	\$ 4,032	\$ 4,032	\$ 3,654	\$ 3,654
Notes receivable	2,246	2,246	2,570	2,570
Financial liabilities:				
Non-recourse debt	8,000	8,307	8,924	9,244

## **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 XI, LLC (the "Company") is a California limited liability company that was formed in June 2004 for the purpose of engaging in the sale of limited liability company investment units and acquiring equipment to generate revenues from equipment leasing, lending and sales activities, primarily in the United States.

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 April 2006. During 2006, 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 reinvested cash flow in excess of certain amounts required to be distributed to the Other Members and/or utilized its credit facilities to acquire additional equipment. Throughout the Reinvestment Period, which ends December 31, 2012, the Company anticipates continued reinvestment of cash flow in excess of minimum distributions and other obligations. The Company is governed by its Limited Liability Company Operating Agreement ("Operating Agreement"), as amended.

The Company may continue until December 31, 2025. Periodic distributions are paid at the discretion of the Managing Member.

### **Results of Operations**

*The three months ended March 31, 2010 versus the three months ended March 31, 2009*

The Company had net income of \$22 thousand for the three months ended March 31, 2010 compared to a net loss of \$72 thousand for the three months ended March 31, 2009. Results for the first quarter of 2010 reflect a decrease in total operating expenses offset, in part, by a reduction in total revenues when compared with results for the prior year period.

#### *Revenues*

Total revenues for the first quarter of 2010 declined by \$755 thousand, or 26%, as compared to the prior year period. The net decrease in total revenues was primarily due to decreases in operating lease revenues and interest income on notes receivable totaling \$863 thousand and \$48 thousand, respectively. These decreases in revenues were partially offset by a \$79 thousand increase in gain on sale of assets and early termination of notes and a \$56 thousand favorable change in gain recognized on the disposition of securities.

The decrease in operating lease revenues was primarily due to run-off and sales of lease assets. Likewise, the reduction in interest income on notes receivable was largely a result of continued run-off and early terminations of certain notes receivable.

Gain on sale of assets and early termination of notes increased mainly due to the inherent higher value of the mix of assets sold during the current quarter; and, the favorable change in gain on sale or disposition of securities was largely a result of a \$62 thousand first quarter 2009 loss on the disposition of securities associated with a terminated note.

### *Expenses*

Total expenses for the first quarter of 2010 decreased by \$832 thousand, or 28%, as compared to the prior year period. The net reduction in total expenses was primarily due to decreases in depreciation expense, interest expense and asset management fees paid to AFS. These decreases in expenses were partially offset by an increase in costs reimbursed to AFS.

Depreciation expense for the first quarter of 2010 decreased by \$667 thousand, or 30%, as compared to the prior year period, largely due to run-off and sales of lease assets. Interest expense declined by \$130 thousand due to the decrease in outstanding debt primarily due to an early termination of a significant lease and its corresponding debt during the latter part of 2009 combined with continued scheduled payments of outstanding debt. In addition, asset management fees paid to AFS decreased by \$23 thousand largely due to the continued decline in managed assets and related rents resulting from lease asset dispositions.

The aforementioned decreases in expenses were partially offset by a \$45 thousand increase in costs reimbursed to AFS, which was largely due to higher administrative costs allocated to the Fund as a result of a refinement of cost allocation methodologies employed by the Managing Member.

### *Other loss, net*

The Company recorded other loss, net totaling \$7 thousand and \$24 thousand for the respective three months ended March 31, 2010 and 2009, all of which were related to losses from foreign currency transactions.

The decline in foreign currency losses was a result of 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.

### **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 changes in the Company's cash flow for the three months ended March 31, 2010 as compared to the prior year period are as follows:

- *Operating Activities*

Cash provided by operating activities during the first quarter of 2010 decreased by \$589 thousand as compared to the prior year period. The net decrease in cash flow was primarily attributable to a \$748 thousand decline in net operating results, as adjusted for non-cash items such as gains on sales of assets and depreciation expense partially offset by a \$188 thousand increase in unearned lease income.

The decrease in net operating results, as adjusted for non-cash items, was primarily a result of a decline in operating lease revenues; and the favorable change in unearned lease income was attributable to a period over period increase in prepaid rents.

- *Investing Activities*

Cash provided by investing activities during the first quarter of 2010 increased by \$167 thousand as compared to the prior year period. The increase in cash flow was largely due to a net increase in proceeds from sales of lease assets and early termination of notes receivable totaling \$168 thousand, and increases in payments received on direct financing leases and notes receivable totaling \$42 thousand and \$31 thousand, respectively. The aforementioned increases in cash flow were partially offset by a \$69 thousand reduction in proceeds from sale of securities.

The increase in proceeds from sales of lease assets and early termination of notes was attributable to the inherent higher value of the mix of assets sold during the current quarter. Payments received on direct financing leases increased as certain operating leases were renewed as direct financing leases during the latter half of 2009; and, payments received on notes receivable increased as a result of a loan modification associated with a certain note wherein the borrower previously (through April 2009) only paid the interest portion of the note receivable.

Proceeds from the sale of securities declined as the first quarter 2009 amount included proceeds from the disposition of securities associated with a terminated note receivable.

- *Financing Activities*

Net cash used in financing activities during the first quarter of 2010 increased by \$27 thousand as compared to the prior year period. The net increase in cash used (decrease in cash flow) was primarily due to a net \$128 thousand period over period reduction in financing, comprised of a \$500 thousand dollar reduction in borrowings under the acquisition facility, as the Fund had no borrowings during current quarter, partially offset by a \$372 thousand decline in repayments of non-recourse debt.

The aforementioned decrease in cash flow was offset, in part, by a \$100 thousand increase resulting from the absence of Unit repurchases during the first quarter of 2010. The first quarter of 2009 included \$100 thousand of Units repurchased.

Throughout the Reinvestment Period (as defined in the Operating Agreement), 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 obligations, including debt service (both principal and interest), the payment of management 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 lease or financing transactions will be expected to increase as the cost of capital is a significant factor in the pricing of leases 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.

#### Compliance with covenants

The Credit Facility includes 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 Credit Facility, 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 Credit Facility as of March 31, 2010. The Company considers certain financial covenants to be material to its ongoing use of the Credit Facility 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:

Minimum Tangible Net Worth: \$10 million

Leverage Ratio (leverage to Tangible Net Worth): Not to exceed 1.25 to 1

Collateral Value: Collateral value under the Warehouse Facility must exceed outstanding borrowings under that facility.

EBITDA to Interest Ratio: Not to be 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, (U.S Generally Accepted Accounting Principles) 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 Credit Facility. As of March 31, 2010, the Company’s Tangible Net Worth requirement under the Credit Facility was \$10 million, the permitted maximum leverage ratio was 1.25 to 1, and 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 \$20.0 million, 0.40 to 1, and 15.04 to 1, respectively, as of March 31, 2010. As such, as of March 31, 2010, 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, as defined therein, which is a non-GAAP financial performance measure. The EBITDA is utilized by the Company to calculate its debt covenant ratios.

The following is a reconciliation of EBITDA to net income for the three months ended March 31, 2010 (in thousands):

Net income - GAAP basis	\$ 22
Interest expense	139
Depreciation and amortization	1,579
Amortization of initial direct costs	33
Reversal of provision for credit losses	(24)
Payments received on direct finance leases	45
Payments received on notes receivable	379
Amortization of unearned income on direct finance leases	(25)
Amortization of unearned income on notes receivable	(57)
EBITDA (for Credit Facility financial covenant calculation only)	<u>\$ 2,091</u>

#### Events of default, cross-defaults, recourse and security

The terms of the Credit Facility 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 the Credit Facility 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 Credit Facility. 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.

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. The Credit Facility is 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. Also, a bankruptcy of AFS will trigger a default for the Company under the Credit Facility.

For detailed information on the Company's debt obligations, see Notes 6 and 7 to the financial statements as set forth in Part I, 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 leases with Chrysler on non-accrual status 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 March 31, 2010. At March 31, 2010, the net book value of such equipment was approximately \$1.0 million. The new Chrysler has remitted payments relative to the affirmed leases. However, at March 31, 2010, the account remains on cash basis in accordance with Company policy as the short payment history of the new Chrysler does not yet substantiate its ability to maintain accounts current.

As of March 31, 2010 and December 31, 2009, the total net investment in equipment underlying lease contracts placed in non-accrual status totaled \$1.5 million and \$1.7 million, respectively. The related accounts receivable from such contracts approximated \$168 thousand at both March 31, 2010 and December 31, 2009. As of the same date, management has concluded that the status of these leases will not have a material impact on either of the Company's capital resources or liquidity.

The Company commenced periodic distributions, based on cash flows from operations, beginning with the month of June 2005. Additional distributions have been consistently made through March 31, 2010.

At March 31, 2010, there were no commitments to purchase lease assets or fund investments in notes receivable.

**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 March 31, 2010 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.

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

None.

### **Item 3. Defaults Upon Senior Securities.**

None.

### **Item 4. [Reserved].**

### **Item 5. Other Information.**

None.

### **Item 6. Exhibits.**

Documents filed as a part of this report:

1. Financial Statement Schedules

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

2. Other Exhibits

31.1 Rule 13a-14(a)/ 15d-14(a) Certification of Dean L. Cash

31.2 Rule 13a-14(a)/ 15d-14(a) 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: May 7, 2010

ATEL CAPITAL EQUIPMENT FUND XI, 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 XI, 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: May 7, 2010

/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 XI, 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: May 7, 2010

/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)

**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 XI, LLC (the "Company") on Form 10-Q for the period ended March 31, 2010 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: May 7, 2010

/s/ Dean L. Cash

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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 XI, LLC (the "Company") on Form 10-Q for the period ended March 31, 2010 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: May 7, 2010

/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.