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

**Form 10-Q**

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

For the quarterly period ended June 30, 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 July 31, 2010 was 5,209,307.

**DOCUMENTS INCORPORATED BY REFERENCE**

None.

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## ATEL CAPITAL EQUIPMENT FUND XI, LLC

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**PART I. FINANCIAL INFORMATION**

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

**ATEL CAPITAL EQUIPMENT FUND XI, LLC**

**BALANCE SHEETS**

**JUNE 30, 2010 AND DECEMBER 31, 2009**

(In Thousands)

(Unaudited)

	<b>June 30, 2010</b>	<b>December 31, 2009</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,071	\$ 3,654
Accounts receivable, net of allowance for doubtful accounts of \$18 as of June 30, 2010 and \$210 as of December 31, 2009	255	213
Notes receivable, net of unearned interest income of \$368 as of June 30, 2010 and \$472 as of December 31, 2009	1,808	2,570
Investment in securities	313	306
Investments in equipment and leases, net of accumulated depreciation of \$27,642 as of June 30, 2010 and \$25,912 as of December 31, 2009	21,368	24,917
Other assets	11	39
<b>Total assets</b>	<b>\$ 27,826</b>	<b>\$ 31,699</b>
<b>LIABILITIES AND MEMBERS' CAPITAL</b>		
Accounts payable and accrued liabilities:		
Managing Member	\$ 136	\$ 87
Accrued distributions to Other Members	551	551
Other	362	412
Non-recourse debt	7,226	8,924
Unearned operating lease income	557	437
<b>Total liabilities</b>	<b>8,832</b>	<b>10,411</b>
Commitments and contingencies		
Members' capital:		
Managing Member	—	—
Other Members	18,994	21,288
<b>Total Members' capital</b>	<b>18,994</b>	<b>21,288</b>
<b>Total liabilities and Members' capital</b>	<b>\$ 27,826</b>	<b>\$ 31,699</b>

See accompanying notes.

**ATEL CAPITAL EQUIPMENT FUND XI, LLC**

**STATEMENTS OF INCOME**

**THREE AND SIX MONTHS ENDED**

**JUNE 30, 2010 AND 2009**

(In Thousands Except for Units and Per Unit Data)

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
<b>Revenues:</b>				
Operating lease income	\$ 2,192	\$ 2,612	\$ 4,144	\$ 5,427
Direct financing leases	37	10	62	21
Notes receivable interest income	43	85	100	190
Gain on sale of assets and early termination of notes	8	1,413	96	1,422
Gain (loss) on sale of securities	14	8	16	(46)
Other	23	3	36	9
<b>Total revenues</b>	<b>2,317</b>	<b>4,131</b>	<b>4,454</b>	<b>7,023</b>
<b>Expenses:</b>				
Depreciation of operating lease assets	1,532	2,172	3,111	4,418
Asset management fees to Managing Member	98	296	223	444
Acquisition expense	—	—	—	5
Cost reimbursements to Managing Member	123	83	255	170
Reversal of provision for doubtful accounts	—	(19)	(24)	(27)
Impairment losses	17	—	17	—
Provision for losses on investment in securities	—	—	—	50
Amortization of initial direct costs	29	44	62	85
Interest expense	123	269	262	538
Professional fees	53	34	132	103
Outside services	31	9	46	18
Other	40	35	70	59
<b>Total operating expenses</b>	<b>2,046</b>	<b>2,923</b>	<b>4,154</b>	<b>5,863</b>
Other income (loss), net	22	(43)	15	(67)
<b>Net income</b>	<b>\$ 293</b>	<b>\$ 1,165</b>	<b>\$ 315</b>	<b>\$ 1,093</b>
<b>Net income:</b>				
Managing Member	\$ 98	\$ 97	\$ 195	\$ 195
Other Members	195	1,068	120	898
	<u>\$ 293</u>	<u>\$ 1,165</u>	<u>\$ 315</u>	<u>\$ 1,093</u>
<b>Net income per Limited Liability Company Unit (Other Members)</b>	<b>\$ 0.04</b>	<b>\$ 0.20</b>	<b>\$ 0.02</b>	<b>\$ 0.17</b>
<b>Weighted average number of Units outstanding</b>	<b>5,209,742</b>	<b>5,210,507</b>	<b>5,210,122</b>	<b>5,215,811</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**  
**SIX MONTHS ENDED**  
**JUNE 30, 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
Repurchases of Units	(1,200)	(4)	—	(4)
Distributions to Other Members (\$0.46 per Unit)	—	(2,410)	—	(2,410)
Distributions to Managing Member	—	—	(195)	(195)
Net income	—	120	195	315
Balance June 30, 2010	<u>5,209,307</u>	<u>\$ 18,994</u>	<u>\$ —</u>	<u>\$ 18,994</u>

See accompanying notes.

## ATEL CAPITAL EQUIPMENT FUND XI, LLC

## STATEMENTS OF CASH FLOWS

## THREE AND SIX MONTHS ENDED

JUNE 30, 2010 AND 2009

(In Thousands)

(Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2010	2009	2010	2009
<b>Operating activities:</b>				
Net income	\$ 293	\$ 1,165	\$ 315	\$ 1,093
Adjustment to reconcile net income to cash provided by operating activities:				
Gain on sales of assets and early termination of notes	(8)	(1,413)	(96)	(1,422)
Depreciation of operating lease assets	1,532	2,172	3,111	4,418
Amortization of initial direct costs	29	44	62	85
Amortization of unearned income on direct financing leases	(37)	(10)	(62)	(21)
Amortization of unearned income on notes receivable	(43)	(85)	(100)	(190)
Reversal of provision for doubtful accounts	—	(19)	(24)	(27)
Impairment losses	17	—	17	—
Provision for losses on investment in securities	—	—	—	50
(Gain) loss on sale or disposition of securities	(14)	(8)	(16)	46
Changes in operating assets and liabilities:				
Accounts receivable	(77)	14	(18)	74
Prepaid and other assets	24	9	28	14
Accounts payable, Managing Member	(29)	117	49	126
Accrued distributions to Other Members	—	—	—	(2)
Accounts payable, other	(80)	23	(50)	151
Unearned operating lease income	(127)	(79)	120	(20)
<b>Net cash provided by operating activities</b>	<b>1,480</b>	<b>1,930</b>	<b>3,336</b>	<b>4,375</b>
<b>Investing activities:</b>				
Purchase of securities	(1)	—	(7)	—
Proceeds from early termination of notes receivable	173	86	174	170
Proceeds from sales of lease assets	80	6,749	407	6,825
Payments of initial direct costs	—	—	—	(1)
Payments received on direct financing leases	65	18	110	21
Proceeds from sale of securities	14	9	16	80
Payments received on notes receivable	309	421	688	769
<b>Net cash provided by investing activities</b>	<b>640</b>	<b>7,283</b>	<b>1,388</b>	<b>7,864</b>
<b>Financing activities:</b>				
Repayments under non-recourse debt	(774)	(5,044)	(1,698)	(6,340)
Borrowings under acquisition facility	—	—	—	500
Repayments under acquisition facility	—	(1,000)	—	(1,000)
Distributions to Other Members	(1,205)	(1,205)	(2,410)	(2,410)
Distributions to Managing Member	(98)	(97)	(195)	(195)
Repurchases of Units	(4)	—	(4)	(100)
<b>Net cash used in financing activities</b>	<b>(2,081)</b>	<b>(7,346)</b>	<b>(4,307)</b>	<b>(9,545)</b>
<b>Net increase in cash and cash equivalents</b>	<b>39</b>	<b>1,867</b>	<b>417</b>	<b>2,694</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>4,032</b>	<b>1,731</b>	<b>3,654</b>	<b>904</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 4,071</b>	<b>\$ 3,598</b>	<b>\$ 4,071</b>	<b>\$ 3,598</b>
<b>Supplemental disclosures of cash flow information:</b>				
Cash paid during the period for interest	\$ 127	\$ 298	\$ 270	\$ 574
Cash paid during the period for taxes	\$ 39	\$ 40	\$ 39	\$ 40
<b>Schedule of non-cash transactions:</b>				
Distributions payable to Other Members at period-end	\$ 551	\$ 552	\$ 551	\$ 552
Distributions payable to Managing Member at period-end	\$ 45	\$ 45	\$ 45	\$ 45

See accompanying notes.

## ATEL CAPITAL EQUIPMENT FUND XI, LLC

### NOTES TO FINANCIAL STATEMENTS (Unaudited)

#### 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 June 2010 totaled \$52.2 million, consisting of approximately \$52.8 million in gross contributions from Other Members purchasing Units under the public offering less net rescissions and repurchases of \$636 thousand. As of June 30, 2010, 5,209,307 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.

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’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. Operating results for the six months ended June 30, 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.

**ATEL CAPITAL EQUIPMENT FUND XI, LLC**

**NOTES TO FINANCIAL STATEMENTS**  
(Unaudited)

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

In preparing the accompanying unaudited financial statements, the Managing Member has reviewed events that have occurred after June 30, 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 primary geographic regions in which the Company seeks leasing opportunities are North America and Europe. The table below summarizes geographic information relating to the sources, by nation, of the Company's total revenues for the six months ended June 30, 2010 and 2009 and long-lived assets as of June 30, 2010 and December 31, 2009 (in thousands):

	<b>For the six months ended June 30,</b>			
	<b>2010</b>	<b>% of Total</b>	<b>2009</b>	<b>% of Total</b>
<b>Revenue</b>				
United States	\$ 4,096	92%	\$ 6,524	93%
United Kingdom	358	8%	499	7%
Total International	358	8%	499	7%
<b>Total</b>	<b>\$ 4,454</b>	<b>100%</b>	<b>\$ 7,023</b>	<b>100%</b>
	<b>As of June 30,</b>		<b>As of December 31,</b>	
	<b>2010</b>	<b>% of Total</b>	<b>2009</b>	<b>% of Total</b>
<b>Long-lived assets</b>				
United States	\$ 20,126	94%	\$ 23,339	94%
United Kingdom	1,242	6%	1,578	6%
Total International	1,242	6%	1,578	6%
<b>Total</b>	<b>\$ 21,368</b>	<b>100%</b>	<b>\$ 24,917</b>	<b>100%</b>

## ATEL CAPITAL EQUIPMENT FUND XI, LLC

### NOTES TO FINANCIAL STATEMENTS (Unaudited)

#### 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. There were no impaired securities at June 30, 2010 and 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 June 30, 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 gains of \$22 thousand and net foreign currency losses of \$43 thousand for the respective three months ended June 30, 2010 and 2009, and net foreign currency gains of \$15 thousand and net foreign currency losses of \$67 thousand for the respective six months ended June 30, 2010 and 2009.

##### *Per Unit data:*

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

##### *Recent accounting pronouncements:*

In July 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2010-20, "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses." ASU 2010-20 requires entities to provide disclosures designed to facilitate financial statement users' evaluation of (i) the nature of credit risk inherent in the entity's portfolio of financing receivables, (ii) how that risk is analyzed and assessed in arriving at the allowance for credit losses and (iii) the changes and reasons for those changes in the allowance for credit losses. Disclosures must be disaggregated by portfolio segment, the level at which an entity develops and documents a systematic method for determining its allowance for credit losses, and class of financing receivable, which is generally a disaggregation of portfolio segment. The required disclosures include, among other things, a rollforward of the allowance for credit losses as well as information about modified, impaired, non-accrual and past due loans and credit quality indicators. ASU 2010-20 will be effective for the Company's financial statements as of December 31, 2010, as it relates to disclosures required as of the end of a reporting period. Disclosures that relate to activity during a reporting period will be required for the Company's financial statements that include periods beginning on or after January 1, 2011. The Company anticipates that adoption of these additional disclosures will not have a material effect on its financial position or results of operations.

**ATEL CAPITAL EQUIPMENT FUND XI, LLC**

**NOTES TO FINANCIAL STATEMENTS**  
(Unaudited)

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

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. At June 30, 2010, credit losses were nominal and notes placed in non-accrual status totaled \$114 thousand. There were neither impaired notes nor notes placed in nonaccrual status at December 31, 2009.

The minimum future payments receivable as of June 30, 2010 are as follows (in thousands):

Six months ending December 31, 2010	\$ 383
Year ending December 31, 2011	522
2012	399
2013	295
2014	221
2015	166
Thereafter	188
	2,174
Less: portion representing unearned interest income	(368)
	1,806
Unamortized indirect costs	2
Notes receivable, net	\$1,808

IDC amortization expense related to notes receivable and the Company's operating and direct financing leases for the three and six months ended June 30, 2010 and 2009 are as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
IDC amortization - notes receivable	\$ —	\$ 2	\$ 1	\$ 5
IDC amortization - lease assets	29	42	61	80
Total	\$ 29	\$ 44	\$ 62	\$ 85

**ATEL CAPITAL EQUIPMENT FUND XI, LLC**

**NOTES TO FINANCIAL STATEMENTS  
(Unaudited)**

**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 and Impairment Losses	Depreciation/ Amortization Expense or Amortization of Leases	Balance June 30, 2010
Net investment in operating leases	\$ 24,174	\$ (308)	\$ (3,111)	\$ 20,755
Net investment in direct financing leases	163	47	(48)	162
Assets held for sale or lease, net	383	(68)	—	315
Initial direct costs, net of accumulated amortization of \$446 at June 30, 2010 and \$414 at December 31, 2009	197	—	(61)	136
<b>Total</b>	<b>\$ 24,917</b>	<b>\$ (329)</b>	<b>\$ (3,220)</b>	<b>\$ 21,368</b>

IDC amortization expense related to operating leases and direct finance leases totaled \$29 thousand and \$42 thousand for the respective three-month periods ended June 30, 2010 and 2009, and \$61 thousand and \$80 thousand for the respective six-month periods ended June 30, 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. During the three months ended June 30, 2010, the Company deemed certain off-lease assets to be impaired and, accordingly, the Company recorded an adjustment of \$17 thousand to the cost basis of such assets. No impairment losses were recorded during the first three months of 2010 or during the three and six months ended June 30, 2009. Depreciation expense on property subject to operating leases and property held for lease or sale was approximately \$1.5 million and \$2.2 million for the respective three months ended June 30, 2010 and 2009, and was approximately \$3.1 million and \$4.4 million for the respective six months ended June 30, 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 June 30, 2010
Materials handling	\$ 15,873	—	\$ (798)	\$ 15,075
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	—	(1,167)	46,735
Less accumulated depreciation	(23,728)	\$ (3,111)	859	(25,980)
<b>Total</b>	<b>\$ 24,174</b>	<b>\$ (3,111)</b>	<b>\$ (308)</b>	<b>\$ 20,755</b>

**ATEL CAPITAL EQUIPMENT FUND XI, LLC**

**NOTES TO FINANCIAL STATEMENTS  
(Unaudited)**

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

The average estimated residual value for assets on operating leases was 21% of the assets' original cost at both June 30, 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 June 30, 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 June 30, 2010, net investment in equipment underlying lease contracts placed in non-accrual status approximated \$872 thousand, all of which 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 \$2 thousand and \$168 thousand at June 30, 2010 and December 31, 2009, respectively.

*Direct financing leases:*

As of June 30, 2010 and December 31, 2009, 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 June 30, 2010 and December 31, 2009 (in thousands):

	<u>June 30, 2010</u>	<u>December 31, 2009</u>
Total minimum lease payments receivable	\$ 232	\$ 180
Estimated residual values of leased equipment (unguaranteed)	36	35
Investment in direct financing leases	268	215
Less unearned income	(106)	(52)
Net investment in direct financing leases	<u>\$ 162</u>	<u>\$ 163</u>

There were no investment in direct financing lease assets in non-accrual status at June 30, 2010 and December 31, 2009.

At June 30, 2010, the aggregate amounts of future minimum lease payments to be received are as follows (in thousands):

	<u>Operating Leases</u>	<u>Direct Financing Leases</u>	<u>Total</u>
Six months ending December 31, 2010	\$ 3,287	\$ 97	\$ 3,384
Year ending December 31, 2011	4,164	96	4,260
2012	2,741	39	2,780
2013	1,848	—	1,848
2014	1,162	—	1,162
2015	677	—	677
	<u>\$13,879</u>	<u>\$ 232</u>	<u>\$14,111</u>

**ATEL CAPITAL EQUIPMENT FUND XI, LLC**

**NOTES TO FINANCIAL STATEMENTS  
(Unaudited)**

**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 and 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 June 30, 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 and six months ended June 30, 2010 and 2009 (in thousands):

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Costs reimbursed to Managing Member and/or affiliates	\$ 123	\$ 83	\$ 255	\$ 170
Asset management fees to Managing Member and/or affiliates	98	296	223	444
Acquisition and initial direct costs paid to Managing Member	—	—	—	5
	<u>\$ 221</u>	<u>\$ 379</u>	<u>\$ 478</u>	<u>\$ 619</u>

## ATEL CAPITAL EQUIPMENT FUND XI, LLC

### NOTES TO FINANCIAL STATEMENTS (Unaudited)

#### 6. Non-recourse Debt:

At June 30, 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 6.14%. The notes are secured by assignments of lease payments and pledges of assets. At June 30, 2010, gross lease rentals totaled approximately \$8.0 million over the remaining lease terms; and the carrying value of the pledged assets is approximately \$11 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>
Six months ending December 31, 2010	\$ 1,547	\$ 185	\$1,732
Year ending December 31, 2011	1,873	267	2,140
2012	1,283	181	1,464
2013	1,065	118	1,183
2014	819	64	883
2015	639	17	656
	<u>\$ 7,226</u>	<u>\$ 832</u>	<u>\$8,058</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 and expires in June 2012.

As of June 30, 2010 and December 31, 2009, borrowings under the facility were as follows (in thousands):

	<u>June 30, 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	(1,200)	(1,750)
Total remaining available under the working capital, acquisition and warehouse facilities	<u>\$ 73,800</u>	<u>\$ 73,250</u>

## ATEL CAPITAL EQUIPMENT FUND XI, LLC

### NOTES TO FINANCIAL STATEMENTS (Unaudited)

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

The Company and its affiliates pay an annual commitment fee to have access to this line of credit. As of June 30, 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 June 30, 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 \$19.0 million, 0.38 to 1, and 16.71 to 1, respectively, as of June 30, 2010. As such, as of June 30, 2010, the Company was in compliance with all material financial covenants, and with all other material conditions of the Credit Facility. The Company does not anticipate any covenant violations nor does it anticipate that any of these covenants will restrict its operations or its ability to procure additional financing.

#### *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 June 30, 2010 and December 31, 2009, the Company had no outstanding borrowings under the acquisition facility. The weighted average interest rate on borrowings was 2.36% and 2.40% during the three and six months ended June 30, 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 June 30, 2010, the investment program participants were ATEL Capital Equipment Fund X, LLC, the Company, ATEL 12, LLC and ATEL 14, LLC. Pursuant to the Warehousing Trust, the benefit of the lease transaction assets, and the corresponding liabilities under the Warehouse Facility, inure to each of such entities based upon each entity's pro-rata share in the Warehousing Trust estate. The "pro-rata share" is calculated as a ratio of the net worth of each entity over the aggregate net worth of all entities benefiting from the Warehousing Trust estate, excepting that the trustees, AFS and ALC, are both jointly and severally liable for the pro rata portion of the obligations of each of the affiliated partnerships and limited liability companies participating under the Warehouse Facility. Transactions are financed through this Warehouse Facility only until the transactions are allocated to a specific program for purchase or are otherwise disposed by AFS and ALC. When a determination is made to allocate the transaction to a specific program for purchase by the program, the purchaser repays the debt associated with the asset, either with cash or by means of proceeds of a draw under the Acquisition Facility, and the asset is removed from the Warehouse Facility collateral, and ownership of the asset and any debt obligation associated with the asset are assumed solely by the purchasing entity.

**ATEL CAPITAL EQUIPMENT FUND XI, LLC**

**NOTES TO FINANCIAL STATEMENTS  
(Unaudited)**

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

As of June 30, 2010, borrowings of \$700 thousand were outstanding under the Warehouse Facility. The Company's maximum obligation on the outstanding warehouse balance at June 30, 2010 was approximately \$135 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:**

A total of 5,209,307 and 5,210,507 Units were issued and outstanding as of June 30, 2010 and December 31, 2009, respectively. 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 June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Distributions	\$ 1,205	\$ 1,205	\$ 2,410	\$ 2,410
Weighted average number of Units outstanding	5,209,742	5,210,507	5,210,122	5,215,811
Weighted average distributions per Unit	\$ 0.23	\$ 0.23	\$ 0.46	\$ 0.46

**ATEL CAPITAL EQUIPMENT FUND XI, LLC**

**NOTES TO FINANCIAL STATEMENTS  
(Unaudited)**

**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 June 30, 2010 and December 31, 2009, the Company had no assets or liabilities that require measurement at fair value on a recurring basis. However, at June 30, 2010, the Company measured its impaired off-lease equipment at fair value on a non-recurring basis. Such estimate of measurement methodology is as follows:

*Impaired off-lease equipment*

During the second quarter of 2010, the Company deemed certain off-lease equipment (assets) to be impaired. Accordingly, the Company recorded fair value adjustments of approximately \$17 thousand which reduced the cost basis of the assets. Such fair value adjustments are non-recurring. Under the Fair Value Measurements Topic of the FASB Accounting Standards Codification, the fair value of impaired operating lease assets are classified within Level 3 of the valuation hierarchy as the data sources utilized for the valuation of such assets reflect significant inputs that are unobservable in the market. Such valuation utilizes a market approach technique and uses inputs that reflect the sales price of similar assets sold by affiliates and/or information from third party remarketing agents not readily available in the market. During 2009, fair value adjustments approximating \$245 thousand were recorded relative to impaired off-lease assets.

The following table presents the fair value measurement of the impaired equipment measured at fair value on a non-recurring basis and the level within the hierarchy in which the fair value measurements fall at June 30, 2010 (in thousands):

	<u>June 30, 2010</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 equipment	\$ 68	\$ —	\$ —	\$ 68
	<u>December 31, 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 equipment	\$ 384	\$ —	\$ —	\$ 384

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.

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 XI, LLC**

**NOTES TO FINANCIAL STATEMENTS  
(Unaudited)**

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

*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.

*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 June 30, 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 June 30, 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 June 30, 2010 and December 31, 2009 (in thousands):

	June 30, 2010		December 31, 2009	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<b>Financial assets:</b>				
Cash and cash equivalents	\$ 4,071	\$ 4,071	\$ 3,654	\$ 3,654
Notes receivable	1,808	1,808	2,570	2,570
<b>Financial liabilities:</b>				
Non-recourse debt	7,226	7,608	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, releasing, 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 June 30, 2010 versus the three months ended June 30, 2009*

The Company had net income of \$293 thousand and \$1.2 million for the three months ended June 30, 2010 and 2009, respectively. Results for the second quarter of 2010 reflect a decrease in total revenues offset, in part, by a reduction in total operating expenses when compared with results for the prior year period.

#### *Revenues*

Total revenues for the second quarter of 2010 declined by \$1.8 million, or 44%, as compared to the prior year period. The net decrease in total revenues was primarily due to a \$1.4 million reduction in gain recognized on asset sales and early termination of notes and a \$420 thousand decline in operating lease revenues.

Gain on sale of assets and early termination of notes decreased as the second quarter 2009 amount included an approximate \$1.4 million gain related to an early buyout of mining equipment by a lessee. Operating lease revenues declined largely due to run-off and sales of lease assets.

#### *Expenses*

Total expenses for the second quarter of 2010 decreased by \$877 thousand, or 30%, as compared to the prior year period. The net reduction in total expenses was primarily due to decreases in depreciation expense, asset management fees paid to AFS and interest expense. These decreases in expenses were partially offset by increases in professional fees, outside services and costs reimbursed to AFS.

Depreciation expense for the second quarter of 2010 decreased by \$640 thousand, or 29%, as compared to the prior year period, largely due to run-off and sales of lease assets. Asset management fees paid to AFS decreased by \$198 thousand largely due to the continued decline in managed assets and related rents resulting from lease asset dispositions. In addition, interest expense declined by \$146 thousand due to the decrease in outstanding debt primarily due to an early termination of a significant lease and its corresponding debt during the second quarter of 2009 combined with continued scheduled payments of outstanding debt.

The aforementioned decreases in expenses were partially offset by a combined \$41 thousand increase in professional fees and outside services expense, and a \$40 thousand increase in costs reimbursed to AFS. The increase in professional fees and outside services expense was largely due to higher audit related fees and business development expense; while the increase in costs reimbursed to AFS was mainly a result of higher administrative costs allocated to the Fund as a result of a refinement of cost allocation methodologies employed by the Managing Member.

#### *Other income (loss), net*

The Company recorded other income, net totaling \$22 thousand and other loss, net totaling \$43 thousand for the respective three months ended June 30, 2010 and 2009, a net increase of \$65 thousand. The favorable change in foreign currency transaction gains and losses recognized during the second quarter of 2010, as compared to the prior year period, was primarily a result of the weakness of the U.S. currency against the British pound, which comprises the majority of the Company's foreign currency transactions.

#### *The six months ended June 30, 2010 versus the six months ended June 30, 2009*

The Company had net income of \$315 thousand and \$1.1 million for the six months ended June 30, 2010 and 2009, respectively. Results for the first half of 2010 reflect a decrease in total revenues offset, in part, by a reduction in total operating expenses when compared with results for the prior year period.

#### *Revenues*

Total revenues for the first half of 2010 declined by \$2.6 million, or 37%, as compared to the prior year period. The net decrease in total revenues was primarily due to a \$1.3 million decrease in gain on sale of assets and early termination of notes, a \$1.3 million reduction in operating lease revenues and a \$90 thousand decline in interest income on notes receivable. These decreases in revenues were partially offset by a \$62 thousand favorable change in gain recognized on the disposition of securities.

Gain on sale of assets and early termination of notes decreased as the second quarter 2009 amount included an approximate \$1.4 million gain related to an early buyout of mining equipment by a lessee. Total operating lease revenues declined primarily as a result of run-off and sales of lease assets. In particular, the Company lost significant rental revenue from mining equipment purchased by a lessee during the second quarter of 2009. Likewise, the reduction in interest income on notes receivable was largely a result of continued run-off and early termination of certain notes receivable.

Partially offsetting the aforementioned decreases in revenues was a favorable period over period change in gain on sale or disposition of securities, as the first six months of 2009 included a \$62 thousand loss on the disposition of securities associated with a terminated note.

#### *Expenses*

Total expenses for the first half of 2010 decreased by \$1.7 million, or 29%, 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 increases in costs reimbursed to AFS, professional fees and outside services expense.

Depreciation expense for the first half of 2010 decreased by \$1.3 million, or 30%, as compared to the prior year period, largely due to run-off and sales of lease assets. Interest expense declined by \$276 thousand due to the decrease in outstanding debt primarily due to an early termination of a significant lease and its corresponding debt during the second

quarter of 2009 combined with continued scheduled payments of outstanding debt. In addition, asset management fees paid to AFS decreased by \$221 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 an \$85 thousand increase in costs reimbursed to AFS and a combined \$57 thousand increase in professional fees and outside services expense. The increase in cost reimbursements to AFS 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; and the increase in professional fees and outside services expense was largely due to higher audit related fees and business development expense.

#### *Other income (loss), net*

The Company recorded other income, net totaling \$15 thousand and other loss, net totaling \$67 thousand for the respective six months ended June 30, 2010 and 2009, a net increase of \$82 thousand. The favorable change in foreign currency transaction gains and losses recognized during the first half of 2010, as compared to the prior year period, was primarily a result of the 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 and six months ended June 30, 2010 as compared to the three and six months ended June 30, 2009 are as follows:

#### *The three months ended June 30, 2010 versus the three months ended June 30, 2009*

- *Operating Activities*

Cash provided by operating activities during the second quarter of 2010 decreased by \$450 thousand as compared to the prior year period. The net decrease in cash flow was primarily attributable to an unfavorable year over year three-month change in accounts payable and accrued liabilities, an unfavorable year over year three-month change in accounts receivable activities, and a decline in net operating results, as adjusted for non-cash items such as gains on sales of assets and depreciation expense.

The unfavorable change in accounts payable and accrued liabilities reduced cash flow by \$249 thousand and was primarily attributable to higher sales tax and franchise tax payments. In addition, the 2009 amount included lessee overpayments which increased the Company's liabilities at June 30, 2009.

The unfavorable change in accounts receivable activities reduced cash flow by \$91 thousand and was primarily a result of an increase in accrued billings at June 30, 2010 as compared to June 30, 2009. Likewise, the decrease in net operating results, as adjusted for non-cash items, reduced cash flow by \$77 thousand and was primarily a result of a decline in operating lease revenues.

- *Investing Activities*

Cash provided by investing activities during the second quarter of 2010 decreased by \$6.6 million as compared to the prior year period. The decrease in cash flow was primarily due to a \$6.6 million net decrease in proceeds from sales of lease assets and early termination of notes, coupled with a \$112 thousand decrease in payments received on notes receivable.

The net decrease in proceeds from sales of lease assets and termination of notes was attributable to the lessee buyout of mining equipment associated with a lease that early terminated during the second quarter of 2009. Payments received on notes receivable declined primarily due to run-off and early termination of certain notes receivable.

- *Financing Activities*

Net cash used in financing activities during the second quarter of 2010 decreased by \$5.3 million as compared to the prior year period. The net decrease in cash used (increase in cash flow) was primarily due to a period over period reduction in repayments of non-recourse debt and borrowings under the acquisition facility totaling \$4.3 million and \$1.0 million, respectively. A significant portion of the non-recourse debt repaid during the second quarter of 2009 was associated with a lease that early terminated during the same quarter.

*The six months ended June 30, 2010 versus the six months ended June 30, 2009*

- *Operating Activities*

Cash provided by operating activities during the first half of 2010 decreased by \$1.0 million as compared to the prior year period. The net decrease in cash flow was primarily attributable to a decline in net operating results, as adjusted for non-cash items such as gains on sales of assets and depreciation expense, an unfavorable year over year six-month change in accounts payable and accrued liabilities and an unfavorable year over year six-month change in accounts receivable activities. These decreases in cash flow were partially offset by an increase attributable to a favorable change in unearned lease income.

The decrease in net operating results, as adjusted for non-cash items, reduced cash flow by \$825 thousand and was primarily a result of a decline in operating lease revenues. The unfavorable change in accounts payable and accrued liabilities further reduced cash flow by \$276 thousand and was primarily attributable to higher sales tax and franchise tax payments. In addition, the 2009 amount included lessee overpayments which increased the Company's liabilities at June 30, 2009. Finally, the unfavorable change in accounts receivable activities reduced cash flow by \$92 thousand and was primarily a result of an increase in accrued billings at June 30, 2010 as compared to June 30, 2009.

As a partial offset, the increase in unearned lease income improved cash flow by \$140 thousand. The favorable change was attributable to a period over period increase in prepaid rents.

- *Investing Activities*

Cash provided by investing activities during the first half of 2010 decreased by \$6.5 million as compared to the prior year period. The net decrease in cash flow was largely due to a \$6.4 million reduction in proceeds from sales of lease assets and early termination of notes receivable, an \$81 thousand decline in payments received on notes receivable and a \$64 thousand decrease in proceeds from the sale of securities. The aforementioned decreases in cash flow were partially offset by an \$89 thousand increase in cash flow resulting from increased payments received on direct financing leases.

The net decrease in proceeds from sales of lease assets and termination of notes was attributable to the lessee buyout of mining equipment associated with a lease that early terminated during the second quarter of 2009. Payments received on notes receivable declined primarily due to run-off and early termination of certain notes receivable; and, proceeds from the sale of securities declined as the 2009 amount included proceeds from the disposition of securities associated with a terminated note receivable.

Payments received on direct financing leases increased as certain operating leases were renewed as direct financing leases during the latter half of 2009.

- *Financing Activities*

Net cash used in financing activities during the first half of 2010 decreased by \$5.2 million as compared to the prior year period. The net decrease in cash used (increase in cash flow) was primarily due to a period over period reduction in repayments of non-recourse debt and borrowings under the acquisition facility totaling \$4.6 million and \$1.0 million, respectively. A significant portion of the non-recourse debt repaid during the first half of 2009 was associated with a lease that early terminated during the second quarter of 2009. In addition, cash flow increased by \$96 thousand as a result of the period over period decline in repurchases of the Company's Units.

The aforementioned increases in cash flow was offset, in part, by a \$500 thousand dollar reduction in borrowings under the acquisition facility, as the Company had no borrowings during first half of 2010.

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 was in compliance with all covenants under the Credit Facility as of June 30, 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 June 30, 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 \$19.0 million, 0.38 to 1, and 16.71 to 1, respectively, as of June 30, 2010. As such, as of June 30, 2010, the Company was in compliance with all such material financial covenants.

#### Reconciliation to GAAP of EBITDA

For purposes of compliance with the Credit Facility covenants, the Company uses a financial calculation of EBITDA, 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 six months ended June 30, 2010 (in thousands):

Net income - GAAP basis	\$ 315
Interest expense	262
Depreciation and amortization	3,111
Amortization of initial direct costs	62
Reversal of provision for credit losses	(24)
Impairment losses	17
Payments received on direct finance leases	110
Payments received on notes receivable	688
Amortization of unearned income on direct finance leases	(62)
Amortization of unearned income on notes receivable	(100)
<b>EBITDA (for Credit Facility financial covenant calculation only)</b>	<b>\$ 4,379</b>

#### 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 June 30, 2010. At June 30, 2010, the net book value of such equipment was approximately \$872 thousand. The new Chrysler has remitted payments relative to the affirmed leases. However, at June 30, 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 June 30, 2010 and December 31, 2009, the total net investment in equipment underlying lease contracts placed in non-accrual status totaled \$872 thousand and \$1.7 million, respectively. The related accounts receivable from such contracts approximated \$2 thousand and \$168 thousand at June 30, 2010 and December 31, 2009, respectively. As of the same dates, 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 June 30, 2010.

At June 30, 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 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 June 30, 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: August 11, 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: August 11, 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: August 11, 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 June 30, 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: August 11, 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 June 30, 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: August 11, 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.