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

Form 10-QSB

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

For the quarterly period ended September 30, 2006

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

For the transition period from _____ to _____

Commission File number 000-51858

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
(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: None

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

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

State the issuer's revenues for the most recent fiscal year: \$604,565

The number of Limited Liability Company Units outstanding as of April 30, 2007: 5,232,607

DOCUMENTS INCORPORATED BY REFERENCE

None

ATEL CAPITAL EQUIPMENT FUND XI, LLC

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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements.

ATEL CAPITAL EQUIPMENT FUND XI, LLC

BALANCE SHEET

SEPTEMBER 30, 2006
(Unaudited)

ASSETS	
Cash and cash equivalents	\$ 1,466,755
Due from Managing Member	106,660
Due from affiliate	25,521
Accounts receivable, net	425,658
Notes receivable, net	7,242,146
Investment in securities	110,500
Investments in operating leases, net	35,793,851
Other assets	6,322
Total assets	<u>\$45,177,413</u>
LIABILITIES AND MEMBERS' CAPITAL	
Accounts payable and accrued liabilities:	
Accrued distributions to Other Members	\$ 553,721
Other	471,741
Acquisition facility obligation	4,000,000
Unearned operating lease income	516,310
Total liabilities	<u>5,541,772</u>
Commitments and contingencies	
Members' capital:	
Managing Member	—
Other Members	39,635,641
Total Members' capital	<u>39,635,641</u>
Total liabilities and Members' capital	<u>\$45,177,413</u>

See accompanying notes.

ATEL CAPITAL EQUIPMENT FUND XI, LLC

STATEMENTS OF OPERATIONS

**THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2006 AND 2005
(Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Revenues:				
Operating lease income	\$1,696,426	\$ 14,270	\$4,104,428	\$ 14,270
Interest income	7,758	94,994	154,602	102,850
Gain on sale of securities	—	—	7,598	—
Notes receivable interest income	208,823	12,062	595,338	12,062
Other	16,801	3,750	30,382	3,750
Total revenues	1,929,808	125,076	4,892,348	132,932
Expenses:				
Depreciation of operating lease assets	1,428,316	10,946	3,434,377	10,946
Asset management fees to Managing Member	93,245	2,561	258,547	2,561
Acquisition expense	209,038	47,227	948,762	47,227
Cost reimbursements to Managing Member	119,625	30,939	346,851	48,452
Provision for losses and doubtful accounts	7,580	—	8,890	—
Amortization of initial direct costs	38,299	1,566	98,263	1,566
Interest expense	45,509	—	45,509	—
Professional fees	69,872	11,104	168,111	11,104
Outside services	31,209	—	81,812	—
Other	40,060	8,694	71,400	9,721
Total operating expenses	2,082,753	113,037	5,462,522	131,577
Other income, net	17,031	—	22,793	—
Net (loss) income	(135,914)	\$ 12,039	(547,381)	\$ 1,355
Net income (loss):				
Managing Member	\$ 97,812	\$ 15,205	\$ 231,872	\$ 15,205
Other Members	(233,726)	(3,166)	(779,253)	(13,850)
	\$ (135,914)	\$ 12,039	\$ (547,381)	\$ 1,355
Net loss per Limited Liability Company Unit (Other Members)	\$ (0.04)	\$ (0.00)	\$ (0.16)	\$ (0.01)
Weighted average number of Units outstanding	5,242,590	1,609,823	4,924,460	1,067,659

See accompanying notes.

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

	<u>Other Members</u>		<u>Managing</u>	<u>Total</u>
	<u>Units</u>	<u>Amount</u>	<u>Member</u>	
Balance December 31, 2004	50	\$ 500	\$ 100	\$ 600
Capital contributions	3,970,298	39,702,980	—	39,702,980
Less selling commissions to affiliates	—	(3,555,268)	—	(3,555,268)
Other syndication costs to Managing Member and affiliates	—	(1,859,227)	—	(1,859,227)
Recissions of capital contributions	(20,000)	(200,000)	—	(200,000)
Distributions to Other Members (\$.80 per unit)	—	(1,015,714)	—	(1,015,714)
Distributions to Managing Member	—	—	(82,334)	(82,334)
Net income (loss)	—	(345,489)	82,234	(263,255)
Balance December 31, 2005	3,950,348	32,727,782	—	32,727,782
Capital contributions	1,314,859	13,148,592	—	13,148,592
Less selling commissions to affiliates	—	(1,183,373)	—	(1,183,373)
Other syndication costs to Managing Member and affiliates	—	(692,946)	—	(692,946)
Recissions and repurchases of capital contributions	(32,600)	(312,390)	—	(312,390)
Distributions to Other Members (\$.66 per unit)	—	(3,272,771)	—	(3,272,771)
Distributions to Managing Member	—	—	(231,872)	(231,872)
Net income (loss)	—	(779,253)	231,872	(547,381)
Balance September 30, 2006	<u>5,232,607</u>	<u>\$39,635,641</u>	<u>\$ —</u>	<u>\$39,635,641</u>

See accompanying notes.

ATEL CAPITAL EQUIPMENT FUND XI, LLC

STATEMENTS OF CASH FLOWS

**THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2006 AND 2005
(Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Operating activities:				
Net (loss) income	\$ (135,914)	\$ 12,039	\$ (547,381)	\$ 1,355
Adjustment to reconcile net (loss) income to cash provided by operating activities:				
Depreciation of operating lease assets	1,428,316	10,946	3,434,377	10,946
Amortization of initial direct costs	38,299	1,566	98,263	1,566
Provision for losses and doubtful accounts	7,580	—	8,890	—
Gain on sale of securities	—	—	(7,598)	—
Changes in operating assets and liabilities:				
Accounts receivable	(183,003)	(3,234)	(329,719)	(3,234)
Prepays and other assets	(5,201)	29,854	441,292	29,854
Accounts payable, Managing Member	(546,681)	207,063	(556,505)	224,821
Accounts payable, other	458,460	(23,174)	369,875	165,641
Accrued liabilities, affiliates	(94,584)	143,061	(167,274)	(124,309)
Advances from Managing Member	—	—	(300,000)	—
Unearned operating lease income	(355,386)	—	(111,258)	—
Net cash provided by operating activities	611,886	378,121	2,332,962	306,640
Investing activities:				
Purchases of equipment on operating leases	(4,147,667)	(615,112)	(23,979,770)	(615,112)
Purchase of securities	(48,000)	—	(110,500)	—
Payments of initial direct costs	(52,301)	(41,895)	(417,033)	(41,895)
Note receivable advances	(255,324)	(987,308)	(2,157,751)	(987,308)
Proceeds from sale of securities	—	—	7,598	—
Payments received on notes receivable	649,888	—	1,470,334	—
Net cash used in investing activities	(3,853,404)	(1,644,315)	(25,187,122)	(1,644,315)
Financing activities:				
Borrowings under acquisition facility	5,000,000	—	5,000,000	—
Repayments under acquisition facility	(1,000,000)	—	(1,000,000)	—
Syndication costs paid to Managing Member	(83,841)	(2,664,020)	(1,876,319)	(3,495,486)
Distributions to Other Members	(1,209,986)	(187,674)	(3,272,771)	(187,674)
Distributions to Managing Member	(97,810)	(15,205)	(231,872)	(15,205)
Capital contributions	—	17,863,890	13,148,592	24,805,730
Rescissions of capital contributions	(217,057)	—	(312,390)	—
Net cash provided by financing activities	2,391,306	14,996,991	11,455,240	21,107,365
Net (decrease) increase in cash and cash equivalents	(850,212)	13,730,797	(11,398,920)	19,769,690
Cash and cash equivalents at beginning of period	2,316,967	6,039,493	12,865,675	600
Cash and cash equivalents at end of period	\$ 1,466,755	\$ 19,770,290	\$ 1,466,755	\$ 19,770,290
Supplemental disclosures of cash flow information:				
Cash paid during the period for interest	\$ 27,963	\$ —	\$ 27,963	\$ —
Schedule of non-cash transactions:				
Distributions payable to Other Members at period-end	\$ 553,721	\$ —	\$ 553,721	\$ —

See accompanying notes.

ATEL CAPITAL EQUIPMENT FUND XI, LLC

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

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. 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 asset of the Company. Contributions in the amount of \$52,339,680 were received as of September 30, 2006, \$500 of which was contributed by the Initial Other Member and \$52,851,570, less rescissions and/or repurchases of \$512,390, by Other Members purchasing Units under the public offering for net contributions from Other Members of \$52,339,180.

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 \$1,200,000) 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 (leasing and lending activities). As of July 13, 2005, the Company had received subscriptions for 958,274 Units (\$9,582,740), thus exceeding the \$7,500,000 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. As of September 30, 2006, 5,232,607 Units were issued and outstanding.

The Company's principal objectives are to invest in a diversified portfolio of equipment that will (i) preserve, protect and return the Company's invested capital; (ii) generate regular distributions to the Members of cash from operations and cash from sales or refinancing, with any balance remaining after certain minimum distributions to be used to purchase additional equipment during the Reinvestment Period (ending six calendar years after the completion of the Company's public offering of Units) and (iii) provide additional distributions following the Reinvestment Period and until all equipment has been sold. The Company is governed by its Limited Liability Company Operating Agreement ("Operating Agreement"), 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.

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 instructions to Form 10-QSB and Item 310(b) of Regulation S-B. The unaudited interim financial statements reflect all adjustments which are, in the opinion of the Managing Member, necessary to a fair statement of financial position and results of operations for the interim periods presented. All such adjustments are of a normal recurring nature.

ATEL CAPITAL EQUIPMENT FUND XI, LLC

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

2. Summary of significant accounting policies (continued):

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that effect reported amounts in the financial statements and accompanying notes. Therefore, actual results could differ from those estimates. Operating results for the three and nine months ended September 30, 2006 are not necessarily indicative of the results for the year ended December 31, 2006.

These unaudited interim financial statements should be read in conjunction with the financial statements and notes thereto contained in the report on Form 10-KSB for the year ended December 31, 2005, filed with the Securities and Exchange Commission.

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

Use of estimates:

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

Cash and cash equivalents:

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

Credit risk:

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

Accounts receivable:

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

ATEL CAPITAL EQUIPMENT FUND XI, LLC

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

2. Summary of significant accounting policies (continued):

Direct financing leases and related revenue recognition:

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

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

Direct financing leases are generally placed in a non-accrual status (i.e., no revenue is recognized) when payments are more than 90 days past due. Additionally, management periodically reviews the credit worthiness of all direct finance lessees with payments outstanding less than 90 days. Based upon management's judgment, direct finance lessees may be placed in a non-accrual status. Leases placed on non-accrual status are only returned to an accrual status when the account has been brought current.

Equipment on operating leases and related revenue recognition:

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

Operating lease revenue is recognized on a straight-line basis over the term of the underlying leases. The initial lease terms will vary as to the type of equipment subject to the leases, the needs of the lessees and the terms to be negotiated, but initial leases are generally from 36 to 120 months. The difference between rent received and rental revenue recognized is recorded as unearned operating lease income on the balance sheet.

Notes receivable, unearned interest income and related revenue recognition:

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

Allowances for losses on notes receivable are typically established based on historical charge offs and collections experience and are usually determined by specifically identified borrowers and billed and unbilled receivables. Notes are considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the note agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Notes are charged off to the allowance as they are deemed uncollectible.

Notes receivable are generally placed in a non-accrual status (i.e., no revenue is recognized) when payments are more than 90 days past due. Additionally, management periodically reviews the credit worthiness of companies with note

ATEL CAPITAL EQUIPMENT FUND XI, LLC

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

2. Summary of significant accounting policies (continued):

payments outstanding less than 90 days. Based upon management's judgment, notes may be placed in a non-accrual status. Notes placed on non-accrual status are only returned to an accrual status when the account has been brought current.

Initial direct costs:

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

Acquisition expense:

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

Asset valuation:

Recorded values of the Company's asset portfolio are periodically reviewed for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." An impairment loss is measured and recognized only if the estimated undiscounted future cash flows of the asset are less than their net book value. The estimated undiscounted future cash flows are the sum of the estimated residual value of the asset at the end of the asset's expected holding period and estimates of undiscounted future rents. The residual value assumes, among other things, that the asset is utilized normally in an open, unrestricted and stable market. Short-term fluctuations in the market place are disregarded and it is assumed that there is no necessity either to dispose of a significant number of the assets, if held in quantity, simultaneously or to dispose of the asset quickly. Impairment is measured as the difference between the fair value (as determined by the discounted estimated future cash flows) of the asset and its carrying value on the measurement date.

Segment reporting:

The Company reports segment information in accordance with SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information." SFAS No. 131 establishes annual and interim standards for operating segments of a company. It also requires entity-wide disclosures about the products and services an entity provides, the material countries in which it holds assets and reports revenue, and its major customers. The Company is not organized by multiple operating segments for the purpose of making operating decisions or assessing performance. Accordingly, the Company operates in one reportable operating segment in the United States.

A TEL CAPITAL EQUIPMENT FUND XI, LLC

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

2. Summary of significant accounting policies (continued):

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

The primary geographic regions in which the Company seeks leasing opportunities are North America and Europe. The table below summarizes geographic information relating to the sources, by nation, of the Company's total revenues for the nine months ended September 30, 2006 and 2005 and long-lived assets as of September 30, 2006 and 2005:

	For the nine months ended September 30,			
	2006	% of Total	2005	% of Total
Revenue				
United States	\$ 4,652,874	95%	\$ 132,932	100%
United Kingdom	239,474	5%	—	0%
Total International	239,474	5%	—	0%
Total	<u>\$ 4,892,348</u>	100%	<u>\$ 132,932</u>	100%

	As of September 30,			
	2006	% of Total	2005	% of Total
Long-lived tangible assets				
United States	\$32,334,070	90%	\$1,631,803	100%
United Kingdom	3,459,781	10%	—	0%
Total International	3,459,781	10%	—	0%
Total	<u>\$35,793,851</u>	100%	<u>\$1,631,803</u>	100%

Foreign currency transactions:

Foreign currency transaction gains and losses are reported in the results of operations as other income in the period in which they occur. Currently, the Company does not use derivative instruments to hedge its economic exposure with respect to assets, liabilities and firm commitments as the foreign currency transactions and risks to date have not been significant. During the nine months ended September 30, 2006, the Company recognized a foreign currency gain of \$22,793, which is included in other income, net.

ATEL CAPITAL EQUIPMENT FUND XI, LLC

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

2. Summary of significant accounting policies (continued):

Unearned operating lease income:

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

Income taxes:

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

Other income (loss), net:

During the nine months ended September 30, 2006, other income was comprised of a foreign currency gain of \$22,793. There was no other income (loss) during the nine months ended September 30, 2005.

Per unit data:

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

Recent accounting pronouncements:

During September 2006, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") No. 108. This Bulletin provides the Staff's views on the consideration of the effects of prior year misstatements in quantifying current year misstatements for the purpose of a materiality assessment. The guidance in SAB No. 108 is effective for financial statements of fiscal years ending after November 15, 2006. Adoption of this guidance did not materially impact the Company's financial statements.

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement on Financial Accounting Standards No. 157, "Fair Value Measurements" (FAS 157). This standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. As of December 31, 2006, the Fund does not believe the adoption of FAS 157 will impact the amounts reported in the financial statements, however, additional disclosures will be required about the inputs used to develop the measurements of fair value and the effect of certain of the measurements reported in the statement of operations for a fiscal period.

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FAS 109, Accounting for Income Taxes" ("FIN 48"), to create a single model to address accounting for uncertainty in tax positions. FIN 48 clarifies the accounting for income taxes by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on deregulation, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company will adopt FIN 48 as of January 1, 2007, as required. The cumulative effect of adopting FIN 48 will be recorded in retained earnings and other accounts as applicable. The Company has not determined the effect, if any, the adoption of FIN 48 will have on the Company's financial position and results of operations.

3. Notes receivable:

The Company has various notes receivable from parties who have financed the purchase of equipment through the Company. The terms of the notes receivable generally are up to 120 months and bear interest at rates ranging from 8.5% to 18.7%. The notes are secured by the equipment financed. As of September 30, 2006, the minimum future payments receivable are as follows:

Three months ending December 31, 2006	\$ 732,153
Year ending December 31, 2007	2,842,199
2008	2,565,219
2009	746,120
2010	393,128
2011	393,128

	Thereafter	<u>1,262,646</u>
		8,934,593
Less: portion representing unearned interest income		<u>(1,729,229)</u>
		7,205,364
Unamortized initial direct costs		<u>36,782</u>
Notes receivable, net		<u>\$ 7,242,146</u>

ATEL CAPITAL EQUIPMENT FUND XI, LLC

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

For the nine months ended September 30, 2006, IDC amortization expense related to notes receivable was \$22,472. Together with IDC amortization expense related to operating leases (discussed in footnote 4) of \$75,791, total IDC amortization expense was \$98,263. There was no IDC amortization expense related to notes receivable for the nine months ended September 30, 2005.

4. Investment in equipment leases:

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

	Balance December 31, 2005	Reclassifications & Additions / Dispositions	Depreciation / Amortization Expense or Amortization	Balance September 30, 2006
Net investment in operating leases	\$14,758,694	\$ 23,979,770	\$(3,434,377)	\$35,304,087
Initial direct costs, net of accumulated amortization of \$78,826 in 2006 and \$2,945 in 2005	167,752	397,803	(75,791)	489,764
Total	\$14,926,446	\$ 24,377,573	\$(3,510,168)	\$35,793,851

For the nine months ended September 30, 2006, IDC amortization expense related to operating leases was \$75,791. Together with IDC amortization expense related to notes receivable (as discussed in note 3) of \$22,472, total IDC amortization expense was \$98,263. For the nine months ended September 30, 2005, total IDC amortization expense was \$1,566 and was solely related to operating leases.

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

Impairment losses are recorded as an addition to accumulated depreciation of the impaired assets. Depreciation expense on property subject to operating leases and property held for lease or sale was \$1,428,316 and \$10,946 for the three months ended September 30, 2006 and 2005, respectively, and \$3,434,377 and \$10,946 for the nine months ended September 30, 2006 and 2005, respectively.

All of the property on leases was acquired in 2006 and 2005.

ATEL CAPITAL EQUIPMENT FUND XI, LLC

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

4. Investment in equipment leases (continued):

Operating leases:

Property on operating leases consists of the following:

	Balance December 31, 2005	Additions	Balance September 30, 2006
Materials handling	\$ 4,132,141	\$ 8,168,385	\$12,300,526
Manufacturing	622,892	475,234	1,098,126
Transportation	10,215,638	10,206,825	20,422,463
Construction	—	3,358,302	3,358,302
Office furniture	—	145,907	145,907
Logging and Lumber	—	1,625,117	1,625,117
	<u>14,970,671</u>	<u>23,979,770</u>	<u>38,950,441</u>
Less accumulated depreciation	(211,977)	(3,434,377)	(3,646,354)
Total	<u>\$14,758,694</u>	<u>\$20,545,393</u>	<u>\$35,304,087</u>

At September 30, 2006, the aggregate amounts of future minimum lease payments to be received are as follows:

	Operating Leases
Three months ending December 31, 2006	\$ 1,621,859
Year ending December 31, 2007	7,105,816
2008	7,080,268
2009	5,122,494
2010	4,548,119
2011	2,296,834
Thereafter	4,398,014
	<u>\$32,173,404</u>

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

Equipment category	Useful Life
Mining	30 - 40
Marine Vessels	20 - 30
Manufacturing	10 - 20
Materials Handling	7 - 10
Transportation	7 - 10
Natural Gas Compressors	7 - 10
Office Furniture	7 - 10
Communications	3 - 5

ATEL CAPITAL EQUIPMENT FUND XI, LLC

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

5. Related party transactions:

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

The Operating Agreement allows for the reimbursement of costs incurred by AFS for providing administrative services to the Company. Administrative services provided include Company accounting, investor relations, legal counsel and lease and equipment documentation. AFS is not reimbursed for services whereby it is entitled to receive a separate fee as compensation for such services, such as management of equipment. Reimbursable costs incurred by AFS are allocated to the Company based upon estimated time incurred by employees working on Company business and an allocation of rent and other costs based on utilization studies.

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

Cost reimbursements to the Managing Member are based on costs incurred by AFS in performing administrative services for the Company that are allocated to each fund that AFS manages based on certain criteria such as existing or new leases, number of investors or equity depending on the type of cost incurred. AFS believes that the costs reimbursed are the lower of (i) actual costs incurred on behalf of the Company or (ii) the amount the Company would be required to pay independent parties for comparable administrative services in the same geographic location.

During the nine and three months ended September 30, 2006, AFS and/or affiliates earned fees, commissions and reimbursements, pursuant to the Operating Agreement as follows:

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Selling commissions, equal to 9% of the selling price of the Limited Liability Company Units, deducted from Other Members’ capital	\$ —	\$1,607,795	\$1,183,373	\$2,232,561
Reimbursement of other syndication costs to AFS and affiliates, deducted from Other Members’ capital	83,841	1,056,225	692,946	1,262,925
Administrative costs reimbursed to Managing Member	119,625	2,561	346,851	2,561
Asset management fees to Managing Member	93,245	48,307	258,547	48,307
Acquisition and initial direct costs paid to Managing Member	<u>230,343</u>	<u>145</u>	<u>1,134,017</u>	<u>145</u>
	<u>\$527,054</u>	<u>\$2,715,033</u>	<u>\$3,615,734</u>	<u>\$3,546,499</u>

The Managing Member, on behalf of the Company, will incur syndication costs in connection with the organization, registration and issuance of the Limited Liability Company Units (Units). As of September 30, 2006, total syndication costs incurred and reimbursed by the Company to the Managing Member exceeded the syndication cost limitations as defined in the Operating Agreement. The amounts in excess of the limit are recorded as prepaid syndication costs. As the limit increases, based on increased sales of the Units, the prepaid syndication costs are recorded as a reduction to Members’ capital.

ATEL CAPITAL EQUIPMENT FUND XI, LLC

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

6. Borrowing facilities:

The Company participates with AFS and certain of its affiliates in a financing arrangement (comprised of a term loan to AFS and a line of credit) with a group of financial institutions that includes certain financial covenants. The financial arrangement is \$75,000,000 and expires in June 2007. The availability of borrowings to the Company under this financing arrangement is reduced by the amount AFS has outstanding as a term loan. As of September 30, 2006, borrowings under the facility were as follows:

Total amount available under the financing arrangement	\$ 75,000,000
Amount borrowed by the Company under the acquisition facility	(4,000,000)
Amounts borrowed by affiliated partnerships and limited liability companies under the acquisition facility	<u>(10,500,000)</u>
Total remaining available under the acquisition and warehouse facilities	<u>\$ 60,500,000</u>

Draws on the acquisition facility by any individual borrower are secured only by that borrower's assets, including equipment and related leases. Borrowings on the warehouse facility are recourse jointly to certain of the affiliated Memberships and limited liability companies, the Company and AFS. There were no borrowings under the warehouse facility as of September 30, 2006.

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

7. Commitments:

As of September 30, 2006, the Company had outstanding commitments to purchase lease equipment of approximately \$13,949,538 which may be funded during 2006. This amount represents contract awards which may be cancelled by the prospective lessee or may not be accepted by the Company.

8. Guarantees:

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

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

ATEL CAPITAL EQUIPMENT FUND XI, LLC

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

8. Guarantees (continued):

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

9. Members' capital:

As of September 30, 2006, 5,232,607 Units were issued and outstanding. The Fund is authorized to issue up to 15,000,000 Units. The Company terminated sales of Units effective April 30, 2006.

Distributions to the Other Members were as follows:

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Distributions declared	\$1,209,985	\$ 187,674	\$3,272,771	\$ 187,674
Weighted average number of Units outstanding	5,242,590	1,609,823	4,924,460	1,067,659
Weighted average distributions per Unit	\$ 0.23	\$ 0.12	\$ 0.66	\$ 0.18

ATEL CAPITAL EQUIPMENT FUND XI, LLC

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

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-QSB, 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, 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 Fund'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 markets 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-QSB. 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-QSB or to reflect the occurrence of unanticipated events, other than as required by law.

Capital Resources and Liquidity

The Company commenced its offering of Units on April 11, 2005. On May 31, 2005, the Company commenced operations in its primary business (leasing and lending activities). Until the Company's initial portfolio of equipment has been purchased, funds that have been received, but that have not yet been invested in leased equipment, are invested in interest-bearing accounts or high-quality/short-term commercial paper. The Company's public offering provides for a total maximum capitalization of \$150,000,000.

During the funding period, the Company's primary source of liquidity will be subscription proceeds from the public offering of Units. As of September 30, 2006, \$52,339,680 have been contributed of which \$500 was contributed by the Initial Other Member and \$52,851,570, less rescissions of \$512,390, by Other Members purchasing Units under the public offering for net contributions from Other Members of \$52,339,180. The Company terminated sales of Units effective April 30, 2006. The liquidity of the Company will vary in the future, increasing to the extent proceeds from the offering, 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.

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

Throughout the Reinvestment Period (as defined in the Limited Liability Company Operating Agreement), the Company anticipates reinvesting a portion of lease payments from assets owned in new leasing transactions. Such reinvestment will occur only after the payment of all obligations, including debt service (both principal and interest), the payment of management fees to AFS and providing for cash distributions to the Members.

As of September 30, 2006 the Company had outstanding commitments to purchase lease equipment of approximately \$13,949,538 which may be funded during the year ended December 31, 2006. This amount represents contract awards which may be cancelled by the prospective lessee or may not be accepted by the Company.

Cash Flows

The Company's primary source of cash from operations for the three and nine months ended September 30, 2006 was rents from operating leases and interest on the notes receivable. The cash flows from operations for the three months ended September 30, 2006 and 2005 were \$611,886 and \$378,121, respectively. Cash from operations for the nine months ended September 30, 2006 and 2005 were \$2,332,962 and \$306,640, respectively. The increase in cash flows were primarily the result of increases in earning assets acquired by the Company as it expanded its leasing and lending activities.

During the three and nine months ended September 30, 2006, the primary use of cash in investing activities was the purchase of equipment on operating leases and investments in notes receivable. Cash used to acquire operating lease assets totaled \$4,147,667 for the third quarter and \$23,979,770 for the first nine months of 2006. Cash used to invest in notes receivable totaled \$255,324 for the third quarter and \$2,157,751 for the first nine months of 2006. The Company used cash totaling \$615,112 to acquire leases and \$987,308 to fund investments in notes receivable during the first nine months of 2005.

During 2006 and 2005, the Company's main source of cash from financing activities was the proceeds of its offering of Units. Capital contributions received totaled \$13,148,592 and \$24,805,730 for the nine months ended September 30, 2006 and 2005, respectively. The Company also borrowed \$5,000,000 from its acquisition facility during the third quarter of 2006. The primary use of cash from financing activities during the same periods consisted of payments of syndication costs related to the offering, distributions to Other Members and repayment of debt. Syndication costs paid were \$1,876,319 and \$3,495,486 for the first nine months of 2006 and 2005, respectively, while distributions paid to Other Members totaled \$3,272,771 and \$187,674 during the same periods. The Company also used \$1,000,000 to repay a portion of its borrowings during the third quarter of 2006.

Results of operations

As of May 31, 2005, the Company had received and accepted subscriptions for the minimum amount of the offering (\$1,200,000). As of that date, the Company commenced operations in its primary business (leasing and lending activities). After the Company's public offering and its initial asset acquisition stage terminate, the results of operations are expected to change significantly.

Operations resulted in a net loss of \$135,914 for the third quarter of 2006 and a net loss of \$547,381 for the first nine months of 2006. These compare to net income of \$12,039 and \$1,355 for the three and nine months ended September 30, 2005.

During the third quarter and first nine months of 2006, the Company's revenues were primarily derived from income on its operating lease portfolio and interest on the notes receivable. Operating lease revenue totaled \$1,696,426 and \$4,104,428 for the three and nine months ended September 30, 2006, respectively; while interest income on the notes receivable totaled \$208,823 and \$595,338 for the three and nine months ended September 30, 2006, respectively.

The Company's largest expense during the first nine months of 2006 was depreciation, which is directly related to its acquisition of operating lease assets during its initial acquisition phase. Depreciation expense totaled \$1,428,316 and \$3,434,377 for the three and nine months ended September 30, 2006, respectively.

Under the terms of the Company's Operating Agreement, AFS is entitled certain fees and reimbursements of costs. Management fees totaled \$93,245 and \$258,547 for the three and nine months ended September 30, 2006, respectively. Cost reimbursements for the same periods consisted of acquisition expenses and initial direct costs ("IDC") associated with the initiation of leases and notes receivable and Company administration fees. Acquisition and IDC costs totaled \$209,038 for the third quarter and \$948,762 for the first nine months of 2006. Administrative costs reimbursed to AFS totaled \$119,625 for the third quarter and \$346,851 for the first nine months of 2006.

As defined by the Company's Operating Agreement, acquisition expense shall mean expenses including, but not limited to, legal fees and expenses, travel and communication expenses, costs of appraisals, accounting fees and expenses, and miscellaneous expenses relating to selection and acquisition of equipment, whether or not acquired.

Cost reimbursements to Managing Member are based on costs incurred by AFS in performing administrative services for the Company that are allocated to each Company that AFS manages based on certain criteria such as existing or new leases, number of investors or equity depending on the type of cost incurred. AFS believes that the costs reimbursed are the lower of (i) actual costs incurred on behalf of the Company or (ii) the amount the Company would be required to pay independent parties for comparable administrative services in the same geographic location.

During the first nine months of 2005, the Company was in the initial stages of operations. Revenue for this period consisted mostly of \$102,850 of interest income earned on cash and cash equivalents. Additionally, the Company began recognizing revenue from operating lease assets as well as interest on the notes receivable. During the first nine months of 2005, the Company recognized \$14,270 of income from its operating leases and \$12,062 of interest on its notes receivable.

During the same period, total expenses were \$131,577 and were primarily comprised of acquisition expenses, which totaled \$47,227, cost reimbursements to the Managing Member, which totaled \$48,452, professional fees and depreciation of operating lease assets.

Item 3. Controls and procedures.

Evaluation of disclosure controls and procedures

The Company's Managing Member's Chief Executive Officer, and Executive Vice President and Chief Financial and Operating Officer evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(d) and 15(e) under the Securities Exchange Act of 1934) during and as of the period covered by this report. Based on this evaluation, the Chief Executive Officer and Executive Vice President and Chief Financial and Operating Officer concluded that at September 30, 2006, certain controls were ineffective and thus there was a material weakness in the Company's internal control over financial reporting.

The Company does not control the financial reporting process, and is dependent on the Managing Member, who is responsible for providing the Company with financial statements in accordance with generally accepted accounting principles. The Managing Member's disclosure controls and procedures over the: a) application of generally accepted accounting principles for leasing transactions (specifically, timely identification and recording of impairment of leased assets, accumulating and capitalizing costs for initiating leases, and properly amortizing costs associated with the initiation of a lease); b) allocation of cost reimbursements to Managing Member; c) process of identifying and estimating liabilities in the correct period; and d) financial statement close process; and evaluating the relative significance of misstatements, were determined to be ineffective and constitute material weaknesses in internal control over financial reporting.

Changes in internal control

The Managing Member has reviewed the material weaknesses and has taken the following steps to address the above mentioned issues:

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

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

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

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

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

Inapplicable.

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

Information provided pursuant to § 228.701 (Item 701(f))(formerly included in Form SR):

- (1) Effective date of the offering: April 11, 2005; File Number: 333-120276.
- (2) Offering commenced: April 11, 2005.
- (3) The offering did not terminate before any securities were sold.
- (4) The offering was terminated on April 30, 2006.
- (5) The managing underwriter is ATEL Securities Corporation.
- (6) The title of the registered class of securities is "Units of Limited Liability Company Interest."
- (7) Aggregate amount and offering price of securities registered and sold as of September 30, 2006:

Title of Security	Amount Registered	Aggregate price of offering amount registered	Units sold	Aggregate price of offering amount sold
Units of Limited Company Interest	15,000,000	\$150,000,000	5,232,607	\$52,326,070

- (8) Costs incurred for the issuers account in connection with the issuance and distribution of the securities registered for each category listed below:

	Direct or indirect payments to directors, officers, Managing Members of the issuer or their associates, to persons owning ten percent or more of any class of equity securities of the issuer; and to affiliates of the issuer	Direct or indirect payments to others	Total
Underwriting discounts and commissions	\$ 814,186	\$3,924,455	\$ 4,738,641
Other expenses	1,285,215	1,266,958	2,552,173
Total expenses	\$ 2,099,401	\$5,191,413	\$ 7,290,814

- (9) Net offering proceeds to the issuer after the total expenses in item 8: \$45,035,256

(10) The amount of net offering proceeds to the issuer used for each of the purposes listed below:

	Direct or indirect payments to directors, officers, Managing Members of the issuer or their associates, to persons owning ten percent or more of any class of equity securities of the issuer; and to affiliates of the issuer	Direct or indirect payments to others	Total
Purchase and installation of machinery and equipment	\$ 568,588	\$33,384,987	\$33,953,575
Investments in notes receivable	63,996	8,883,273	8,947,269
Working capital	—	2,134,412	2,134,412
	<u>\$ 632,584</u>	<u>\$44,402,672</u>	<u>\$45,035,256</u>

(11) The use of the proceeds in Item 10 does not represent a material change in the uses of proceeds described in the prospectus.

Item 3. Defaults Upon Senior Securities.

Inapplicable.

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

Inapplicable.

Item 5. Other Information.

Inapplicable.

Item 6. Exhibits.

(a) Documents filed as a part of this report

1. Financial Statement Schedules

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

2. Other Exhibits

31.1 Certification of Paritosh K. Choksi

31.2 Certification of Dean L. Cash

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

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

SIGNATURES

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

Date: May 17, 2007

**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 Managing
Member

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

CERTIFICATIONS

I, Paritosh K. Choksi, certify that:

1. I have reviewed this quarterly report on Form 10-QSB 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 officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 17, 2007

/s/ Paritosh K. Choksi

Paritosh K. Choksi

Principal Financial Officer of Registrant,

Executive Vice President of Managing Member

CERTIFICATIONS

I, Dean L. Cash, certify that:

1. I have reviewed this quarterly report on Form 10-QSB 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 officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's (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 17, 2007

/s/ Dean L. Cash

Dean L. Cash

President and Chief Executive Officer of
Managing Member

CERTIFICATION

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

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

Date: May 17, 2007

/s/ Dean L. Cash

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

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

CERTIFICATION

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

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

Date: May 17, 2007

/s/ Paritosh K. Choksi

Paritosh K. Choksi

Executive Vice President of Managing Member,
Principal Financial Officer of Registrant

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