FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

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FILER

PRIME CAPITAL CORP

CIK:**791013**| IRS No.: **363347311** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10QSB** | Act: **34** | File No.: **000-14888** | Film No.: **94527987**
SIC: **7350** Miscellaneous equipment rental & leasing

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

FORM 10-QSB

(Mark one)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 1994
OR
[ ] 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 0-14888

PRIME CAPITAL CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	36-3347311
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer identification no.)

10275 West Higgins Road, Suite 200, Rosemont, Illinois	60018
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (708) 294-6000

Indicate by 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 X

As of March 31, 1994, there were 4,280,165 shares of common stock outstanding.

PRIME CAPITAL CORPORATION AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION PAGE

PART I. Financial Information

Item I. Financial Statements
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PRIME CAPITAL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations (Unaudited)

Three Months Ended March 31
<CAPTION>

	1993	1994
<S>	<C>	<C>
Revenues:		
Rentals on leased equipment	82,043	77,482
Direct financing leases	79,202	52,938
Fee income	288,132	571,762
Gain on sale of leased equipment	197,151	868,323
Interest	49,651	77,369
Other income	22,010	181,094
Total revenues	718,189	1,828,968

Expenses:

Amortization of deferred finance costs	3,045	27,781
Depreciation of leased equipment	38,432	8,412
Selling, general and administrative	1,056,022	993,537
Interest	15,457	244
Net capitalized initial direct costs	(70,471)	(3,969)
Total expenses	1,042,485	1,026,005
Income (loss) before income tax expense	(324,296)	802,963
Income tax expense	----	----
Net income (loss)	(324,296)	802,963
Net income (loss) per common and common equivalent share:	(0.08)	0.19

</TABLE>
See accompanying notes to consolidated financial statements.

<TABLE>
PRIME CAPITAL CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets (Unaudited)
<CAPTION>

ASSETS	March 31 1994	December 31 1993
<S>	<C>	<C>
Cash and cash equivalents	3,509,591	4,060,079
Receivables:		
Rentals on leased equipment	36,835	64,192
Due from equipment trusts	55,978	190,975
Other	2,103,657	2,462,782
Net investment in direct financing leases	4,091,187	2,458,694
Leased equipment, net of accumulated depreciation of $38,432 at March 31, 1994	1,773,654	---
Deposits on equipment	820,331	163,779
Property and equipment, net of accumulated depreciation of $860,073 and $830,792 at March 31, 1994 and December 31, 1993 respectively	348,969	368,243
Other assets	1,337,243	882,147
Total assets	14,077,445	10,650,891
LIABILITIES AND STOCKHOLDERS EQUITY		
Notes payable to banks	5,334,763	1,092,258
Accounts payable for equipment	615,750	418,380
Accrued expenses and other liabilities	1,412,874	2,027,648
Deposits and advances	378,923	326,896
Discounted leases rentals	38,286	164,564

Total Liabilities	7,780,596	4,029,746
Stockholders' equity		
Common stock, $0.05 par value: authorized 10,000,000 shares; issued and outstanding 4,374,365 shares at March 31, 1994 and December 31, 1993	218,718	218,718
Additional paid-in capital	9,681,225	9,681,225
Retained deficit	(3,303,294)	(2,978,998)
Treasury stock, at cost; 94,200 shares at March 31, 1994 and December 31, 1993	(299,800)	(299,800)
Total stockholders' equity	6,296,849	6,621,145
Total liabilities and stockholders' equity	14,077,445	10,650,891

</TABLE>

See accompanying notes to consolidated financial statements

<TABLE>

PRIME CAPITAL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Unaudited)

<CAPTION>

	Three Months Ended March 31	
	1994	1993
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	(324,296)	802,963
Adjustments to reconcile net income (loss) to net cash used by operations:		
Depreciation	67,714	42,495
Amortization of unearned income	(79,202)	(52,938)
Amortization of deferred finance costs on direct finance leases	3,045	27,780
Changes in assets and liabilities:		
Rentals on leased equipment and other receivables	386,482	1,735,162
Deferred charges	(158,192)	(27)
Other assets	(305,922)	(116,494)
Accrued expenses and other liabilities	(614,775)	(406,933)
Due from equipment trusts	134,997	(568,829)
Net cash provided (used) by operating activities	(890,149)	1,463,179
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cost of equipment acquired for lease	(8,723,404)	(9,519,739)
Proceeds from sale of assets	475,993	159,047
Net cash used in investing activities:	(8,247,411)	(9,360,692)

CASH FLOWS FROM FINANCING ACTIVITIES:		
Discounted lease proceeds from sale of fully leveraged finance leases	4,344,567	9,865,842
Proceeds from notes payable to banks	4,242,505	----
Net cash provided by financing activities	8,587,072	9,865,842
Increase (decrease) in cash and cash equivalents	(550,488)	1,968,329
Cash and equivalents:		
Beginning of period	4,060,079	2,088,870
End of period	3,509,591	4,057,199
Cash paid during the period for interest	15,457	245
Supplemental schedule of noncash financing activities:		
Discounted lease rentals on direct finance leases collected by financial institutions	129,322	377,657

</TABLE>

See accompanying notes to consolidated financial statements

PRIME CAPITAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of Management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

Certain reclassifications have been made in the fiscal 1993 financial statements to conform to the fiscal 1994 presentation.

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

Management believes that the reengineering of the Company's business, together with the elimination of its senior secured debt in 1992, has positioned the Company to compete more successfully within its chosen markets. The Company has eliminated excess operating costs and redesigned its management and lease administration, information and sales systems. As a result, Management believes that the Company can (i) begin to increase the volume of leases which it originates and do so with nominal increases in its back office costs; (ii) access funds to acquire equipment for lease on a competitive basis; and (iii) administer owned or managed leases in a cost effective and efficient manner.

The Company intends to continue to pursue a strategy of periodically securitizing aggregated pools of warehoused transactions as the primary methodology of permanently funding the Company's equipment loan and lease originations. Although this approach was successfully executed in 1993, there can be no assurance that the requisite volume of transactions, warehouse financing or securitized asset sales will continue to be available to the Company on terms and conditions that will enable the Company to attain its profitability and debt-to-equity objectives.

Management believes that the Company would have reported higher net income for the quarter ended March 31, 1994 if the Company had elected to permanently fund its leases with long-term debt, instead of warehousing its leases pending securitization. Although reportable earnings are adversely impacted during periods when the Company is accumulating transactions for securitization, Management believes that the Company will ultimately maximize the profits that can be realized from its leases through its strategy of aggregating and securitizing its lease receivables.

RESULTS OF OPERATIONS - THREE MONTHS ENDED MARCH 31, 1994

Net Income (Loss)

Net loss for the three months ended March 31, 1994 was approximately $324,000 or $(0.08) per share, as compared to net income of approximately $803,000 or $0.19 per share for the same quarter of 1993. The decrease in net income resulted primarily from (i) a reduction in fee income as a result of Management's decision to warehouse transactions during the first quarter of 1994 in anticipation of a contemplated asset securitization, rather than to engage in the sale or permanent financing of individual transactions that would have resulted in immediately reportable fee income for the Company and (ii) a reduction in gains realized from the remarketing of certain equipment under various programs which the Company manages on behalf of various investors. The reduction is attributable to a decrease in the amount of equipment available for remarketing as a result of the continued expiration of the remaining leases under these various programs.

Revenues

Revenues for the three months ended March 31, 1994 were approximately $718,000 as compared to revenues of approximately $1,829,000 for the same period last year. The decrease was largely attributable to (i) a decrease in gain on sale of leased quipment and (ii) a reduction in fee income.

One component of gains from equipment sales, gains from the remarketing of equipment on behalf of third-party investors, decreased approximately $671,000 in the first quarter of 1994 as compared to the same period in 1993.

Reportable remarketing gains represent the Company's share of realized residual values on investor-owned equipment. The reduction is primarily a result of the expiration of the remaining leases in the program.

Fee income decreased approximately $284,000 in the first quarter of 1994 as compared to the same period in 1993 as a result of Management's decision to warehouse transactions during the first quarter of 1994 in anticipation of a contemplated asset securitization, rather than to engage in the sale or permanent financing of individual transactions that would have resulted in a greater level of immediately reportable fee income for the Company.

Expenses

Expenses for the three months ended March 31, 1994 were approximately $1,042,000 compared to approximately $1,026,000 during the same period of 1993, an increase of approximately 2%. A sharply lower level of amortized deferred finance costs and an increase in net capitalized initial direct costs were offset by increases in depreciation expense, selling, general and administrative expenses, and interest expense.

Depreciation expense increased approximately $30,000 in the first quarter of 1994 compared to the same period last year as a result of the Company originating and retaining a higher volume of equipment subject to operating leases.

Interest expense increased due to the Company's decision to warehouse originations pending securitization.

The increase in net capitalized initial direct costs reflects the sharply higher volume of leased assets originated and retained by the Company in the first quarter of 1994 as compared to the first quarter of 1993.

An increase of approximately $62,000 in selling, general and administrative costs is primarily the result of an increase in origination fees paid to the third parties pursuant to vendor sales agreements and an increase in various miscellaneous expenses. Increases in these expenses more than offset a decrease in salaries and commissions.

Financial Condition

The Company's financial condition will continue to be dependent upon certain critical elements. First, the Company must be able to obtain recourse and nonrecourse financing to fund future acquisition of leases. Second, the Company must originate a sufficient volume of new business which is structured and priced in such a way that the Company covers its costs and realizes profits from its lease originations.

Uncertainty continues to exist in the Company's core health care equipment leasing business as a result of the national debate over various healthcare reform proposals.

Although the Company continues to diversify into niche markets that Management believes offer the Company attractive returns consistent with its underwriting criteria, there can be no assurance that the Company will achieve operating results comparable to those realized in 1993.

Liquidity and Capital Resources

The Company believes that existing cash balances, cash flows from its activities, available warehouse and permanent non-recourse borrowings, and securitized asset sales will be sufficient to meet its foreseeable financing needs, provided the Company is able to originate a sufficient volume of transactions which meet its credit quality and profitability standards.

PART II - OTHER INFORMATION

Items omitted in Part II are either not applicable or the answer to the items is no.

SIGNATURE

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.

PRIME CAPITAL CORPORATION
(Registrant)

May 13, 1994 /s/ David L. Daum______________________

David L. Daum, Senior Vice President

David L. Daum is the Principal Financial and Accounting Officer and has been duly authorized to sign on behalf of the Registrant

May 13, 1994 /s/ James A. Friedman
James A. Friedman, Chief Executive Officer