FORM 10-Q/A

Quarterly report pursuant to sections 13 or 15(d) [amend]

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FINOVA CAPITAL CORP

CIK:**43960**| IRS No.: **941278569** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-Q/A** | Act: **34** | File No.: **001-07543** | Film No.: **99709877**
SIC: **6153** Short-term business credit institutions

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

FORM 10-Q/A-1

(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, 1999

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 1-7543

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

DELAWARE	94-1278569
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1850 North Central Ave., P. O. Box 2209, Phoenix, AZ	85002-2209
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code 602/207-6900

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 such shorter period that the Registrant was required to file such report), and (2) has been subject to such filing requirements for the past 90 days.

YES [X] NO [ ]

The Registrant meets the conditions set forth in General Instructions H (i)(a) and (b) of Form 10-Q and is therefore filing this form in the reduced format.

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of May 14, 1999 and September 8, 1999, 25,000 shares of Common Stock ($1.00 par value) were outstanding.

FINOVA CAPITAL CORPORATION

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FINOVA CAPITAL CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS
(Dollars in Thousands)
(Unaudited)

	March 31, 1999	December 31, 1998 restated
ASSETS:		
Cash and cash equivalents	$ 91,033	$ 49,519
Investment in financing transactions:		
Loans and other financing contracts	8,270,159	7,354,736
Leveraged leases	802,937	773,942
Operating leases	665,912	648,185
Fee-based receivables	618,779	626,499
Direct financing leases	382,746	396,759
Financing contracts held for sale	345,483	220,100
	11,086,016	10,020,221
Less reserve for credit losses	(238,277)	(207,618)
Net investment in financing transactions	10,847,739	9,812,603
Investments	211,004	124,792
Goodwill and other assets	566,026	507,588
	$11,715,802	$10,494,503
LIABILITIES:		
Accounts payable and accrued expenses	$ 123,977	$ 141,782
Due to clients	203,869	205,655
Interest payable	55,543	65,817
Senior debt	9,327,137	8,394,578
Deferred income taxes	342,502	355,029
	10,053,028	9,162,860
Commitments and contingencies		
SHAREOWNER'S EQUITY:		
Common stock, $1.00 par value, 100,000 shares authorized, 25,000 shares issued	25	25
Additional capital	1,173,995	870,485
Retained income	502,481	460,447
Accumulated other comprehensive (loss) income	(13,727)	686
	1,662,774	1,331,643
	$11,715,802	$10,494,503

See notes to interim consolidated condensed financial statements

FINOVA CAPITAL CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(Dollars in Thousands)
(Unaudited)

	Three Months Ended March 31,	
	1999	1998 restated
Interest and income earned from financing transactions	$ 245,222	$ 200,170
Operating lease income	27,853	32,663
Interest expense	(131,183)	(110,280)
Depreciation	(17,226)	(17,170)
Interest margins earned	124,666	105,383
Volume-based fee income	12,735	22,156
Operating margin	137,401	127,539
Provision for credit losses	(9,500)	(9,500)
Net interest margins earned	127,901	118,039
Gains on disposal of assets	12,370	1,525
	140,271	119,564
Operating expenses	(57,499)	(52,878)
Income before income taxes	82,772	66,686
Income taxes	(31,769)	(25,999)
NET INCOME	$ 51,003	$ 40,687

See notes to interim consolidated condensed financial statements.

FINOVA CAPITAL CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

	Three Months Ended March 31,	
	1999 restated	1998 restated
OPERATING ACTIVITIES:		
Net income	$ 51,003	$ 40,687
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	9,500	9,500
Depreciation and amortization	24,315	22,734
Gains on disposal of assets	(12,370)	(1,525)
Deferred income taxes	30,404	17,700
Change in assets and liabilities, net of effects from acquisitions	(77,265)	(76,345)
Other	(14,565)	329
Net cash provided by operating activities	11,022	13,080
INVESTING ACTIVITIES:		
Proceeds from sale of assets	56,204	48,955
Principal collections on financing transactions	381,104	321,553
Expenditures for financing transactions	(776,238)	(533,579)
Expenditures for CMBS transactions	(159,069)	
Net change in short-term financing transactions	(329,787)	(132,795)
Cash received in acquisition	20,942	
Other	739	824

Net cash used in investing activities	(806,105)	(295,042)
FINANCING ACTIVITIES:		
Net borrowings under commercial paper and short-term loans	285,935	473,796
Long-term borrowings	855,000	100,000
Repayment of long-term borrowings	(309,225)	(223,430)
Net advances to and contributions from parent	15,640	(3,115)
Dividends	(8,967)	(7,903)
Net change in due to clients	(1,786)	(39,414)
Net cash provided by financing activities	836,597	299,934
INCREASE IN CASH AND CASH EQUIVALENTS	41,514	17,972
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	49,519	33,193
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 91,033	$ 51,165

See notes to interim consolidated condensed financial statements.

FINOVA CAPITAL CORPORATION
NOTES TO INTERIM CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 1999 AND 1998

NOTE A BASIS OF PRESENTATION

The consolidated condensed financial statements present the financial position, results of operations and cash flows of FINOVA Capital Corporation and its subsidiaries (collectively, "FINOVA" or the "Company"). FINOVA is a wholly owned subsidiary of The FINOVA Group Inc.

The interim consolidated financial information is unaudited. In the opinion of management all adjustments, consisting of normal recurring items, necessary to present fairly the financial position as of March 31, 1999, and the results of operations and cash flows for the three months ended March 31, 1999 and 1998, have been included. Interim results of operations are not necessarily indicative of the results of operations for the full year. The enclosed financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K/A, Amendment No. 1 for the year ended December 31, 1998.

Subsequent to the issuance of the Company's condensed consolidated financial statements as of and for the three month period ended March 31, 1999, the Company's management determined that certain noncash amounts had not been properly reflected in the Condensed Statement of Consolidated Cash Flows. As a result, the Condensed Statement of Consolidated Cash Flows for the three month period ended March 31, 1999, has been restated from the amounts previously reported.

NOTE B SIGNIFICANT ACCOUNTING POLICIES

INVESTMENTS

In the normal course of business, the Company acquires various forms of equity positions in other companies including marketable and non-marketable common stocks, warrants to purchase common stock, preferred stock, and partnership and joint venture interests. As discussed in Note E, FINOVA acquired Sirrom Capital Corporation ("Sirrom") in March 1999. In connection with this acquisition, the Company's investments in these types of assets increased by approximately $150 million. The Company's accounting policies related to these investments are as follows:

Marketable investments are designated as available for sale securities and carried at fair value using the specific identification method with unrealized gains or losses included in accumulated other comprehensive income included in stockholder's equity, net of related taxes.

The Company accounts for investments in joint ventures and other investments in which the Company has the ability to exercise significant influence on the investee under the equity method of accounting. Under this method, the Company recognizes its share of the earnings or losses of the joint venture in the period in which they are earned by the joint venture.

Other investments in warrants, certain common and preferred stocks and certain equity investments, which are not subject to the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities," are carried at cost. The valuation of these investments is periodically reviewed and the investment balance is written down to reflect declines in value determined to be other than temporary. Certain other equity investments in limited partnership funds are accounted for under the equity method of accounting in accordance with Accounting Principles Board Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock."

OTHER COMPREHENSIVE INCOME

The Company reports other comprehensive income in accordance with Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income." Total comprehensive income was $36,590,000 and $40,629,000 for the three months ended March 31, 1999 and 1998, respectively. The primary component of comprehensive income other than net income was unrealized losses on retained interest in securitization transactions.

NEW ACCOUNTING STANDARDS

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," ("SFAS No. 133") which is effective for fiscal years beginning after June 15, 1999. This statement standardizes the accounting for derivative instruments, including certain derivative instruments embedded in other contracts, by recognition of those items as assets or liabilities in the statement of financial position and measurement at fair value. FINOVA will adopt this standard effective January 1, 2000, as required. The impact of SFAS No. 133 on the Company's financial position and results of operations has not yet been determined.

NOTE C INVESTMENTS

Investments increased significantly over the prior year due to the acquisition of Sirrom (as discussed in Note E) on March 22, 1999. The following table sets forth a summary of the major components of investments:

	March 31, 1999	December 31, 1998
Marketable investments	$ 4,992	$ 1,713
Joint venture investments	96,177	89,217
Other investments	109,835	33,862
	$ 211,004	$ 124,792

Marketable investments are principally composed of publicly traded shares of common stock and warrants for the purchase of common stock. Net unrealized gains on these securities were not significant at March 31, 1999.

Joint venture investments include equity investments in non-public entities in which the Company holds a 20% or greater equity interest.

Other investments include common stock, preferred stock and warrants which are not publicly traded and equity investments in which the Company holds less than 20% of the investee's equity.

NOTE D SEGMENT REPORTING

MANAGEMENT'S POLICY FOR IDENTIFYING REPORTABLE SEGMENTS

FINOVA's reportable business segments are strategic business units that offer distinctive products and services that are marketed through different channels.

RECONCILIATION OF SEGMENT INFORMATION TO CONSOLIDATED AMOUNTS

Management evaluates the business performance of each group based on total net revenue, income before allocations and managed assets. Total net revenue is operating margin plus gains on disposal of assets. Income before allocations is income before income taxes and preferred dividends, excluding allocation of corporate overhead expenses and the unallocated portion of provision for credit losses. Managed assets includes each segment's investment in financing transactions plus securitizations and participations sold.

Information for FINOVA's reportable segments reconciles to FINOVA's consolidated totals as follows:

	Three Months Ended March 31,	
Dollars in Thousands	1999	1998
TOTAL NET REVENUE:		
Commercial Finance	$ 51,706	$ 45,999
Specialty Finance	94,231	74,351
Capital Markets	9,416	9,530
Corporate and other	(5,582)	(816)
Consolidated total	$ 149,771	$ 129,064
INCOME (LOSS) BEFORE ALLOCATIONS:		
Commercial Finance	$ 24,348	$ 17,954
Specialty Finance	77,743	59,251
Capital Markets	(17)	3,121
Corporate and other, overhead and unallocated provision for credit losses	(19,302)	(13,640)
Income from continuing operations before income taxes	$ 82,772	$ 66,686
	March 31,	
	1999	1998
MANAGED ASSETS:		
Commercial Finance	$ 3,258,093	$ 2,763,155
Specialty Finance	7,337,715	6,151,661
Capital Markets	925,366	181,243
Corporate and other	94,477	57,729
Consolidated total	11,615,651	9,153,788
Less securitizations and participations sold	(529,635)	(464,550)
Investment in financing transactions	$ 11,086,016	$ 8,689,238

NOTE E ACQUISITION OF SIRROM CAPITAL CORPORATION

In March 1999, FINOVA acquired Sirrom, a specialty finance company headquartered in Nashville, Tennessee. The acquisition was accounted for using the purchase method of accounting. The purchase price was approximately $343 million in FINOVA common stock, excluding converted stock options. Total assets acquired were $620 million, including $66 million in goodwill and $277 million in assumed liabilities and transaction costs. Goodwill is subject to change due to a preliminary estimate of fair values of various private equities and loan balances at the date of acquisition. Goodwill is being amortized over 25 years and covenants not to compete, which are included in goodwill, are being amortized over 3 years.

After making certain accounting adjustments, the accompanying unaudited pro forma information gives effect to the merger as if it had occurred on January 1, 1999 and 1998 and combines the historical consolidated information of FINOVA and Sirrom for the quarters ended March 31, 1999 and 1998.

The unaudited comparative pro forma information is not necessarily indicative of the results that actually would have occurred had the merger been consummated on the dates indicated or that may be obtained in the future. The unaudited pro forma financial information does not give effect to the anticipated cost savings and other synergies that may result from the merger or the possible cash-out of existing stock options held by employees of Sirrom that became fully vested by reason of the adoption of the merger agreement by Sirrom stockholders. Included in the historical operations of Sirrom for the first quarter of 1999 are approximately $24 million of nonrecurring charges, a significant portion of which related to the acquisition.

Comparative Pro Forma Information (Dollars in thousands, except per share data)	Three Months Ended March 31, 1999	1998
Total revenue	$ 288,402	$ 248,341
Net (Loss) income	$ (4,793)	$ 35,770
(Loss) Earnings per share - diluted	$ (0.06)	$ 0.55
(Loss) Earnings per share - basic	$ (0.08)	$ 0.58

The acquisition resulted in an excess purchase price over the historical net assets acquired. The excess is allocated to the net assets acquired and liabilities assumed, as follows:

Allocation of purchase price:	
Purchase price	$ 342,730
Elimination of historical stockholders' equity of Sirrom	(262,000)
Estimated excess purchase price	$ 80,730
Allocation of excess:	
Elimination of unamortized debt costs	$ (3,360)
Deferred income taxes	43,309
Assumed liabilities	(25,127)
Goodwill	65,908
	$ 80,730

NOTE F RESTATEMENT

Subsequent to the issuance of the Company's financial statements for the year ended December 31, 1998, the Company's management determined that expenses incurred in connection with the origination of new loans under SFAS No. 91, "Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases" (SFAS No. 91), should have been deferred and amortized over the estimated loan life. Previously, the Company was deferring loan origination fees received and amortizing them over the lives of the loans in accordance with SFAS No. 91, but elected to expense loan origination costs as incurred. Accordingly, the Company restated its condensed consolidated financial statements for the three months ended March 31, 1998 to defer and amortize loan costs over the estimated loan life, in accordance with SFAS No. 91 as well as to make several other adjustments.

A summary of the significant effects of the restatements for the three months ended March 31, 1998 is as follows:

	As previously Reported	As Restated
For the three months ended March 31, 1998		
Interest margins earned	$ 108,657	$ 105,383
Gains on disposal of assets	1,223	1,525
Operating expenses	(56,958)	(52,878)
Net income	40,023	40,687

NOTE G PORTFOLIO QUALITY

The following table presents a distribution (by line of business) of the Company's investment in financing transactions before the reserve for credit losses at the dates indicated.

INVESTMENT IN FINANCING TRANSACTIONS
BY LINE OF BUSINESS
MARCH 31, 1999
(Dollars in Thousands)

<TABLE>
<CAPTION>

	Revenue Accruing			Nonaccruing				
	Market Rate (1)	Impaired	Repos-sessed Assets (2)	Impaired	Repos-sessed Assets	Leases & Other	Total Carrying Amount	%
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Transportation Finance (3)	$ 2,081,910	$60,426	$	$	$	$	$ 2,142,336	19.3
Resort Finance	1,286,026		16,829	668	24,982		1,328,505	12.0
Rediscount Finance	863,195		20,787	788	573		885,343	8.0
Corporate Finance	777,631	15,577		40,606	1,089		834,903	7.5
Commercial Equipment Finance	716,913	2,379	5,935	8,322	20,104	4,223	757,876	6.8
Specialty Real Estate Finance	637,180	16,890	34,004	9,702	7,684	194	705,654	6.4
Communications Finance	657,462	7,161		24,252			688,875	6.2
Franchise Finance	677,099	1,578	1,773	2,017	1,099	269	683,835	6.2
Healthcare Finance	633,446	750	6,313	5,375		1,942	647,826	5.8
Distribution & Channel Finance	578,734			6,325			585,059	5.3
Mezzanine Capital	465,156			12,337			477,493	4.3
Realty Capital	430,384						430,384	3.9
Business Credit	312,193			16,493			328,686	3.0
Public Finance	216,235						216,235	1.9
Commercial Services	195,088	147		6,451	898		202,584	1.8
Growth Finance	55,338			3,119			58,457	0.5
Other (4)	65,572					28,904	94,476	0.9
Investment Alliance	17,489						17,489	0.2
TOTAL (5)	$10,667,051	$04,908	$85,641	$136,455	$ 56,429	$ 35,532	$ 11,086,016	100.0

</TABLE>

NOTES:

(1) Represents original or renegotiated market rate terms, excluding impaired transactions.

(2) The Company earned income totaling $1.57 million on repossessed assets during the three months ended March 31, 1999, including $0.59 million in Specialty Real Estate Finance, $0.3 million in Resort Finance, $0.2 million in Healthcare Finance, $0.4 million in Rediscount Finance, $.05 million in Commercial Equipment Finance and $.03 million in Franchise Finance.

(3) Transportation Finance includes $420.5 million of aircraft financing business originated in the London office.

(4) Primarily includes other assets retained from disposed or discontinued operations.

(5) Excludes $529.6 million of assets securitized and participations sold which the Company manages, including securitizations of $300.0 million in Corporate Finance and $128.6 million in Franchise Finance and participations sold of $43.4 million in Corporate Finance, $21.2 million in Communications Finance, $5.6 million in Resort Finance, $10.5 million in Rediscount Finance, $5.1 million in Business Credit, $11.2 million in Transportation Finance, $2.1 million in Growth Finance and $1.9 million in Distribution & Channel Finance.

RESERVE FOR CREDIT LOSSES:

The reserve for credit losses at March 31, 1999 represents 2.1% of the

Company's investment in financing transactions and securitized assets. Changes in the reserve for credit losses were as follows:

	Three Months Ended March 31,	
	1999	1998
	(Dollars in Thousands)	
Balance, beginning of period	$ 207,618	$ 177,088
Provision for credit losses	9,500	9,500
Write-offs	(9,142)	(13,912)
Recoveries	739	806
Reserves related to acquisitions	25,151	2,460
Other	4,411	25
Balance, end of period	$ 238,277	$ 175,967

At March 31, 1999 the total carrying amount of impaired loans was $241.4 million, of which $104.9 million were revenue accruing. A reserve for credit losses of $55.4 million has been established for $99.4 million of nonaccruing impaired loans and $7.2 million has been established for $26.1 million of accruing impaired loans. The remaining $175.7 million of the reserve for credit losses is designated for general purposes and represents management's best estimate of potential losses in the portfolio considering delinquencies, loss experience and collateral. Additions to the general and specific reserves are reflected in current operations. Management may transfer reserves between the general and specific reserves as considered necessary.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

COMPARISON OF THE THREE MONTHS ENDED MARCH 31, 1999 TO THE RESTATED THREE MONTHS ENDED MARCH 31, 1998

THE FOLLOWING DISCUSSION RELATES TO FINOVA CAPITAL CORPORATION AND ITS SUBSIDIARIES (COLLECTIVELY, "FINOVA" OR THE "COMPANY"). FINOVA IS A WHOLLY OWNED SUBSIDIARY OF THE FINOVA GROUP INC.

Subsequent to the issuance of the Company's financial statements for the year ended December 31, 1998, the Company's management determined that expenses incurred in connection with the origination of new loans under SFAS No. 91, "Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases" (SFAS No. 91), should have been deferred and amortized over the estimated loan life. Previously, the Company was deferring loan origination fees received and amortizing them over the lives of the loans in accordance with SFAS No. 91, but elected to expense loan origination costs as incurred. Accordingly, the Company restated its condensed consolidated financial statements for the three months ended March 31, 1998 to now defer and amortize loan costs over the estimated loan life, in accordance with SFAS No. 91 as well as to make several other adjustments.

The effects of the restatements for the three months ended March 31, 1998 are presented in Note F of the Notes to Interim Consolidated Financial Statements, and have been reflected herein.

RESULTS OF OPERATIONS

Net income for the three months ended March 31, 1999 was $51.0 million compared to a restated $40.7 million for the three months ended March 31, 1998. The 1998 net income has been restated to reflect the deferral of costs incurred in connection with new loan and lease originations in accordance with SFAS No. 91, among other adjustments described more fully in the Company's report on Form 10-K/A Amendment No. 1 for the year ended December 31, 1998. The effect of deferring expenses in accordance with SFAS 91 increased net income by $1.2 million ($0.02 per diluted share) in the first quarter of 1999.

INTEREST MARGINS EARNED. Interest margins earned represents the difference between (a) interest and income earned from financing transactions and operating lease income and (b) interest expense and depreciation on operating leases. Interest margins earned were $124.7 million for the first three months of 1999, an increase of 18.3% over interest margins earned of $105.4 million for the first quarter of 1998. The increase was primarily due to a 27% increase in managed assets to $11.62 billion at March 31, 1999 from $9.15 billion at March 31, 1998. Interest margins earned as a percentage of average earning assets declined to 5.1% in the first quarter of 1999 compared to 5.3% in the first quarter of 1998. Approximately 10 to 15 basis points of the decrease in spread was the result of average leverage being higher in 1999 compared to the first quarter of 1998. Another portion of the decrease was due to the strategy in the fourth quarter of 1998 of funding the balance sheet into the first quarter of 1999. This eliminated liquidity risk for the Company, but resulted in a modestly higher cost of funds. Additionally, competitive pressures impacted the Commercial Finance segment.

VOLUME-BASED FEE INCOME. Volume-based fee income is generated by FINOVA's Distribution & Channel Finance, Commercial Services and Realty Capital lines of business. These fees are predominately based on volume originated rather than the balance of outstanding financing transactions during the period. Volume-based fee income for the first quarter of 1999 was $12.7 million compared to $22.2 million in the first quarter of 1998. The decline relates to a lower fee-based volume generated by Realty Capital and Commercial Services during the 1999 quarter and the effect of a $4.5 million fee received from one of Realty Capital's trading partners in early 1998. On a comparable basis, the average fee received during the quarter by the Company per dollar of fee-based volume decreased by 11 basis points in 1999 from the 1998 first quarter. The lower fees combined with higher leverage caused the operating margin as a percentage of average earning assets to decline to 5.6% in the first quarter of 1999 from 6.4% in the first quarter of 1998. Fee-based volume for the first three months of 1999 totaled $1.47 billion compared to $1.80 billion in the same period one year ago.

PROVISION FOR CREDIT LOSSES. The provision for credit losses was $9.5 million for the three months ended March 31, 1999 and 1998. Net write-offs during the first three months of 1999 totaled $8.4 million, compared to $13.1 million in the first quarter of 1998.

GAINS ON DISPOSAL OF ASSETS. Gains on the disposal of assets were $12.4 million in the first quarter of 1999, compared to $1.5 million during the same period a year ago. The gains in 1999 were principally realized by FINOVA's Specialty Finance segment and were primarily from the sale of assets coming off lease and other assets. While, in the aggregate, FINOVA has historically recognized gains on such disposals, the timing and amount of these gains is sporadic in nature. The Company has added a number of businesses that rely on gains to achieve their returns. These businesses supplement FINOVA's core spread-based business. Typically these gains have approximated 10% to 15% of FINOVA's annual net income. There can be no assurance FINOVA will recognize such gains in the future, depending, in part, on market conditions at the time of sale.

OPERATING EXPENSE. Operating expenses were generally higher in all major categories and increased to $57.5 million during the first three months of 1999 compared to $52.9 million for the three months ended March 31, 1998, an increase of 9%. The increase was primarily due to personnel added (1,323 vs. 1,097) through acquisitions and as a result of growth in managed assets. Operating expenses improved as a percent of operating margin plus gains to 38.4% in 1999 from 41.0% in the first quarter of 1998.

INCOME TAXES. Income taxes were higher in the first quarter of 1999 than the first quarter of 1998 primarily due to the increase in pre-tax income.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

At March 31, 1999, managed assets totaled $11.62 billion compared to $10.56 billion at December 31, 1998 an increase of 10%. Included in managed assets at March 31, 1999 are $11.09 billion in funds employed (including $345.5 million of financing contracts held for sale generated by FINOVA Realty Capital; $176.8 million at April 30, 1999), $428.6 million of securitized assets managed by FINOVA and $101.0 million of participations sold to third parties. The increase in managed assets was due to funded new business of $1.06 billion for the three months ended March 31, 1999, compared to $692.1 million for the quarter ended March 31, 1998, plus acquired managed assets of $486 million, partially offset by normal portfolio amortization and prepayments.

The reserve for credit losses increased to $238.3 million at March 31, 1999 from $207.6 million at December 31, 1998. At March 31, 1999, the reserve for credit losses represents 2.1% of ending managed assets (excluding participations) compared to 2.0% at year-end. Non-accruing assets at March 31, 1999 increased to $228.4 million, or 2.0% of ending managed assets (excluding participations), compared to $205.2 million, or 2.0% of ending managed assets (excluding participations) at year end. The Sirrom acquisition included $469 million of lending assets, $12 million (2.6%) of which were nonaccruing. The reserve for credit losses against the acquired Sirrom lending assets was $24.9 million or 5.3%.

At March 31, 1999, FINOVA had $9.33 billion of debt outstanding compared to $8.39 billion at December 31, 1998. Included in debt at March 31, 1999 is approximately $4.13 billion of commercial paper and short-term borrowings supported by unused long-term revolving-credit agreements. FINOVA's debt at the end of the first quarter of 1999 is 5.6 times the company's equity base of $1.66 billion. At year-end 1998, FINOVA's debt was 6.3 times the equity base of $1.33 billion.

Growth in funds employed is financed by FINOVA's internally generated funds and new borrowings. During the three months ended March 31, 1999, FINOVA issued $956 million of new long-term borrowings and recognized a net increase in commercial paper outstanding of $286 million. During the same period, FINOVA repaid $309 million of long-term borrowings.

SEGMENT REPORTING

FINOVA's business is organized into three market groups, which are also its reportable segments: Commercial Finance, Specialty Finance and Capital Markets. Management principally relies on total net revenue, income before allocations and managed assets in evaluating the business performance of each reportable segment.

Total net revenue is the sum of operating margin and gains on disposal of assets. Income before allocations is income before income taxes, corporate overhead expenses and the unallocated portion of the provision for credit losses. Managed assets include each segment's investment in financing transactions plus securitizations and participations sold.

COMMERCIAL FINANCE. Commercial Finance includes traditional asset-based businesses that lend against collateral such as cash flows, inventory, receivables and leased assets.

Total net revenue was $51.7 million in 1999 compared to $46.0 million for the first quarter of 1998, an increase of 12.4%. The increase was primarily due to a 17.9% increase in managed assets over the first quarter of 1998, partially offset by a decrease in fee-based volume in Commercial Services. Overall, fee-based volume decreased to $1.09 billion in 1999 from $1.15 billion in the first quarter of 1998.

Income before allocations increased 35.6% to $24.3 million in 1999 compared to $18.0 million in the first quarter of 1998. In addition to portfolio growth, the increase resulted from lower write-offs in 1999.

Managed assets grew to $3.3 billion in the first quarter of 1999 from $2.8 billion in 1998. Strong growth in Rediscount Finance, Business Credit and the recent acquisitions of Growth Finance and Preferred Business Credit drove the growth in managed assets. Excluding the recent acquisitions, managed assets grew by 15.7%.

SPECIALTY FINANCE. Specialty Finance includes businesses that lend to a variety of highly focused industry-specific niches.

Total net revenue increased 26.7% to $94.2 million in the first quarter of 1999, compared to $74.4 million in 1998, while income before allocations grew 31.2% to $77.7 million in the first quarter of 1999 compared to $59.3 million in 1998. Both increases were primarily due to 19.7% growth in average earning assets. The segment was able to keep net write-offs at a relatively constant rate, while decreasing operating expenses as a percentage of spread and average managed assets.

Managed assets grew to $7.3 billion in the first quarter of 1999 from

$6.2 billion in 1998, an increase of 19.3%. The growth in managed assets was driven by new business of $3.2 billion during the 12 months ended in March 1999 compared to $2.5 billion during the 12 months ended in March 1998. The growth was spread across all business units with Transportation Finance and Franchise Finance contributing most to the growth in managed assets.

CAPITAL MARKETS. Capital Markets, in conjunction with institutional investors, provides commercial mortgage banking services and debt and equity capital funding. Mezzanine Capital (formerly Sirrom Capital Corporation) was added to this segment at the acquisition date, March 22, 1999.

Total net revenue was $9.4 million in the first quarter of 1999 compared to $9.5 million in 1998. Loss before allocations was $17 thousand compared to income of $3.1 million in 1998. The decrease in net revenue and income before allocations was primarily attributable to a decline in volume-based fees to $1.6 million in the first quarter of 1999 compared to $9.3 million in 1998, resulting from the lower fee-based volume generated, lower returns on fee volume generated and higher operating expenses during the quarter. Offsetting the 1999 decline were increases in loan revenue and gains on disposal of assets.

Managed assets grew to $925 million at March 31, 1999 compared to $181 million at March 31, 1998, from the acquisition of Mezzanine Capital and the increase in financing contracts held for sale.

YEAR 2000 COMPLIANCE

FINOVA continues to implement changes necessary to help assure accurate date recognition and data processing with respect to the year 2000. To be year 2000 compliant means (1) significant information technology ("IT") systems in use by FINOVA demonstrate performance and functionality that is not materially affected by processing dates on or after January 1, 2000, (2) customers and collateral included in FINOVA's portfolio of business are year 2000 compliant and (3) vendors of services critical to FINOVA's business processes are year 2000 compliant.

FINOVA's non-IT systems used to conduct business at its facilities consist primarily of office equipment (other than computer and communications equipment) and other equipment at leased office facilities. FINOVA has inventoried its non-IT systems and has sent year 2000 questionnaires to office equipment vendors and landlords to determine the status of their year 2000 readiness.

Primary internal activities related to this issue are modifications to existing computer programs and conversions to new programs. FINOVA has a five-phase plan for assuring year 2000 compliance of its internal systems:

1) Identifying each area, function and application that could be affected by the change in date.
2) Determining the extent to which each area, function or application will be affected by the change in date and identifying the proper course of action to eliminate adverse effects.
3) Making the changes necessary to bring the system into year 2000 compliance.
4) Testing the integrated system.
5) Switching to year 2000 compliant applications.

As of March 31, 1999, FINOVA has completed all the necessary changes to make mission critical applications year 2000 compliant. FINOVA now estimates that 99% of its portfolio is on systems that are ready for the change in century. Acquisitions made during 1998 are expected to be on compliant systems by the end of the second quarter. Similarly, acquisitions made or proposed in 1999 are being reviewed with year 2000 compliance issues to be addressed in a prompt manner. Where possible, new acquisitions will be migrated to existing FINOVA applications that are already year 2000 ready.

Costs incurred to bring FINOVA's internal systems into year 2000 compliance are not expected to have a material impact on FINOVA's results of operations. Maintenance and modification costs are expensed as incurred, while the costs of new hardware and software are capitalized and amortized over their estimated useful lives. FINOVA estimates it will incur approximately $300,000 in expenses and $1.8 million in capital costs related to year 2000 compliance. Estimates are reviewed and revised as necessary on a quarterly basis. Through

March 31, 1999, FINOVA has incurred expenses of $158,000 and capital costs of $1.5 million.

FINOVA's aggregate cost estimate does not include time and costs that may be incurred as a result of the failure of any third parties to become year 2000 compliant. FINOVA is communicating with customers, software vendors and others to determine if their applications or services are year 2000 compliant and to assess the potential impact on FINOVA related to this issue.

Risks to FINOVA include that third parties may not have accurately assessed their state of readiness. Similarly, FINOVA cannot assure that the systems of other companies and government agencies on which FINOVA relies will be converted in a timely manner. While FINOVA believes all necessary work on internal systems will be completed in a timely fashion, there can be no guarantee that all systems will be compliant by the year 2000 and within the estimated cost. Any of these occurrences could cause a material adverse effect on FINOVA's results of operations.

FINOVA routinely assesses the year 2000 compliance status of its borrowers and generally requires that they provide representations and warranties regarding the status. FINOVA also attempts to monitor their progress with questionnaires and other means.

FINOVA believes under its reasonably possible worst case year 2000 scenario, a number of its borrowers and service providers would not be capable of performing their contractual obligations to FINOVA. The financial impact of this scenario and the Company's responses are currently under assessment.

FINOVA is assessing the need for contingency plans related to year 2000 compliance in the first half of 1999. It plans to develop additional contingency plans as necessary throughout 1999. FINOVA maintains and deploys contingency plans designed to address various other potential business interruptions. In some respects, these plans may address interruptions resulting from FINOVA or a third party's failure to be year 2000 compliant, but the plans have not been updated to specifically address the year 2000 issue as of March 31, 1999.

RECENT DEVELOPMENTS AND BUSINESS OUTLOOK

FINOVA continues to seek new business by emphasizing customer service, providing competitive interest rates and focusing on selected market niches. Additionally, FINOVA continues to evaluate potential acquisition opportunities it believes are consistent with its business strategies.

In April 1999, approximately 70% of the mini-CMBS loans were sold into a permanent CMBS structure.

A summary of the revaluation of the sale of assets into the mini-CMBS structure and the subsequent results of the sale of approximately 70% of the mini CMBS loans into a permanent CMBS structure in April 1999 is as follows. The results of the April 1999 transaction will be reported in the second quarter.
<TABLE>
<CAPTION>

	Mini-CMBS Structure - 1998		1999
	As Previously Reported	As restated	Sale of 70% in April
	Dollars in Thousands		
<S>	<C>	<C>	<C>
Loans sold into CMBS Structure	$ 724,257	$ 724,257	$
Proceeds - Permanent CMBS Structure			526,270
Principal A (Senior security interest)	678,686	678,686	474,650
Principal B (Subordinated retained interest)	91,708	65,033	45,206
Basis	770,394	743,719	519,856
Gross gain	46,137	19,462	6,414

Commissions & expenses	(3,862)	(3,156)	(4,433)
Recourse obligations	(278)	(5,827)	4,091
Hedge (losses) gains	(20,443)	(20,443)	6,223
Valuation adjustment	(5,500)		
Net gain/(loss)	$ 16,054	$ (9,964)	$ 12,295

</TABLE>

In the second quarter of 1999, FINOVA expanded its credit facilities supporting its commercial paper program to an aggregate of $4.5 billion, through the addition of a new $500 million, 364 day revolving credit agreement with various lenders.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There were no material changes from the information provided in the report on Form 10-K/A, Amendment No. 1 for the year ended December 31, 1998.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) The following exhibits are filed herewith:

Exhibit No.	Document
12	Computation of Ratio of Income to Fixed Charges (interim period). Incorporated by reference to the Company's Form 10-Q for the three months ended March 31, 1999 filed on May 17, 1999.
27	Financial Data Schedule for the three months ended March 31, 1999. Incorporated by reference to the Company's Form 10-Q for the three months ended March 31, 1999 filed on May 17, 1999.

(b) Reports on Form 8-K:

A Report on Form 8-K, dated May 10, 1999, was filed by Registrant which reported under Items 5 and 7 the revenues, net income and selected financial data and ratios for the first quarter ended March 31, 1999 (unaudited) and certain additional information.

FINOVA CAPITAL CORPORATION

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.

FINOVA CAPITAL CORPORATION
(Registrant)

Dated: September 9, 1999 By: /s/ Bruno A. Marszowski

Bruno A. Marszowski, Senior Vice President,
Chief Financial Officer and Controller
Principal Financial and Accounting Officer