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.: **99709890**
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 June 30, 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 August 10, 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
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands)
(Unaudited)

	June 30, 1999	December 31, 1998 restated
ASSETS:		
Cash and cash equivalents	$ 71,344	$ 49,519
Investment in financing transactions:		
Loans and other financing contracts	8,596,590	7,354,736
Leveraged leases	804,455	773,942
Operating leases	651,856	648,185
Fee-based receivables	516,395	626,499
Direct financing leases	382,828	396,759
Financing contracts held for sale	243,542	220,100
	11,195,666	10,020,221
Less reserve for credit losses	(237,602)	(207,618)
Net investment in financing transactions	10,958,064	9,812,603
Investments	226,096	124,792
Goodwill and other assets	587,018	507,589
	$ 11,842,522	$ 10,494,503
LIABILITIES:		
Accounts payable and accrued expenses	$ 120,319	$ 141,782
Due to clients	98,244	205,655
Interest payable	75,975	65,817
Senior debt	9,523,630	8,394,578
Deferred income taxes	365,568	355,028
	10,183,736	9,162,860
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	547,316	460,447
Accumulated other comprehensive income	5,302	686
Net advances to parent	(67,852)	
	1,658,786	1,331,643
	$ 11,842,522	$ 10,494,503

See notes to interim consolidated condensed financial statements.

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

<TABLE>
<CAPTION>

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998 restated	1999	1998 restated
<S>	<C>	<C>	<C>	<C>
Interest and income earned				

from financing transactions	$ 266,978	$ 214,643	$ 512,201	$ 414,813
Operating lease income	28,868	31,425	56,721	64,088
Interest expense	(139,153)	(114,696)	(270,336)	(224,975)
Operating lease depreciation	(16,720)	(20,495)	(33,947)	(37,665)
Interest margins earned	139,973	110,877	264,639	216,261
Volume-based fees	11,264	19,104	23,999	41,259
Operating margin	151,237	129,981	288,638	257,520
Provision for credit losses	(17,000)	(16,000)	(26,500)	(25,500)
Net interest margins earned	134,237	113,981	262,138	232,020
Gains on disposal of assets	18,760	7,432	31,130	8,957
	152,997	121,413	293,268	240,977
Operating expenses	(63,339)	(53,207)	(120,839)	(106,085)
Income before income taxes	89,658	68,206	172,429	134,892
Income taxes	(35,050)	(26,729)	(66,819)	(52,729)
NET INCOME	$ 54,608	$ 41,477	$ 105,610	$ 82,163

</TABLE>

See notes to interim consolidated condensed financial statements.

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

	Six Months Ended June 30,	
	1999 restated	1998 restated
OPERATING ACTIVITIES:		
Net income	$ 105,610	$ 82,163
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	26,500	25,500
Depreciation and amortization	49,204	48,836
Gains on disposal of assets	(31,130)	(8,957)
Deferred income taxes	53,470	24,247
Change in assets and liabilities, net of effects from acquisitions:		
Increase in other assets	(19,672)	(52,622)
Decrease in accounts payable and accrued expenses	(72,130)	(11,082)
Increase in interest payable	8,505	3,758
Other	5,906	403
Net cash provided by operating activities	126,263	112,246
INVESTING ACTIVITIES:		
Proceeds from sale of assets	92,312	167,065
Proceeds from sale of securitized assets		31,126
Proceeds from sale of commercial mortgage backed securities ("CMBS") assets	168,294	
Principal collections on financing transactions	1,181,835	902,960
Expenditures for financing transactions	(1,630,586)	(1,104,014)
Expenditures for CMBS transactions	(280,624)	
Net change in short-term financing transactions	(490,811)	(582,042)
Cash received in acquisition	20,942	
Other	1,442	1,303
Net cash used in investing activities	(937,196)	(583,602)
FINANCING ACTIVITIES:		
Net borrowings under commercial paper and short-term loans	555,839	623,870
Long-term borrowings	955,000	610,000
Repayment of long-term borrowings	(484,077)	(653,316)
Net contributions from (advances to) Parent	(67,852)	(9,857)
Dividends	(18,741)	(15,814)
Net change in due to clients	(107,411)	(83,326)

Net cash provided by financing activities	832,758	471,557
INCREASE IN CASH AND CASH EQUIVALENTS	21,825	201
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	49,519	33,193
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 71,344	$ 33,394

See notes to interim consolidated condensed financial statements.

FINOVA CAPITAL CORPORATION
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED JUNE 30, 1999 AND 1998

NOTE A BASIS OF PREPARATION

The consolidated 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 condensed 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 June 30, 1999, the results of operations for the quarter and six months ended June 30, 1999 and 1998 and cash flows for the six months ended June 30, 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 connection 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.

Beginning in the second quarter of 1999, advances to parent are classified as a reduction to shareowner's equity.

Subsequent to the issuance of the Company's condensed consolidated financial statements as of and for the six month period ended June 30, 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 six month period ended June 30, 1999, has been restated from the amounts previously reported.

NOTE B SIGNIFICANT ACCOUNTING POLICIES

The Company reports other comprehensive income in accordance with Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income." Total comprehensive income was $73.6 million and $41.9 million for the three months ended June 30, 1999 and 1998, respectively and $110.2 million and $82.5 million for the six months ended June 30 1999 and 1998, respectively. The primary component of comprehensive income other than net income was unrealized holding gains.

NEW ACCOUNTING STANDARDS

In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivatives and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133," ("SFAS No. 137"). This statement defers the effective date of SFAS No. 133 to all fiscal quarters of all fiscal years beginning after June 15, 2000. SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," ("SFAS No. 133") 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. The impact of SFAS No. 133 on the Company's financial position and results of operations has not yet been determined.

NOTE C 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 include 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:

	Six Months Ended June 30,	
Dollars in Thousands	1999	1998
Total net revenue (loss):		
Commercial Finance	$ 104,273	$ 91,222
Specialty Finance	187,296	167,676
Capital Markets	39,468	16,717
Corporate and other	(11,269)	(9,138)
Consolidated total	$ 319,768	$ 266,477
Income (loss) before allocations:		
Commercial Finance	$ 40,827	$ 34,081
Specialty Finance	153,278	135,148
Capital Markets	12,747	3,936
Corporate and other, overhead and unallocated provision for credit losses	(34,423)	(38,273)
Income from continuing operations before income taxes	$ 172,429	$ 134,892

	June 30,	
	1999	1998
Managed assets:		
Commercial Finance	$ 3,351,296	$ 2,811,352
Specialty Finance	7,367,903	6,253,533
Capital Markets	892,234	261,784
Corporate and other	96,615	126,201
Consolidated total	11,708,048	9,452,870
Less securitizations and participations sold	(512,382)	(502,032)
Investment in financing transactions	$ 11,195,666	$ 8,950,838

NOTE D 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 Group common stock, excluding converted stock options. Total assets acquired were $621 million, including $67 million in goodwill and $278 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.

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 six months ended June 30, 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 potential 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. There can be no assurance that FINOVA will realize cost savings or synergies from this or any other acquisition. Included in the historical operations of Sirrom for the first six months of 1999 are approximately $27 million of nonrecurring charges, a significant portion of which related to the acquisition.

Comparative Pro Forma Information (Dollars in thousands)	Six Months Ended June 30, 1999	1998
Total revenue	$584,249	$522,758
Net income	$ 52,969	$ 68,090

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	(261,992)
Estimated excess purchase price	$ 80,738
Allocation of excess:	
Elimination of unamortized debt costs	$ (3,227)
Deferred income taxes	44,152
Assumed liabilities	(26,802)
Goodwill	66,615
	$ 80,738

NOTE E 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 six months ended June 30, 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 and six months ended June 30, 1998 is as follows:

	Three Months Ended June 30, 1998		Six Months Ended June 30, 1998	
	As previously Reported	As restated	As previously Reported	As restated
Interest margins earned	$ 114,142	$ 110,877	$ 222,799	$ 216,261
Gains on disposal of assets	9,582	7,432	10,805	8,957
Operating expenses	(57,779)	(53,207)	(114,737)	(106,085)
Net income	41,980	41,477	82,003	82,163

NOTE F 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
JUNE 30, 1999
(Dollars in Thousands)

<TABLE>
<CAPTION>

	Revenue Accruing			Nonaccruing				
	Market Rate (1)	Impaired	Repossessed Assets (2)	Impaired	Repossessed Assets	Leases & Other	Total Carrying Amount	%
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Transportation Finance (3)	2,063,772	$ 58,888	$	$	$	$ 7,295	$ 2,129,955	19.0
Resort Finance	1,316,295	28,520	16,413	3,292	24,775		1,389,295	12.4
Rediscount Finance	931,732		18,558	752	341		951,383	8.5
Corporate Finance	849,257	34,109		41,947	931		926,244	8.3
Commercial Equipment Finance	751,904	4,074	5,067	9,432	19,699	2,087	792,263	7.1
Specialty Real Estate Finance	683,957	16,837	31,425	9,632	7,649	194	749,694	6.7
Franchise Finance	721,173	1,448		7,039	2,849	217	732,726	6.5
Healthcare Finance	620,510	730	6,019	4,692		973	632,924	5.6
Communications Finance	553,649	5,546		21,413			580,608	5.2
Distribution & Channel Finance	428,705	69,635		13,267			511,607	4.6
Mezzanine Capital	440,273			16,357			456,630	4.1
Realty Capital	414,788						414,788	3.7
Business Credit	330,754	5,520		16,365			352,639	3.2
Public Finance	217,470						217,470	1.9
Commercial Services	174,822	1,057		5,607	873		182,359	1.6
Other (4)	68,771					27,844	96,615	0.9
Growth Finance	54,105			3,544			57,649	0.5
Investment Alliance	20,276			541			20,817	0.2
TOTAL (5)	$10,642,213	$226,364	$77,482	$153,880	$57,117	$38,610	$11,195,666	100.0

</TABLE>
NOTES:

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

(2) The Company earned income totaling $2.9 million on repossessed assets year to date during 1999, including $1.1 million in Specialty Real Estate Finance, $0.6 million in Resort Finance, $0.3 million in Healthcare Finance, $0.8 million in Rediscount Finance and $0.1 million in Commercial Equipment Finance.

(3) Transportation Finance includes $454.9 million of aircraft financing business booked through the London office.

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

(5) Excludes $512.4 million of assets securitized and participations sold which the Company manages, including securitizations of $300.0 million in Corporate Finance and $127.3 million in Franchise Finance and participations of $50.7 million in Corporate Finance, $10.7 million in Rediscount Finance, $9.6 in Transportation Finance, $8.1 million in Business Credit and $6.0 million in Resort Finance.

RESERVE FOR CREDIT LOSSES:

The reserve for credit losses at June 30, 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:

	Six months Ended June 30,	
	1999	1998
	(Dollars in Thousands)	
Balance, beginning of period	$207,618	$177,088

Provision for credit losses	26,500	25,500
Write-offs	(26,097)	(28,272)
Recoveries	1,442	1,285
Reserves related to acquisitions	23,763	2,460
Other	4,376	9
Balance, end of period	$237,602	$178,070

At June 30, 1999 the total carrying amount of impaired loans was $380.2 million, of which $226.4 million were revenue accruing. A reserve for credit losses of $41.1 million has been established for $87.8 million of nonaccruing impaired loans and $40.6 million has been established for $126.1 million of accruing impaired loans. The remaining $155.9 million of the reserve for credit losses is designated for general purposes and represents management's best estimate of inherent 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 SIX MONTHS ENDED JUNE 30, 1999 TO THE SIX MONTHS ENDED JUNE 30, 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. ("FINOVA GROUP").

Net income for 1998 has been restated to reflect adjustments described in the Company's report on Form 10-K/A Amendment No. 1 for the year ended December 31, 1998. The effects of the restatements for the six months ended June 30, 1998 are presented in Note E of the Notes to Interim Consolidated Financial Statements, and have been reflected herein.

RESULTS OF OPERATIONS

Net income for the six months ended June 30, 1999 was $105.6 million compared to $82.2 million for the six months ended June 30, 1998.

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 increased by 22% and rose to $264.6 million in the six months ended June 30, 1999 from $216.3 million in the same period in 1998. Interest margins earned as a percentage of average earning assets decreased slightly to 5.2% for the first six months of 1999 from 5.3% for the six months ended June 30, 1998. The decrease was primarily the result of higher interest rate spreads on short-term borrowings and higher leverage for the Company in the first quarter of 1999 (both of which recovered in the second quarter of 1999), as well as lower pricing in the highly competitive asset-based lending lines of business.

VOLUME-BASED FEES. Volume-based fees are generated by FINOVA's Distribution & Channel Finance, Commercial Services and Realty Capital lines of business. These fees are predominately based on volume-originated business rather than the balance of outstanding financing transactions during the period. For the six months ended June 30, 1999, volume-based fees were $24.0 million compared to $41.3 million for the same period in 1998. Increased competition and a strategic decision to limit the size of Realty Capital led to lower fee-based volume for the first six months of 1999 compared to the first six months of 1998 ($3.0 billion vs. $3.8 billion) and to reduced commission rates earned on that volume (0.80% vs. 1.10%). Primarily as a result of the decreases in fee-based volume and commission rates earned on that volume, operating margin as a percentage of average earning assets declined to 5.7% for the first six months of 1999 from 6.3% in the first six months of 1998.

PROVISION FOR CREDIT LOSSES. The provision for credit losses was $26.5 million for the six months ended June 30, 1999 compared to $25.5 million for the same period last year. Net write-offs during the first six months of 1999 were $24.7 million compared to $27.0 million for the same period in 1998. Corporate Finance incurred nearly half of the Company's net write-offs in the first half of 1999 ($12.1 million in 1999 vs. $2.4 million in the first six months of 1998). Net write-offs in Commercial Services were $3.1 million in the first half of 1999 compared to $17.4 million in the first half of 1998. Net write-offs in other lines of business for the first six months of 1999 were comparable to net write-offs in the first six months of 1998.

GAINS ON DISPOSAL OF ASSETS. Gains on disposal of assets were $31.1 million for the six months ended June 30, 1999 compared to $9.0 million for the first six months of 1998. Net gains of $10.6 million were earned from the sale of assets through CMBS transactions in the first half of 1999 ($9.5 million resulted from mini-CMBS transactions). Including the $10.0 million loss reported in 1998, the completed mini-CMBS transaction has resulted in a net loss of $500 thousand through June 30, 1999. No additional losses are anticipated from this transaction. The remaining gains on disposal of assets in the first six months of 1999 primarily related to 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 are sporadic in nature. 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 EXPENSES. Operating expenses increased $14.7 million to $120.8 for the first six months of 1999 compared to $106.1 million for the first six months of 1998. This increase was attributable to Company growth including the addition of 177 employees (primarily through acquisitions) through the twelve months ended June 30, 1999. Operating expenses improved as a percentage of operating margins plus gains to 37.8% for the six months ended June 30, 1999 from 39.8% in the comparable period in 1998.

INCOME TAXES. Income taxes were higher for the first six months of 1999 compared to the corresponding period in 1998 primarily due to the increase in pre-tax income.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Managed assets were $11.71 billion at June 30, 1999 compared to $10.56 billion at December 31, 1998. Included in managed assets at June 30, 1999 were $11.20 billion in funds employed (including $243.5 million of financing contracts held for sale generated by FRC), $427.3 million of securitized assets managed by FINOVA and $85.0 million of participations sold to third parties. The increase in managed assets was due to funded new business of $2.14 billion for the six months ended June 30, 1999, compared to $1.45 billion for the six months ended June 30, 1998, plus managed assets acquired in the first quarter of 1999 of $486 million, partially offset by an unusually high amount of prepayments and asset sales accompanied by normal portfolio amortization.

The reserve for credit losses increased to $237.6 million at June 30, 1999 from $207.6 million at December 31, 1998. At June 30, 1999, the reserve for credit losses represented 2.1% of ending managed assets (excluding

participations and financing contracts held for sale) compared to 2.0% at year end. Nonaccruing assets increased to $249.6 million or 2.1% of ending managed assets (excluding participations) at June 30, 1999 from $205.2 million or 2.0% of ending managed assets (excluding participations) at the end of 1998. Both the reserve and nonaccruing assets increased in part due to the acquisition of Sirrom Capital Corporation in the first quarter of 1999.

At June 30, 1999, FINOVA had $9.52 billion of debt outstanding, representing 5.74 times the Company's equity base of $1.66 billion. Included in debt at June 30, 1999 was approximately $4.30 billion of commercial paper and short-term borrowings supported by unused long-term revolving-credit agreements. At year-end 1998, FINOVA's debt was 6.30 times the equity base of $1.33 billion. The reduction in the Company's leverage was primarily the result of adding $343 million of equity in conjunction with the Sirrom acquisition.

Growth in funds employed is financed by FINOVA's internally generated funds and new borrowings. During the six months ended June 30, 1999, FINOVA issued $1.06 billion of new long-term borrowings and recognized a net increase in commercial paper outstanding of $555.8 million. During the same period, FINOVA repaid $484.1 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 revenue, income before allocations and managed assets in evaluating the business performance of each reportable segment.

Total revenue is the sum of operating margin and gains on disposal of assets. Income before allocations is income before income taxes, preferred dividends, 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 $104.3 million in 1999 compared to $91.2 for the first six months of 1998, an increase of 14.3%. The increase was primarily due to a 19.2% increase in managed assets over the first six months of 1998, partially offset by competitive pricing for asset-based lending business, a decrease in fee-based volume and a 24 basis point decline in the average rate earned on that volume. Overall, fee-based volume decreased to $2.07 billion in 1999 from $2.24 billion in the first six months of 1998.

Income before allocations increased 19.8% to $40.8 million in 1999 compared to $34.1 million in the first six months of 1998. In addition to portfolio growth, the increase resulted from lower net write-offs in 1999 in the Commercial Services line of business ($3.1 million in 1999 vs. $17.4 million in the first half of 1998), partially offset by higher net write-offs in Corporate Finance ($12.1 million in 1999 vs. $2.4 million in the first half of 1998). Three unusually large write-offs in Corporate Finance in 1999 totaled $9.4 million.

Managed assets grew to $3.35 billion in the first six months of 1999 from $2.81 billion in the same period in 1998. Rediscount Finance was the largest contributor, with an increase in managed assets of 45% over June 30, 1998. The addition of Growth Finance, which is composed of two small acquisitions, also added to the growth in managed assets at June 30, 1999. New term loan and lease business in Commercial Finance for the first six months of 1999 was $642.6 million compared to $377.1 million for the first six months of 1998. Growth in this segment was partially offset by prepayments of $225.6 million in the first half of 1999 which exceeded prepayments of $154.8 million in the first half of 1998.

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

Total net revenue increased 11.7% to $187.3 million in the first six months of 1999, compared to $167.7 million in the same period of 1998. The increase in revenue was attributable to 17.8% growth in managed assets, partially offset by lower yields on new business in Resort Finance due to competitive pressures and a reduction in lease income. The reduction in lease income was due to the refinancing of non-recourse debt in a leveraged lease in the Specialty Real Estate Finance portfolio which increased income in 1998, and to Healthcare Finance experiencing a reduction in lease income in 1999 due to assets coming off lease.

Income before allocations increased 13.4% to $153.3 million for the six months ended June 30, 1999 from $135.1 million for the same period in 1998. The increase in income was primarily due to the growth in total net revenue over the six months ended June 30, 1998, while write-offs and operating expenses in total for the first half of 1999 were only $1.5 million higher than for the first half of 1998.

Managed assets grew to $7.37 billion in the first six months of 1999 from $6.25 billion in the same period of 1998, an increase of 17.8%. The growth in managed assets was driven by new term loan and lease business of $1.39 billion during the 1999 period, compared to $1.07 billion in 1998, partially offset by a 39.1% increase in prepayments and asset sales in 1999 over the same period in 1998. Communications Finance recorded the highest amount of prepayments ($162.3 million in 1999 vs. $14.7 million in the first half of 1998), most of which occurred due to acquisitions and consolidations in the communications industry.

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 late in the first quarter of 1999.

Total net revenue increased to $39.5 million in the six months ended June 30, 1999 from $16.7 million in the same period of 1998. The increase was primarily due to the acquisition of Mezzanine Capital and to the recognition of $10.6 million in gains in Realty Capital ($9.5 million of which resulted from mini-CMBS transactions) in the 1999 period, compared to no gain or loss on disposal of assets for the same period in 1998.

Income before allocations increased to $12.7 million in the first six months of 1999 from $3.9 million in the first six months of 1998. The increase in income was primarily due to higher total net revenue in the first six months of 1999 than in the same period in 1998.

Managed assets increased to $892.2 million at June 30, 1999 from $261.8 million at June 30, 1998. The acquisition of Mezzanine Capital in the first quarter of 1999 added $469 million of managed assets to the segment. The remaining increase was due to the additional fundings of Realty Capital's held-to-maturity portfolio and continued origination of CMBS loans, partially offset by sales of $167.3 million in assets in the first six months of 1999.

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 June 30, 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 were migrated to compliant systems during the second quarter. FINOVA intends to promptly address year 2000 issues for any acquisitions consummated after this filing. Where appropriate, 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 have not been and 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. As of June 30, 1999, FINOVA has incurred expenses of $207,000 and capital costs of $1.7 million related to year 2000 compliance efforts. FINOVA estimates that 90% of anticipated costs have been recognized but will continue to review and revise these figures as necessary on a quarterly basis.

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 developing contingency plans for the change in century by reviewing departmental needs and establishing procedures to operate manually in the event of a system failure. Existing Business Resumption Plans are expected to be updated by the end of the third quarter to address year 2000 issues as well as various other potential business interruptions. Vacation schedules and holiday schedules are being adjusted to help assure that sufficient staffing is available to address material problems. Critical support relationships will be contacted to help assure that they will be capable of servicing material issues that should arise in a prompt manner. There can be no assurance, however, that trained technical support personnel will be available at that time, as demand for their services could grow considerably.

RECENT DEVELOPMENTS AND BUSINESS OUTLOOK

On July 15, 1999, FINOVA dismissed their independent auditors, Deloitte & Touche LLP. On that date, the Company appointed Ernst & Young LLP as independent auditors for the Company.

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.

NEW ACCOUNTING STANDARDS

In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivatives and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133," ("SFAS No. 137"). This statement defers the effective date of SFAS No. 133 to all fiscal quarters of all fiscal years beginning after June 15, 2000. SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," ("SFAS No. 133") standarizes 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. The impact of SFAS No. 133 on the Company's financial position and results of operations has not yet been determined.

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.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Omitted.

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 six months ended June 30, 1999 filed on August 16, 1999.
27	Financial Data Schedule. Incorporated by reference to the Company's Form 10-Q for the six months ended June 30, 1999 filed on August 16, 1999.

(b) Reports on Form 8-K:

A report on Form 8-K, dated July 15, 1999 was filed by Registrant which reported under Items 4, 5 and 7 a change in FINOVA's certifying accountant to Ernst & Young LLP from Deloitte & Touche LLP, and the revenues, net income and selected financial data and ratios for the second quarter ended June 30, 1999 (unaudited).

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