FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1999-03-26** | Period of Report: **1998-12-31**
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FILER

EQUIPMENT ASSET RECOVERY FUND LP

CIK:**731717**| IRS No.: **112661586** | State of Incorp.:**TX** | Fiscal Year End: **1231**
Type: **10-K** | Act: **34** | File No.: **000-13532** | Film No.: **99574269**
SIC: **7359** Equipment rental & leasing, nec

Mailing Address	Business Address
3 WORLD FINANCIAL CENTER	*3 WORLD FINANCIAL CENTER*
29TH FLOOR	*NEW YORK NY 10285*
NEW YORK NY 10285	*2125263237*

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

X ----- Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 1998

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: 0-13532

EQUIPMENT ASSET RECOVERY FUND, L.P.
Exact name of registrant as specified in its charter

Texas	11-2661586
State or other jurisdiction of incorporation or organization	I.R.S. Employer Identification No.

Attn.: Andre Anderson
3 World Financial Center, 29th Floor,
New York, New York — 10285-2900

Address of principal executive offices — Zip code

Registrant's telephone number, including area code: (212) 526-3183

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Units of Limited Partnership Interest
Title of Class

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 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 No -----

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

No market for the limited partnership interests exists and therefore a market value for the interests cannot be determined.

Documents Incorporated by Reference:

Portions of the Registrant's Prospectus dated February 2, 1984 filed pursuant to rule 424(b) are incorporated by reference in PART I of this report.

Annual Report to Unitholders for the year ended December 31, 1998 is incorporated by reference in PARTS I, II, III and IV of this report.

PART I

Item 1. Business

a. General Development of Business

Equipment Asset Recovery Fund, L.P. (the "Partnership") (formerly Hutton Asset Recovery Fund), a Texas limited partnership, was formed to engage in the business of acquiring various types of distressed assets in the energy and construction industries, either directly or through partnerships, joint ventures or other forms of indirect ownership, operating such assets under management agreements with experienced operators (who may be affiliated with the General Partners) or leasing such assets to users, and ultimately selling such assets. The general partners of the Partnership are Equipment Management, Inc. ("EMI") (formerly Hutton Equipment Management, Inc.), a Delaware corporation and an affiliate of Lehman Brothers Inc. ("Lehman") (formerly Shearson Lehman Brothers Inc.) and Mr. Steven A. Webster (together, the "General Partners") (see Item 10).

On February 2, 1984, the Partnership began the offering of limited partnership interests in the Partnership (the "Units"). As of July 31, 1984, the termination date of the offering, the Partnership had accepted subscriptions for 32,722 Units for an aggregate of $16,361,000 (the holders of such Units are referred to herein as "Limited Partners"). The net proceeds of the offering after payment of organizational and offering costs aggregated $14,114,418. The General Partners made an aggregate cash contribution of $1,000. San Felipe Investors, a Texas general partnership, (the "Special Limited Partner") made a cash contribution to the Partnership of $1,000.

b. Financial Information About Industry Segments

The Partnership's sole business was the acquisition, ownership and operation of such assets described above. All of the Partnership's revenues, operating profit or loss related solely to such industry segment.

c. Narrative Description of Business

The business of the Partnership was the acquisition of distressed assets, directly or indirectly, for the purpose of operating them, either directly or through partnerships or joint ventures in which the Partnership participated, under management agreements with experienced operators and ultimately selling such assets. Reference is made to the section captioned "Investment and Operating Objectives and Policies" contained on pages 18 through 24 of the Prospectus for a description of the Partnership's objectives and policies regarding the selection, operation, liquidation and financing of such assets, which pages are incorporated herein by reference thereto.

Investments

The Partnership used the net proceeds of the public offering to acquire three types of assets. The Partnership purchased (i) four land drilling rigs, (ii) an interest in a Texas partnership, GCH Venture ("GCH"), that purchased five barge drilling rigs, nine crew boats and related property, and (iii) ten construction cranes and an interest in a joint venture, DSC Venture ("DSC"), which owned 49 cranes and related equipment and rented those cranes, the cranes owned by the Partnership, and cranes owned by third parties. Due primarily to the severe decline in the oil and gas drilling industry that occurred in 1986, after the purchase of assets in that industry, all of the Partnership's assets in the oil and gas industry were either foreclosed on or sold at a loss. During 1991, the Partnership received the final payments it was owed by Falcon Drilling Inc. ("Falcon") from the disposition of its interest in GCH.

Investment in Construction Cranes

As of December 31, 1995, the Partnership owned nine cranes outright, a ninety-nine percent interest in DSC, which owned forty-four cranes and related equipment, and a controlling interest in SFN Corporation ("SFN"), which owned four cranes and two pieces of related equipment. During the first nine months of 1996, DSC and SFN sold a total of 12 cranes and two pieces of related equipment for a total consideration of approximately $6,650,000.

Liquidating Sale

On November 27, 1996, the Partnership, DSC and SFN executed a sale (the "Liquidating Sale") of their crane fleets, related equipment and existing customer crane rental agreements to Western Crane Supply, Inc. ("Western"), a Kennewick, Washington-based operator of construction cranes and an affiliate of Neil F. Lampson, Inc., for a total consideration of $15.9 million cash. A detailed discussion of the Liquidating Sale is contained in Item 2, "Properties," and Note 1 and Note 6 of the Notes to the Consolidated Financial Statements contained in the Partnership's Annual Report to Unitholders for the year ended December 31, 1998, filed as an exhibit under Item 14. As a result of the Liquidating Sale, the General Partners are in the process of liquidating the Partnership. However, the Partnership will not be dissolved prior to the resolution of the pending class action suit. A detailed discussion of this litigation is provided in Note 9 "Litigation" of the Notes to the Consolidated Financial Statements contained in the Partnership's Annual Report to Unitholders for the year ended December 31, 1998, filed as an exhibit under Item 14. herein. SFN was liquidated in January 1997.

Structure of DSC

Effective October 1, 1984, the Partnership purchased ten Manitowoc crawler type cranes (the "EARF Cranes") from Dayton-Scott Corporation, a Texas corporation ("Dayton-Scott"). One EARF crane was subsequently sold. The Partnership leased the EARF Cranes to DSC, a joint venture formed by the Partnership and Dayton-Scott, with each having an equal interest. DSC was formed to operate (i) the EARF Cranes, (ii) forty-nine cranes and seven pieces of related equipment consisting of Towers and Ringers (the "Venture Cranes") contributed by Dayton-Scott to DSC, and (iii) the five cranes, one Tower and one Ringer owned by SFN Corporation (the "SFN Cranes") (the EARF Cranes, the Venture Cranes and the SFN Cranes, together with all related Towers, Ringers and equipment are referred to herein as the "Fleet"). A discussion of the acquisition of the Fleet is incorporated by reference to Notes 4, 5 and 6 of the Notes to the Consolidated Financial Statements contained in the Partnership's Annual Report to Unitholders for the year ended December 31, 1998, filed as an exhibit under Item 14. Dayton-Scott no longer holds an ownership interest in DSC (please see the reference in Note 4 to the Consolidated Financial Statements contained in the Partnership's Annual Report to Unitholders for the year ended December 31, 1998, filed as an exhibit under Item 14).

The cranes and related equipment owned by DSC were in turn managed and operated by Dayton-Scott Equipment Company ("DSEC") pursuant to a management agreement between DSC and DSEC dated January 1, 1990, as last amended on November 27, 1996. DSEC had managed the cranes since their acquisition by Dayton-Scott in early 1982 until disposition of the Fleet on November 27, 1996. The management agreement provided for the reimbursement by DSC of all expenses related to the operation of the cranes and related equipment, including salaries of DSEC's employees. The agreement also provided for incentive compensation to DSEC and for a sales commission to be paid to DSEC upon the sale of certain cranes. DSEC earned $558,772 in sales commission from the sale of the remaining assets in the Fleet in 1996. For the year ended December 31, 1996, an incentive management fee of $221,513 was earned by DSEC. Due to the Liquidating Sale, no incentive management fee was earned for the years ended December 31, 1997 and 1998. Additionally, DSEC was paid severance/termination fees of $1,000,000 for the year ended December 31, 1996.

DSC's Debt to SFN

Effective April 30, 1992, SFN acquired all of the secured indebtedness of DSC from Security Pacific (the "Security Pacific Debt") which had an aggregate outstanding balance of principal and interest as of April 28, 1992 of $11,968,171 (represented by four separate promissory notes). In connection with the acquisition of the Security Pacific Debt by SFN, Security Pacific conveyed the following assets to SFN: (i) six cranes, one Ringer, and one Tower (the "Security Pacific Equipment") previously owned by Security Pacific and leased to DSC pursuant to an equipment lease (the "Security Pacific Lease"), and (ii) the rights and obligations of Security Pacific under a Net Profits Agreement ("Profits Agreement") previously entered into by and among DSC, Security Pacific, and the Partnership. The Security Pacific Debt, the Security Pacific Equipment, the Security Pacific Lease, and the Profits Agreement are collectively referred to as the "Security Pacific Assets." On August 26, 1993, a SFN-owned crane was sold pursuant to the terms of SFN's agreement with Security Pacific to acquire the debt. A second SFN-owned crane was sold on May 15, 1995 pursuant to the terms of SFN's agreement to acquire the debt. A discussion of DSC's debt refinancing is incorporated by reference to Notes 5 and 7 of the Consolidated Financial Statements contained in the Partnership's Annual Report to Unitholders for the year ended December 31, 1998, filed as an exhibit under Item 14.

Employees

The Partnership has no employees. Certain administrative and managerial services are provided by the General Partners and certain affiliates.

Item 2. Properties

On November 27, 1996, the Partnership, DSC and SFN executed the Liquidating Sale. The purchase price was determined by arms-length negotiations. There is no material relationship between Western and the Partnership or any of its affiliates, any director or officer of the Partnership, or any associate of any such director or officer. The Partnership received net proceeds of $2,772,051 for its crane fleet and received $7,366,940 in distributions from DSC attributable to its interest in the proceeds from the sale of the DSC crane fleet.

As a result of the Liquidating Sale, as of December 31, 1998, the Partnership, DSC and SFN owned no assets other than cash and the General Partners are in the process of dissolving the Partnership. However, the Partnership will not be dissolved prior to the resolution of the pending class action suit. A detailed discussion of this litigation is provided in Note 9 "Litigation" of the Notes to the Consolidated Financial Statements contained in the Partnership's Annual Report to Unitholders for the year ended December 31, 1998, filed as an exhibit under Item 14. herein.

Item 3. Legal Proceedings

Incorporated by reference to Note 9 "Litigation" of the Notes to the Consolidated Financial Statements contained in the Partnership's Annual Report to Unitholders for the year ended December 31, 1998, filed as an exhibit under Item 14.

Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted to a vote of security holders of the Partnership during the quarter ended December 31, 1998, through the solicitation of proxies or otherwise.

PART II

Item 5. Market for the Partnership's Limited Partnership Interests and Related Security Holder Matters.

The Units are not traded on any market, and it is not contemplated that any public trading for the Units will develop. As of December 31, 1998, the number of Limited Partners was 1,841.

On March 6, 1997, the Partnership paid a special cash distribution, in the amount of $300 per Unit, to Unitholders of record as of November 27, 1996. Such distribution represented a substantial portion of the net sales proceeds and distributions from DSC received by the Partnership from the Liquidating Sale. There were no distributions in 1997 or 1998. The Partnership's remaining cash reserves will first be used to provide for the Partnership's remaining liabilities and obligations through dissolution following which any remaining cash will be distributed to the partners upon liquidation.

Item 6. Selected Financial Data.

The information set forth below should be read in conjunction with Item 7.

"Management's Discussion and Analysis of Financial Condition and Results of Operations" contained herein, and the Notes to the Consolidated Financial Statements contained in the Partnership's Annual Report to Unitholders for the year ended December 31, 1998, filed as an exhibit under Item 14.

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<TABLE>
Financial Highlights
(in thousands except per Unit data)
<CAPTION>

<S>	1998 <C>	1997 <C>	1996 <C>	1995 <C>	1994 <C>
Rental Revenues	$ --	$ --	$ 4,239	$ 4,562	$ 4,818
Gain on Sale of Equipment	--	--	16,218	918	516
Net Income (Loss)	(285)	(547)	11,600	354	255
Net Income (Loss) per Unit	(8.28)	(15.87)	324.72	--	(.46)
Total Assets	1,586	1,910	15,584	8,422	10,534
Loans Payable	--	--	--	4,453	7,047
Cash Distributions per Unit	--	--	300.00(a)	--	--

<FN>
(a) Paid on March 6, 1997 to Unitholders of record as of November 27, 1996. Reflects 1996 equipment sale activity including the November 1996 Liquidating Sale. Please refer to Note 6 of the Notes to the Consolidated Financial Statements.
</FN>
</TABLE>

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

On November 27, 1996, the Partnership, DSC Venture ("DSC") and SFN Corporation ("SFN") executed a sale (the "Liquidating Sale") of their crane fleets, related equipment and existing customer crane rental agreements to Western Crane Supply, Inc. ("Western"), a Kennewick, Washington-based operator of construction cranes and an affiliate of Neil F. Lampson, Inc., for a total consideration of $15.9 million cash. A discussion of the terms and conditions of the Liquidating Sale is contained in Note 1 of the Notes to the Consolidated Financial Statements contained in the Partnership's Annual Report to Unitholders for the year ended December 31, 1998, filed as an exhibit under Item 14. As a result of the Liquidating Sale, the General Partners are in the process of dissolving the Partnership. However, the Partnership will not be dissolved prior to the resolution of the pending class action suit. A detailed discussion of this litigation is provided in Note 9 of the Notes to the Consolidated Financial Statements contained in the Partnership's Annual Report to Unitholders for the year ended December 31, 1998, filed as an exhibit under Item 14 herein.

At December 31, 1998, the Partnership's cash and cash equivalents balance totaled $1,585,699 compared to $1,909,899 at December 31, 1997. The decrease primarily is due to the payment of legal expenses associated with the Partnership's pending class action suit, continuing general and administrative expenses for 1998 and the absence of cash flow from operations due to the Liquidating Sale. The Partnership's remaining cash reserves will first be used to provide for the Partnership's remaining liabilities and obligations, including any associated with the litigation, following which any remaining cash will be distributed to the partners upon liquidation.

Accounts payable and accrued expenses decreased from $1,605,246 at December 31, 1997 to $1,566,319 at December 31, 1998. The change is due to differences in the timing of payments, primarily for legal and other professional fees.

Market Risk

The Partnership's principal market risk exposure is interest rate risk. As a result of the Liquidating Sale, the Partnership no longer has any equipment or debt, and its sole asset consists of cash and cash equivalents. Accordingly, the Partnership's interest risk exposure is limited to interest earned on the Partnership's cash and cash equivalents which are invested at short-term rates. Such risk is not considered material to the Partnership's operations.

Year 2000 Initiatives

The Year 2000 compliance issue concerns the ability of computerized information systems to accurately calculate, store or use a date after 1999. This could result in computer system failures or miscalculations causing disruptions of operations. The Year 2000 issue affects almost all companies and organizations.

As noted above, all of the Partnership's properties have been sold and it is anticipated that the Partnership will dissolve prior to December 31, 1999. In the event that the Partnership is not liquidated prior to December 31, 1999, potential Year 2000 issues relate primarily to outside vendors which provide the Partnership's administrative services including accounting, tax preparation and transfer agent services. Such services are heavily reliant on computer systems, software products and equipment which may or may not be Year 2000 compliant. It is anticipated that the cost of vendor compliance with Year 2000 problems will be borne primarily by vendors. Although it is not possible at present to give an estimate of the cost of this work to the Partnership, the General Partner does not expect such costs to have a material adverse impact on the Partnership's long term results of operations.

Results of Operations

1998 vs. 1997

For the year ended December 31, 1998, the Partnership generated a net loss of $285,273, compared to a net loss of $546,682 in fiscal 1997. The lower net loss in fiscal 1998 is primarily due to the minority interest expense of $492,868 for the 1997 period. Excluding the benefit for income taxes and minority interest, the Partnership generated losses from operations of $285,273 for the year ended December 31, 1998, and $433,295 in fiscal 1997. The decreased loss from operations in fiscal 1998 is attributable to a decrease in general, selling and administrative expenses in 1998, as a result of the Liquidating Sale.

Interest income for the year ended December 31, 1998 was $149,352, compared to $213,557 in fiscal 1997. The decrease is primarily due to the Partnership maintaining a lower average cash balance in 1998, due to the payment of a special cash distribution to partners in March 1997 representing the majority of the proceeds from the Liquidating Sale, and the pending termination of the Partnership. Other income was $-0- for the year ended December 31, 1998 compared to $5,662 in fiscal 1997, down due to management fees no longer being earned during 1998.

General and administrative expenses for the year ended December 31, 1998 totaled $434,625, compared to $652,514 in fiscal 1997. The decrease is primarily due to the absence of operating expenses during 1998 as a result of the Liquidating Sale, partially offset by an increase in legal expenses relating to the litigation, and other professional fees.

1997 vs. 1996

For the year ended December 31, 1997, the Partnership generated a net loss of $546,682, compared to net income of $11,599,902 for the year ended December 31, 1996. The change is primarily due to a $16,217,725 gain recognized on the sale of twelve cranes and two pieces of related equipment during the first nine months of 1996 and Liquidating Sale in November 1996. Excluding the gains recognized on the sale of equipment, the Partnership generated losses from operations, before provision for income taxes and minority interest, of $433,295 and $3,204,434 for 1997 and 1996, respectively. The decreased loss from operations during 1997 is primarily attributable to the absence of operating activity, and particularly by a decrease in total expenses in the 1997 period, as a result of the Liquidating Sale.

Rental income decreased to $0 for the year ended December 31, 1997, compared to $4,239,442 for the year ended December 31, 1996, reflecting the absence of rental revenue in 1997 as a result of the Liquidating Sale.

Interest income for the year ended December 31, 1997 totaled $213,557, compared to $123,965 for the year ended December 31, 1996. The increase is primarily due to the Partnership maintaining a higher average cash balance during 1997 as a result of the proceeds from the Liquidating Sale.

As a result of the Liquidating Sale, rental expenses, depreciation and amortization, interest expense and management fee expense decreased from their respective balances for the year ended December 31, 1996 to $0 during the same periods in 1997.

General, selling and administrative expenses decreased to $652,514 for the year ended December 31, 1997 from $4,118,219 for the year ended December 31, 1996. The decrease is primarily attributable to the wind down of Partnership operations subsequent to the Liquidating Sale.

Item 8. Financial Statements and Supplementary Data.

See Item 14 for a listing of the financial statements filed with this report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

PART III

Item 10. Directors and Executive Officers of the Partnership.

The Partnership does not have any officers, directors or employees. The General Partners of the Partnership are Equipment Management, Inc. and Steven A.

Webster. The Partnership has entered into a Management Agreement with the General Partners, pursuant to which they will perform certain management functions for the Partnership as well as provide certain administrative services.

Steven A. Webster, 47, currently serves as President and Chief Executive Officer of R & B Falcon Corporation, a publicly-held offshore drilling contractor, of which he is also a director. Mr. Webster serves as a director of the following publicly-held companies: Crown Resources Corporation, a precious metals mining concern; Grey Wolf, Inc., a land drilling contractor; Geokinetics, Inc., a seismic acquisition company; and Ponder Industries, Inc., an oil field service company.

Officers and Directors of EMI

Certain officers and directors of EMI are now serving (or in the past have served) as officers or directors of entities which act as general partners of a number of limited partnerships which have sought protection under the provisions of the Federal Bankruptcy Code. These partnerships sought the protection of the bankruptcy laws to protect the partnerships' assets from loss through foreclosure.

The directors and executive officers of EMI are as follows:

Name	Office
Rocco F. Andriola	Director
Michael T. Marron	Director, President and Chief Financial Officer
William T. McDermott	Vice President

Rocco F. Andriola, 40, is a Managing Director of Lehman Brothers in its Diversified Asset Group and has held such position since October 1996. Since joining Lehman in 1986, Mr. Andriola has been involved in a wide range of restructuring and asset management activities involving real estate and other direct investment transactions. From June 1991 through September 1996, Mr. Andriola held the position of Senior Vice President in Lehman's Diversified Asset Group. From June 1989 through May 1991, Mr. Andriola held the position of First Vice President in Lehman's Capital Preservation and Restructuring Group. From 1986 to 1989, Mr. Andriola served as a Vice President in the Corporate Transactions Group of Shearson Lehman Brothers' office of the general counsel. Prior to joining Lehman, Mr. Andriola practiced corporate and securities law at Donovan Leisure Newton & Irvine in New York. Mr. Andriola received a B.A. from Fordham University, a J.D. from New York University School of Law, and an LL.M in Corporate Law from New York University's Graduate School of Law.

Michael T. Marron, 35, is a Vice President of Lehman Brothers and has been a member of the Diversified Asset Group since 1990 where he has actively managed and restructured a diverse portfolio of syndicated limited partnerships. Prior to joining Lehman Brothers, Mr. Marron was associated with Peat Marwick Mitchell & Co. serving in both its audit and tax divisions from 1985 to 1989. Mr. Marron received his B.S. degree from the State University of New York at Albany and an M.B.A. from Columbia University.

William T. McDermott, 35, is a Vice President of Lehman Brothers and has been a member of the Diversified Asset Group since 1998. Mr. McDermott joined Lehman Brothers in 1993 and held various positions within the firm before joining the Diversified Asset Group. Prior to joining Lehman Brothers, Mr. McDermott was a financial analyst with Cantor Fitzgerald Inc. from 1991 - 1993 and was associated with Arthur Andersen & Co. serving in both its audit and bankruptcy consulting divisions from 1985 to 1991. Mr. McDermott received his B.B.A. degree from the University of Notre Dame and is a Certified Public Accountant.

Item 11. Executive Compensation.

The Partnership does not pay the officers or directors of EMI any remuneration. In addition, EMI does not pay any remuneration to any of its officers or directors, all of whom receive salaries from an affiliate of EMI. Reference is made to Note 3 to the Consolidated Financial Statements contained in the Partnership's Annual Report to Unitholders for the year ended December 31, 1998, filed as an exhibit under Item 14, for a discussion of the allocations of Partnership income, losses, distributions and gains from the disposition of assets.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

(a) Security Ownership of Certain Beneficial Owners.

No person was known by the Partnership to be the beneficial owner of more than 5% of the Units of the Partnership.

(b) Security Ownership of Management.

The General Partners do not own any Units, and no officer or director of EMI owns any Units.

(c) Changes in Control.

None.

Item 13. Certain Relationships and Related Transactions.

The General Partners and their affiliates are entitled to receive annual Management Fees equal to the greater of $120,000 or 5% of the gross revenues from the operation of the assets owned directly or indirectly by the Partnership. The General Partners are also entitled to a disposition fee equal to 2% of the gross proceeds from the sale of the Partnership's assets. During 1998 and 1997, the General Partners earned no Management Fees or disposition fees. During the second quarter of 1985, the General Partners elected to defer the payment of all Management Fees, other than the $10,000 per month payable to San Felipe Resources Company, a partnership owned primarily for the benefit of Mr. Webster, until the cash flow of the Partnership improved. In June 1986, the amount of fees paid currently to San Felipe Resources Company was further reduced to $5,000 per month.

On November 20, 1996, the Partnership paid EMI deferred management fees of $1,331,742. Subsequent to December 31, 1996, the Partnership paid San Felipe Resources (for the benefit of Mr. Webster) $948,197 and EMI $275,974 for deferred management fees and the accrued disposition fee.

The Partnership also received $459,000 in management fees from SFN during 1997. In addition, the Partnership received liquidating distributions of approximately $742,138 from SFN in 1997. (See Note 5 to the Consolidated Financial Statements contained herein at Item 14 for additional details.)

PART IV

Item 14. Exhibits, Financial Statements, Schedules and Reports on Form 8-K.

(a) (1) Financial Statements and Notes.

(1) Incorporated by reference to the Partnership's Annual Report to Unitholders for the year ended December 31, 1998.

(a) (2) Schedules

All schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission have been omitted since (1) the information required is disclosed in the financial statements and notes there to; (2) the schedules are not required under the related instructions; or (3) the schedules are inapplicable.

(3) Exhibits

The following exhibits are being filed as a part of this report. Documents other than those designated as being filed herewith are incorporated herein by reference.

Exhibit No.	Description
3.1	Amended and Restated Agreement and Certificate of Limited Partnership of the Partnership (Exhibit 4.1 to the Registrant's Registration Statement on Form S-1, File No. 2-87488 is incorporated herein by reference).
10.1	Management Contract by and among the Partnership, Equipment Management Inc., Steven A. Webster, and Paul B. Loyd, Jr. (Exhibit 10.1 to the Registrant's Registration Statement on Form S-1, File No. 2-87488, is incorporated herein by reference).
10.2	Joint Venture Agreement dated October 9, 1984 between the Partnership,

Cerrito Partners and GD Investors, Inc. (Exhibit 4 to the Registrant's current report on Form 8-K dated October 10, 1984, File No. 2-87488, is incorporated herein by reference).

10.3 Agreement and Plan of Merger dated December 2, 1987. (Incorporated by reference to Form 8-K dated December 2, 1987 filed pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 by the E.F. Hutton Group Inc., commission file number 1-7376).

Exhibit No.	Description
10.4	Press Release, New York, New York dated December 3, 1987. (Incorporated by reference to Form 8-K dated December 2, 1987 filed pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 by the E.F. Hutton Group Inc., commission file number 1-7376).
10.5	DSC Venture Amended and Restated Joint Venture Agreement dated as of October 1, 1984, executed April 2, 1987. (Exhibit 10.13 to the Registrant's report on Form 10-K for the year ended December 31, 1987, File No. 2-87488, is incorporated herein by reference).
10.6	Net profits agreement dated April 2, 1987 by and among Security Pacific Business Credit Inc., DSC Venture and the Registrant. (Exhibit 10.14 to the Registrant's report on Form 10-K for the year ended December 31, 1987, File No. 2-87488, is incorporated herein by reference).
10.7	Purchase Agreement dated October 23, 1989 between Falcon Drilling Inc. and the Registrant. (Exhibit 10.11 to the Registrant's report on Form 10-K for the year ended December 31, 1989, File No. 2-87488, is incorporated herein by reference).
10.8	Agreement dated October 23, 1989 by and among the Registrant, CP-1, Ltd. and GD Investors, Inc. (Exhibit 10.12 to the Registrant's report on Form 10-K for the year ended December 31, 1989, File No. 2-87488, is incorporated herein by reference).
10.9	Management Agreement effective January 1, 1990 between DSC Venture and Dayton-Scott Equipment Company (Exhibit 10.9 to the Registrant's Report on Form 10-K for the year ended December 31, 1990, File No. 2-87488, is incorporated herein by reference).
10.10	Loan and Security Agreement by and between SFN Corporation and the CIT Group/Equipment Financing, Inc. Dated as of April 30, 1992. (Exhibit 10.10 to the Registrant's report on Form 10-K for the year ended December 31, 1987, File No. 2-87488, is incorporated herein by reference).
13.1	Annual Report to Unitholders for the year ended December 31, 1998.
22.1	Subsidiaries of the Registrant: DSC Venture, a Texas joint venture and SFN Corporation, a Delaware Corporation (previously filed).
27.1	Financial Data Schedule.

28.1 Portions of prospectus of Registrant dated February 2, 1984 (incorporated by reference).

99.1 Asset Purchase & Sale Agreement dated November 20, 1996, and accompanying exhibits, by and among Neil F. Lampson, Inc. as buyer and DSC, EARF and SFN as Sellers (incorporated by reference to the Partnership's Annual Report to Unitholders for the year ended December 31, 1996).

(b) Reports on Form 8-K filed in the fourth quarter of fiscal 1998:

No reports on Form 8-K were filed during the quarter for which this report was filed.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

EQUIPMENT ASSET RECOVERY FUND

BY: Equipment Management, Inc.
General Partner

Dated: March 26, 1999

BY: /s/ Michael T. Marron

Name: Michael T. Marron
Title: President, Director and Chief Financial Officer

BY: /s/Steven A. Webster

Name: Steven A. Webster
Title: General Partner

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

EQUIPMENT MANAGEMENT, INC.
A General Partner

Date: March 26, 1999

BY: /s/Rocco F. Andriola

Name: Rocco F. Andriola

Title: Director

Date: March 26, 1999

BY: /s/Michael T. Marron

Name: Michael T. Marron
Title: President, Director and
Chief Financial Officer

Date: March 26, 1999

BY: /s/William T. McDermott

Name: William T. McDermott
Title: Vice President

EXHIBIT 13.1

Equipment Asset Recovery Fund, L.P.

1998 ANNUAL REPORT

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MESSAGE TO INVESTORS

Presented for your review is the 1998 Annual Report for Equipment Asset Recovery Fund, L.P. (the "Partnership"), which includes the Partnership's audited consolidated financial statements for the year ended December 31, 1998.

As you are aware, in November 1996 the Partnership, in conjunction with the DSC Venture and SFN Corporation, sold its fleet of heavy-lift cranes, related equipment and existing customer crane rental agreements. While it is the General Partners' intention to expedite the liquidation process, the Partnership cannot be liquidated until the litigation discussed below is resolved, and any potential Partnership liabilities are determined.

As discussed in previous correspondence, on June 4, 1997, a purported class action suit was commenced in the District Court for Harris County, Texas by a limited partner who acquired interests through a tender offer, on behalf of, among others, all limited partners of the Partnership against Steven A. Webster, Equipment Management Inc., the Partnership (a nominal defendant) and others (collectively, the "Defendants"). The suit made a number of allegations. The Defendants filed a Motion for Summary Judgment and partial summary judgment was granted by the Court on March 31, 1998. On August 24, 1998, the Court heard a Motion for Summary Judgment (the "Motion") filed by a co-defendant. Although that Motion was taken under consideration, the judge recused herself before ruling. The case was then reassigned to another judge, and a hearing was held on the Motion on March 8, 1999 with the Court granting the Motion in part and overruling it in part. The Court has now set a scheduling conference for May 5, 1999, at which time all remaining deadlines will be set, including a trial date. The Defendants believe the remaining allegations in this complaint are without merit and intend to defend the action vigorously.

It is uncertain at this time what impact the pending class action suit will have on the amount of the final liquidating distribution to investors or on the timing of the Partnership's liquidation. We will update you on the status of the litigation and the Partnership's liquidation process in future reports. In the interim, should you have any questions regarding the Partnership, you may contact your Financial Consultant or Partnership Investor Services. All requests for a change of address or transfer should be submitted in writing to the Partnership's administrative agent at P.O. Box 7090, Troy, MI 48007-7090. Partnership Investor Services can be reached at (617) 342-4225, and the Partnership's administrative agent can be reached at (248) 637-7900.

Very truly yours,

Michael T. Marron
President
Equipment Management Inc.
General Partner

Steven A. Webster
General Partner

March 26, 1999

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EQUIPMENT ASSET RECOVERY FUND, L.P.
AND CONSOLIDATED VENTURE AND SUBSIDIARY

<TABLE>
<CAPTION>

CONSOLIDATED BALANCE SHEETS

<S>	At December 31, 1998 <C>	At December 31, 1997 <C>
Assets		
Cash and cash equivalents	$1,585,699	$1,909,899
Total Assets	$1,585,699	$1,909,899
Liabilities and Partners' Capital		
Liabilities:		
Accounts payable and accrued expenses	$1,566,319	$1,605,246
Total Liabilities	1,566,319	1,605,246
Commitments and Contingencies		
Partners' Capital:		
General Partners	775	12,186
Limited Partners	18,412	289,421
Special Limited Partner	193	3,046
Total Partners' Capital	19,380	304,653
Total Liabilities and Partners' Capital	$ 1,585,699	$1,909,899

</TABLE>

<TABLE>
<CAPTION>

CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL (DEFICIT)
For the years ended December 31, 1998, 1997 and 1996

<S>	General Partners <C>	Limited Partners <C>	Special Limited Partner <C>	Total <C>
Balance at December 31, 1995	$(415,303)	$ --	$ --	$ (415,303)
Net Income	862,687	10,625,369	111,846	11,599,902

Distributions	(413,331)	(9,816,600)	(103,333)	(10,333,264)
Balance at December 31, 1996	34,053	808,769	8,513	851,335
Net Loss	(21,867)	(519,348)	(5,467)	(546,682)
Balance at December 31, 1997	$ 12,186	$ 289,421	$ 3,046	$ 304,653
Net Loss	(11,411)	(271,009)	(2,853)	(285,273)
Balance at December 31, 1998	$ 775	$ 18,412	$ 193	$ 19,380

</TABLE>

See accompanying notes to the consolidated financial statements.

EQUIPMENT ASSET RECOVERY FUND, L.P.
AND CONSOLIDATED VENTURE AND SUBSIDIARY

<TABLE>
<CAPTION>

CONSOLIDATED STATEMENTS OF OPERATIONS
For the years ended December 31,

<S>	1998 <C>	1997 <C>	1996 <C>
Income			
Rental	$ --	$ --	$ 4,239,442
Interest	149,352	213,557	123,965
Other	--	5,662	22,558
Total Income	149,352	219,219	4,385,965
Expenses			
Rental	--	--	1,271,192
General, selling and administrative	434,625	652,514	4,118,219
Depreciation and amortization	--	--	1,207,668
Interest	--	--	175,855
Management fee	--	--	947,609
Total Expenses	434,625	652,514	7,720,543
Loss from Operations	(285,273)	(433,295)	(3,334,578)
Other Income			
Gain on sales of equipment	--	--	16,217,725
Gain on extinguishment of debt	--	--	130,144
Total Other Income	--	--	16,347,869
Net Income (Loss) before Minority Interest and Provision for Income Taxes	--	(433,295)	13,013,291
Minority Interest	--	(492,868)	(1,034,312)
Income (Loss) before Provision for Income Taxes	(285,273)	(926,163)	11,978,979
Benefit from (Provision for) income taxes	--	379,481	(379,077)
Net Income (Loss)	$(285,273)	$(546,682)	$11,599,902

Net Income (Loss) Allocated:			
To the General Partners	$ (11,411)	$ (21,867)	$ 862,687
To the Limited Partners	(271,009)	(519,348)	10,625,369
To the Special Limited Partner	(2,853)	(5,467)	111,846
	$(285,273)	$(546,682)	$11,599,902
Per limited partnership unit (32,722 outstanding)	$(8.28)	$(15.87)	$324.72

</TABLE>

See accompanying notes to the consolidated financial statements.

EQUIPMENT ASSET RECOVERY FUND, L.P.
AND CONSOLIDATED VENTURE AND SUBSIDIARY

<TABLE>
<CAPTION>

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31,

<S>	1998 <C>	1997 <C>	1996 <C>
Cash Flows From Operating Activities			
Net Income (Loss)	$ (285,273)	$ (546,682)	$ 11,599,902
Adjustments to reconcile net income to net cash used for operating activities:			
Gain on sales of cranes	--	--	(16,217,725)
Gain on extinguishment of debt	--	--	(130,144)
Minority interest	--	46,868	(680,688)
Depreciation and amortization	--	--	1,207,668
Increase (decrease) in cash arising from changes in operating assets and liabilities:			
Accounts receivable, net	--	173,415	99,422
Other assets	--	193,397	(140,273)
Accounts payable and accrued expenses	(38,927)	(140,499)	1,282,615
Management fee payable	--	(1,445,685)	(444,133)
Due to affiliates	--	--	(147,000)
Income taxes payable	--	(624,065)	4,745
Net cash used for operating activities	(324,200)	(2,343,251)	(3,565,611)
Cash Flows From Investing Activities			
Proceeds from sales of cranes, vehicles and equipment	--	--	21,986,776
Net cash provided by investing activities	--	--	21,986,776
Cash Flows From Financing Activities			
Proceeds from long-term debt	--	--	100,000
Principal payments on long-term debt	--	--	(4,422,401)
Distributions paid to minority interest	--	(631,181)	--
Distributions paid to partners	--	(10,333,264)	--

Net cash used for financing activities	--	(10,964,445)	(4,322,401)
Net increase (decrease) in cash and cash equivalents	(324,200)	(13,307,696)	14,098,764
Cash and cash equivalents, beginning of period	1,909,899	15,217,595	1,118,831
Cash and cash equivalents, end of period	$1,585,699	$ 1,909,899	$ 15,217,595
Supplemental Disclosure of Cash Flow Information			
Cash paid during the period for interest	$ --	$ --	$ 175,855
Cash paid during the period for taxes	$ --	$ 615,520	$ 376,998

</TABLE>

See accompanying notes to the consolidated financial statements.

EQUIPMENT ASSET RECOVERY FUND, L.P.
AND CONSOLIDATED VENTURE AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1998, 1997 and 1996

1. Organization
Equipment Asset Recovery Fund, L.P. (the "Partnership"), formerly Hutton Asset Recovery Fund, was organized as a Limited Partnership under the laws of Texas pursuant to a Certificate and Agreement of Limited Partnership (the "Partnership Agreement") dated and filed October 27, 1983. The Partnership was inactive from its inception through December 1983. The Partnership was formed for the primary purpose of acquiring, operating, leasing and selling various types of assets.

Equipment Management, Inc. ("EMI"), formerly Hutton Equipment Management, Inc., an affiliate of Lehman Brothers Inc., and Steven A. Webster are the General Partners of the Partnership. On July 31, 1993, certain of Shearson Lehman Brothers Inc.'s domestic retail brokerage and management businesses were sold to Smith Barney, Harris Upham & Co. Inc. Included in the purchase was the name "Hutton." Consequently, the Hutton Equipment Management, Inc. General Partner's and the Partnership's names were changed to delete any reference to "Hutton." San Felipe Investors, a Texas general partnership, is the Special Limited Partner.

At December 31, 1998, the Partnership consisted of a 99%-owned consolidated venture, DSC Venture ("DSC"). SFN Corporation ("SFN"), in which the Partnership had held a 51% controlling interest, liquidated in January 1997.

On November 27, 1996, the Partnership, DSC and SFN completed a bulk sale of their remaining equipment assets for $15,900,000. The Partnership received net proceeds of $2,772,051 for its crane fleet and $7,366,940 in a distribution from its interests in DSC. The Partnership also received $1,938,000 in management fees from SFN during 1996 and $459,000 in January 1997. In addition, the Partnership received initial liquidating distributions of approximately $552,138 from SFN in February 1997 and received a further distribution of $204,000 in September 1997. The Partnership expects to receive a final liquidating distribution from its interest in SFN pending resolution of litigation outstanding (see Note 9). The amount of such distribution will be dependent on any costs relating to the litigation incurred by SFN. The General Partners declared a special cash distribution to unitholders of record as of November 27, 1996 in the amount of $10,333,264 ($300 per limited partnership unit). The remaining sales proceeds, with the Partnership's cash, will first be used to provide for all liabilities and obligations of the Partnership through liquidation (including expenses associated with the pending litigation as discussed in Note 9), following which any remaining amounts will be distributed to the partners upon dissolution of the Partnership.

2. Significant Accounting Policies

Basis of Accounting The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues were recognized as earned and expenses were recorded as obligations were incurred.

Construction Cranes Investments in construction cranes included the initial purchase price and related acquisition costs. Depreciation was computed using the straight-line method based on the estimated useful lives of the assets, which were generally between 10 to 20 years.

Cash Equivalents Cash equivalents consist of highly liquid short-term investments with maturities of three months or less from the date of issuance. The carrying amount approximates fair value because of the short maturity of these instruments.

Concentration of Credit Risk Financial instruments which potentially subject the Partnership to a concentration of credit risk principally consist of cash in excess of the financial institutions' insurance limits. The Partnership invests available cash with high credit quality financial institutions.

Organization and Loan Closing Costs Organization costs were amortized on a straight-line basis over five years. Loan closing costs were amortized over the life of the related loan.

Rental Revenues Leases of construction cranes were generally on a month-to-month basis and were accounted for as operating leases.

Income Taxes No provision for income taxes has been made in the consolidated financial statements for the Partnership and DSC since these taxes are the responsibility of the individual partners or co-venturers rather than that of the Partnership or DSC. However, an income tax provision or benefit has been included in the accompanying consolidated financial statements related to the Partnership's corporate consolidated subsidiary, SFN, which is a separate taxable entity.

Use of Estimates The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

3. Partnership Allocations
Partnership income and losses will be allocated and net cash will be distributed 4% to the General Partners, 1% to the Special Limited Partner and 95% to the Limited Partners until each of the Limited Partners has received cash equal to his or her capital contribution plus an 8% annual cumulative return thereon.

Thereafter, such items will be distributed 85% to the Limited Partners, 12.5% to the General Partners and 2.5% to the Special Limited Partner.

The amount of any net loss of the Partnership, which would be allocable to a Limited Partner in excess of a positive capital account, is allocated to the General Partners in proportion to their relative interests in the Partnership.

The gains on the sales of cranes were first allocated proportionately to the Partners who had negative capital accounts to restore these accounts to zero and then in accordance with the aforementioned percentages.

In 1994, the remaining net loss (after allocation of gain on sales of cranes) was allocated to the Limited Partners and the Special Limited Partner in an amount that reduced their capital accounts to zero. The remaining loss was allocated to the General Partners in proportion to their relative interests in the Partnership. During 1995 and 1996 the entire net loss excluding the gains on sales of cranes was allocated to the General Partners.

4. Joint Venture

In accordance with the October 1984 Joint Venture Agreement between the Partnership and Dayton-Scott Corporation ("Dayton-Scott"), the Partnership contributed $2,500,000 in cash for a 50% interest in DSC. Dayton-Scott contributed forty-nine crawler-type cranes and seven crane attachments ("DSC cranes"), together with all of its other assets, in exchange for assumption of its outstanding nonrecourse Loan and Security Agreement with Security Pacific Business Credit, Inc. ("SPBC") and a 50% interest in DSC. Subsequently, the Partnership wrote off its initial $2,500,000 investment in DSC and additional capital contributions of $100,000 in 1984 and $121,788 in 1986.

In April 1987, Dayton-Scott sold its entire 50% interest in DSC to the Partnership (49%) and Dayton-Scott Equipment Company (DSEC) (1%) (the former manager of the Partnership's construction crane fleet). DSEC subsequently sold its 1% interest to DRA Management, Inc., an affiliate of EMI. The purchase price for the additional 49% interest in DSC consisted of $250,000 in cash, assumption of $15,200,000 in nonrecourse debt (see Notes 5 and 7) and a contingent payment of $250,000 based on future events and conditions as defined in the purchase and sale agreement.

5. SFN Corporation

The Partnership acquired 51% of the shares of issued and outstanding Common Stock of SFN and all of the issued and outstanding shares of nonvoting Class B Redeemable Preferred Stock of SFN. The Partnership acquired such stock in consideration for its agreement to cooperate with SFN in connection with SFN's acquisition of certain assets from SPBC. The Partnership did not contribute any cash to SFN for the shares of Common Stock and Class B Redeemable Preferred Stock of SFN, however, the Partnership received a deemed capital account in the amount of $2,397 for services rendered in connection with this transaction. SFN was liquidated on January 30, 1997.

Six individuals, who were affiliated with DSEC, which previously managed the Equipment (defined below), the cranes owned by DSC, and the cranes owned by the Partnership, owned the remaining 49% of the shares of Common Stock of SFN. These individuals contributed cash of approximately $275,000 in the aggregate for 49% of the issued and outstanding shares of Common Stock and all of the nonvoting Class A Redeemable Preferred Stock of SFN. This equity contribution was used, in part, to fund a portion of the purchase price of the SPBC Assets (defined below) and to pay related transaction costs.

The holders of the Class A Redeemable Preferred Stock were entitled to receive a single preferred dividend of $275,000 in the aggregate, plus a 10% cumulative return until such dividend was paid, prior to any distributions being made to the other stockholders of SFN. The Class B Redeemable Preferred Stock received by the Partnership entitled the Partnership to receive a single preferred dividend of 104% of the aggregate amount paid to the holders of the Class A Redeemable Preferred Stock following the payment of the Class A preferred dividend. Once these preferred dividends were paid to the holders of the Class A and Class B Redeemable Preferred Stock, all further distributions were made only to the holders of the Common Stock of SFN in accordance with the pro rata percentage ownership of the holders of such Common Stock. All such dividends and distributions were paid during 1997.

Effective April 30, 1992, SFN acquired all of the secured indebtedness of DSC from SPBC ("SPBC Debt"). In connection with the acquisition of the SPBC Debt by SFN, SPBC conveyed the following assets to SFN: (i) six cranes, one ringer, and one tower (the "Equipment") previously owned by SPBC and leased to DSC pursuant to an equipment lease ("SPBC Lease"), and (ii) the rights and obligations of SPBC under a Net Profits Agreement ("Profits Agreement") previously entered into by and among DSC, SPBC, and the Partnership (see Note 7). The SPBC Debt, Equipment, Lease and Net Profits Agreement are collectively referred to as the "SPBC Assets."

SFN paid SPBC a total consideration of $10,536,813 for the SPBC Assets, consisting of $9,536,813 paid in cash at closing and a $1,000,000 subordinated promissory note ("Subordinated Note") payable to SPBC and secured by a junior lien on all the assets of SFN. The purchase price for the SPBC Assets was allocated to the Debt and Equipment based on the relative fair market value at the date of acquisition.

6. Construction Cranes

Concurrent with the formation of DSC, the Partnership purchased ten construction type cranes (the "Partnership cranes") from Dayton-Scott for a cash purchase price of $1,500,000 and, in 1986, sold one of these construction cranes. In addition, Dayton-Scott contributed the DSC cranes.

In connection with SFN's acquisition of the DSC promissory notes from SPBC, SPBC conveyed to SFN the Equipment previously owned by SPBC. The Equipment had been leased by SPBC to DSC pursuant to the SPBC Lease since April 1987, and SFN acquired the Equipment subject to the SPBC Lease, as amended on April 30, 1992.

On November 27, 1996, the Partnership, DSC and SFN completed a bulk sale of their remaining equipment assets. The sales proceeds were used to reduce and eventually extinguish the Partnership's debt (see Note 1).

The following is a summary of the equipment sold for the year ended December 31, 1996:

<TABLE>
<CAPTION>

	Number of Cranes	Net Selling Price	Net Book Value	Gain On Sale
<S>	<C>	<C>	<C>	<C>

EARF	9	$ 3,090,478	$ 223,359	$ 2,867,119
DSC	51	17,391,292	4,879,473	12,511,819
SFN	6	1,486,314	650,132	836,182
DSC Vehicles	--	18,692	16,087	2,605
Total	66	$21,986,776	$5,769,051	$16,217,725

</TABLE>

DSEC managed and operated the DSC cranes, SFN cranes and the Partnership cranes (collectively, the "Fleet") pursuant to a management agreement that reimbursed all expenses related to the operation of the Fleet, including the salaries of DSEC's employees. The agreement also provided for incentive compensation if certain revenue goals were attained and commission payments if cranes were sold. The following is a summary of the sales commissions, incentive management fee and severance/termination fee paid to DSEC for the years ended December 31, 1998, 1997 and 1996:

<TABLE>
<CAPTION>

<S>	Paid During 1998 <C>	Paid During 1997 <C>	Paid During 1996 <C>
Incentive Management Fees	$ --	$221,513	$ --
Sales Commissions	--	--	558,772
Severance/Termination Fees	--	--	1,000,000
	$ --	$221,513	$1,558,772

</TABLE>

7. Loans Payable

Inter-Company Debt

In April 1987, concurrent with the Partnership's acquisition of an additional 49% interest in DSC (see Note 4), the Partnership assumed three notes in the amounts of $12,000,000, $3,000,000 and $200,000, all of which were purchased by SFN in 1992. The notes were nonrecourse to DSC and the Partnership and were collateralized by a first lien on DSC assets.

The $12,000,000 note accrued interest at Bank America's prime lending rate plus 1/2%, subject to a floor of 8% and a cap tied to the revenues of DSC. This note was paid in full in June 1996 due to prepayments made according to the terms of the note.

The $3,000,000 note accrued interest at a fixed rate of 7.5% per annum, compounded annually, and payments on such note were deferred until the $12 million note was paid in full. This note was paid in full on October 4, 1996 due to prepayments made according to the terms of the note.

The $200,000 note was noninterest-bearing, and was due in full 30 days after the last payment was made on the $3,000,000 note. This note was paid in full in 1996.

Additionally, in consideration for the restructuring of its debt in 1988, DSC was required to pay additional interest under a Net Profits Agreement, in the amount of 25% of future net operating profits (as defined) and 25% of all net proceeds upon the sale or constructive sale of the DSC cranes. For the years ended December 31, 1996 and 1995, SFN earned $2,779,189 and $34,984, respectively, under this agreement.

Third Party Debt
In order to fund the cash portion of the purchase price for the SPBC Assets and related transaction costs, the Partnership, through its consolidated subsidiary, SFN, obtained loans (collectively, the "CIT Loans") from CIT in an aggregate amount of $9,761,813, consisting of a $8,761,813 term loan (the "Term Loan") and a $1,000,000 revolving loan (the "Revolving Loan"). The CIT Loans were secured by a first priority security interest in all the assets of SFN, including the collateral securing the Notes Receivable from DSC and all the rights under the Net Profits Agreement.

The Term Loan originally matured on July 31, 2000 and accrued interest at the Prime Rate plus 1.625% per annum; monthly principal and interest payments commenced May 31, 1992. Pursuant to the terms of the agreement, net proceeds from the sales of any DSC cranes or SFN cranes were applied to the Term Loan and/or Revolving Loan. This note was paid in full in August 1996 due to prepayments made according to the terms of the note.

The $1,000,000 Revolving Loan was due and payable on March 31, 2001. Interest accrued at the Prime Rate plus 1.625% per annum and was payable in monthly installments that commenced May 31, 1992. Additional advances for federal, state and local taxes and operating expenses, up to a maximum of $40,000 per annum, constituted a part of the principal and bore interest from the date of the advance. The balance outstanding on the Revolving Loan was paid in full in September 1995.

SFN also executed a participation note (the "Participation Note") in the amount of $252,200, with interest to accrue until November 30, 2000, at the rate of 8% per annum in favor of CIT, at which time the total principal and interest were to be $500,000. Pursuant to this note, CIT was entitled to receive the greater of the accreted value of the note or 25% of the net proceeds from the sale of the cranes plus 25% of the fair market value of the cranes owned by SFN on November 30, 2000. At April 30, 1992, the Participation Loan was recorded at 25% of the fair market value of the cranes or $700,000. On July 25, 1996 SFN paid $594,856 to CIT in full satisfaction of this note and recorded a gain on extinguishment of debt of $105,144.

SFN also executed a subordinated promissory note to SPBC in the amount of $1,000,000. Interest accrued at the rate of 7.5% per annum and was payable on a monthly basis beginning June 5, 1992. Principal installments were due annually beginning May 5, 1993 and ending on May 5, 1999. On August 30, 1996 SFN paid $276,962 to SPBC in full satisfaction of this note and recorded a gain on extinguishment of debt of $25,000.

8. Transactions with General Partners and Affiliates
The following is a summary of transactions with General Partners and their affiliates during the years ended December 31, 1998, 1997 and 1996:

<TABLE>
<CAPTION>

	Paid During 1998	Paid During 1997	Paid During 1996

<S>	<C>	<C>	<C>
Administrative salaries and expenses	$ --	$ 58,192	$ 57,537
Management fees	--	1,224,172	1,391,742
	$ --	$1,282,364	$1,449,279

</TABLE>

As of June 1986, the General Partners had agreed to defer payment of monthly management fees in excess of $5,000 until cash flow of the Partnership improved. On November 20, 1996, the Partnership paid deferred management fees totaling $1,331,742 to EMI. On February 3, 1997, the Partnership paid to San Felipe Resources (for the benefit of Mr. Webster) $948,197 and EMI $275,975.

9. Litigation
On June 4, 1997, a purported class action suit was commenced by a limited partner who acquired its interest in the Partnership through a tender offer (the "Plaintiff"), on behalf of, among others, all limited partners of the Partnership, in the 151st judicial District Court for Harris County, Houston, Texas against Steven A. Webster, EMI, DSC, DSEC, SFN and the Partnership (a nominal defendant) (collectively, the "Defendants"). The petition purports to bring a suit for breach of fiduciary duty and breach of contract with respect to the management and sale of the construction crane fleet and related equipment. The Plaintiff has requested that the court enter a judgment against the Defendants, jointly and severally, (i) declaring a proper class action; (ii) awarding unspecified compensatory damages, plus interest, expenses and attorneys fees and (iii) awarding punitive and exemplary damages. The Defendants filed a Motion for Summary Judgment and a Partial Summary Judgment was granted by the Court on March 31, 1998. On August 24, 1998, the Court heard a Motion for Summary Judgment filed by a co-defendant. That Motion was taken under consideration, but the judge recused herself before ruling. The case was then reassigned to another judge and a hearing was held on the Motion on March 8, 1999. The Court granted the Motion in part and overruled it in part. The Court has set a scheduling conference for May 5, 1999, at which time all remaining deadlines will be set, including a trial date. The Defendants believe the remaining allegations in this complaint are without merit and intend to defend the action vigorously.

10. Reconciliation of Net Income to Taxable Income
The net income or loss reported in the financial statements for the years ended December 31, 1998, 1997 and 1996 was less than the net income reported for federal income tax purposes by approximately $62,000, $2,887,000 and $1,961,000, respectively. The differences for each year were primarily the result of differences between methods of depreciation for book and tax purposes, timing differences in the recognition of revenues and expenses between book and tax methods of accounting, differences in the recognition of the Partnership's share of DSC's income and the treatment of SFN as a separate taxable entity.

11. Income Taxes (SFN Corporation)
The provision or benefit for income taxes resulted from the Partnership's corporate consolidated subsidiary, SFN Corporation, which was a separate taxable entity, and, therefore, had no effect on the limited partners' taxable income or loss reportable for the years ended December 31, 1997 and 1996. SFN liquidated in 1997 and therefore, no provision or benefit for income taxes has been

recorded for 1998 (see Note 5).

SFN Corporation's total benefit for income taxes for 1997 differs from that which would have been calculated using the statutory federal income tax rate due primarily to recognition of federal income tax benefits carried back to the prior year and reductions in tax reserves no longer required due to the liquidation of SFN in 1997. SFN's total provision for income taxes for 1996 differs from that which would have been calculated using the statutory federal income tax rate, due primarily to the net effect of the provision for state income taxes. The current tax liability as of December 31, 1996 resulted from temporary differences in the recognition of revenues and expenses for tax and financial reporting purposes primarily related to differences in the methods of amortization of the discount on notes receivable and methods of depreciation for book and tax purposes.

The benefit or provision for income taxes and current tax liability at December 31, 1997 and 1996 was the following:

<TABLE>
<CAPTION>

Benefit (provision) for Income Taxes	1997	1996
<S>	<C>	<C>
Federal income taxes	$369,931	$(345,347)
State taxes	9,550	(33,730)
Benefit (provision) for income taxes	$379,481	$(379,077)
Current Tax Liability	$ --	$(624,065)

</TABLE>

REPORT OF INDEPENDENT ACCOUNTANTS

To the Partners of
Equipment Asset Recovery Fund, L.P. and
Consolidated Venture and Subsidiary:

We have audited the accompanying consolidated balance sheets of Equipment Asset Recovery Fund, L.P. (a Texas limited partnership) and Consolidated Venture and Subsidiary as of December 31, 1998 and 1997, and the related consolidated statements of operations, partners' capital (deficit) and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the Partnership sold all of its equipment assets on November 27, 1996. The Partnership anticipates settling and liquidating its remaining assets and liabilities and dissolving the Partnership in 1999. The balance sheets presented herein represent the general partners' estimated net realizable value of all assets and liabilities as of December 31, 1998 and 1997 and the statements of operations and cash flows reflect the activities of the Partnership for each of the three years in the period ended December 31, 1998, including the operations related to the equipment assets through November 26, 1996.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Equipment Asset Recovery Fund, L.P. and Consolidated Venture and Subsidiary as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Boston, Massachusetts
March 12, 1999

<TABLE> <S> <C>

<ARTICLE>	5
<S>	<C>
<PERIOD-TYPE>	12-mos
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<SECURITIES>	000
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<CURRENT-LIABILITIES>	1,566,319
<BONDS>	000
<PREFERRED-MANDATORY>	000
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<COMMON>	000
<OTHER-SE>	19,380
<TOTAL-LIABILITY-AND-EQUITY>	1,585,699
<SALES>	000
<TOTAL-REVENUES>	149,352
<CGS>	000
<TOTAL-COSTS>	000
<OTHER-EXPENSES>	434,625
<LOSS-PROVISION>	000
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<INCOME-PRETAX>	(285,273)
<INCOME-TAX>	000
<INCOME-CONTINUING>	(285,273)
<DISCONTINUED>	000
<EXTRAORDINARY>	000
<CHANGES>	000
<NET-INCOME>	(285,273)
<EPS-PRIMARY>	(8.28)
<EPS-DILUTED>	(8.28)

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