

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of Earliest Event Reported): August 12, 2004

AMERICAN REAL ESTATE PARTNERS, L.P.

(Exact Name of Registrant as Specified in its Charter)

DELAWARE	1-9516	13-3398766
----- (State of Organization)	----- (Commission File Number)	----- (IRS Employer Identification No.)
100 South Bedford Road, Mt. Kisco, NY		10549
----- (Address of Principal Executive Offices)		----- (Zip Code)

Registrant's telephone number, including area code: (914) 242-7700

N/A

(Former Name or Former Address, if Changed Since Last Report)

ITEM 9. REGULATION FD DISCLOSURE.

The following information is furnished pursuant to Item 9, "Regulation FD Disclosure."

AREP has attached hereto as Exhibit 99.1 and incorporated by reference herein the quarterly report for the three and six months ended June 30, 2004, for its indirect wholly-owned subsidiary, American Casino & Entertainment Properties LLC ("ACEP"). The quarterly report has been provided to the holders of its 7.85% Senior Secured Notes due 2012 pursuant to the provisions of the Indenture, dated as of January 29, 2004, among ACEP, American Casino & Entertainment Properties Finance Corp. and each of the guarantors party thereto and Wilmington Trust Company, as Trustee, with respect to the Notes.

EXHIBIT INDEX

99.1 ACEP's quarterly report for the three and six months ended June 30, 2004.

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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 hereunto duly authorized.

AMERICAN REAL ESTATE PARTNERS, L.P.
(Registrant)

By: American Property Investors, Inc.
General Partner

By: /s/ John P. Saldarelli

John P. Saldarelli
Chief Financial Officer,
Secretary and Treasurer

Dated: August 12, 2004

AMERICAN CASINO & ENTERTAINMENT PROPERTIES LLC
 QUARTERLY REPORT
 FOR THE SIX AND THREE MONTHS ENDED JUNE 30, 2004

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AMERICAN CASINO & ENTERTAINMENT PROPERTIES LLC
 CONSOLIDATED BALANCE SHEETS

	JUNE 30, 2004	DECEMBER 31, 2003
(In thousands)	----- (UNAUDITED)	-----
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 49,231	\$ 77,258
Cash and cash equivalents-restricted	447	-
Marketable securities	-	4,200
Investments-restricted	2,921	2,973
Accounts receivable, net	4,549	4,051
Related party receivables	189	233
Deferred income taxes	3,232	
	2,982	
Other current assets	10,677	9,213
Total Current Assets	71,246	100,910
Property and Equipment, Net	321,989	324,548
Other Assets:		
Debt issuance and deferred financing costs, net	7,532	272
Lessee incentive	467	567
Other receivable	-	84
Deferred income taxes	60,738	54,357
Total Other Assets	68,737	55,280
TOTAL ASSETS	\$ 461,972	\$ 480,738
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable-trade	\$ 2,166	\$ 5,048

Accounts payable-construction	805	805
Accrued expenses	22,482	17,801
Accrued payroll and related expenses	10,185	12,395
Current portion of capital lease obligation	439	436
Current portion of notes payable to related party	-	14,796
	-----	-----
Total Current Liabilities	36,077	51,281
	-----	-----
Long-Term Liabilities:		
Notes payable to related party	-	86,456
Notes payable	215,000	-
Accrued lessee incentive	568	568
Capital lease obligations, less current portion	3,527	3,555
Deferred income taxes	-	5,134
Other	5,257	3,399
	-----	-----
Total Long-Term Liabilities	224,352	99,112
	-----	-----
TOTAL LIABILITIES	260,429	150,393
	-----	-----
Commitments and Contingencies (note 3)		
Stockholders' Equity:		
Common stock	-	10
Additional paid-in-capital	171,396	293,460
Retained earnings	30,147	36,875
	-----	-----
Total Stockholders' Equity	201,543	330,345
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 461,972	\$ 480,738
	=====	=====

See notes to consolidated financial statements.

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AMERICAN CASINO & ENTERTAINMENT PROPERTIES LLC
CONSOLIDATED STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2004 AND 2003

	2004	2003
	-----	-----
(In thousands)	(UNAUDITED)	
REVENUES:		
Casino	\$ 82,391	\$ 73,998
Hotel	27,723	23,572
Food and beverage	33,420	29,847
Tower, retail and other income	16,580	14,540
	-----	-----
Gross Revenues	160,114	141,957
Less promotional allowances	11,745	11,404
	-----	-----
NET REVENUES	148,369	130,553
	-----	-----
COSTS AND EXPENSES:		
Casino	31,182	30,620
Hotel	11,536	10,565
Food and beverage	23,664	22,133
Other operating expenses	6,566	7,291
Selling, general and administrative	37,327	37,787
Depreciation and amortization	12,314	10,272
	-----	-----
Total Costs and Expenses	122,589	118,668

INCOME FROM OPERATIONS	25,780	11,885
OTHER INCOME (EXPENSE):		
Interest income	955	270
Interest expense	(9,747)	(2,755)
Gain (Loss) on sale of assets	144	85
Total Other Expense, net	(8,648)	(2,400)
INCOME BEFORE INCOME TAXES	17,132	9,485
Provision for Income Taxes	5,944	4,394
NET INCOME	\$ 11,188	\$ 5,091

See notes to consolidated financial statements.

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AMERICAN CASINO & ENTERTAINMENT PROPERTIES LLC
CONSOLIDATED STATEMENTS OF INCOME
THREE MONTHS ENDED JUNE 30, 2004 AND 2003

	2004	2003
	(UNAUDITED)	
(In thousands)		
REVENUES:		
Casino	\$ 39,799	\$ 36,145
Hotel	13,835	11,622
Food and beverage	16,719	14,745
Tower, retail and other income	8,604	7,862
Gross Revenues	78,957	70,374
Less promotional allowances	5,597	5,551
NET REVENUES	73,360	64,823
COSTS AND EXPENSES:		
Casino	15,486	15,233
Hotel	5,940	5,368
Food and beverage	12,044	11,453
Other operating expenses	3,415	3,766
Selling, general and administrative	19,147	19,130
Depreciation and amortization	6,431	5,005
Total Costs and Expenses	62,463	59,955
INCOME FROM OPERATIONS	10,897	4,868
OTHER INCOME (EXPENSE):		
Interest income	691	189
Interest expense	(5,376)	(1,450)
Gain (Loss) on sale of assets	148	85
Total Other Expense, net	(4,537)	(1,176)
INCOME BEFORE INCOME TAXES	6,360	3,692
Provision for Income Taxes	1,390	1,993

NET INCOME	\$ 4,970	\$ 1,699
	=====	=====

See notes to consolidated financial statements.

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AMERICAN CASINO & ENTERTAINMENT PROPERTIES LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2004 AND 2003

	2004	2003
	-----	-----
(In thousands)	(UNAUDITED)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 11,188	\$ 5,091
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	12,314	10,272
(Gain) Loss on sale or disposal of assets	(144)	(85)
Provision for deferred income taxes	2,830	-
Changes in operating assets and liabilities:		
Restricted Cash	(447)	173
Accounts receivable, net	(498)	415
Other current assets	(678)	1,218
Accounts payable - trade	(2,882)	(494)
Accrued expenses	2,455	5,613
	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	24,138	22,203
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in investments - restricted	52	(1,000)
Proceeds from sale of marketable securities	4,200	-
Acquisition of property and equipment	(9,925)	(3,837)
Related party receivables	44	(45)
Cash proceeds from sale of property and equipment	398	85
	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(5,231)	(4,797)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Debt issuance and deferred financing costs	(1,060)	-
Proceeds from notes payable	215,000	-
Member contribution	28,219	-
Capital distribution	(187,816)	-
Payments of related party notes payable	(101,252)	(2,138)
Payments on capital lease obligation	(25)	-
	-----	-----
NET CASH (PROVIDED BY) USED IN FINANCING ACTIVITIES	(46,934)	(2,138)
	-----	-----
Net increase in cash and cash equivalents	(28,027)	15,268
Cash and cash equivalents - beginning of period	77,258	59,343
	-----	-----
CASH AND CASH EQUIVALENTS - END OF PERIOD	\$ 49,231	\$ 74,611
	=====	=====
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	\$ 2,342	\$ 3,295
	=====	=====
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Net assets contributed by parent	\$ 6,886	\$ -
	=====	=====
Change in tax asset related to acquisition	\$ 12,721	\$ -
	=====	=====

See notes to consolidated financial statements.

AMERICAN CASINO & ENTERTAINMENT PROPERTIES LLC
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	COMMON STOCK	ADDITIONAL PAID-IN-CAPITAL	RETAINED EARNINGS	TOTAL EQUITY
	-----	-----	-----	-----
BALANCES AT DECEMBER 31, 2002	\$ 10	\$ 243,750	\$ 16,193	\$ 259,953
CHANGE IN DEFERRED TAX ASSET VALUATION ALLOWANCE RELATED TO BOOK-TAX DIFFERENCES EXISTING AT TIME BANKRUPTCY	-	49,710	-	49,710
NET INCOME	-	-	20,682	20,682
BALANCES AT DECEMBER 31, 2003	\$ 10	\$ 293,460	\$ 36,875	\$ 330,345
CANCELLATION OF COMMON SHARES	(10)	10	-	-
CHANGE IN DEFERRED TAX ASSET RELATED TO ACQUISITION	-	12,721	-	12,721
CONTRIBUTIONS	-	35,105	-	35,105
DISTRIBUTIONS	-	(169,900)	(17,916)	(187,816)
NET INCOME	-	-	11,188	11,188
BALANCES AT JUNE 30, 2004 (UNAUDITED)	\$ -	\$ 171,396	\$ 30,147	\$ 201,543

See notes to consolidated financial statements.

AMERICAN CASINO & ENTERTAINMENT PROPERTIES LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THE COMPANY

American Casino & Entertainment Properties LLC (ACEP) was formed in Delaware on December 29, 2003. ACEP is comprised of American Casino & Entertainment Properties LLC, American Casino & Entertainment Properties Finance Corp., Stratosphere Corporation and its wholly-owned subsidiaries, Stratosphere Gaming Corporation., Stratosphere Land Corporation, Stratosphere Advertising Agency, Stratosphere Leasing, LLC, and Stratosphere Development, LLC, an entity controlled by Stratosphere Corporation; Arizona Charlie's, LLC, the entity which owns and operates Arizona Charlie Decatur, and its wholly owned subsidiary Jetset Tours, LLC; and Fresca, LLC, the entity which owns and operates Arizona Charlie's Boulder (collectively the "Company"). The Company operates integrated casinos, hotels, a retail and entertainment facility and a 1,149 foot, free-standing observation tower located in Las Vegas, Nevada. All significant intercompany balances and transactions have been eliminated in consolidation.

ACEP owns and operates three gaming and entertainment properties in Las Vegas, Stratosphere, Arizona Charlie's Decatur and Arizona Charlie's Boulder. Pursuant to a membership interest purchase agreement with Mr. Icahn and Starfire Holding Corporation, an entity wholly-owned by Mr. Icahn, ACEP purchased all of the membership interests in Charlie's Holding LLC, a newly-formed entity that owns Arizona Charlie's Decatur and Arizona Charlie's Boulder. The closing of this acquisition was approved by the Nevada Gaming Commission upon the recommendation of the Nevada State Gaming Control Board and was completed on May 26, 2004. The purchase price was \$125.9 million. Additionally, pursuant to a contribution agreement with ACEP's direct parent, American Entertainment Properties Corp., and ACEP's indirect parent, American Real Estate Holdings Limited Partnership, or AREH, in which AREH contributed 100% of the outstanding capital stock of Stratosphere Corporation to ACEP. This contribution was approved by the Nevada Gaming Commission upon the recommendation of the Nevada State Gaming Control Board. These transactions represent a merger of entities under the common control of Carl C. Icahn. Accordingly, the historical cost basis of the underlying net assets was retained in the combination for all dates prior to May 26, 2004. These statements were presented on a combined

basis. As a result of obtaining the formal approval from the gaming commission, the legal presentation now requires consolidation. Accordingly, the financial statements are referred to as consolidated.

On January 29, 2004, the Company issued \$215,000,000 in aggregate principal amount of 7.85% Senior Secured Notes due 2012. The net proceeds from the sale of the notes have been used in connection with the acquisition of three Las Vegas, Nevada gaming and entertainment properties from affiliated parties described above, to repay intercompany debt and for distributions. The notes have a fixed annual interest rate of 7.85%, which will be paid every six months on February 1 and August 1, commencing August 1, 2004. Pending consummation of the acquisitions, the perfection of security interests in the assets of the properties acquired, the receipt of all necessary approvals of the Nevada Gaming Commission upon the recommendation of the Nevada State Gaming Control Board and certain other events, the net proceeds of the offering, together with an additional amount sufficient to fund a special redemption obligation, were held in escrow in a note proceeds account. On May 26, 2004, upon closing of the acquisitions, perfection of such security interests, receipt of necessary approvals of the Nevada Gaming Commission upon the recommendation of the Nevada State Gaming Control Board and certain other events, the funds held in escrow in the note proceeds account and additional cash on hand were used in connection with the acquisitions, to repay intercompany indebtedness, to fund distributions to ACEP's parent company and to pay related fees and expenses.

BASIS OF PRESENTATION

The condensed consolidated financial statements have been prepared in accordance with the accounting policies described in the Company's 2003 audited combined financial statements. Although the Company believes that the disclosures are adequate to make the information presented not misleading, the Company suggests these condensed consolidated financial statements be read in conjunction with the notes to the 2003 audited combined financial statements which appear in that report.

In the opinion of management, the accompanying condensed consolidated financial statements include all adjustments (consisting only of a normal recurring nature) which are necessary for a fair presentation of the

AMERICAN CASINO & ENTERTAINMENT PROPERTIES LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

results for the interim periods presented. Certain information and footnote disclosures normally included in financial statements have been condensed or omitted pursuant to such rules and regulations of the Securities and Exchange Commission. Interim results are not necessarily indicative of results to be expected for any future interim period or for the entire fiscal year. All significant intercompany accounts and transactions have been eliminated in combination.

RECLASSIFICATIONS

Certain reclassifications have been made to the prior years consolidated financial statements to conform to the current presentation.

(2) INCOME TAXES

The tax effect of significant temporary differences representing deferred tax assets for the Company principally consist of the excess of tax over book basis of assets due to the write down of assets for book purposes.

(3) CONTINGENCIES

Tiffany Decorating Company ("Tiffany"), a subcontractor to Great Western Drywall ("Great Western"), filed a legal action against Stratosphere Corporation, Stratosphere Development, LLC, American Real Estate Holdings Limited Partnership (Stratosphere Corporation, Stratosphere Development, LLC and American Real Estate Holdings Limited Partnership are herein collectively referred to as the "Stratosphere Parties"), Great Western, Nevada Title and Safeco Insurance, Case No. A443926 in the Eighth Judicial District Court of the State of Nevada. The legal action asserts claims that include breach of contract, unjust enrichment

and foreclosure of lien. The Stratosphere Parties have filed a cross-claim against Great Western in that action. Additionally, Great Western has filed a separate legal action against the Stratosphere Parties setting forth the same disputed issues. That separate action, Case No. A448299 in the Eighth Judicial Court of the State of Nevada has been combined with the case brought by Tiffany.

The initial complaint brought by Tiffany asserts that Tiffany performed certain services on construction at the Stratosphere and was not fully paid for those services. Tiffany claims the sum of \$521,562 against Great Western, the Stratosphere Parties, and the other defendants, which the Stratosphere Parties contend have been paid to Great Western for payment to Tiffany.

Great Western is alleging that it is owed payment from the Stratosphere Parties for work performed and for delay and disruption damages. Great Western is claiming damages in the sum of \$3,935,438 plus interest, costs and legal fees from the Stratosphere Parties. This amount apparently includes the Tiffany claim.

The Stratosphere Parties have evaluated the project and have determined that the amount of \$1,004,059, of which \$195,953 and \$371,973 were disbursed on October 29, 2002 to Tiffany and Great Western, respectively, is properly due and payable to satisfy all claims for the work performed, including the claim by Tiffany. The remaining amount has been segregated in a separate interest bearing account and is classified in Accounts Payable - Construction on the Combined Balance Sheet. As a result, the Great Western base claim has been reduced to \$3,213,579, the Tiffany base claim has been reduced to \$327,434 and the escrow balance has been reduced to \$446,379.

The Early Case Conference in the Tiffany case has already been concluded and initial documents and witnesses have been exchanged which has been the discovery to date. However, it is not possible to give an opinion as to probable outcome of the action. The case will proceed with discovery from this point forward until such time as a resolution is reached or the matter is brought to trial. The matter was preliminarily set for trial on April 14, 2003 but has been continued to February 25, 2005. The Stratosphere Parties intend to vigorously defend the action for claims in excess of \$1,004,059.

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AMERICAN CASINO & ENTERTAINMENT PROPERTIES LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In addition, in the ordinary course of business, the Company is party to various legal actions. In management's opinion, the ultimate outcome of such legal actions will not have a material effect on the results of operations or the financial position of the Company.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

We own and operate three gaming and entertainment properties in the Las Vegas metropolitan area. The three properties are the Stratosphere, Arizona Charlie's Decatur and Arizona Charlie's Boulder. Each of our properties offers customers a value-oriented experience by providing competitive odds in our casinos, high-quality rooms in our hotels, award-winning dining facilities and, at the Stratosphere, an offering of entertainment attractions found nowhere else in Las Vegas.

A majority of our revenues are generated by our casino operations. Two of our key drivers of gaming revenues are average win per slot machine per day and average win per table game per day. In order to increase these amounts and therefore, our casino revenues, we seek to increase customer traffic to our properties.

RESULTS OF OPERATIONS

SIX MONTHS ENDED JUNE 30, 2004 COMPARED TO SIX MONTHS ENDED JUNE 30, 2003

Gross revenues for the six months ended June 30, 2004 were \$160.1 million, an increase of \$18.2 million, or 12.8% over the six months ended June 30, 2003. Gross revenues at the Stratosphere Casino Hotel & Tower for the six months ended June 30, 2004 were \$97.7 million, or 61.0% of gross revenues, an increase of \$9.5 million, or 10.7% over the six months ended June 30, 2003. Promotional allowances at the Stratosphere decreased 8.5% resulting in an increase in net revenues of \$10.0 million or 12.3%. Gross revenues at Arizona Charlie's Decatur for the six months ended June 30, 2004 were \$40.9 million, or 25.5% of gross revenues, an increase of \$4.0 million, or 10.9%, as compared to the prior year period. This increase was primarily due to an increase in casino revenues for the six months ended June 30, 2004 compared to the six months ended June 30, 2003. Gross revenues at Arizona Charlie's Boulder for the six months ended June 30, 2004 were \$21.6 million, or 13.5% of gross revenues, an increase of \$4.6 million, or 27.5% over the prior year period. This increase was primarily due to an increase in slot revenues.

CASINO REVENUES

Casino revenues during the six months ended June 30, 2004 totaled \$82.4 million, or 51.5% of total revenues. This is an increase of \$8.4 million, or 11.3%, as compared to the six months ended June 30, 2003. Slot machine revenues were \$66.3 million, or 80.5% of total casino revenues, and table game revenues were \$12.8 million, or 15.5% of casino revenues for the six months ended June 30, 2004 as compared to slot machine revenues of \$59.9 million and table games revenues of \$11.8 million for the six months ended June 30, 2003.

Casino revenues at the Stratosphere for the six months ended June 30, 2004 were \$36.0 million, an increase of \$2.3 million, or 6.9%, over the six months ended June 30, 2003, of which slot machine revenues were \$24.9 million, or 69.2% of its casino revenues, and table game revenues were \$10.1 million, or 27.9% of its casino revenues. For the six months ended June 30, 2003, Stratosphere had slot machine revenues of \$23.7 million and table games revenues of \$9.3 million. Average win per slot machine per day at Stratosphere for the six months ended June 30, 2004 was \$102.32 as compared to \$89.17 for the six months ended June 30, 2003. This was due to a 4.5% decrease in the number of units compared to the prior year period combined with an increase in floor traffic.

Casino revenues at Arizona Charlie's Decatur were \$31.5 million for the six months ended June 30, 2004 as compared to \$29.0 million for the six months ended June 30, 2003. For the six months ended June 30, 2004, slot machine revenue was \$28.2 million, or 89.6% of its casino revenues, and table game revenues were \$1.6 million, or 5.1% of casino revenues. For the six months ended June 30, 2003, at Arizona Charlie's Decatur slot machine revenue was 90.7% of casino revenues and table game revenues

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were 5.0% of casino revenues. Average win per slot machine per day at Arizona Charlie's Decatur increased from \$104.52 for the six months ended June 30, 2003 to \$123.76 for the six months ended June 30, 2004 due to a 3.3% decrease in the number of units compared to the prior year period combined with an increase in floor traffic.

Casino revenues at Arizona Charlie's Boulder for the six months ended June 30, 2004 were \$14.8 million, an increase of \$3.6 million as compared to \$11.3 million for the six months ended June 30, 2003. Slot revenues were \$13.2 million, or 88.6% of its casino revenues and table game revenues were \$1.1 million or 7.5% of its casino revenues for the six months ended June 30, 2004 as compared to \$10.0 million and \$1.1 million, respectively, for the six months ended June 30, 2003. Average win per slot machine per day for the six months ended June 30, 2004 was \$106.22, as compared to \$76.95 for the prior year period due to an increase in floor traffic.

NON-CASINO REVENUES

Hotel revenues for the six months ended June 30, 2004 were \$27.7 million or 17.3% of total revenues. This represented an increase of \$4.2 million, or 17.6% from hotel revenues for the six months ended June 30, 2003. Hotel revenues at the Stratosphere totaled \$23.4 million for the six months ended June 30, 2004 as compared to \$20.2 million for the six months ended June 30, 2003, an increase of 16.1%. Stratosphere hotel occupancy during the period was 92.4%, as compared to 88.1% for the six months ended June 30, 2003. Average daily room rate, or ADR, for the Stratosphere, increased from \$51.78 for the six months ended June

30, 2003 to \$57.03 for the six months ended June 30, 2004 due to an increase in room demand. Hotel revenues at Arizona Charlie's Decatur totaled \$2.1 million for the six months ended June 30, 2004, an increase of \$0.4 million, or 23.6%, from hotel revenues for the six months ended June 30, 2003. Occupancy increased from 85.0% for the six months ended June 30, 2003 to 90.8% for the six months ended June 30, 2004. Average daily rate for Arizona Charlie's Decatur increased for the six months ended June 30, 2004 by 15.2% to \$49.55. Hotel revenues at Arizona Charlie's Boulder increased \$0.5 million, or 29.2% to \$2.2 million for the six months ended June 30, 2004. Occupancy increased from 51.8% for the six months ended June 30, 2003 to 62.8% for the six months ended June 30, 2004. Average daily rate at Arizona Charlie's Boulder increased for the six months ended June 30, 2004 by 14.7% to \$48.44.

Food and beverage revenues for the six months ended June 30, 2004 totaled \$33.4 million, or 20.9% of total revenues, as compared to \$29.8 million and 21.0% of total revenues for the six months ended June 30, 2003. Food and beverage revenues at the Stratosphere increased 10.4% from \$21.1 million for the six months ended June 30, 2003 to \$23.3 million for the six months ended June 30, 2004. This was due to a 4.7% increase in food covers and price increases at several venues at the Stratosphere. Food and beverage revenues at Arizona Charlie's Decatur increased 18.0% to \$6.1 million for the six months ended June 30, 2004. This increase was due to a 7.7% increase in covers and increased prices. Food and beverage revenues at Arizona Charlie's Boulder increased \$0.4 million, or 12.5% to \$4.0 million for the six months ended June 30, 2004.

Tower, retail and other revenues increased \$2.0 million, or 14.0% for the six months ended June 30, 2004. Tower, retail and other revenues at Stratosphere increased 13.0%, from \$13.2 million in the six months ended June 30, 2003 to \$14.9 million for the six months ended June 30, 2004. Tower revenue increased \$1.8 million, primarily due to the opening of our new thrill ride. Other operations decreased by \$0.1 million due to less entertainment revenue. Retail and other revenues at Arizona Charlie's Decatur increased \$0.2 million to \$1.2 million and retail and other revenues at Arizona Charlie's Boulder increased \$0.1 million to \$0.5 million for the six months ended June 30, 2004.

PROMOTIONAL ALLOWANCES

Promotional allowances represent the retail value of rooms, food and beverage, and other items that are provided to customers on a complimentary basis. Promotional allowances for the six months ended June 30, 2004 totaled \$11.7 million, or 7.3% of gross revenues, as compared to \$11.4 million, or 8.0% of gross revenues for the six months ended June 30, 2003. Promotional allowances at the Stratosphere were

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\$6.0 million, or 6.2% of its gross revenues, for the six months ended June 30, 2004, a decrease of 8.5% from \$6.6 million, or 7.5% of its gross revenues for the six months ended June 30, 2003. This decrease was due primarily to less aggressive promotional policies. Promotional policies at Arizona Charlie's Decatur were more aggressive for the six months ended June 30, 2004 with an increase of \$0.5 million to \$3.6 million in allowances, or 8.8% of its gross revenues as compared to 8.3% of its gross revenues for the six months ended June 30, 2003. Promotional allowances for the six months ended June 30, 2004 at Arizona Charlie's Boulder were \$2.1 million, or 9.9% of gross revenues, as compared to 10.4% for the six months ended June 30, 2003.

OPERATING EXPENSES

Casino expense for the six months ended June 30, 2004 totaled \$31.2 million or 37.8% of total casino revenues as compared to \$30.6 million, or 41.4% of total casino revenues, for the six months ended June 30, 2003. Casino operating expenses were primarily comprised of salaries, wages and benefits, and operating expenses of the casinos. Casino operating expenses at the Stratosphere were \$15.0 million, or 41.5% of its casino revenues, for the six months ended June 30, 2004 as compared to \$14.8 million, or 43.7% of its casino revenues, for the six months ended June 30, 2003. This increase of \$0.2 million, or 1.4%, in casino operating expenses is due primarily to increased revenue taxes relating to higher gaming revenues. Casino expenses at Arizona Charlie's Decatur decreased \$0.1 million, or 1.7% of its casino revenues for the six months ended June 30, 2004. Casino expenses at Arizona Charlie's Boulder increased \$0.5 million, or 7.9%, but were only 42.0% of its casino revenues for the six months ended June 30, 2004 as compared to 51.3% of casino revenues for the six months ended June 30, 2003. This is primarily due to a reduction in the cost of

employee benefits.

Selling, general and administrative expenses decreased \$0.5 million or 1.2% for the six months ended June 30, 2004. Selling, general and administrative expenses at the Stratosphere were \$22.7 million, or 23.3% of its gross revenues, for the six months ended June 30, 2004 as compared to \$22.3 million, or 25.3% of its gross revenues, for the six months ended June 30, 2003. This decrease of \$0.4 million, or 1.8%, in selling, general and administrative expenses was due primarily to a decrease in complimentaries. Selling, general and administrative expenses at Arizona Charlie's Decatur were \$9.1 million, or 22.3% of its gross revenues for the six months ended June 30, 2004 as compared to \$9.4 million, or 25.4% of its gross revenues for the six months ended June 30, 2003. Selling, general and administrative expenses at Arizona Charlie's Boulder totaled \$5.5 million, or 25.4% of gross revenues for the six months ended June 30, 2004 as compared to \$6.1 million or 35.9% of gross revenues, for the six months ended June 30, 2003.

INCOME FROM OPERATIONS

Income from operations for the six months ended June 30, 2004 was \$25.8 million, an increase of \$13.9 million, or 116.9% from the six months ended June 30, 2003. Income from operations at the Stratosphere for the six months ended June 30, 2004 was \$15.6 million as compared to \$8.0 million for the six months ended June 30, 2003. This increase of \$7.6 million, or 94.4%, was due to increased revenues and cost containment programs. Income from operations at Arizona Charlie's Decatur for the six months ended June 30, 2004 was \$8.5 million as compared to \$6.8 million for the six months ended June 30, 2003. This increase of \$1.7 million, or 24.8%, was due to increased slot revenues. Income from operations at Arizona Charlie's Boulder for the six months ended June 30, 2004 was \$1.7 million as compared to a loss of \$2.9 million for the six months ended June 30, 2003. This increase was primarily due to increased slot revenues and reduced selling, general, and administrative expenses.

QUARTER ENDED JUNE 30, 2004 COMPARED TO QUARTER ENDED JUNE 30, 2003

Gross revenues for the quarter ended June 30, 2004 were \$78.9 million, an increase of \$8.6 million, or 12.2% over the quarter ended June 30, 2003. Gross revenues at the Stratosphere for the quarter ended June 30, 2004 were \$48.6 million, or 61.6% of gross revenues, an increase of \$4.4 million as compared to revenues for the quarter ended June 30, 2003. Promotional allowances decreased 16.4% resulting in an increase in net revenues of \$5.0 million or 12.1%. Gross revenues at Arizona Charlie's Decatur for the quarter ended June 30, 2004 were \$19.9 million, or 25.2% of gross revenues, an increase of

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\$1.9 million, or 10.6%, as compared to the prior year period. This increase was primarily due to an increase in casino revenues for the quarter ended June 30, 2004 compared to the quarter ended June 30, 2003. Gross revenues at Arizona Charlie's Boulder were \$10.4 million, or 13.2% of revenues, an increase of \$2.2 million, or 27.1% over the prior year period. This increase was primarily due to an increase in slot revenues.

CASINO REVENUES

Casino revenues during the quarter ended June 30, 2004 totaled \$39.8 million, or 50.4% of total revenues. This in an increase of \$3.7 million, or 10.1%, as compared to the quarter ending June 30, 2003. Slot machine revenues were \$32.7 million, or 82.2% of total casino revenues, and table game revenues were \$5.9 million, or 14.8% of casino revenues for the quarter ended June 30, 2004 as compared to slot machine revenues of \$29.9 million and table game revenues of \$5.4 million for the quarter ended June 30, 2003.

Casino revenues at the Stratosphere for the quarter ended June 30, 2004 were \$17.3 million, an increase of \$1.0 million, or 5.8%, over the quarter ended June 30, 2003, of which slot machine revenues were \$12.3 million, or 71.3% of its casino revenues, and table game revenues were \$4.7 million, or 27.1% of its casino revenues. For the quarter ended June 30, 2003, Stratosphere had slot machine revenues of \$11.7 million and table game revenues of \$4.3 million. Average win per slot machine per day at Stratosphere for the quarter ended June 30, 2004 was \$99.38 as compared to \$89.98 for the quarter ended June 30, 2003. This was due to an increase in floor traffic.

Casino revenues at Arizona Charlie's Decatur were \$15.3 million for the

quarter ended June 30, 2004 as compared to \$14.2 million for the quarter ended June 30, 2003. For the quarter ended June 30, 2004, slot machine revenue was \$13.8 million, or 90.5% of its casino revenues, and table game revenues were \$0.7 million, or 4.5% of casino revenues. For the quarter ended June 30, 2003, at Arizona Charlie's Decatur slot machine revenue was 92.0% of casino revenues and table game revenues were 4.6% of casino revenues. Average win per slot machine per day at Arizona Charlie's Decatur increased from \$103.76 for the quarter ended June 30, 2003 to \$121.56 for the quarter ended June 30, 2004.

Casino revenues at Arizona Charlie's Boulder for the quarter ended June 30, 2004 were \$7.2 million, an increase of \$1.6 million as compared to \$5.5 million the quarter ended June 30, 2003. Slot revenues were \$6.5 million, or 90.9% of its casino revenues and table game revenues were \$0.5 million or 6.9% of its casino revenues for the quarter ended June 30, 2004 as compared to \$5.1 million and \$0.5 million, respectively, for the quarter ended June 30, 2003. Average win per slot machine per day for the quarter ended June 30, 2004 was \$107.02, as compared to \$75.84 the prior year due to an increase in floor traffic.

NON-CASINO REVENUES

Hotel revenues for the quarter ended June 30, 2004 were \$13.8 million or 17.5% of total revenues. This represented an increase of \$2.2 million, or 19.0%, from hotel revenues for the quarter ended June 30, 2003. Hotel revenues at the Stratosphere totaled \$11.8 million for the quarter ended June 30, 2004 as compared to \$10.0 million for the quarter ended June 30, 2003, an increase of 17.4%. Stratosphere hotel occupancy during the period was 94.7%, as compared to 87.3% for the quarter ended June 30, 2003. Average daily room rate, or ADR, increased from \$51.66 for the quarter ended June 30, 2003 to \$55.92 for the quarter ended June 30, 2004 due to an increase in room demand. Hotel revenues at Arizona Charlie's Decatur totaled \$1.0 million for the quarter ended June 30, 2004, an increase of \$0.2 million or 24.8% from hotel revenues for the quarter ended June 30, 2003. Occupancy increased from 81.5% for the quarter ended June 30, 2003 to 88.9% for the quarter ended June 30, 2004. Average daily rate increased for the quarter ended June 30, 2004 by 14.5% to \$50.19. Hotel revenues at Arizona Charlie's Boulder increased \$0.3 million, or 34.6% to \$1.0 million for the quarter ended June 30, 2004. Occupancy increased from 46.7% for the quarter ended June 30, 2003 to 57.7% for the quarter ended June 30, 2004. Average daily rate increased for the quarter ended June 30, 2004 by 20.0% to \$50.47.

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Food and beverage revenues for the quarter ended June 30, 2004 totaled \$16.7 million or 21.2% of total revenues, as compared to \$14.7 million and 21.0% for the quarter ended June 30, 2003. Food and beverage revenues at the Stratosphere increased 10.3% from \$10.6 million for the quarter ended June 30, 2003 to \$11.7 million for the quarter ended June 30, 2004. This was due to a 7.8% increase in food covers and price increases at several venues. Food and beverage revenues at Arizona Charlie's Decatur increased 24.8% to \$3.0 million for the quarter ended June 30, 2004. This increase was due to a 12.5% increase in covers and increased prices. Food and beverage revenues at Arizona Charlie's Boulder increased \$0.3 million, or 16.5% to \$1.9 million for the quarter ended June 30, 2004.

Tower, retail and other revenues increased \$0.7 million, or 9.4% for the quarter ended June 30, 2004. Tower, retail and other revenues at Stratosphere increased 9.0%, from \$7.1 million in the quarter ended June 30, 2003 to \$7.8 million for the quarter ended June 30, 2004. Tower revenue increased \$1.0 million, primarily due to the opening of our new thrill ride. Other operations decreased by \$0.3 million due to less entertainment revenue. Retail and other revenues at Arizona Charlie's Decatur remained flat at \$0.5 million and retail and other revenues at Arizona Charlie's Boulder remained flat at \$0.3 million for the quarter ended June 30, 2004.

PROMOTIONAL ALLOWANCES

Promotional allowances represent the retail value of rooms, food and beverage, and other items that are provided to customers on a complimentary basis. Promotional allowances for the quarter ended June 30, 2004 totaled \$5.6 million or 7.1% of gross revenues as compared to \$5.6 million, or 7.9% for the quarter ended June 30, 2003. Promotional allowances at the Stratosphere were \$2.7 million, or 5.5% of its gross revenues, for the quarter ended June 30, 2004, a decrease of 16.4% from \$3.2 million, or 7.3% of its gross revenues for the quarter ended June 30, 2003. This decrease was due primarily to less

aggressive promotional policies. Promotional policies at Arizona Charlie's Decatur were more aggressive for the quarter ended June 30, 2004 with an increase of \$3 million to \$1.8 million in allowances, 9.2% of its gross revenues as compared to 8.4% for the quarter ended June 30, 2003. Promotional allowances for the quarter ended June 30, 2004 at Arizona Charlie's Boulder were \$1.1 million, or 10.2% of gross revenues as compared to 10.1% for the quarter ended June 30, 2003.

OPERATING EXPENSES

Casino expense for the quarter ended June 30, 2004 totaled \$15.5 million, or 38.9% of total casino revenues as compared to \$15.2 million, or 42.1% of revenues, for the quarter ended June 30, 2003. Casino operating expenses were primarily comprised of salaries, wages and benefits, and operating expenses of the casinos. Casino operating expenses at the Stratosphere were \$7.3 million, or 42.1% of its casino revenues, for the quarter ended June 30, 2004 as compared to \$7.2 million, or 43.9% of its casino revenues, for the quarter ended June 30, 2003. This increase of \$.1 million or 1.6% in casino operating expenses is due primarily to increased revenue taxes relating to higher gaming revenues. Casino expenses at Arizona Charlie's Decatur decreased \$.2 million, or 3.2% for the quarter ended June 30, 2004. Casino expenses at Arizona Charlie's Boulder increased \$.3 million or 10.3% but were only 44.7% of its casino revenues for the quarter ended June 30, 2004 as compared to 52.6% for the quarter ended June 30, 2003. This is primarily due to a reduction in the cost of employee benefits.

Selling, general and administrative expenses remained flat at \$19.1 million for the quarter ended June 30, 2004. Selling, general and administrative expenses at the Stratosphere were \$11.7 million, or 24.1% of its gross revenues, for the quarter ended June 30, 2004 as compared to \$11.8 million, or 26.8% of its gross revenues, for the quarter ended June 30, 2003. This decrease of \$.1 million or 1.1% in operating expenses was due primarily to a decrease in complimentary. Selling, general and administrative expenses at Arizona Charlie's Decatur were \$4.7 million, or 23.5% of its gross revenues for the quarter ended June 30, 2004 as compared to \$4.5 million, or 25.1% of its gross revenues for the quarter ended June 30, 2003. Selling, general and administrative expenses at Arizona Charlie's Boulder totaled \$2.8 million, or 26.5% of gross revenues for the quarter ended June 30, 2004 as compared to \$2.8 million or 34.1% of gross revenues, for the quarter ended June 30, 2003.

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INCOME FROM OPERATIONS

Income from operations for the quarter ended June 30, 2004 was \$10.9 million, an increase of \$6.0 million, or 123.9% from the quarter ended June 30, 2003. Income from operations at the Stratosphere for the quarter ended June 30, 2004 was \$7.3 million as compared to \$3.4 million for the quarter ended June 30, 2003. This increase of \$3.8 million or 111.5% was due to increased revenues and cost containment programs. Income from operations at Arizona Charlie's Decatur for the quarter ended June 30, 2004 was \$3.3 million as compared to \$3.1 million for the quarter ended June 30, 2003. This increase of \$0.2 million or 5.2% was due to increased slot revenues. Income from operations at Arizona Charlie's Boulder for the quarter ended June 30, 2004 was \$0.3 million as compared to a loss of \$1.7 million the quarter ended June 30, 2003. This increase was primarily due to increased slot revenues and reduced selling, general and administrative expenses.

LIQUIDITY AND CAPITAL RESOURCES

We completed the acquisitions of three Las Vegas, Nevada gaming and entertainment properties from affiliated parties on May 26, 2004. We applied the net proceeds from the offering of our \$215 million principal amount of 7.85% senior secured notes due 2012 to pay the acquisition price for two of the properties, repay indebtedness owed to our parent, to make a distribution to our parent and to pay fees and expenses of the offering.

Pending consummation of the acquisitions, the perfection of security interests in the assets of the properties acquired, the receipt of all necessary approvals of the Nevada Gaming Commission upon the recommendation of the Nevada State Gaming Control Board and certain other events, the net proceeds of the offering, were held in escrow in a note proceeds account, together with an additional amount sufficient to fund a special redemption obligation if, among other things, the acquisitions were not completed by August 31, 2004. Upon closing of the acquisitions, perfection of such security interests, receipt of

necessary approvals of the Nevada Gaming Commission upon the recommendation of the Nevada State Gaming Control Board and such other events, the funds held in escrow in the note proceeds account and additional cash on hand were used in connection with the acquisitions, to repay intercompany indebtedness, to fund distribution to our parent company and to pay related fees and expenses.

At June 30, 2004, we had cash and cash equivalents of \$49.2 million. Upon the release of funds from the escrow account, we retained an amount equal to accrued interest through the date of release, May 26, 2004, plus an amount equal to estimated unpaid fees and expenses related to the notes offering. Our capital expenditures for 2003 were \$33.5 million. We currently anticipate capital expenditures for 2004 and 2005 to be approximately \$15.0 million for each year.

We expect to fund our operating and capital needs, as currently contemplated, with operating cash flows and, if necessary, borrowings under our senior secured revolving credit facility entered into by American Casino & Entertainment Properties LLC, as borrower, and certain of its subsidiaries, as guarantors. The senior secured revolving credit facility allows for borrowings of up to \$20.0 million, subject to us complying with financial and other covenants, until January 29, 2008.

We met our capital requirements in 2003 through net cash from operating activities. For the six months ended June 30, 2004, net cash provided by operating activities totaled approximately \$24.1 million and cash used for investing activities totaled \$5.2 million, compared to approximately \$22.2 million provided by operating activities and \$4.8 million used in investing activities for the six months ended June 30, 2003.

Management believes borrowings available under the senior secured revolving credit facility and operating cash flows will be adequate to meet our anticipated future requirements for working capital, capital expenditures and scheduled interest payments on the notes and under the senior secured revolving credit facility, lease payments and other permitted indebtedness at least through the next twelve months. Although no additional financing is currently contemplated, we will seek, if necessary and to the extent permitted under the indenture governing the notes and the terms of the senior secured revolving credit

facility, additional financing through bank borrowings or debt or equity financings. However, additional financing, if needed, may not be available to us, or if available, the financing may not be on terms favorable to us. Our estimates of our reasonably anticipated liquidity needs may not be accurate and new business developments or other unforeseen events may occur, resulting in the need to raise additional funds.

The following table summarizes contractual obligations and commitments to make future payments under certain contracts, including long-term debt obligations, and operating leases at June 30, 2004.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS	PAYMENTS DUE BY PERIOD					
	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	4-5 YEARS	AFTER 5 YEARS	
		(IN THOUSANDS)				
Long-term debt	\$215,000	\$ --	\$ --	\$ --	\$215,000	
Capital leases	11,358	665	1,995	1,288	7,362	
Total cash obligations	\$226,358	\$ 665	\$ 1,995	\$ 1,337	\$222,362	

QUALITATIVE AND QUANTITATIVE INFORMATION ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. Our primary exposure to market risk is interest rate risk associated with our long-term debt.

As of March 31, 2004, Stratosphere had an intercompany note payable to AREH of \$76.3 million, which bore interest at a rate of 90-day LIBOR plus a spread of 3.0%. Upon the closing of the acquisitions, we repaid this note. All of our debt is at a fixed rate of interest. We can borrow, from time to time, up to \$20.0 million under the senior secured revolving credit facility for working capital purposes. At March 31, 2004, we could not borrow under the facility, pending completion of the acquisitions. At June 30, 2004, there was not any amount outstanding under the facility.

The fair value of our long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to us for debt of the same remaining maturities. Based on the borrowing rates currently available to us for debt with similar terms and average maturities, the estimated fair value of long-term debt outstanding is approximately \$219 million as of June 30, 2004.

We do not invest in derivative financial instruments, interest rate swaps or other investments that alter interest rate exposure.

FORWARD-LOOKING STATEMENTS

We are including the following cautionary statement in this report to make applicable and to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for any forward-looking statements made by, or on behalf of us. With the exception of historical matters, the matters discussed in this report are forward looking statements. Forward-looking statements may relate to, among other things, future performance generally, business development activities, future capital expenditures, financing sources and availability and the effects of regulation and competition. When we use the words "believe," "intend," "expect," "may," "will," "should," "anticipate," "could," "estimate," "plan," "predict," "project," or their negatives, or other similar expressions, the statements which include those words are usually forward-looking statements. When we describe strategy that involves risks or uncertainties, we are making forward-looking statements.

We warn you that forward-looking statements are only predictions. Actual events or results may differ as a result of risks that we face, including those set forth in the section of American Casino & Entertainment Properties LLC and American Casino & Entertainment Properties Finance Corp.'s Form S-4 filed with the Securities and Exchange Commission on August 12, 2004, and any pre-effective and post-

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effective amendments filed, thereto. These risks, uncertainties and contingencies include, but are not limited to, the following:

- We face substantial competition in the hotel and casino industry.
- We compete with the continued growth of gaming on Native American tribal lands, particularly in California.
- The existence of legalized gambling in other jurisdictions may reduce the number of visitors to Las Vegas.
- The gaming industry is highly regulated and the Nevada gaming authorities and state and municipal licensing authorities have significant control over our operations.
- Potential changes in the tax or regulatory environment could increase our expenses and reduce our cash flow.
- Economic downturns, terrorism and the uncertainty of war, as well as other factors affecting discretionary consumer spending, could reduce the number of our visitors or the amount of money visitors spend at our casinos.
- Our properties rely exclusively on the Las Vegas economic market, and changes adversely impacting that market could reduce our revenue and cash flow.
- Our properties use significant amounts of electricity, natural gas and other forms of energy, and energy price increases may reduce our working capital.

- Our properties use significant amounts of water and a water shortage may adversely affect our operations.
- The loss of management and other key personnel could significantly harm our business, and the quality of individuals hired for positions in the hotel and gaming operations will be critical to the success of our business.
- The opening of the Las Vegas Monorail may divert customers from our properties to other competitors whose properties are more conveniently accessed by the monorail system.
- An increase in the cost of health care benefits could have a negative impact on our profitability.
- We may incur higher costs or work slow-downs or stoppages due to union activities in Las Vegas.
- Our stockholder and its control person could exercise its influence over us to your detriment.
- We are heavily dependent on the Stratosphere for a large percentage of our operating cash flow and Arizona Charlie's Boulder has a history of negative operating cash flow.
- Our reliance on slot machine revenues and the concentration of manufacturing of slot machines in certain companies could impose additional costs on us.
- We may be subject to the pension liabilities of our affiliates.

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- Our insurance coverage may not be adequate to cover all possible losses that the Stratosphere, Arizona Charlie's Decatur and Arizona Charlie's Boulder could suffer. In addition, our insurance costs may increase and we may not be able to obtain the same insurance coverage in the future.
- Our substantial indebtedness could reduce our cash flow and prevent us from fulfilling our obligations under the notes.
- Despite current indebtedness levels, we and our subsidiaries may still be able to incur substantially more debt. This could further exacerbate the risks associated with our substantial leverage.
- The terms of the senior secured revolving credit facility and other agreements we may enter into may restrict our current and future operations, particularly our ability to respond to changes or to take some actions.
- Our failure to comply with the covenants contained in the senior secured revolving credit facility, the indenture governing the notes or any other agreement governing our first-priority lien debt, including our failure as a result of events beyond our control, could result in an event of default, which would materially and adversely affect our financial condition.
- To service our indebtedness, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.
- We may not have the ability to raise the funds necessary to finance the change of control offer required by the indenture.

Forward-looking statements speak only as of the date they were made and we undertake no obligation to update them.

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