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

August 6, 2004
Date of Report (Date of earliest event reported)

American Real Estate Partners, L.P.
(Exact name of registrant as specified in its charter)

Delaware	1-9516	13-3398766
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

100 South Bedford Road
Mt. Kisco, NY 10549
(Address of principal executive offices including zip code)

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

Not applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01. Other Events.

As a result of the reclassification of certain real estate to properties held for sale during the first quarter of 2004 and in connection with the recent filing of a Form S-4, we have reclassified the income and expenses of such properties to discontinued operations for the first quarter of 2004 and for prior periods. These reclassifications had no effect on our reported net income or net income per limited partnership unit. Accordingly, we are providing updated information for the following: Selected Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations, Financial Statements and Exhibits, Financial Statement Schedules and Reports on Form 8-K for the periods contained in our Annual Report on Form 10-K for the year ended December 31, 2003 ("Form 10-K"). All other items of the Form 10-K remain unchanged.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits.

31.1 Certification of Chief Executive Officer--pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002

31.2 Certification of Chief Financial Officer--pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002

32.1 Certification of Principal Executive Officer--pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification of Principal Financial Officer--pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

99.1 Item 6. Selected Financial Data of Form 10-K.

99.2 Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of Form 10-K.

99.3 Item 8. Financial Statements of Form 10-K.

99.4 Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K of Form 10-K.

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.

By: American Property Investors, Inc.,
the general partner of American Real
Estate Partners, L.P.

By: /s/ John P. Saldarelli

John P. Saldarelli
Treasurer, Chief Financial Officer
and Principal Accounting Officer

Dated: August 30, 2004

Exhibit Index

Exhibit No.	Description
31.1	Certification of Chief Executive Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer--pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002
32.1	Certification of Principal Executive Officer--pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
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99.3	Item 8. Financial Statements of Form 10-K.
99.4	Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K of Form 10-K.

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

PURSUANT TO 18 U.S.C. 1350
SECTION 302(A) OF THE SARBANES-OXLEY ACT OF 2002

I, Keith A. Meister certify that:

1. I have reviewed this Current Report on Form 8-K of American Real Estate Partners, L.P. (the "Report");

2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Report;

4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;

b) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation and;

c) disclosed in this Report any changes in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

/s/ KEITH A. MEISTER

KEITH A. MEISTER
PRESIDENT AND CHIEF EXECUTIVE OFFICER OF
AMERICAN PROPERTY INVESTORS, INC.,
THE GENERAL PARTNER OF
AMERICAN REAL ESTATE PARTNERS, L.P.

Date: August 30, 2004

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

PURSUANT TO
SECTION 302(A) OF THE SARBANES-OXLEY ACT OF 2002

I, John P. Saldarelli, certify that:

1. I have reviewed this Current Report on Form 8-K of American Real Estate Partners, L.P. (the "Report");

2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Report;

4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;

b) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation and;

c) disclosed in this Report any changes in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

/s/ JOHN P. SALDARELLI

JOHN P. SALDARELLI
TREASURER AND CHIEF FINANCIAL OFFICER OF
AMERICAN PROPERTY INVESTORS, INC.,
THE GENERAL PARTNER OF
AMERICAN REAL ESTATE PARTNERS, L.P.

Date: August 30, 2004

EXHIBIT 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Keith A. Meister, President and Chief Executive Officer (Principal Executive Officer) of American Property Investors, Inc., the General Partner of American Real Estate Partners, L.P. (the "Registrant"), certify that to the best of my knowledge, based upon a review of the Current Report of the Registrant on Form 8-K as filed with the Securities and Exchange Commission on the date hereof (the "Report"):

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ KEITH A. MEISTER

KEITH A. MEISTER
PRESIDENT AND CHIEF EXECUTIVE OFFICER OF
AMERICAN PROPERTY INVESTORS, INC.,
THE GENERAL PARTNER OF
AMERICAN REAL ESTATE PARTNERS, L.P.

Date: August 30, 2004

EXHIBIT 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, John P. Saldarelli, Treasurer and Chief Financial Officer (Principal Financial Officer) of American Property Investors, Inc., the General Partner of American Real Estate Partners, L.P. (the "Registrant"), certify that to the best of my knowledge, based upon a review of the Current Report of the Registrant on Form 8-K as filed with the Securities and Exchange Commission on the date hereof (the "Report"):

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ JOHN P. SALDARELLI

JOHN P. SALDARELLI
TREASURER AND CHIEF FINANCIAL OFFICER
AMERICAN PROPERTY INVESTORS, INC.,
THE GENERAL PARTNER OF
AMERICAN REAL ESTATE PARTNERS, L.P.

Date: August 30, 2004

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Exhibit 99.1

ITEM 6. SELECTED FINANCIAL DATA

	YEAR ENDED DECEMBER 31,				
	2003	2002	2001	2000	1999
	(IN THOUSANDS)				
OPERATING DATA:					
Total revenues	$ 276,556	$ 346,380	$ 322,322	$ 294,267	$ 279,489
Operating income	$ 62,891	$ 83,730	$ 63,788	$ 65,802	$ 65,369
Other gains and (losses):					
Provision for loss on real estate	(750)	(3,212)	(3,184)	(1,351)	(1,946)
Gain on sale of marketable equity and debt securities	2,607	--	6,749	--	28,590
Write-down of equity securities available for sale	(961)	(8,476)	--	--	--
Write-down of mortgages and notes receivable	(18,798)	--	--	--	--
Gain on sales and disposition of real estate	7,121	8,990	1,737	6,763	13,971
(Loss) gain on limited partnership interests	--	(3,750)	--	3,461	--
Minority interest in net earnings of Stratosphere Corporation	--	(1,943)	(450)	(2,747)	(1,002)
Income from continuing operations before income taxes	52,110	75,339	68,640	71,928	104,982
Income tax benefit (expense)	6,495	(7,480)	30,077	(2,533)	(775)
Income from continuing operations	58,605	67,859	98,717	69,395	104,207
Discontinued operations:					
Income from discontinued operations	6,139	6,007	6,117	5,755	3,522
Gain on sales and disposition of real estate	3,353	--	--	--	--
Income from discontinued operations	9,492	6,007	6,117	5,755	3,522
Net earnings	$ 68,097	$ 73,866	$ 104,834	$ 75,150	$ 107,729

(IN $000'S EXCEPT PER UNIT AMOUNTS)

	YEAR ENDED DECEMBER 31,				
	2003	2002	2001	2000	1999
Net Earnings attributable to: (see note below)					
Limited partners	$ 59,360	$ 63,168	$ 66,190	$ 72,225	$ 93,909
General Partner	8,737	10,698	38,644	2,925	13,820
Net Earnings	$ 68,097	$ 73,866	$ 104,834	$ 75,150	$ 107,729
Net earnings per limited partnership unit:					
Basic earnings:					
Income from continuing operations	$ 1.03	$ 1.15	$ 1.21	$ 1.36	$ 1.88
Income from discontinued operations	0.20	0.12	0.13	0.12	0.07
Basic earnings per LP Unit	$ 1.23	$ 1.27	$ 1.34	$ 1.48	$ 1.95
Weighted average limited partnership units outstanding	46,098,284	46,098,284	46,098,284	46,098,284	46,098,284
Diluted earnings:					
Income from continuing operations	$ 0.96	$ 1.02	$ 1.09	$ 1.19	$ 1.61
Income from discontinued operations	0.17	0.10	0.10	0.10	0.06
Diluted earnings per LP unit	$ 1.13	$ 1.12	$ 1.19	$ 1.29	$ 1.67
Weighted average limited partnership units and equivalent partnership units outstanding	54,489,943	56,466,698	55,599,112	56,157,079	56,078,394

Note: Earnings of National Energy Group, Inc. (October 2003) and Bayswater (March 2000), prior to their acquisitions by the Company have been allocated to the General Partner

At year end:					
Real estate leased to others	$ 213,799	$ 359,700	$ 358,597	$ 379,396	$ 375,268
Properties held for sale	128,813	4,300	--	--	--
Hotel, casino and resort operating properties	215,775	215,775	228,181	185,253	141,829
U.S. Government and agency obligations	61,573	336,051	313,641	475,267	468,529
Cash and cash equivalents	467,704	54,871	64,105	147,705	142,697
Note receivable due from affiliate	--	250,000	250,000	--	--
Marketable equity and debt securities	80,522	26,728	35,253	54,736	67,397
Mortgages and notes receivable	50,328	56,216	35,529	19,946	10,955
Investment in NEG Holdings LLC	69,346	108,880	97,654	--	--
Equity interest in GB Holdings, Inc.	30,854	37,280	39,936	38,359	--
Land and construction-in-progress	43,459	40,415	69,429	75,952	99,252
Deferred tax asset	82,450	25,522	30,589	--	--
Total assets	1,489,930	1,560,476	1,584,351	1,422,987	1,364,861
Mortgages payable	180,969	171,848	166,808	182,049	179,387
Due to affiliate	--	--	68,805	77,521	--
Senior notes-Due affiliate	--	148,637	148,637	--	--
Liability for Preferred Limited Partnership Units	101,649	--	--	--	--
Minority interest	--	--	67,433	64,907	66,307
Partners' Equity	1,153,448	1,130,176	1,018,224	1,042,725	1,029,308

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

We are a diversified holding company engaged in a variety of businesses. Our primary business strategy is to seek to acquire undervalued assets and companies that are distressed or out of favor. Our businesses currently include rental real estate; real estate development; hotel and resort operations; hotel and casino operations; investments in equity and debt securities; and oil and gas exploration and production. We intend to continue to invest in our core businesses, including real estate, gaming and entertainment, and oil and gas. We may also seek opportunities in other sectors, including energy, industrial manufacturing and insurance and asset management.

To capitalize on favorable real estate market conditions and the mature nature of our commercial real estate portfolio, we are offering for sale our rental real estate portfolio. No assurance can be given that either the attempt to market our real estate portfolio will be successful or that, if successful, the proceeds thereof can be used to acquire businesses and investments at prices or at projected returns which are deemed favorable.

Historically, substantially all of our real estate assets leased to others have been net-leased to single corporate tenants under long-term leases. With certain exceptions, these tenants are required to pay all expenses relating to the leased property and therefore we are not typically responsible for payment of expenses, such as maintenance, utilities, taxes and insurance associated with such properties.

Expenses relating to environmental clean-up have not had a material effect on our earnings, capital expenditures, or competitive position. We believe that substantially all such costs would be the responsibility of the tenants pursuant to lease terms. While most tenants have assumed responsibility for the environmental conditions existing on their leased property, there can be no assurance that we will not be deemed to be a responsible party or that the tenant will bear the costs of remediation. Also, as we acquire more operating properties, our exposure to environmental clean-up costs may increase. We have completed Phase I environmental site assessments on most of our properties through third-party consultants. Based on the results of these Phase I environmental site assessments, the environmental consultant has recommended that certain sites may have environmental conditions that should be further reviewed. We have notified each of the responsible tenants to attempt to ensure that they cause any required investigation and/or remediation to be performed and most tenants continue to take appropriate action. However, if the tenants fail to perform responsibilities under their leases referred to above, we could potentially be liable for these costs. Based on the limited number of Phase II environmental site assessments that have been conducted by the consultants, there can be no accurate estimation of the need for or extent of any required remediation, or the costs thereof. In addition, we have notified all tenants of the Resource Conservation and Recovery Act's, or RCRA, December 22, 1998 requirements for regulated underground storage tanks. We may, at our own cost, have to cause compliance with RCRA's requirements in connection with vacated properties, bankrupt tenants and new acquisitions. Phase I environmental site assessments will also be performed in connection with new acquisitions and with such property refinancings as we may deem necessary and appropriate. We are in the process of updating our Phase I site assessments for certain of our environmentally sensitive properties including properties with open RCRA requirements. Approximately 75 updates were completed in 2003. No additional material environmental conditions were discovered.

We have in recent years made investments in the gaming industry through our ownership of Stratosphere Casino Hotel & Tower in Las Vegas, Nevada and through our purchase of securities of the entity which owns the Sands Hotel in Atlantic City, New Jersey. One of our subsidiaries, formed for this purpose, entered into an agreement in January 2004 to acquire two Las Vegas casino/hotels, Arizona Charlie's Decatur and Arizona Charlie's Boulder from Mr. Icahn and an entity affiliated with Mr. Icahn, for an aggregate consideration of

$125.9 million. The closing of the acquisition was subject to certain conditions, including among other things, obtaining all approvals necessary under the Nevada gaming laws. Our subsidiary issued and sold debt securities aggregating $215.0 million in principal amount to finance the acquisition and the proceeds of this sale remained in escrow pending completion of the acquisition. The amount raised in excess of the acquisition cost and expenses was used to repay intercompany debt and make a distribution to us. We are considering additional gaming industry investments. These investments may include acquisitions from, or be made in conjunction with, our affiliates, provided that the terms thereof are fair and reasonable to us.

We recently made an investment in the oil and gas industry. In October 2003, we acquired and presently hold 50.01% of the outstanding equity and all of the outstanding debt securities of National Energy Group, Inc. which we acquired from an affiliate of Mr. Icahn.

RESULTS OF OPERATIONS

CALENDAR YEAR 2003 COMPARED TO CALENDAR YEAR 2002

Gross revenues decreased by $69.8 million, or 20.2%, during the year ended December 31, 2003 as compared to the year ended December 31, 2002. This decrease reflects decreases of (1) $62.8 million in land, house and condominium sales, (2) $7.8 million in interest income on U.S. government and agency obligations and other investments, (3) $3.8 million in equity in earnings of GB Holdings, Inc., (4) $2.7 million in accretion of investment in NEG Holding LLC, (5) $1.6 million in financing lease income and (6) $0.3 million in hotel and resort operating income, partially offset by increases of $7.4 million in hotel and casino operating income, $1.1 million in rental income, $0.3 million in dividend and other income and $0.3 million in NEG management fee. The decrease in land, house and condominium sales is primarily due to a decrease in the number of units sold, as the Grassy Hollow, Gracewood and Stone Ridge properties were depleted by sales. During 2003, Hammond Ridge received necessary approvals and, along with Penwood, have commenced lot sales. As a result, we expect land, house and condominium sales to moderately increase in 2004 and additional increased sales in 2005. The decrease in interest income on U.S. government and agency obligations and other investments is primarily attributable to the prepayment of the loan to Mr. Icahn in 2003 and a decline in interest rates on U.S. government and agency obligations as higher rate bonds were called in 2002. The decrease in equity in earnings of GB Holdings, Inc. is due to decreased casino revenue primarily attributable to a reduction in the number of table games as new slot machines

were added in 2002. This business strategy had a negative effect on casino operations and was changed in 2003 to focus on the mid to high-end slot customer with a balanced table game business. The decrease in accretion of investment in NEG Holding is primarily attributable to priority distributions received from NEG Holding in 2003. The decrease in financing lease income is the result of lease expirations, reclassifications of financing leases and normal financing lease amortization. The increase in hotel and casino operating income is primarily attributable to an increase in hotel, food and beverage revenues and a decrease in promotional allowances. The average daily rate, or ADR, increased $3 to $51 and percentage occupancy increased approximately 0.2% to 89.8%. The increase in rental income is primarily attributable to a property acquisition and reclassifications of financing leases to operating leases.

Expenses decreased by $49.0 million or 18.7%, during the year ended December 31, 2003 as compared to the year ended December 31, 2002. This decrease reflects decreases of $45.5 million in the cost of land, house and condominium sales, $6.7 million in interest expense, $1.4 million in hotel and resort operating expenses and $0.1 million in general and administrative expenses partially offset by increases of $3.8 million in hotel and casino operating expenses, $0.8 million in rental property expenses and $0.1 million in depreciation and amortization. The decrease in the cost of land, house and condominium sales is due to decreased sales. Costs as a percentage of sales decreased from 72% in 2002 to 69% in 2003. The decrease in interest expense is primarily due to repayment of debt by NEG and our purchase of the NEG notes in October 2003. The decrease in hotel and resort operating expenses is due to a decrease in payroll and related expenses. The increase in hotel and casino operating expenses is primarily attributable to increased costs associated with increased revenues. Costs as a percentage of sales decreased from 84% in 2002 to

83% in 2003.

Operating income decreased during the year ended December 31, 2003 by $20.8 million compared to the year ended December 31, 2002 as detailed above.

Earnings from land, house and condominium operations decreased significantly in the year ended December 31, 2003 compared to the year ended December 31, 2002 due to a decline in inventory of completed units available for sale. Based on current information, sales will increase moderately during 2004. However, municipal approval of land inventory or the purchase of approved land is required to continue this upward trend into 2005 and beyond.

Earnings from hotel, casino and resort properties could be constrained by recessionary pressures, international tensions and competition.

Gain on property transactions from continuing operations decreased by $1.9 million during the year ended December 31, 2003 as compared to the year ended December 31, 2002 due to the size and number of transactions.

A provision for loss on real estate of $0.8 million was recorded in the year ended December 31, 2003 as compared to $3.2 million in 2002. In 2002, there were more properties vacated due to tenant bankruptcies than in 2003.

A write-down of marketable equity securities available for sale of $1.0 million was recorded in the year ended December 31, 2003 as compared to a write-down of $8.5 million in 2002. These write-downs relate to our investment in Philip Services Corp. which filed for bankruptcy protection in June 2003.

A write-down of mortgages and notes receivable of $18.8 million, pertaining to our investment in the Philip notes, was recorded in the year ended December 31, 2003. There was no such write-down in the year ended December 31, 2002. In 2003, we reviewed Philip's financial statements and other data and determined this investment to be impaired.

A write-down of a limited partnership investment of $3.8 million was recorded in the year ended December 31, 2002. There was no such write-down in 2003.

A gain on sale of marketable equity securities of $2.6 million was recorded in the year ended December 31, 2003. There was no such gain in 2002.

Minority interest in the net earnings of Stratosphere Corporation was $1.9 million during the year ended

December 31, 2002. As a result of the acquisition of the minority interest in December 2002, there was no minority interest in Stratosphere in 2003 and none thereafter.

Income from continuing operations before income taxes decreased by $23.2 million in the year ended December 31, 2003 as compared to the year ended December 31, 2002 as detailed above.

An income tax benefit of $6.5 million was recorded in the year ended December 31, 2003 as compared to an expense of $7.5 million in 2002. The effective tax rate on earnings of taxable subsidiaries was positively affected in 2003 by a reduction in the valuation allowance in deferred tax assets. We expect our effective tax rate on earnings of taxable subsidiaries to increase significantly in 2004.

Income from continuing operations decreased by $9.3 million in the year ended December 31, 2003 as compared to 2002 primarily as detailed above.

Income from discontinued operations increased by $3.5 million in the year ended December 31, 2003 as compared to 2002 primarily due to gains on property dispositions.

Net earnings for the year ended December 31, 2003 decreased by $5.8 million as compared to the year ended December 31, 2002 primarily due to a write-down of mortgages and notes receivable of $18.8 million, decreased earnings from land, house and condominium operations of $17.2 million, decreased interest income of $7.8 million and decreased equity in earnings of GB Holdings of $3.8 million, partially offset by decreased income tax expense of $14.0

million, a decrease in write-down of equity securities available for sale of $7.5 million, decreased interest expense of $6.7 million, decreased write-down of limited partnership interests of $3.8 million, increased earnings from hotel and casino operations of $3.6 million, increased gain on the sale of marketable equity securities of $2.6 million and an increase in income from discontinued operations of $3.5 million.

CALENDAR YEAR 2002 COMPARED TO CALENDAR YEAR 2001

Gross revenues increased by $24.1 million, or 7.5%, during the year ended December 31, 2002 as compared to the year ended December 31, 2001. This increase reflects increases of $23.0 million in accretion of investment in NEG Holding, $20.5 million in land, house and condominium sales, $12.0 million in hotel and casino operating income, $4.9 million in NEG management fee, $2.6 million in hotel and resort operating income and $0.1 million in rental income partially offset by decreases of $33.2 million in oil and gas operating income, $2.2 million in financing lease income, $2.2 million in dividend and other income, $1.5 million in equity in earnings of GB Holdings and $23,000 in interest income on U.S. government and agency obligations and other investments. The increase in accretion of investment in NEG Holding and the management fee are due to the partial year of 2001 which began May 1 as a result of the bankruptcy reorganization. Prior to that time, NEG directly owned and operated oil and natural gas properties. The increase in land, house and condominium sales is primarily attributable to higher selling prices and an increase in the number of units sold, due to a strong residential housing market and low mortgage rates. The increase in hotel and casino operating income is primarily attributable to an increase in gaming and hotel revenues as a result of increased capacity brought about by the hotel expansion. ADR remained at $48 during the years ended December 31, 2002 and 2001; however, percentage occupancy decreased 4% to 89.6%. The increase in hotel and resort operating income is primarily attributable to increased revenues at New Seabury as prior year's revenues were negatively impacted by construction activities. The decrease in financing lease income is the result of lease expirations, reclassification of financing leases and normal financing lease amortization. The decrease in dividend and other income is primarily due to lease termination and deferred maintenance payments received from tenants in 2001. The decrease in equity earnings of GB Holdings is due to decreased casino revenue, primarily attributable to a reduction in the number of table games as new slot machines were added in 2002, which was partially offset by decreased promotional allowances and decreased casino expenses. In addition, GB Holdings recorded an impairment loss on certain property expansion costs determined to be unusable.

Expenses increased by $4.1 million, or 1.6%, during the year ended December 31, 2002 as compared to 2001. This increase reflects increases of $12.0 million in the cost of land, house and condominium sales, $3.7 million in hotel and casino operating expenses, $1.7 million in rental property expenses, $1.8 million in hotel and resort operating expenses and $1.1 million in general and administrative expenses partially offset by decreases of $7.4 million in interest expense, $5.6 million in oil and gas operating expenses and $3.2 million in depreciation

and amortization. The increase in the cost of land, house and condominium sales is due to increased sales as explained above. Costs as a percentage of sales declined from 77% in 2001 to 72% in 2002 primarily due to higher margin sales in 2002. The increase in hotel and casino operating expenses is primarily attributable to increased costs associated with increased revenues. Costs as a percentage of sales declined from 89% in 2001 to 84% in 2002 as hotel and casino revenues increased at a greater rate than hotel and casino expenses due to the hotel expansion. The increase in property expenses is primarily due to an increase in expenses related to off-lease properties and expenses of the New Seabury development litigation of approximately $1 million. The increase in hotel and resort operating expenses is primarily attributable to increased costs associated with increased revenues at New Seabury. Costs as a percentage of sales decreased from 88% in 2001 to 84% in 2002. The decrease in interest expense is primarily due to the repayment of debt to affiliates in May 2002 in connection with the Sands repurchase obligation, as well as decreased interest rates prior to repayment of this debt. The decrease in oil and gas operating expenses is due to the partial year of 2001. The decrease in depreciation and amortization expense is primarily attributable to NEG contributing its operating properties to NEG Holding in May 2001.

Earnings from land, house and condominium operations increased in the year ended December 31, 2002 as compared to the same period in 2001. However, the decrease in land inventory in approved sub-divisions is expected to negatively impact earnings from this business segment.

As a result of the completion of Stratosphere's additional 1,000 rooms and related amenities in June 2001, hotel and casino operating revenues and expenses have increased. Increased room capacity provided more hotel guests thereby increasing revenues. Earnings from hotel, casino and resort properties are expected to be constrained by recessionary pressures, international tensions and competition.

Operating income increased during the year ended December 31, 2002 by $20.0 million as compared to 2001.

Gain on sale of real estate increased by $7.3 million, during the year ended December 31, 2002 as compared to 2001 due to the size and number of transactions.

During the years ended December 31, 2002 and 2001, we recorded a provision for loss on real estate of $3.2 million. A substantial portion of the 2002 provision resulted from vacated properties where leases were not renewed or were rejected by tenants in bankruptcy.

A write-down of equity securities available for sale of $8.5 million was recorded in the year ended December 31, 2002. The market value of Philip's common stock has declined steadily since it was acquired by us. In 2002, based on a review of Philip's financial statements, we deemed the decrease in value to be other than temporary. As a result, we wrote down our investment in Philips' common stock by a charge to earnings. There was no such write-down in 2001.

Gain on sale of marketable equity and debt securities was $6.8 million, in the year ended December 31, 2001. There was no such income in 2002.

A write-down of a limited partnership investment of $3.8 million was recorded in the year ended December 31, 2002. We invested $6.0 million in an unaffiliated limited partnership. Upon review of this investment in 2002, we determined that the investment was impaired and wrote down its value by a charge to earnings. There was no such write-down in 2001.

Minority interest in the net earnings of Stratosphere increased by $1.5 million during the year ended December 31, 2002 as compared to the same period in 2001, due to an increase in Stratosphere's net hotel and casino operating income. As a result of the acquisition of the minority interest in December 2002, there will be no minority interest in net earnings of Stratosphere in 2003 and thereafter.

Income from operations before income taxes increased by $6.7 million in the year ended December 31, 2002 as compared to the same period in 2001 as detailed above.

The income tax expense was $7.5 million for the year ended December 31, 2002 as compared to an income tax

benefit of $30.1 million for 2001.

Income from continuing operations decreased by $30.9 million in the year ended December 31, 2002 as compared to 2001.

Income from discontinued operations decreased by $0.1 million for the year ended December 31, 2002 as compared to 2001.

Net earnings for the year ended December 31, 2002 decreased by $31.0 million as compared to the year ended December 31, 2001 primarily due to increased income tax expense of $37.6 million, a write-down of equity securities available for sale of $8.5 million, decreased gain on sale of marketable equity securities of $6.7 million and the write-down of a limited partnership investment of $3.8 million partially offset by increased earnings from land house and condominium operations of $8.4 million, increased earnings from hotel and casino operations of $8.3 million and increased gain on sale of real estate of $7.3 million.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was $18.5 million for the year ended December 31, 2003 as compared to $100.1 million in 2002. This decrease resulted primarily from a decrease in the land, house and condominium operations of $45.6 million and the payment of accrued interest on senior notes of $41.7 million partially offset by an increase in cash flow from other operations of $5.7 million.

The following table reflects our contractual cash obligations, as of December 31, 2003, due during the indicated periods (dollars in millions):

	LESS THAN 1 YEAR	1-3 YEARS	4-5 YEARS	AFTER 5 YEARS	TOTAL(1)
Mortgages payable	$ 6.5	$ 28.2	$ 68.0	$ 78.3	$ 181.0
Mezzanine loan commitments	20.0	--	--	--	20.0
Construction and development obligations	23.0	--	--	--	23.0
Total	$ 49.5	$ 28.2	$ 68.0	$ 78.3	$ 224.0

(1) In addition, see note 25 to consolidated financial statements for preferred limited partnership redemption.

On March 15, 2004, we announced that no distributions on our depositary units are expected to be made in 2004. We continue to believe that we should continue to hold and invest, rather than distribute, cash. We intend to continue to apply available cash flow toward its operations, repayment of maturing indebtedness, tenant requirements, investments, acquisitions and other capital expenditures.

In January 2004, American Casino closed on its offering of senior secured notes due 2012. The notes, in the aggregate principal amount of $215 million, bear interest at the rate of 7.85% per annum. American Casino used the proceeds of the offering for the Arizona Charlie's acquisitions to repay intercompany indebtedness and for distributions to AREH.

In 2003, 17 leases covering 17 properties and representing approximately $2.2 million in annual rentals expired. Twelve leases originally representing $1.6 million in annual rental income were renewed for $1.4 million in annual rentals. Such renewals are generally for a term of five years. Five properties with annual rental income of $0.6 million were not renewed.

In 2004, 11 leases covering 11 properties and representing approximately $1.8 million in annual rentals are scheduled to expire. Eight leases representing $1.5 million in annual rental income were renewed for $1.5 million in annual rentals. Such renewals are generally for a term of five years. Three properties with annual rentals of $0.3 million were not renewed.

On March 31, 2003, we distributed to holders of record of our preferred units as of March 14, 2003, 466,548 additional preferred units. Pursuant to the terms of the preferred units, on February 23, 2004, we declared our scheduled annual preferred unit distribution payable in additional preferred units at the rate of 5% of the liquidation preference of $10.00. The distribution of 489,657 preferred units was paid on March 31, 2004 to holders of record as of March 12, 2004. In February 2004, the number of authorized preferred units was increased to 10,400,000.

Our preferred units are subject to redemption at our option on any payment date, and the preferred units must be redeemed by us on or before March 31, 2010. The redemption price is payable, at our option, subject to the indenture, either all in cash or by the issuance of depositary units, in either case, in an amount equal to the liquidation preference of the preferred units plus any accrued but unpaid distributions thereon.

The types of investments we are pursuing, including assets that may not be readily financeable or generating positive cash flow, such as development properties, non-performing mortgage loans or securities of companies which may be undergoing restructuring or require significant capital investments, require us to maintain a strong capital base in order to own, develop and reposition these assets.

Sales proceeds from the sale or disposal of portfolio properties totaled approximately $20.6 million in 2003. During 2002, such sales proceeds totaled approximately $20.5 million. In May 2003, we obtained mortgage

financing in the principal amount of $20 million on a distribution facility located in Windsor Locks, Connecticut. In 2002, mortgage financing proceeds were $12.7 million.

In October 2003, pursuant to a purchase agreement dated as of May 16, 2003, we acquired all of the debt and 50% of the equity securities of NEG from entities affiliated with Mr. Icahn for an aggregate consideration of approximately $148.1 million plus approximately $6.7 million of accrued interest on the debt securities.

Capital expenditures for real estate and hotel, casino and resort operations were approximately $20.1 million during 2003. During 2002, such expenditures totaled approximately $4.8 million. In 2004, capital expenditures are estimated to be approximately $13 million.

During the year ended December 31, 2003, approximately $10.3 million of principal payments were repaid. During the year ended December 31, 2002, approximately $7.6 million of principal payments were repaid.

Our cash and cash equivalents and investment in U.S. government and agency obligations increased by $138.3 million during the year ended December 31, 2003, primarily due to affiliate loan repayment of $250 million, property sales and refinancing proceeds of $40.6 million, priority distribution from NEG Holding of $40.5 million, net cash flow from operations of $18.5 million, guaranteed payment from NEG Holding of $18.2 million and other items of $14.9 million partially offset by the purchase of NEG interests of $148.1 million, purchase of debt securities of $45.1 million, increase in mezzanine loans of $31.1 million and capital expenditures for real estate and hotel, casino and resort operating properties of $20.1 million.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our consolidated financial statements have been prepared in accordance with generally accepted accounting principals in the United States of America, or GAAP. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Among others, estimates are used when accounting for valuation of investments, recognition of casino revenues and promotional allowances and estimated costs to complete our land, house and condominium developments. Estimates and assumptions are evaluated on an ongoing basis and are based on historical and other factors believed to be reasonable under the circumstances. The results of these estimates may form the basis of the carrying value of certain assets and liabilities and may not be readily apparent from other sources. Actual results, under conditions and circumstances different from those assumed, may differ from estimates.

We accounted for our acquisition of NEG as assets transferred between entities under common control which requires that they be accounted for at historical costs similar to a pooling of interests. NEG's investment in NEG Holding constitutes a variable interest entity. In accordance with generally accepted accounting principles, we have determined that NEG is not the primary beneficiary of NEG Holding and therefore we do not consolidate NEG Holding in our consolidated financial statements.

We believe the following accounting policies are critical to our business operations and the understanding of results of operations and affect the more significant judgments and estimates used in the preparation of our consolidated financial statements.

ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS AND FOR LONG-LIVED ASSETS TO BE DISPOSED OF

Long-lived assets held and used by us and long-lived assets to be disposed of, are reviewed for impairment whenever events or changes in circumstances, such as vacancies and rejected leases, indicate that the carrying amount of an asset may not be recoverable.

In performing the review for recoverability, we estimate the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows, undiscounted and without interest charges, is less than the carrying amount of the asset an impairment loss is recognized. Measurement of an impairment loss for long-lived assets that we expect to hold and use is based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

COMMITMENTS AND CONTINGENCIES-LITIGATION

On an ongoing basis, we assess the potential liabilities related to any lawsuits or claims brought against us. While it is typically very difficult to determine the timing and ultimate outcome of such actions, we use our best judgment to determine if it is probable that we will incur an expense related to the settlement or final adjudication of such matters and whether a reasonable estimation of such probable loss, if any, can be made. In assessing probable losses, we make estimates of the amount of insurance recoveries, if any. We accrue a liability when we believe a loss is probable and the amount of loss can be reasonably estimated. Due to the inherent uncertainties related to the eventual outcome of litigation and potential insurance recovery, it is possible that certain matters may be resolved for amounts materially different from any provisions or disclosures that we have previously made.

MARKETABLE EQUITY AND DEBT SECURITIES AND INVESTMENT IN U.S. GOVERNMENT AND AGENCY OBLIGATIONS

Investments in equity and debt securities are classified as either held-to-maturity or available for sale for accounting purposes. Investment in U.S. government and agency obligations are classified as available for sale. Available for sale securities are carried at fair value on our balance sheet. Unrealized holding gains and losses are excluded from earnings and reported as a separate component of partners' equity. Held-to-maturity securities are recorded at amortized cost.

A decline in the market value of any held-to-maturity security below cost that is deemed to be other than temporary results in a reduction in carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established. Dividend income is recorded when declared and interest income is recognized when earned.

MORTGAGES AND NOTES RECEIVABLE

We have generally not recognized any profit in connection with the property sales in which certain purchase money mortgages receivable were taken back. Such profits are being deferred and will be recognized when the principal balances on the purchase money mortgages are received.

We engage in real estate lending, including making second mortgage or secured mezzanine loans to developers for the purpose of developing single-family homes, luxury garden apartments or commercial properties. These loans are subordinate to construction financing and we target an interest rate in excess of 20% per annum. However interest is not paid periodically and is due at maturity or earlier from unit sales or refinancing proceeds. We defer recognition of interest income on mezzanine loans pending receipt of principal and interest payments.

REVENUE RECOGNITION

Revenue from real estate sales and related costs are recognized at the time of closing primarily by specific identification. We follow the guidelines for profit recognition set forth by Financial Accounting Standards Board (FASB) Statement No. 66, Accounting for Sales of Real Estate.

CASINO REVENUES AND PROMOTIONAL ALLOWANCES

We recognize revenues in accordance with industry practice. Casino revenue is the net win from gaming activities, the difference between gaming wins and losses. Casino revenues are net of accruals for anticipated payouts of progressive and certain other slot machine jackpots. Revenues include the retail value of rooms, food and beverage and other items that are provided to customers on a complimentary basis. A corresponding amount is deducted as promotional allowances. The cost of such complimentaries is included in "Hotel and casino operating expenses."

INCOME TAXES

No provision has been made for Federal, state or local income taxes on the results of operations generated by partnership activities as such taxes are the responsibility of the partners. Stratosphere and NEG, our corporate

subsidiaries, account for their income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Management periodically evaluates all evidence, both positive and negative, in determining whether a valuation allowance to reduce the carrying value of deferred tax assets is still needed. In 2003, it concluded, based on the projected allocations of taxable income, our corporate subsidiaries, NEG and Stratosphere, more likely than not will realize a partial benefit from its deferred tax assets and loss carryforwards. Ultimate realization of the deferred tax asset is dependent upon, among other factors, their ability to generate sufficient taxable income within the carryforward periods and is subject to change depending on the tax laws in effect in the years in which the carryforwards are used.

PROPERTIES

Properties held for investment, other than those accounted for under the financing method, are carried at cost less accumulated depreciation unless declines in the value of the properties are considered other than temporary at which time the property is written down to net realizable value. A property is classified as held for sale at the time we determine that the criteria in SFAS 144 have been met. Properties held for sale are carried at the lower of cost or net realizable value. Such properties are no longer depreciated and their operations are included in discontinued operations.

Exhibit 99.3

ITEM 8. FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Partners
American Real Estate Partners, L.P.:

We have audited the accompanying consolidated balance sheets of American Real Estate Partners, L.P. and subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of earnings, changes in partners' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2003. In connection with our audits of the consolidated financial statements, we have also audited the financial statement schedule as listed in the Index at Item 15(a)2. These consolidated financial statements and the financial statement schedule are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these consolidated financial statements and the financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Real Estate Partners, L.P. and subsidiaries as of December 31, 2003 and 2002 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2003 in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

New York, New York
March 12, 2004

AMERICAN REAL ESTATE PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2003 AND 2002
(IN $000'S EXCEPT PER UNIT AMOUNTS)

	DECEMBER 31, 2003	DECEMBER 31, 2002
ASSETS		
Real estate leased to others:		
Accounted for under the financing method (Notes 4, 14 and 15)	$ 137,356	$ 155,458
Accounted for under the operating method, net of accumulated depreciation (Notes 5, 14 and 15)	76,443	204,242
Properties held for sale (Notes 5 and 14)	128,813	4,300
Investment in U.S. Government and Agency obligations (Note 6)	61,573	336,051
Note receivable due from affiliate (Note 12)	--	250,000
Cash and cash equivalents (Note 2)	467,704	54,871
Marketable equity and debt securities (Note 7)	80,522	26,728
Mortgages and notes receivable (Note 11)	50,328	56,216
Investment in NEG Holding LLC (Note 10)	69,346	108,880
Equity interest in GB Holdings, Inc. (Note 8)	30,854	37,280
Hotel, casino and resort operating properties net of accumulated depreciation:		
Stratosphere Corporation hotel and casino (Note 9)	174,249	171,430

Hotel and resort (Notes 5 and 13)	41,526	44,346
Land and construction-in-progress	43,459	40,415
Deferred tax asset (Note 19)	82,450	25,522
Receivables and other assets	45,307	44,737
Total	$ 1,489,930	$ 1,560,476
LIABILITIES AND PARTNERS' EQUITY		
Mortgages payable (Notes 4, 5 and 15):		
Real estate leased to others	$ 98,128	$ 171,848
Properties held for sale	82,861	--
	180,989	171,848
Credit facility due affiliates (Notes 10 and 16)	--	10,940
Senior notes due affiliates (Notes 10 and 16)	--	148,637
Interest payable-senior notes (Note 16)	--	44,360
Accounts payable, accrued expenses and other liabilities	53,844	54,515
Preferred limited partnership units: $10 liquidation preference, 5% cumulative pay-in-kind; 9,900,000 authorized; 9,796,607 issued and outstanding as of December 31, 2003 (Note 18)	101,649	--
	336,482	430,300
Commitments and contingencies (Notes 3 and 22)		
Limited partners:		
Preferred units, $10 liquidation preference, 5% cumulative pay-in-kind redeemable; 9,400,000 authorized; 9,330,963 issued and outstanding as of December 31, 2002 (Note 18)	--	96,808
Depositary units; 47,850,000 authorized; 47,235,484 outstanding	1,184,870	1,071,857
General partner	(19,501)	(26,568)
Treasury units at cost: 1,137,200 depositary units (Note 25)	(11,921)	(11,921)
Partners' equity (Notes 2, 3 and 17)	1,153,448	1,130,176
Total	$ 1,489,930	$ 1,560,476

See notes to consolidated financial statements.

AMERICAN REAL ESTATE PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001
(IN $000'S EXCEPT PER UNIT AMOUNTS)

	YEARS ENDED DECEMBER 31,		
	2003	2002	2001
Revenues:			
Hotel and casino operating income (Note 9)	$ 163,701	$ 156,315	$ 144,354
Land, house and condominium sales	13,265	76,024	55,566
Interest income on financing leases	13,115	14,722	16,935
Interest income on U.S. Government and Agency obligations and other investments (Notes 11 and 12)	22,543	30,344	30,367
Rental income	11,636	10,516	10,431
Hotel and resort operating income (Note 13)	14,592	14,918	12,276
Accretion of investment in NEG Holding LLC (Note 10)	30,142	32,879	9,834
Oil and gas operating income	--	--	33,176
NEG management fee	7,967	7,637	2,699
Dividend and other income (Notes 7 and 11)	3,061	2,720	4,877
Equity in earnings (loss) of GB Holdings, Inc. (Note 8)	(3,466)	305	1,807
	276,556	346,380	322,322
Expenses:			
Hotel and casino operating expenses (Note 9)	135,429	131,659	127,956
Cost of land, house and condominium sales	9,129	54,640	42,599
Hotel and resort operating expenses (Note 13)	11,138	12,553	10,792
Interest expense (Notes 7, 14, 15 and 18)	20,640	27,369	34,765
Oil and gas operating expenses	--	--	5,569
Depreciation and amortization	17,773	17,613	20,814

General and administrative expenses (Note 3)	14,081	14,134	13,011
Property expenses	5,475	4,682	3,028
	213,665	262,650	258,534
Operating income	62,891	83,730	63,788
Other gains and (losses):			
Provision for loss on real estate	(750)	(3,212)	(3,184)
Gain on sale of marketable equity and debt securities	2,607	--	6,749
Write-down of equity securities available for sale (Note 7)	(961)	(8,476)	--
Write-down of mortgages and notes receivable (Note 7)	(18,798)	--	--
Gain on sales and disposition of real estate (Note 14)	7,121	8,990	1,737
Loss on limited partnership interests	--	(3,750)	--
Minority interest in net earnings of Stratosphere Corporation (Note 9)	--	(1,943)	(450)
Income from continuing operations before income taxes	52,110	75,339	68,640
Income tax benefit (expense) (Note 19)	6,495	(7,480)	30,077
Income from continuing operations	58,605	67,859	98,717
Discontinued operations:			
Income from discontinued operations	6,139	6,007	6,117
Gain on sales and disposition of real estate	3,353	--	--
Income from discontinued operations	9,492	6,007	6,117
Net earnings	$ 68,097	$ 73,866	$ 104,834
Net earnings attributable to (Note 3):			
Limited partners	$ 59,360	$ 63,168	$ 66,190
General partners	8,737	10,698	38,644
	$ 68,097	$ 73,866	$ 104,834
Net earnings per limited partnership unit (Note 2):			
Basic earnings:			
Income from continuing operations	$ 1.03	$ 1.15	$ 1.21
Income from discontinued operations	0.20	0.12	0.13
Basic earnings per LP unit	$ 1.23	$ 1.27	$ 1.34
Weighted average limited partnership units outstanding	46,098,284	46,098,284	46,098,284
Diluted earnings:			
Income from continuing operations	$ 0.96	$ 1.02	$ 1.09
Income from discontinued operations	0.17	0.10	0.10
Diluted earnings per LP unit	$ 1.13	$ 1.12	$ 1.19
Weighted average limited partnership units and equivalent partnership units outstanding	54,489,943	56,466,698	55,599,112

See notes to consolidated financial statements.

AMERICAN REAL ESTATE PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS' EQUITY AND COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001
(IN $000'S)

	GENERAL PARTNER'S EQUITY (DEFICIT)	LIMITED PARTNERS' EQUITY		HELD IN TREASURY		TOTAL PARTNERS' EQUITY
		DEPOSITARY UNITS	PREFERRED UNITS	AMOUNTS	UNITS	

Balance, December 31, 2000 (as previously reported)	$ 22,498	$ 944,340	$ 87,808	$ (11,921)	1,137	$1,042,725
NEG, Inc. acquisition (Note 1)	(119,705)	--	--	--	--	(119,705)
Balance, December 31, 2000 (Restated)	(97,207)	944,340	87,808	(11,921)	1,137	923,020
Comprehensive income:						
Net earnings	38,644	66,190	--	--	--	104,834
Reversal of unrealized loss on sale of debt securities	78	3,818	--	--	--	3,896
Net unrealized losses on securities available for sale	(269)	(13,257)	--	--	--	(13,526)
Comprehensive income	38,453	56,751	--	--	--	95,204
Pay-in-kind distribution (Note 18)	--	(4,390)	4,390	--	--	--
Balance, December 31, 2001 (Restated)	(58,754)	996,701	92,198	(11,921)	1,137	1,018,224
Comprehensive income:						
Net earnings	10,698	63,168	--	--	--	73,866
Reversal of unrealized loss on sale of debt securities	211	10,384	--	--	--	10,595
Adjustment to reverse unrealized loss on investment securities reclassified to notes receivable	131	6,451	--	--	--	6,582
Net unrealized losses on securities available for sale	(5)	(237)	--	--	--	(242)
Comprehensive income	11,035	79,766	--	--	--	90,801
Net adjustment for acquisition of minority interest (Note 9(a))	21,151	--	--	--	--	21,151
Pay-in-kind distribution (Note 18)	--	(4,610)	4,610	--	--	--
Balance, December 31, 2002 (Restated)	(26,568)	1,071,857	96,808	(11,921)	1,137	1,130,176
Comprehensive income:						
Net earnings	8,737	59,360	--	--	--	68,097
Reversal of unrealized loss on sale of debt securities	15	746	--	--	--	761
Net unrealized gains on securities available for sale	183	8,991	--	--	--	9,174
Sale of marketable equity securities available for sale	(6)	(274)	--	--	--	(280)
Comprehensive income	8,929	68,823	--	--	--	77,752
Pay-in-kind distribution (Note 18)	--	(2,391)	2,391	--	--	--
Recognition of deferred tax asset at date of bankruptcy (Note 19)	946	46,581	--	--	--	47,527
Capital distribution (Note 1)	(2,808)	--	--	--	--	(2,808)
Reclassification of Preferred LP units to liabilities (Note 18)	--	--	(99,199)	--	--	(99,199)
Balance, December 31, 2003	$ (19,501)	$1,184,870	$ --	$ (11,921)	1,137	$1,153,448

Accumulated other comprehensive gain (loss) at December 31, 2003, 2002 and 2001 was $9,174, ($242) and ($17,178), respectively.

See notes to consolidated financial statements.

AMERICAN REAL ESTATE PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001
(IN $000'S)

	YEARS ENDED DECEMBER 31,		
	2003	2002	2001
Cash flows from operating activities:			
Income from continuing operations	$ 58,605	$ 67,859	$ 98,717
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	17,773	17,613	20,814
Preferred LP interest expense	2,450	--	--
Gain on sale of marketable equity securities	(2,607)	--	(6,749)
Gain on sales and disposition of real estate	(7,121)	(8,990)	(1,737)
Loss on limited partnership interests	--	3,750	--
Provision for loss on real estate	750	3,212	3,184
Write-down of equity securities available for sale	961	8,476	--
Write-down of mortgages and notes receivable	18,798	--	--
Minority interest in net earnings of Stratosphere Corporation	--	1,943	450
Equity in losses (earnings) of GB Holdings, Inc	3,466	(305)	(1,807)

Deferred gain amortization	(2,038)	(2,038)	(849)
Accretion of investment in NEG Holding LLC	(30,142)	(32,879)	(9,834)
Deferred income tax (benefit) expense	(7,147)	7,480	(30,077)
Change in fair market value of derivative contracts	--	--	716
Changes in operating assets and liabilities:			
(Increase) decrease in land and construction-in-progress	(6,556)	24,215	7,753
Decrease in accounts payable, accrued expenses and other liabilities	(40,503)	(3,037)	(1,359)
Decrease in receivables and other assets	1,424	4,068	4,570
Net cash provided by continuing operations	8,113	91,367	83,792
Income from discontinued operations	9,492	6,007	6,117
Depreciation and amortization	4,212	3,616	3,383
Net gain from property transactions	(3,353)	--	--
Net cash provided by discontinued operations	10,351	9,623	9,500
Net cash provided by operating activities	18,464	100,990	93,292
Cash flows from investing activities:			
Increase in mortgages and notes receivable	(31,112)	(23,200)	(15,583)
Repayments of mortgages and notes receivable	12,200	23,000	--
Net proceeds from the sales and disposition of real estate	15,290	20,513	3,656
Principal payments received on leases accounted for under the financing method	5,310	5,941	6,858
Additions to hotel, casino and resort operating property	(19,734)	(4,577)	(62,662)
Acquisitions of rental real estate	--	(18,226)	--
Additions to rental real estate	(413)	(181)	(1,064)
Decrease (increase) in investment in U.S. Government and Agency Obligations (Note 2)	274,478	(22,410)	162,046
Disposition of marketable equity & debt securities	3,843	--	17,929
Disposition proceeds on sale mortgages and notes receivable	2,621	--	--
Increase in marketable equity & debt securities	(45,140)	(4,415)	--
Decrease (increase) in note receivable from affiliate	250,000	--	(250,000)
Decrease in minority interest in Stratosphere Corp.	--	(44,744)	--
Decrease in investment in Stratosphere Corp	788	--	--
Investment in NEG, Inc	(148,101)	--	--
Investment in NEG Holding LLC	--	--	(4,379)
Guaranteed payment from NEG Holding LLC	18,229	21,653	3,625
Priority distribution from NEG Holding LLC	40,506	--	--
Oil and natural gas acquisition, exploration and development expenditures	--	--	(26,432)
Decrease in due to affiliate	--	(68,815)	(8,716)
Increase in investment in joint ventures	--	--	(5,856)
Other	589	197	(29)
Net cash provided by (used in) continuing operations	379,354	(115,264)	(180,607)
Cash flows from discontinued operations:			
Net proceeds from the sales and disposition of real estate	5,336	--	--
Net cash provided by (used in) investing activities	384,690	(115,264)	(180,607)

(table continued on next page)

	YEARS ENDED DECEMBER 31,		
	2003	2002	2001
Cash Flows from financing activities:			
Debt:			
Repayment of credit facility	--	--	(25,000)
Proceeds from credit facility	--	--	10,940
Repayment of senior notes	--	--	(10,500)
Proceeds from mortgages payable	20,000	12,700	--
Payments on mortgages payable	(3,837)	(462)	(6,457)
Periodic principal payments	(6,484)	(7,198)	(6,840)

Balloon payments	--	--	(1,756)
Net cash provided by (used in) financing activities	9,679	5,040	(39,613)
Net increase (decrease) in cash and cash equivalents	412,833	(9,234)	(126,928)
Cash and cash equivalents, beginning of year	54,871	64,105	191,033
Cash and cash equivalents at end of year	$ 467,704	$ 54,871	$ 64,105
Supplemental information:			
Cash payments for interest, net of amounts capitalized	$ 62,324	$ 36,646	$ 51,910
Cash payments for income taxes	$ --	$ --	$ 1,200
Supplemental schedule of noncash investing and financing activities:			
Reclassification of real estate to operating lease	$ 5,065	$ 13,403	$ 3,082
Reclassification from hotel and resort operating properties	--	--	(1,167)
Reclassification of real estate from financing lease	(5,065)	(13,503)	(9,754)
Reclassification of real estate from operating lease	(126,263)	--	--
Reclassification of real estate to property held for sale	126,263	100	6,672
Decrease in mortgages and notes receivable	(3,453)	--	--
Decrease in deferred income	2,565	--	--
Increase in real estate accounted for under the operating method	888	--	--
Reclassification of real estate to (from) construction-in-progress	--	--	1,167
Reclassification from marketable equity and debt securities	--	(20,494)	--
Reclassification from receivable and other assets	(1,631)	--	--
Reclassification to mortgages and notes receivable	1,631	20,494	--
	$ --	$ --	$ --
Net unrealized gains (losses) on securities available for sale	$ 9,174	$ (242)	$ (13,526)
Increase in equity and debt securities	$ 1,200	$ 2,890	$ 2,500
Contribution of note from NEG Holding LLC	$ 10,940	$ --	$ --
Transfer of assets and liabilities to NEG Holding LLC	$ --	$ --	$ 87,066

See notes to consolidated financial statements.

AMERICAN REAL ESTATE PARTNERS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2003, 2002 AND 2001

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

On July 1, 1987, American Real Estate Holdings Limited Partnership (the "Subsidiary"), in connection with an exchange offer (the "Exchange"), entered into merger agreements with American Real Estate Partners, L.P. (the "Company") and each of thirteen separate limited partnerships (collectively, the "Predecessor Partnerships"), pursuant to which the Subsidiary acquired all the assets, subject to the liabilities of the Predecessor Partnerships.

By virtue of the Exchange, the Subsidiary owns the assets, subject to the liabilities, of the Predecessor Partnerships. The Company owns a 99% limited partner interest in the Subsidiary. American Property Investors, Inc. (the "General Partner") owns a 1% general partner interest in both the Subsidiary and the Company representing an aggregate 1.99% general partner interest in the Company and the Subsidiary. The General Partner is owned and controlled by Mr. Carl C. Icahn ("Icahn" or "Mr. Icahn").

On August 16, 1996 the Company amended its Partnership Agreement to permit non-real estate related acquisitions and investments which has allowed and continues to permit the Company to take advantage of investment opportunities it believes exist outside of the real estate market in order to seek to enhance unitholder value and further diversify its assets. The Amendment permits the Company to invest in securities issued by companies that are not necessarily engaged as one of their primary activities in the ownership, development or management of real estate to further diversify its investments while remaining in the real estate business and continuing to pursue suitable investments in the real estate markets. Under the Amendment, investments may include equity and debt securities of domestic and foreign issuers. The portion of the Company's assets invested in any one type of security or any single issuer will not be limited.

The Company will conduct its activities in such a manner so as not to be deemed an investment company under the Investment Company Act of 1940 (the "1940 Act"). Generally, this means that no more than 40% of the Company's total assets will be invested in investment securities as such is defined in the 1940 Act. In addition, the Company does not intend to invest in securities as its primary business and will structure its investments to continue to be taxed as a partnership rather than as a corporation under the applicable publicly traded partnership rules of the Internal Revenue Code.

The Company and its consolidated subsidiaries are engaged in the following operating businesses: (i) rental real estate, (ii) hotel, casino and resort operations, (iii) land, house and condominium development, (iv) participation and management of oil and gas operating properties and (v) investment in securities including investment in other entities and marketable equity and debt securities.

In March 2000, the Company purchased an additional 50,000 shares of the Stratosphere Corporation ("Stratosphere") from an affiliate of the General Partner resulting in the Company owning approximately 51% of Stratosphere and has included its accounts on a consolidated basis. In December 2002, the Company purchased the remaining 49% minority interest. See Note 9.

In October 2003, the Company acquired certain debt and equity securities of National Energy Group, Inc. ("NEG") from entities affiliated with Icahn for an aggregate consideration of $148.1 million. NEG owns a 50% interest in NEG Holding LLC ("Holding LLC") which owns oil and gas properties managed by NEG. The other 50% interest in Holding LLC is held by an Icahn affiliate and managing member. In connection with the acquisition of stock in NEG, the excess of cash disbursed over the historical cost which amounted to $2.8 million was charged to the General Partner's equity.

In accordance with generally accepted accounting principles, assets transferred between entities under common control are accounted for at historical costs similar to a pooling of interests, and the financial statements of previously separate companies for periods prior to the acquisition are restated on a combined basis. There is no minority interest allocated to the other NEG stockholders because of NEG's negative equity. See Note 10.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statements and Principles of Consolidation -- The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States and include only those assets, liabilities and results of operations, which relate to the Company and its wholly owned and majority owned subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation. The Company accounts for its investments in subsidiaries that are less than 50% owned under the equity method of accounting.

Net Earnings Per Limited Partnership Unit -- Basic earnings per share are based on earnings after the preferred pay-in-kind distribution to Preferred Unitholders. The resulting net earnings available for limited partners are divided by the weighted average number of shares of limited partnership units outstanding.

Diluted earnings per share uses net earnings attributable to limited partner interests as the numerator with the denominator based on the weighted average number of units and equivalent units outstanding. The Preferred units are considered to be unit equivalents. The number of limited partnership units used in the calculation of diluted income per limited partnership unit increased as follows: 8,391,659, 10,368,414 and 9,500,828 limited partnership units for the years ended December 31, 2003, 2002 and 2001, respectively, to reflect the effects of the conversion of preferred units.

For accounting purposes, NEG's earnings prior to the NEG acquisition in October 2003 have been allocated to the General Partner and therefore excluded from the computation of basic and diluted earnings per limited partnership unit.

Cash and Cash Equivalents -- The Company considers short-term investments, which are highly liquid with original maturities of three months or less at date of purchase, to be cash equivalents. Included in cash and cash equivalents at December 31, 2003 and 2002 are investments in government backed securities of approximately $378,000,000 and $5,467,000, respectively.

Marketable Equity and Debt Securities and Investment in U.S. Government and Agency Obligations -- Investments in equity and debt securities are classified as either held-to-maturity or available for sale for accounting purposes. Investments in U.S. Government and Agency Obligations are classified as available for sale. Available for sale securities are carried at fair value on the balance sheet of the Company. Unrealized holding gains and losses are excluded from earnings and reported as a separate component of Partners' Equity. Held-to-maturity securities are recorded at amortized cost.

A decline in the market value of any held-to-maturity or available for sale security below cost that is deemed to be other than temporary results in a reduction in carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established. Dividend income is recorded when declared and interest income is recognized when earned.

MORTGAGES AND NOTES RECEIVABLE

a. The Company has generally not recognized any profit in connection with the property sales in which certain purchase money mortgages receivable were taken back. Such profits are being deferred and will be recognized when the principal balances on the purchase money mortgages are received.

b. The Company has provided development financing for certain real estate projects. The security for these loans is either a second mortgage or a pledge of the developers' ownership interest in the properties. Such loans are subordinate to construction financing and are generally referred to as mezzanine loans. Current mezzanine loans accrue interest at approximately 22% per annum. Generally interest is not paid periodically but is due at maturity or earlier from unit sales or refinancing proceeds. The Company defers recognition of interest income on mezzanine loans pending receipt of principal and interest payments.

Income Taxes -- No provision has been made for Federal, state or local income taxes on the results of operations generated by partnership activities as such taxes are the responsibility of the partners. Stratosphere and NEG, the Company's corporate subsidiaries, account for their income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and

liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Leases -- The Company leases to others substantially all its real property under long-term net leases and accounts for these leases in accordance with the provisions of Financial Accounting Standards Board Statement No. 13, "Accounting for Leases," as amended. This Statement sets forth specific criteria for determining whether a lease is to be accounted for as a financing lease or an operating lease.

a. Financing Method-Under this method, minimum lease payments to be received plus the estimated value of the property at the end of the lease are considered the gross investment in the lease. Unearned income, representing the difference between gross investment and actual cost of the leased property, is amortized to income over the lease term so as to produce a constant periodic rate of return on the net investment in the lease.

b. Operating Method-Under this method, revenue is recognized as rentals become due and expenses (including depreciation) are charged to operations as incurred.

Properties -- Properties held for investment, other than those accounted for under the financing method, are carried at cost less accumulated depreciation unless declines in the values of the properties are considered other than temporary at which time the property is written down to net realizable value. A property is classified as held for sale at the time management determines that the criteria in SFAS 144 have been met. Properties held for sale are carried at the lower of cost or net realizable value. Such properties are no longer depreciated and their operations are included in discontinued operations.

Depreciation -- Depreciation is computed using the straight-line method over the estimated useful life of the particular property or property components, which range from 3 to 45 years.

Use of Estimates -- Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities, revenues and expenses and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates. The more significant estimates include the valuation of (i) long-lived assets, (ii) mortgages and notes receivable, (iii) marketable equity and debt securities, (iv) costs to complete for land, house and condominium developments, (v) gaming-related liability and loyalty programs and (vi) deferred tax assets.

Revenue Recognition

1. Revenue from real estate sales and related costs are recognized at the time of closing primarily by specific identification. The Company follows the guidelines for profit recognition set forth by Financial Accounting Standards Board (FASB) Statement No. 66, "Accounting for Sales of Real Estate."

2. Casino revenues and promotional allowances -- The Company recognizes revenues in accordance with industry practice. Casino revenue is the net win from gaming activities (the difference between gaming wins and losses). Casino revenues are net of accruals for anticipated payouts of progressive and certain other slot machine jackpots. Revenues include the retail value of rooms, food and beverage and other items that are provided to customers on a complimentary basis. A corresponding amount is deducted as promotional allowances. The cost of such complimentaries is included in "Hotel and casino operating expenses".

3. Sales, advertising and promotion -- These costs are expensed as incurred.

Land and Construction-in-Progress -- These costs are stated at the lower of cost or net realizable value. Interest is capitalized on expenditures for long-term projects until a salable condition is reached. The capitalization rate is based on the interest rate on specific borrowings to fund the projects.

Investment in NEG Holding LLC -- Due to the substantial uncertainty that the Company will receive any distribution above the priority and guaranteed payment amounts, the Company accounts for its investment in Holding LLC as a preferred investment whereby guaranteed payment amounts received and receipts of the priority distribution amount are recorded as reductions in the investment and income is recognized from accretion of the investment up to the priority distribution amount, including the guaranteed payments (based on the interest method) (see Note 10). Following receipt of the guaranteed payments and priority distributions, the residual interest in the investment will be valued at zero.

The Company periodically evaluates the propriety of the carrying amount of its investment in Holding LLC to determine whether current events or circumstances warrant adjustments to the carrying value and/or revisions to accretion of income. The Company currently believes that no such impairment has occurred and that no revision to the accretion of income is warranted.

Accounting for Impairment of a Loan -- If it is probable that based upon current information the Company will be unable to collect all amounts due according to the contractual terms of a loan agreement, the Company considers the asset to be "impaired". Reserves are established against impaired loans in amounts equal to the difference between the recorded investment in the asset and either the present value of the cash flows expected to be received, or the fair value of the underlying collateral if foreclosure is deemed probable or if the loan is considered collateral dependent.

Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of -- Long-lived assets held and used by the Company and long-lived assets to be disposed of, are reviewed for impairment whenever events or changes in circumstances, such as vacancies and rejected leases, indicate that the carrying amount of an asset may not be recoverable.

In performing the review for recoverability, the Company estimates the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset an impairment loss is recognized. Measurement of an impairment loss for long-lived assets that the Company expects to hold and use is based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

Recent Accounting Standards:

1. In May 2003, the FASB issued SFAS 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS 150 is effective at the beginning of the first interim period beginning after June 15, 2003. The Company adopted SFAS 150 on July 1, 2003 and has reclassified its preferred units to a liability account. See Note 18.

2. In January 2003, the FASB issued FASB Interpretation 46 (revised December 2003), Consolidation of Variable Interest Entities, which addresses how a business enterprise should evaluate whether it has a controlling financial interest in an entity through means other than voting rights and accordingly should consolidate the entity. FIN 46R, issued in December 2003 as a revision to the original interpretation, clarifies the application of ARB 51, Consolidated Financial Statements, to certain entities in which the equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support.

The Company is required to apply FIN 46R to variable interests created after January 2003. For variable interest entities created prior to January 2003, for which FIN 46 has not been applied prior to December 24, 2003, the interpretation will be applied in reporting periods ending after March 15, 2004.

The Company has an investment in a variable interest entity, which owns oil and natural gas operating properties. The variable interest entity has net assets of $161 million. The Company has determined that it is not the primary beneficiary of the variable interest entity. The maximum exposure to losses as a result of its involvement with the variable interest entity is $69 million.

3. RELATED PARTY TRANSACTIONS

a. At December 31, 2002, the Company had a $250 million note receivable from Mr. Icahn, Chairman of the General Partner, which was repaid in October 2003. (See Note 12).

b. In addition, in 1997 the Company entered into a license agreement for a portion of office space from an affiliate. The license agreement dated as of February 1, 1997 expires May 22, 2004 unless sooner terminated in accordance with the agreement. Pursuant to the license agreement, the Company has the nonexclusive use of 3,547 square feet of office space and common areas (of an aggregate 21,123 rentable square feet sublet by such affiliate) for which it paid $17,068 per month, together with 16.79% of certain "additional rent". In November 2000, the Company reduced its office size to approximately 2,275 square feet, which decreased its monthly rental to $11,185 plus 10.77% of certain additional rent. In the years ended December 31, 2003, 2002 and 2001, the Company paid such affiliate approximately $159,000, $153,000 and $147,000 of rent, respectively, in connection with this licensing agreement. The terms of such sublease were reviewed and approved by the Audit Committee. The agreement expires in May 2004. If the Company must vacate the space, it believes there will be adequate alternative space available.

c. Stratosphere received as reimbursement from affiliates of the General Partner approximately $2,993,000, $1,675,000 and $1,343,000 in the years ended December 31, 2003, 2002 and 2001, respectively, for administrative services performed by Stratosphere personnel.

Stratosphere received hotel revenue of approximately $3,000, $123,000 and $600,000 in the years ended December 31, 2003, 2002 and 2001, respectively, in connection with a tour and travel agreement entered into with an affiliate of the General Partner. Stratosphere also received approximately $101,000 in hotel and food revenue from an affiliate of the General Partner in the year ended December 31, 2003 in connection with a conference held at Stratosphere.

d. The General Partner and its affiliates may realize substantial fees, commissions and other income from transactions involving the purchase, operation, management, financing and sale of the Company's properties, subject to certain limitations relating to properties acquired from the Predecessor Partnerships in the Exchange. Some of such amounts may be paid regardless of the overall profitability of the Company and whether any distributions have been made to Unitholders. As new properties are acquired, developed, constructed, operated, leased, financed and sold, the General Partner or its affiliates may perform acquisition functions, development and construction oversight and other land development services, property management and leasing services, either on a day-to-day basis or on an asset management basis, and other services and be entitled to fees and reimbursement of expenses relating thereto, including property management fees, real estate brokerage and leasing commissions, fees for financing either provided or arranged by the General Partner and its affiliates, development fees, general contracting fees and construction management fees. The terms of any transactions between the Company and the General Partner or its affiliates must be fair and reasonable to the Company and customary to the industry. There were no significant fees paid in the years ended December 31, 2003, 2002, and 2001.

e. NEG received management fees from an affiliate of approximately $7,967,000, $7,637,000 and $2,699,000 in the years ended December 31, 2003, 2002 and 2001, respectively.

f. NEG entered into an agreement to manage TransTexas Gas Corporation, an Icahn affiliate, for a fee of $312,500 per month.

g. For the year ended December 31, 2003, the Company paid approximately $81,000 to an affiliate of the General Partner for telecommunication services.

h. See Note 26 in connection with the acquisition of Arizona Charlie's Decatur and Arizona Charlie's Boulder from Icahn and an entity affiliated with Icahn.

4. REAL ESTATE LEASED TO OTHERS ACCOUNTED FOR UNDER THE FINANCING METHOD

Real estate leased to others accounted for under the financing method is summarized as follows (in $000's):

	DECEMBER 31, 2003	DECEMBER 31, 2002
Minimum lease payments receivable	$ 161,785	$ 180,943
Unguaranteed residual value	74,651	87,160
	236,436	268,103
Less unearned income	99,080	112,645
	$ 137,356	$ 155,458

The following is a summary of the anticipated future receipts of the minimum lease payments receivable at December 31, 2003 in ($000's):

YEAR ENDING DECEMBER 31,	AMOUNT
2004...........	$ 17,797
2005...........	15,686
2006...........	15,491
2007...........	14,577
2008...........	13,221
Thereafter......	85,013
	$ 161,785

At December 31, 2003, approximately $107,543,000 of the net investment in financing leases was pledged to collateralize the payment of nonrecourse mortgages payable.

5. REAL ESTATE LEASED TO OTHERS ACCOUNTED FOR UNDER THE OPERATING METHOD

a. Real estate leased to others accounted for under the operating method is summarized as follows (in $000's):

	DECEMBER 31, 2003	DECEMBER 31, 2002
Land	$ 24,040	$ 55,034
Commercial Buildings	83,252	194,521
	107,292	249,555
Less accumulated depreciation	30,849	45,313
	$ 76,443	$ 204,242

As of December 31, 2003 and 2002, accumulated depreciation on the hotel and resort operating properties (not included above) amounted to approximately $12,341,000 and $9,665,000, respectively (See Note 13).

The following is a summary of the anticipated future receipts of minimum lease payments under non-cancelable leases at December 31, 2003 (in $000's):

YEAR ENDING DECEMBER 31,	AMOUNT
2004........	$ 9,967
2005........	8,802
2006........	5,443
2007........	3,874
2008........	2,810
Thereafter..	5,799
	$ 36,695

At December 31, 2003, approximately $15,630,000 of net real estate leased to others was pledged to collateralize the payment of non-recourse mortgages payable.

b. Real estate held for sale (in $000's):

	DECEMBER 31,	
	2003	2002
Leased to others	$ 146,416	$ --
Vacant	2,550	4,300
	148,966	4,300
Less accumulated depreciation	20,153	--
	$ 128,813	$ 4,300

The following is a summary of income from discontinued operations (in $000's):

	DECEMBER 31,		
	2003	2002	2001
Rental income	$ 18,548	$ 17,409	$ 16,456
Hotel & resort operating income	3,912	3,679	4,142
	22,460	21,088	20,598
Mortgage interest expense	6,247	5,691	5,599
Depreciation and amortization	4,212	3,616	3,383
Property expenses	2,546	2,589	2,127
Hotel and resort operating expenses ...	3,316	3,185	3,372
	16,321	15,081	14,481
Income from discontinued operations	$ 6,139	$ 6,007	$ 6,117

At December 31, 2003, approximately $105,984,000, respectively, of real estate held for sale was pledged to collateralize the payment of non-recourse mortgages payable.

6. INVESTMENT IN U.S. GOVERNMENT AND AGENCY OBLIGATIONS

The Company has investments in U.S. Government and Agency Obligations whose maturities range from 2004 to December 2008 as follows (in $millions):

	DECEMBER 31,			
	2003		2002	
	COST BASIS	CARRYING VALUE	COST BASIS	CARRYING VALUE
Available for Sale:				
Matures in:				
less than 1 year .	$ 52.8	$ 52.8	$ 292.9	$ 292.9
2-5 years	9.0	8.8	39.7	39.7
Thereafter	--	--	3.4	3.4
	$ 61.8	$ 61.6	$ 336.0	$ 336.0

7. MARKETABLE EQUITY AND DEBT SECURITIES

	DECEMBER 31,			
	2003		2002	
(IN $MILLIONS)	COST BASIS	CARRYING VALUE	COST BASIS	CARRYING VALUE
Available for Sale:				
Philip Service Corporation (b):				
Equity	$ --	$ --	$ 9.4	$ 0.2
Corporate bonds (c)	45.1	51.6	--	--
Other	1.3	4.2	2.5	3.0
	46.4	55.8	11.9	3.2
Held-to-maturity:				
GB Notes(a)	21.3	24.7	21.3	23.5
Total	$ 67.7	$ 80.5	$ 33.2	$ 26.7

a. In 1998 and 1999, the Company acquired an interest in the Sands Hotel and Casino (the "Sands") located in Atlantic City, New Jersey by purchasing the principal amount of approximately $31.4 million of First Mortgage Notes ("Notes") issued by GB Property Funding Corp. ("GB Property"). GB Property was organized as a special purpose entity for the borrowing of funds by Greate Bay Hotel and Casino, Inc. ("Greate Bay"). The purchase price for such notes was approximately $25.3 million. An affiliate of the General Partner also made an investment in the Notes of GB Property. A total of $185 million of such Notes were issued.

Greate Bay owned and operated the Sands, a destination resort complex, located in Atlantic City, New Jersey. On January 5, 1998, GB Property and Greate Bay filed for bankruptcy protection under Chapter 11 of the Bankruptcy Code to restructure its long term debt.

Furthermore, in 1998 and 1999, the Company acquired an interest in the Claridge Hotel and Casino (the "Claridge Hotel") located in Atlantic City, New Jersey by purchasing the principal amount of $16.7 million of First Mortgage Notes of the Claridge Hotel and Casino Corporation (the "Claridge Corporation"). The purchase price of such notes was approximately $15.1 million. A total of $85 million of such notes were issued. An affiliate of the General Partner also made an investment in the Notes of the Claridge Corporation. In August 1999, the Claridge Corporation announced that it had filed a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code to facilitate a financial restructuring.

The Company, the General Partner, and the directors and officers of the General Partner were in the process of pursuing gaming applications to obtain licenses from the New Jersey Casino Control Commission. In March 2000, in an effort to facilitate the consummation of the reorganization process of Greate Bay and Claridge Hotel, the Company entered into separate agreements to transfer its interests in such entities to an affiliate of the General Partner for $40.5 million, which was equal to the Company's cost for

such Notes. The affiliate of the General Partner was obligated to sell back to the Company, and the Company was obligated to repurchase such interests at the same price (together with a commercially reasonable interest factor), when the appropriate licenses were obtained by the Company. The Company would also acquire its proportionate share of all sale proceeds, stock rights, acquired shares and other benefits, if any, that may have accreted to or obtained in connection with such interests while held by the affiliate of the General Partner. Subsequent to the transfer, the affiliate of the General Partner purchased $1.7 million of the Claridge Notes for approximately $0.9 million on the Company's behalf.

In July 2000, the U.S. Bankruptcy Court ruled in favor of the reorganization plan proposed by affiliates of the General Partner which provided for an additional investment of $65 million by the Icahn affiliates in exchange for a 46% equity interest, with bondholders (which also includes the Icahn affiliates) to receive $110 million in new notes and a 54% ownership position. The plan, which became effective September 29, 2000, provided the Icahn affiliates with a controlling interest.

In February 2001, the Icahn affiliates sold their entire Claridge Corporation portfolio ($37.1 million face amount of Claridge Notes) for the following additional interest in GB Holdings, Inc. ("GB Holdings"): (i) 779,861 common shares of GB Holdings ("GBH") and (ii) $15.96 million face amount of GB Property First Mortgage Notes ("GB Notes"), plus $21.56 million in cash. The Company recognized a gain of approximately $1.3 million as a result of this sale in the year ended December 31, 2001. As a result, affiliates of the General Partner were, in effect, holding on behalf of the Company (i) approximately 3.6 million common shares of GBH and (ii) $26.9 million face amount of GB Notes, to which the Company would become entitled and obligated to purchase when it was fully licensed. As of February 2001, the Company no longer had any interests in the Claridge.

In May 2002, the Company was qualified as a holding company by the New Jersey Casino Control Commission (the "Casino Control Commission") and in accordance with the prior agreement repurchased its interest in the Sands, located in Atlantic City, New Jersey, from affiliates of the General Partner. As a result, the Company acquired approximately 3.6 million common shares (36%) of GBH and $26.9 million face amount of GB Notes. The Company paid approximately $68.8 million to reacquire its interests representing the affiliates' advances plus accrued interest of approximately $11 million. In accordance with the agreement, interest was accrued from March 2000 to May 2002 at an annual rate of

1 1/2% over the prime rate. Interest expense of approximately $919,000, and $5,306,000 for the years ended December 31, 2002 and 2001, respectively, has been included in "Interest expense" in the Consolidated Statements of Earnings. As required by the New Jersey Casino Control Act (the "Casino Control Act"), the Partnership Agreement was amended to provide that securities of the Company are held subject to the condition that if a holder thereof is found to be disqualified by the Casino Control Commission, pursuant to the provisions of the Casino Control Act, such holder shall dispose of his interest in the Company in accordance with the Casino Control Act.

In July 2003, GBH announced that its Board of Directors, acting through a special committee, approved an exchange offer for the GB Notes. The proposed transaction is subject to the consent of the holders of a majority in principal amount of the GB notes, the approval of stockholders owning a majority of the common stock of GBH, the effectiveness of required filings under applicable securities laws and the receipt of all required governmental and third party approvals. Mr. Icahn and his affiliated companies hold in excess of 77% of the GBH stock and 58% of the existing debt, of which the Company owns approximately 36% of the common stock and 24% of the debt. The Company and Mr. Icahn intend to support the proposed transaction. The GB Notes in the face amount of $110 million are due in September 2005 and bear interest at 11% per annum.

The proposed transaction would involve the following:

- An amendment to the existing note indenture to remove certain provisions and covenants and release the liens on the Sands assets; thereby allowing the transfer of these assets and those now held at GBH to a wholly-owned indirect subsidiary of GBH, Atlantic Coast Entertainment Holdings, Inc. ("Atlantic Holdings").

- The solicitation of an exchange of the existing notes for new notes due September 2008, which will bear interest at 3% per annum payable at maturity.

- The payment of $100 per $1,000 in principal amount of the existing notes exchanged plus accrued interest on the existing notes.

- The holders of a majority of the new notes will have an option to convert into 72.5% of the Atlantic Holdings stock if all of the existing notes participate in the exchange.

- The distribution to the GBH common stockholders of warrants (following the occurrence of certain events) for 27.5% of the common stock of Atlantic Holdings (on a fully diluted basis).

As the exchange will be accounted for as a modification of debt for accounting purposes, this transaction is not expected to have a significant impact on the Company's consolidated financial statements.

For accounting purposes, the Company reflects its interest in the GB Notes as held to maturity.

The Company reflects its pro rata equity interest in Greate Bay as "Equity interest in GB Holdings, Inc." in the Consolidated Balance Sheets (See Note 8).

b. At December 31, 2002, the Company owned the following approximate interests in Philip Service Corporation ("Philip"): (i) 1.8 million common shares, (ii) $14.2 million in secured term debt, and (iii) $10.9 million in accreted secured convertible payment-in-kind debt. The Company had an approximate 7% equity interest in Philip and an Icahn affiliate had an approximate 38% equity interest. Icahn affiliates also owned term and payment-in-kind debt.

The secured term debt matures March 31, 2005 and bears interest at 9% per annum. Interest was payable quarterly, in arrears, beginning July 1, 2000. The secured convertible payment-in-kind debt matures March 31, 2005 and bears interest at 10% per annum. Interest was accreted quarterly with interest on the accreted interest also calculated at the rate of 10% per annum.

The market value of Philip's common stock declined steadily since it was acquired by the Company. In 2002, based on a review of Philip's financial statements, management of the Company deemed the decrease in value to be other than temporary. As a result, the Company wrote down its investment in Philip's common stock by charges to earnings of $8,476,000 and charges to other comprehensive income ("OCI") of $761,000 in the year ended December 31, 2002. This investment had been previously written down by approximately $6.8 million in charges to earnings. The Company's adjusted carrying value of Philip's common stock was approximately $200,000 at December 31, 2002.

In June 2003, Philip announced that it and most of its wholly owned U.S. subsidiaries filed voluntary petitions under Chapter 11 of the Federal Bankruptcy Code.

In the year ended December 31, 2003, management of the Company determined that it was appropriate to write-off the balance of its investment in the Philip's common stock by a charge to earnings of approximately $961,000; of this amount $761,000 was previously charged to other comprehensive income in 2002, which was reversed in 2003, and included in the $961,000 charge to earnings.

The Company also has a participation in Philip's debt with an original cost at the date of their acquisition of approximately $19.7 million. At December 31, 2001, such notes were classified as available-for-sale securities and were written down through charges to OCI, to an estimated fair market value of approximately $13.2 million. In 2002, upon concluding its review of these investments, management determined that such investments were more properly classified as notes receivable.

Approximately $6.6 million of charges to OCI were reversed and the investments were reclassified at their original cost to "Mortgages and notes receivable" at December 31, 2002. These adjustments had no effect on the Company's reported earnings for the year ended December 31, 2002.

In 2003, the cost basis of the debt was approximately $22.1 million. As previously mentioned, Philip filed for bankruptcy protection in June 2003. Management of the Company reviewed Philip's financial statements, bankruptcy documents and the prices of recent purchases and sales of the debt and determined this investment to be impaired. Based upon this review, management concluded the fair value of the debt to be approximately $3.3 million; therefore, the Company recorded a write-down of approximately $18.8 million by a charge to earnings which was included in "Write-down of mortgages and notes receivable" in the Consolidated

Statements of Earnings in the year ended December 31, 2003. In December 2003, the Company sold two-thirds of its term and PIK debt with a basis of $2.2 million for $2.6 million generating a gain of $0.4 million.

Philip emerged from bankruptcy on December 31, 2003 as a private company controlled by an Icahn affiliate. The Company's remaining interest in the notes will be delivered and exchanged for approximately 443,000 common shares representing a 4.4% equity interest in the new Philip valued at the carrying value of the debt at December 31, 2003 of $1.1 million. Subsequent to December 31, 2003, the Company received a bankruptcy distribution of approximately $350,000.

c. In December 2003, the Company acquired approximately $86.9 million principal amount of corporate bonds for approximately $45.1 million. Such bonds were classified as available for sale securities. Available for sale securities are carried at fair value on the Balance Sheet. Unrealized holding gains and losses are excluded from earnings and reported as a separate component of Partners' Equity. At December 31, 2003, the carrying value of the bonds was approximately $51.6 million and accumulated other comprehensive gain was approximately $6.5 million.

8. EQUITY INTEREST IN GB HOLDINGS, INC.

The Company reflects its pro rata equity interest in GB Holdings, Inc., which is approximately 36%, under this caption in the Consolidated Balance Sheets. "Equity in the earnings (losses) of GB Holdings, Inc." of approximately ($3.4 million), $0.3 million and $1.8 million have been recorded in the Consolidated Statements of Earnings in the years ended December 31, 2003, 2002 and 2001, respectively (See Note 7).

9. HOTEL AND CASINO OPERATING PROPERTY

In September 2000, Stratosphere Corp.'s Board of Directors approved a going private transaction proposed by the Company and an affiliate of Icahn. On February 1, 2001 the Company entered into a merger agreement with Stratosphere Corp. ("Stratosphere") under which the Company would acquire the remaining shares of Stratosphere that it did not currently own. The Company owned approximately 51% of Stratosphere and Mr. Icahn owned approximately 38.6%. The Company, subject to certain conditions, agreed to pay approximately $44.3 million for the outstanding shares of Stratosphere not currently owned by it. Stratosphere stockholders not affiliated with Icahn would receive a cash price of $45.32 per share and Icahn related stockholders would receive a cash price of $44.33 per share. This transaction was completed in December 2002 after shareholders' approval.

The acquisition by the Company of the minority shares not owned by an Icahn affiliate has been accounted for as a purchase in accordance with Financial Accounting Standards Board ("FASB") Statement No. 141, "Business Combinations." The acquisition by the Company of the common stock held by an Icahn affiliate has been recorded at historical cost. The excess of the historical cost over the amount of the cash disbursed, which amounted to $21,151,000, has been accounted for as a net addition to the General Partner's equity.

The Company indirectly owns 100% of Stratosphere and consolidates Stratosphere in its financial statements. The Stratosphere which offers the tallest free-standing observation tower in the United States, is situated on approximately 31 acres of land located at the northern end of the Las Vegas Strip. The facility is a tourist-oriented gaming and entertainment destination property, which has approximately 80,000 square feet of gaming space, 2,444 hotel rooms, eight restaurants and approximately 110,000 square feet of developed retail space. The Stratosphere features three of the most visible amusement rides in Las Vegas.

Stratosphere has invested approximately $95 million for the construction of an additional 1,000 hotel rooms and related amenities and to purchase the leasehold interest in the shopping center located on its premises. The improvements were substantially completed in June 2001.

Stratosphere's property and equipment consist of the following as of and December 31, 2003 and 2002 (in $000's):

	DECEMBER 31, 2003	DECEMBER 31, 2002
Land and improvements, including land held for development	$ 20,625	$ 20,110
Building and improvements	140,922	135,989
Furniture, fixtures and equipment	58,577	57,158
Construction in progress	4,179	329
	224,303	213,586
Less accumulated depreciation and amortization	(50,054)	(42,156)

	$ 174,249	$ 171,430

Included in property and equipment at December 31, 2002 are assets recorded under capital leases of $1.9 million.

Stratosphere's operations for the years ended December 31, 2003, 2002 and 2001 have been included in "Hotel and casino operating income and expenses" in the consolidated Statements of Earnings. Hotel and casino operating expenses include all expenses except for approximately $12,276,000, $13,328,000 and $11,257,000 of depreciation and amortization for the years ended December 31, 2003, 2002 and 2001, respectively, and $2,259,000 of income tax benefit for the year ended December 31, 2003 and $2,412,000 and $513,000 of income tax provision for the years ended December 31, 2002 and 2001, respectively. Such amounts have been included in "Depreciation and amortization expense" and "Income tax benefit (expense)" in the Consolidated Statements of Earnings.

10. NATIONAL ENERGY GROUP

a. National Energy Group, Inc.

In October 2003, pursuant to a Purchase Agreement dated as of May 16, 2003, the Company acquired certain debt and equity securities of National Energy Group, Inc. ("NEG") from entities affiliated with Mr. Icahn for an aggregate consideration of approximately $148.1 million plus approximately $6.7 million of accrued interest on the debt securities. The agreement was reviewed and approved by the Audit Committee who were advised by its independent financial advisor and legal counsel. The securities acquired were $148,637,000 in principal amount of outstanding 10 3/4% Senior Notes due 2006 of NEG and 5,584,044 shares of common stock of NEG. As a result of the foregoing transaction and the acquisition by the Company of additional securities of NEG prior to the closing, the Company beneficially owns in excess of 50% of the outstanding common stock of NEG.

NEG owns a 50% interest in NEG Holding LLC ("Holding LLC"), the other 50% interest in Holding LLC is held by Gascon Partners ("Gascon") an Icahn affiliate and managing member. Holding LLC owns NEG Operating LLC ("Operating LLC") which owns operating oil and gas properties managed by NEG. Under the Holding LLC operating agreement NEG is to receive guaranteed payments of approximately $47.9 million in addition to a priority distribution of approximately $148.6 million before the Icahn affiliate receives any monies. Due to the substantial uncertainty that NEG will receive any distribution above the priority and guaranteed payments amounts, NEG accounts for its investment in Holding LLC as a preferred investment. The Company consolidates NEG in its financial statements.

In connection with a credit facility obtained by Holding LLC, NEG and Gascon have pledged as security their respective interests in Holding LLC.

b. Investment in NEG Holding LLC

As explained below, NEG's investment in Holding LLC is recorded as a preferred investment. The initial investment was recorded at historical carrying value of the net assets contributed with no gain or loss recognized on the transfer.

Summarized financial information for Holding LLC for the years ended December 31, is as follows (in $000's):

	DECEMBER 31, 2003	DECEMBER 31, 2002
Current assets	$ 33,415	$ 42,126

Noncurrent assets(1)	189,988	180,611
Total assets	$223,403	$222,737
Current liabilities	$ 14,253	$ 20,927
Noncurrent liabilities	48,640	1,968
Total liabilities	62,893	22,895
Member's equity	160,510	199,842
Total liabilities and member's equity	$223,403	$222,737

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(1) Primarily oil and gas properties

	DECEMBER 31,		
	2003	2002	2001
		(IN $000'S)	
Total revenues	$ 80,475	$ 39,509	$ 12,637
Costs and expenses	(47,277)	(32,064)	(9,988)
Operating income	33,198	7,445	2,649
Other income (expense)	(2,855)	6,481	(3,940)
Net income (loss)	$ 30,343	$ 13,926	$ (1,291)

Under Holding LLC Operating Agreement, NEG is to receive guaranteed payments in addition to a priority distribution amount of $202.2 million before Gascon receives any monies. The priority distribution is to be made on or before November 1, 2006. Guaranteed payments are to be paid, on a semi annual basis, based on an annual interest rate of 10.75% of the outstanding priority distribution amount. After the payments to NEG, Gascon is to receive distributions equivalent to the priority distribution amount and guaranteed payments plus other amounts as defined. Following the above distributions to NEG and Gascon, additional distributions, if any, are to be made in accordance with their respective capital accounts. The order of distributions is listed below. Because of the substantial uncertainty that NEG will receive any distributions above the priority and guaranteed payment amounts, NEG accounts for its investment in Holding LLC as a preferred investment.

Prior to September 2001, NEG owned and operated certain oil and gas properties. At inception (September 12, 2001), NEG recorded the investment in Holding LLC at the historical cost of the oil and gas properties that NEG contributed into the partnership (in exchange for Holding LLC obligation to pay NEG the priority distribution and guaranteed payments). Subsequently, NEG accretes its investment in Holding LLC from the initial investment recorded up to the priority distribution amount, including the guaranteed payments, at the implicit rate of interest, recognizing the accretion income in earnings. Accretion income is periodically adjusted for changes in the timing of cash flows, if necessary due to unscheduled cash distributions. Receipt of guaranteed payments and the priority distribution are recorded as reductions in the preferred investment. The preferred investment is evaluated quarterly for other than temporary impairment.

Because of the substantial uncertainty that NEG will receive any distributions in excess of the priority distribution and the guaranteed payments ("residual interest"), the residual interest attributable to the investment in

Holding LLC is valued at zero. Upon payment of the priority distribution in 2006, NEG's investment in Holding LLC will be zero. Cash receipts, if any, after the priority distribution and the guaranteed payments will be reported in income as earned.

The following is a roll forward of the Investment in Holding LLC as of December 31, 2003 (in $000s):

	DECEMBER 31, 2003
Investment in Holding LLC at beginning of period	$ 108,880
Priority distribution from Holding LLC	(51,446)
Guaranteed payment from Holding LLC	(18,230)
Accretion of investment in Holding LLC	30,142
Investment in Holding LLC at end of period	$ 69,346

Holding LLC Operating Agreement requires that distributions shall be made to both NEG and Gascon as follows:

1. Guaranteed payments are to be paid to NEG, calculated on an annual interest rate of 10.75% on the outstanding priority distribution amount. The priority distribution amount includes all outstanding debt owed to entities owned or controlled by Carl C. Icahn, including the amount of NEG's 10.75% Senior Notes. As of December 31, 2003, the priority distribution amount

was $148.6 million which equals the amount of NEG's 10.75% Senior Notes due the Company. The guaranteed payments will be made on a semi-annual basis.

2. The priority distribution amount is to be paid to NEG. Such payment is to occur by November 6, 2006.

3. An amount equal to the priority distribution amount and all guaranteed payments paid to NEG, plus any additional capital contributions made by Gascon, less any distribution previously made by NEG to Gascon, is to be paid to Gascon.

4. An amount equal to the aggregate annual interest (calculated at prime plus 1/2% on the sum of the guaranteed payments), plus any unpaid interest for prior years (calculated at prime plus 1/2% on the sum of the guaranteed payments), less any distributions previously made by NEG to Gascon, is to be paid to Gascon.

5. After the above distributions have been made, any additional distributions will be made in accordance with the ratio of NEG's and Gascon's respective capital accounts.

In addition, the Holding LLC Operating Agreement contains a provision that allows Gascon at any time, in its sole discretion, to redeem the NEG membership interest in Holding LLC at a price equal to the fair market value of such interest determined as if Holding LLC had sold all of its assets for fair market value and liquidated. Since all of the NEG's operating assets and oil and natural gas properties have been contributed to Holding LLC, as noted above, following such a redemption, NEG's principal assets would consist solely of its cash balances.

11. MORTGAGES AND NOTES RECEIVABLE

BALANCE AT
DECEMBER 31,

COLLATERALIZED BY PROPERTY TENANTED BY OR DEBTOR	INTEREST RATE	MATURITY DATE	BALANCE AT MATURITY	MONTHLY PAYMENT AMOUNT	(IN $000'S) 2003	2002
Peninsula/Hampton & Alex Hotel(b)	Various	Various	--	--	$ 42,030	$ 23,200
Philip debt(c)	--	--	--	--	1,091	20,494
Other	--	--	--	--	7,207	12,522
					$ 50,328	$ 56,216

The Company has provided development financing for certain real estate projects. The security for these loans is a pledge of the developers' ownership interest in the properties. Such loans are subordinate to construction financing and are generally referred to as mezzanine loans. The Company's mezzanine loans accrue interest at approximately 22% per annum. However interest is not paid periodically and is due at maturity or earlier from unit sales or refinancing proceeds. The Company defers recognition of interest income on mezzanine loans pending receipt of principal and interest payments.

a. On November 30, 2000, the Company entered into a mezzanine loan agreement to fund $23 million in two tranches to an unaffiliated borrower. The funds were to be used for certain initial development costs associated with a 65 unit condominium property located at 931 1st Avenue in New York City. The first tranche of $10 million was funded on November 30, 2000 and provided for interest accruing at a rate of 25% per annum, with principal and interest due at maturity, May 29, 2003. Also, in November 2000, approximately $3.7 million of the second tranche of the loan was funded. The balance of approximately $9.3 million was funded in installments during 2001. The second tranche provided for interest accruing at a rate of 21.5% per annum with principal and interest due at maturity, November 29, 2002. The loans were payable at any time from the proceeds of unit sales after satisfaction of senior debt of approximately $45 million. The loans were secured by the pledge of membership interests in the entity that owns the real estate. In May 2002, the Company received approximately $31.3 million for prepayment of the mezzanine loans. The balance of the prepayment of $8.3 million represented accrued interest ($7.9 million) and exit fees ($0.4 million) which amounts were recognized as "Interest income on U.S. Government and Agency obligations and other investments" and "Other income" respectively, in the Consolidated Statements of Earnings for the year ended December 31, 2002.

b. At December 31, 2002, the Company had funded two mezzanine loans for approximately $23.2 million and had

commitments to fund, under certain conditions, additional advances of approximately $5 million. Both loans have an interest rate of 22% per annum compounded monthly. The Peninsula loan, for a Florida condominium development, which had a term of 24 months from the date of funding, February 2002, was repaid in full in 2003. Approximately $6.8 million of interest income was recorded and is included in "Interest income on U.S. Government and Agency obligations and other investments" in the Consolidated Statements of Earnings. The Alex Hotel loan, for a New York City hotel with approximately 200 rooms, has a term of 36 months from the closing date, April 2002. At December 31, 2003, accrued interest of approximately $4.4 million has been deferred for financial statement purposes pending receipt of principal and interest payments in connection with this loan. Origination fees of $3.0 million have been received in connection with one of the mezzanine loans and approximately $1.5 million and $1.1 million has been recognized as "Other income" in the Consolidated Statements of Earnings in the years ended December 31, 2003 and 2002 respectively. In February 2003, the Company funded the Hampton mezzanine loan for approximately $30 million on a Florida condominium development. The loan is due in 18 months with one six month extension and has an interest rate of 22% per annum compounded monthly. The Company has committed to fund an additional $15 million if required by the borrower to complete the project. At December 31, 2003 accrued interest of approximately $6.7 million has been deferred for financial statement purposes pending receipt of principal and interest payments in connection with this loan.

c. See Note 7 with respect to Philip debt.

12. NOTE RECEIVABLE DUE FROM AFFILIATE

On October 17, 2003 Mr. Icahn, Chairman of the Board of the General Partner, repaid the $250 million loan which had been made to him by the Company on December 27, 2001. The Company made the two-year $250 million loan to Mr. Icahn, secured by securities consisting of (i) 21,136,044 and 8,073,466 of the Company's depositary units and preferred units, respectively, owned by Mr. Icahn, such units having an aggregate market value on that date of $250 million and (ii) shares of a private company owned by Mr. Icahn, which shares were represented to have an aggregate book value of at least $250 million, together with an irrevocable proxy on sufficient additional shares of the private company so that the pledged shares and the shares covered by the proxy equal in excess of 50% of the private company's shares. The interest on the loan was payable semi-annually, at a per annum rate equal to the greater of (i) 3.9% and (ii) 200 basis points over 90 day LIBOR to be reset each calendar quarter. The applicable rate in 2003 was 3.9% and in 2002 ranged from 3.9% to 4.03%. Interest income of approximately $7.9 million, $9.9 million and $0.1 million was earned on this loan in the years ended December 31, 2003, 2002 and 2001, respectively, and is included in "Interest income on U.S. Government and Agency obligations and other investments" in the Consolidated Statements of Earnings.

The Company entered into this transaction to earn interest income on a secured investment. The terms of this transaction were reviewed and approved by the Audit Committee.

13. HOTEL AND RESORT OPERATING PROPERTIES

a. The Company owns a hotel and resort property that is part of a master planned community situated in the town of Mashpee located on Cape Cod in Massachusetts. This property includes two golf courses, other recreational facilities, condominium and time share units and land for future development.

Total initial costs of approximately $28 million were classified as follows: approximately $17.4 million as "Hotel and resort properties", $8.9 million as "Land and construction-in-progress" and $1.7 million as "Other assets" on the Consolidated Balance Sheet.

Resort operations have been included in the "Hotel and resort operating income and expenses" in the Consolidated Statements of Earnings. Net hotel and resort operations for this property ("hotel and resort operating income" less "hotel and resort operating expenses") resulted in

income of approximately $3,033,000, $1,909,000 and $712,000 for the years ended December 31, 2003, 2002, and 2001, respectively. Hotel and resort operating expenses include all expenses except for approximately $2,451,000, $1,833,000 and $970,000 for the years ended December 31, 2003, 2002 and 2001 of depreciation and amortization, respectively, which is included in such caption in the Consolidated Statements of Earnings.

Resort operations are highly seasonal in nature with peak activity occurring from June to September.

b. The Company owns a hotel located in Miami, Florida which has a carrying value of approximately $6.4 million and $6.3 million at December 31, 2003 and 2002, respectively, and is unencumbered by any mortgages. Approximately $1.3 million of capital improvements were completed in the year ended December 31, 2002.

The Company has a management agreement for the operation of the hotel with a national management organization. As a result of the decision to sell the property in 2004, net hotel and resort operations ("hotel and resort operating revenues" less "hotel and resort operating expenses") totaled approximately $596,000, $494,000 and $770,000 for the years ended December 31, 2003, 2002 and 2001, respectively and have been included in discontinued operations. Depreciation expense of $210,000, $374,000 and $342,000 for the years ended December 31, 2003, 2002 and 2001, respectively, have been included in discontinued operations.

14. SIGNIFICANT PROPERTY TRANSACTIONS

Information on significant property transactions during the three-year period ended December 31, 2003 is as follows:

a. In September 2002, the Company purchased an industrial building located in Nashville, Tennessee for approximately $18.2 million. The building was constructed in 2001 and is fully leased to two tenants, Alliance Healthcare and Jet Equipment & Tools Inc., with leases expiring in 2011. The annual net operating income is anticipated to be approximately $1.6 million increasing to approximately $1.9 million by 2011. In October 2002, the Company closed a $12.7 million non-recourse mortgage loan on the Nashville, Tennessee property. The loan bears interest at 6.4% per annum and matures in ten years. Required payments are interest only for the first three years and then principal amortization will commence based on a thirty-year amortization schedule.

At December 31, 2003 and 2002, the property had a carrying value of approximately $18,066,000 and $17,584,000 respectively, and was encumbered by a non-recourse mortgage in the amount of $12,700,000.

b. In October 2002, the Company sold a property located in North Palm Beach, Florida for a selling price of $3.5 million. A gain of approximately $2.4 million was recognized in the year ended December 31, 2002.

c. In October 2003, the Company sold a property located in Columbia, Maryland to its tenant for a selling price of $11 million. A gain of approximately $5.8 million was recognized in the year ended December 31, 2003.

d. Due to favorable real estate market conditions and the mature nature of the Company's real portfolio, the Company has engaged C.B. Richard Ellis, Inc. to assist it in obtaining offers for its rental real estate portfolio. The Company intends to utilize proceeds from any asset sales to continue to invest in its core businesses, including real estate, gaming and entertainment and oil and gas. The Company may also seek opportunities in other sectors including industrial, manufacturing and insurance and asset management. In total, the Company is marketing for sale properties with a book value of approximately $340 million individually encumbered by mortgage debt which in the aggregate is approximately $180 million, a portion of which portfolio meets the criteria as held for sale under SFAS 144 at December 31, 2003. There can be no assurance that offers satisfactory to the Company will be received and, if received, that the properties will ultimately be sold at prices acceptable to the Company.

The Company had properties under contract or as to which letters of intent had been executed by potential purchasers, all of which contracts or letters of intent are subject to purchaser's due diligence and other closing conditions. Selling prices for the properties covered by the contracts or letters of intent would total approximately $323 million but the

properties are encumbered by aggregate mortgage debt of approximately $142 million which would have to be repaid out of the proceeds of the sales or assumed by the purchaser. In 2003, net income from these properties totaled approximately $7 million; interest expense was approximately $11 million; and depreciation and amortization expense was approximately $4.2 million. In accordance with generally accepted accounting principles, only the real estate operating properties under contract or letter of intent, but not the financing lease properties, were reclassified to "Properties held for sale" and the related income and expense reclassified to "Income from discontinued operations."

15. MORTGAGES PAYABLE

Mortgages payable, all of which are nonrecourse to the Company, are summarized as follows (in $000's):

ANNUAL PRINCIPAL

RANGE OF INTEREST RATES	RANGE OF MATURITIES	AND INTEREST PAYMENT	BALANCE AT DECEMBER 31, 2003	2002
5.630% -- 8.430%.......	10/15/07 - 12/31/18	$19,328	$180,989	$166,287
9.000 -- 9.500.........	11/30/03 - 11/30/09	--	--	5,561
		$19,328	$180,989	$171,848

The following is a summary of the anticipated future principal payments of the mortgages (in 000's):

YEAR ENDING DECEMBER 31,	AMOUNT
2004...........	$ 6,489
2005...........	6,702
2006...........	7,360
2007...........	14,176
2008...........	58,817
2009 - 2013.....	66,905
2014 - 2018.....	20,540
	$ 180,989

a. See Note 14(a) for Mid-South Logistics financing in October 2002.

b. On May 16, 2003, the Company executed a mortgage note secured by a distribution facility located in Windsor Locks, Connecticut and obtained funding in the principal amount of $20 million. The loan bears interest at 5.63% per annum and matures on June 1, 2013. Annual debt service is approximately $1,382,000 per annum based on a 30 year amortization schedule.

16. SENIOR NOTES AND CREDIT FACILITY DUE AFFILIATES

a. The Senior Notes of National Energy Group, Inc. ("Notes") were held in their entirety by affiliates of Icahn at December 31, 2002. The Notes bear interest at an annual rate of 10 3/4%, payable semiannually in arrears on May 1 and November 1 of each year. The Notes are senior, unsecured obligations of NEG, ranking pari passu with all existing and future senior indebtedness of NEG, and senior in right of payment to all future subordinated indebtedness of NEG. Subject to certain limitations set forth in the indenture covering the Senior Notes (the "Indenture"), NEG and its subsidiaries may incur additional senior indebtedness and other indebtedness.

The Indenture contains certain covenants limiting NEG with respect to the following: (i) asset sales; (ii) restricted payments; (iii) the incurrence of additional indebtedness and the issuance of certain redeemable preferred stock; (iv) liens; (v) sale and leaseback transactions; (vi) lines of business; (vii) dividend and other payment restrictions affecting subsidiaries; (viii) mergers and consolidations; and (ix) transactions with affiliates.

NEG was unable to reasonably determine the fair value of the Notes at December 31, 2002, due to a lack of available market quotations, credit ratings and inability to determine an appropriate discount rate.

In August 2001, NEG redeemed both $16.4 million of principal outstanding under the notes and $4.8 million of Reinstated Interest for a cash consideration of $10.5 million. NEG paid two Icahn affiliates approximately $0.4 million in current interest on the redeemed senior note obligations at the date of redemption related to interest owed from the last semi-annual interest payment date of May 1, 2001, to the date of redemption. As this was a partial redemption of the Notes, it has been accounted for as a modification of terms that changes the amounts of future cash payments. Accordingly, the excess of redeemed principal and interest over the redemption payment of $10.5 million is being amortized as a reduction to interest expense over the remaining life of the bonds. In connection with this transaction, NEG borrowed $10.9 million under its existing credit facility with an Icahn affiliate.

In October 2003, the Company acquired these Notes. At December 31, 2003, these Notes were eliminated in consolidation (See Note 10).

b. At December 31, 2002, NEG had $10.9 million outstanding under its existing $100 million credit facility with Arnos, an Icahn affiliate. Arnos continued to be the holder of the credit facility; however, the $10.9 million note outstanding under the credit facility was contributed to Holding LLC as part of Gascon's contribution to Holding LLC on September 12, 2001. In December 2001, the maturity date of the credit facility was extended to December 31, 2003 and NEG was given a waiver of compliance with respect to any and all covenant violations. NEG was not in compliance with the minimum interest coverage ratio at September 30, 2002; and December 31, 2002 and the current ratio at December 31, 2002, however, in December 2001, NEG was given a waiver of compliance with respect to any and all covenant violations through December 31, 2003.

On March 26, 2003, Holding LLC distributed the $10.9 million note outstanding under NEG'S revolving credit facility as a priority distribution to NEG, thereby canceling the note. Also, on March 26, 2003, NEG, Arnos and Operating LLC entered into an agreement to assign the credit facility to Operating LLC. Effective with this assignment, Arnos amended the credit facility to increase the revolving commitment to $150 million, increase the borrowing base to $75 million and extend the revolving due date until June 30, 2004. Concurrently, Arnos extended a $42.8 million loan to Operating LLC under the amended credit facility. Operating LLC then distributed $42.8 million to Holding LLC who, thereafter, made a $40.5 million priority distribution and a $2.3 million guaranteed payment to NEG. NEG utilized these funds to pay the entire amount of the long-term interest payable on the Notes and interest accrued thereon outstanding on March 27, 2003. The Arnos facility was canceled on December 29, 2003 in conjunction with a third party bank financing.

17. RIGHTS OFFERINGS

a. A registration statement relating to the 1995 Rights Offering (the "1995 Offering") was filed with the Securities and Exchange Commission and declared effective February 23, 1995.

On March 1, 1995, the Company issued to record holders of its Depositary Units one transferable subscription right (a "Right"), for each seven Depositary Units of the Company held on February 24, 1995, the record date. The Rights entitled the holders thereof (the "Rights Holders") to acquire during the subscription period at a subscription price of $55, six Depositary Units and one 5% cumulative pay-in-kind redeemable preferred unit representing a limited partner interest ("Preferred Units"). The subscription period commenced on March 1, 1995 and expired at the close of business on March 30, 1995.

The Preferred Units have certain rights and designations, generally as follows. Each Preferred Unit has a liquidation preference of $10.00 and entitles the holder thereof to receive distributions thereon, payable solely in additional Preferred Units, at the rate of $.50 per Preferred Unit per annum (which is equal to a rate of 5% of the liquidation preference thereof), payable annually on March 31 of each year (each, a "Payment Date"). On any Payment Date commencing with the Payment Date on March 31, 2000, the Company with the approval of the Audit Committee of the Board of Directors of the General Partner may opt to redeem all, but not less than all, of the Preferred Units for a price, payable either in all cash or by issuance of additional Depositary Units, equal to the liquidation preference of the Preferred Units, plus any accrued but unpaid distributions thereon. On March 31, 2010, the Company must redeem all, but not less than all, of the Preferred Units on the same terms as any optional redemption.

On April 12, 1995, the Company received approximately $108.7 million, the gross proceeds of the 1995 Offering, from its subscription agent and a capital contribution of approximately $2.2 million from its General Partner. The Company issued 1,975,640 Preferred Units and an additional 11,853,840 Depositary Units. Trading in the Preferred Units commenced March 31, 1995 on the New York Stock Exchange ("NYSE") under the symbol "ACP PR". The Depositary Units trade on the NYSE under the symbol "ACP".

b. In September 1997, the Company completed its 1997 Rights Offering (the "1997 Offering") to holders of its Depositary Units. The aggregate amount raised in the 1997 Rights Offering was approximately $267 million. The Preferred and Depositary Units issued under the 1997 Rights Offering carry the same rights and designations as those issued in 1995.

On September 25, 1997, the Company received approximately $267 million, the gross proceeds of the 1997 Offering, from its subscription agent and a capital contribution of approximately $5.4 million from its General Partner. Expenses incurred in connection with the 1997 Offering were approximately $400,000. The Company issued an additional 5,132,911 Preferred Units and 20,531,644 Depositary Units. The Preferred and Depositary Units trade on the New York Stock Exchange under the symbols "ACP PR" and "ACP", respectively.

At December 31, 2003, affiliates of the General Partner owned 8,477,139 Preferred Units and 39,896,836 Depositary Units.

18. PREFERRED UNITS

Pursuant to the terms of the Preferred Units, on February 21, 2003, the Company declared its scheduled annual preferred unit distribution payable in additional Preferred Units at the rate of 5% of the liquidation preference of $10. The distribution was payable March 31, 2003 to holders of record as of March 14, 2003. A total of 466,548 additional Preferred Units were issued. At December 31, 2003 and 2002, 9,796,607 and 9,330,963 Preferred Units are issued and outstanding, respectively.

Pursuant to the terms of the Preferred Units, on February 25, 2004, the Company declared its scheduled annual preferred unit distribution payable in additional Preferred Units at the rate of 5% of the liquidation preference of $10. The distribution is payable on

March 31, 2004 to holders of record as of March 12, 2004. In addition, the Company increased the number of authorized Preferred Units to 10,400,000.

On July 1, 2003, the Company adopted Statement of Financial Accounting Standards No. 150 (SFAS 150) "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS 150 requires that a financial instrument, which is an unconditional obligation, be classified as a liability. Previous guidance required an entity to include in equity financial instruments that the entity could redeem in either cash or stock. Pursuant to SFAS 150 the Company's Preferred Units, which are an unconditional obligation, have been reclassified from "Partners' equity" to a liability account in the consolidated Balance Sheets and the preferred pay-in-kind distribution for the period from July 1, 2003 to December 31, 2003 of $2,449,000 and all future distributions have been and will be recorded as "Interest expense" in the Consolidated Statements of Operations.

19. INCOME TAXES

(IN $000'S)	DECEMBER 31, 2003	DECEMBER 31, 2002
a. The difference between the book basis and the tax basis of the net assets of the Company, not directly subject to income taxes, is as follows:		

Book basis of American Real Estate Partners' net assets excluding Stratosphere Corp. and NEG, Inc.	$ 1,149,418	$ 1,177,329
Excess of tax over book (Excess of book over tax basis)	79,238	(1,778)
Tax basis of net assets	$ 1,228,656	$ 1,175,551

b. Corporate income taxes

(i) The Company's corporations recorded the following income tax (expense) benefit attributable to continuing operations for Stratosphere and NEG for the years ended December 31, 2003, 2002 and 2001 (in $000's):

	DECEMBER 31,		
	2003	2002	2001
Current	$ (723)	$ --	$ --
Deferred	7,218	(7,480)	30,077
	$ 6,495	$ (7,480)	$ 30,077

(ii) The tax effect of significant differences representing net deferred tax assets (the difference between financial statement carrying values and the tax basis of assets and liabilities) for the Company is as follows at December 31, 2003 and 2002 (in $000's):

	DECEMBER 31,	
	2003	2002
Deferred tax assets:		
Depreciation	$ 40,191	$ 61,628
Net operating loss carryforwards	30,942	45,958
Investment in NEG Holding LLC	18,845	8,440
Other	8,347	9,950
	98,325	125,976
Valuation allowance	(15,875)	(100,454)
Net deferred tax assets	$ 82,450	$ 25,522

At December 31, 2003, Stratosphere had net operating loss carryforwards available for federal income tax purposes of approximately $28.5 million which begin expiring in 2019.

SFAS 109 requires a "more likely than not" criterion be applied when evaluating the realizability of a deferred tax asset. As of December 31, 2002, given Stratosphere's history of losses for income tax purposes, the volatility of the industry within which the

Stratosphere operates, and certain other factors, Stratosphere had established a valuation allowance for the deductible temporary differences, including the excess of the tax basis of the Stratosphere's assets over the basis of such assets for financial statement purposes and the tax carryforwards. However, at December 31, 2003, based on various factors including the current earnings trend and future taxable income projections, Stratosphere determined that it was more likely than not that the deferred tax assets will be realized and removed the valuation allowance.

In accordance with SFAS 109, the tax benefit of any deferred tax asset that existed on the effective date of a reorganization should be reported as a direct addition to contributed capital. Stratosphere has deferred tax assets relating to both before and after Stratosphere emerged from bankruptcy in September of 1998. The net decrease in the valuation allowance was $79.3 million of which a net amount of $47.5 million was credited to partners' capital in the year ended December 31, 2003.

At December 31, 2003, NEG had net operating loss carryforwards available for federal income tax purposes of approximately $58 million, which expire in 2009. Net operating loss limitations may be imposed as a result of subsequent changes in stock ownership of NEG. Prior to the formation of Holding LLC, the income tax benefit associated with the loss carryforwards had not been recognized since, in the opinion of management, there was not sufficient positive evidence of future taxable income to justify recognition of a benefit. Upon the formation of Holding LLC, management again evaluated all evidence, both positive and negative, in determining whether a valuation allowance to reduce the carrying value of deferred tax assets was still needed and concluded, based on the projected allocations of taxable income by Holding LLC, NEG more likely than not will realize a partial benefit from the loss carryforwards. In accordance with SFAS 109, NEG recorded a deferred tax asset of $31.9 million in September 2001, $25.5 million as of December 31, 2002, and $25.9 million as of December 31, 2003. Ultimate realization of the deferred tax asset is dependent upon, among other factors, NEG's ability to generate sufficient taxable income within the carryforward periods and is subject to change depending on the tax laws in effect in the years in which the carryfowards are used. As a result of the recognition of expected future income tax benefits, subsequent periods will reflect a full effective tax rate provision.

20. QUARTERLY FINANCIAL DATA (UNAUDITED) (IN $000'S, EXCEPT PER UNIT DATA)

	THREE MONTHS ENDED(1)							
	MARCH 31,		JUNE 30,		SEPTEMBER 30,		DECEMBER 31,	
	2003	2002	2003	2002	2003	2002	2003	2002
Revenues	$ 69,030	$ 82,995	$ 67,016	$ 89,008	$ 71,492	$ 80,906	$ 69,018	$ 93,471
Operating Income	$ 14,524	$ 19,810	$ 15,033	$ 26,106	$ 14,811	$ 17,802	$ 18,523	$ 20,012
Gains (losses) on property transactions	1,138	1,639	(272)	--	501	2,891	5,754	4,460
Gain on sale of marketable equity and debt securities	--	--	--	--	2,168	--	439	--
Provision for loss on real estate	(200)	--	--	(926)	(100)	--	(450)	(2,286)
Write-down of equity securities available for sale	(961)	--	--	(8,476)	--	--	--	--
Write-down write-up of mortgages & notes receivable	--	--	(18,798)	--	--	--	--	--
Loss on limited partnership interest	--	--	--	--	--	--	--	(3,750)
Minority interest in net earnings of Stratosphere Corp.	--	(407)	--	(589)	--	(612)	--	(335)
Income (loss) from continuing operations before income tax ..	14,501	21,042	(4,037)	16,115	17,380	20,081	24,266	18,101
Income tax (expense) benefit	(2,878)	(1,595)	(2,158)	(1,854)	(2,568)	(2,031)	14,099	(2,000)
Income (loss) from continuing operations	11,623	19,447	(6,195)	14,261	14,812	18,050	38,365	16,101
Income from discontinued operations	1,629	1,502	3,427	1,502	2,933	1,502	1,503	1,501
Net earnings (loss)	$ 13,252	$ 20,949	$ (2,768)	$ 15,763	$ 17,745	$ 19,552	$ 39,868	$ 17,602
Net Earnings (loss) per limited Partnership unit(2):								
Basic earnings:								

	THREE MONTHS ENDED(1)							
	MARCH 31,		JUNE 30,		SEPTEMBER 30,		DECEMBER 31,	
	2003	2002	2003	2002	2003	2002	2003	2002
Income (loss) from continuing operations	$ .17	$ .35	$ (.20)	$ .24	$ .26	$ .31	$ .82	$ .26
Income from discontinued operations	.03	.03	.07	.03	.06	.03	.03	.03
Basic earnings (loss) per LP unit	$ .20	$ .38	$ (.13)	$ .27	$ .32	$ .34	$ .85	$ .29
Diluted earnings:								
Income (loss) from continuing operations	$ .15	$ .30	$ (.20)	$ .21	$ .24	$ .27	$ .71	$ .22
Income from discontinued operations	.03	.03	.07	.03	.05	.03	.03	.03
Diluted earnings (loss) per LP unit	$ .18	$ .33	$ (.13)	$ .24	$ .29	$ .30	$ .74	$ .25

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(1) All quarterly amounts have been restated for the effects of the acquisition of NEG and the reporting of discontinued operations.

(2) Net earnings (loss) per unit is computed separately for each period and, therefore, the sum of such quarterly per unit amounts may differ from the total for the year.

21. SEGMENT REPORTING

The Company is engaged in six operating segments consisting of the ownership and operation of (i) rental real estate, (ii) hotel and resort operating properties, (iii) hotel and casino operating property, (iv) property development, (v) investment in securities including investment in other limited partnerships and marketable equity and debt securities and (vi) investment in oil and gas operating properties. The Company's reportable segments offer different services and require different operating strategies and management expertise.

Non-segment revenue to reconcile to total revenue consists primarily of interest income on treasury bills and other investments. Non-segment assets to reconcile to total assets includes investment in U.S. Government and Agency obligations, cash and cash equivalents, receivables and other assets.

The accounting policies of the segments are the same as those described in Note 2.

The Company assesses and measures segment operating results based on segment earnings from operations as disclosed below. Segment earnings from operations is not necessarily indicative of cash available to fund cash requirements nor synonymous with cash flow from operations.

The revenues, net earnings, assets and real estate investment capital expenditures for each of the reportable segments are summarized as follows for the years ended and as of December 31, 2003, 2002, and 2001 (in $000's):

	DECEMBER 31,		
	2003	2002	2001
Revenues:			
Hotel & casino operating properties	$ 160,235	$ 156,620	$ 146,161
Land, house and condominium sales	13,265	76,024	55,566
Rental real estate	24,751	25,238	27,366
Hotel & resort operating properties	14,592	14,918	12,276
Oil & gas operating properties	38,109	40,516	45,709
Other investments	13,874	15,283	7,097
Subtotal	264,826	328,599	294,175

	DECEMBER 31,		
	2003	2002	2001
Reconciling items	11,730(1)	17,781(1)	28,147(1)
Total revenues	$ 276,556	$ 346,380	$ 322,322
Net earnings:			
Segment earnings:			
Hotel & casino operating property	$ 24,806	$ 24,961	$ 18,205
Land, house and condominium sales	4,136	21,384	12,967
Oil & gas operating properties	38,109	40,516	40,140
Rental real estate	19,276	20,556	24,338
Hotel and resort operating properties	3,454	2,365	1,484
Other investments	13,874	15,283	7,097
Total segment earnings	103,655	125,065	104,231
Interest income	11,730	17,781	28,147
Interest expense	(20,640)	(27,369)	(34,765)
General and administrative expenses	(14,081)	(14,134)	(13,011)
Depreciation and amortization	(17,773)	(17,613)	(20,814)
Operating Income	62,891	83,730	63,788
Gain on sales and disposition of real estate from continuing operations	7,121	8,990	1,737
Loss on sale of limited partnership interests	--	(3,750)	--
Write-down of mortgages and notes receivable	(18,798)	--	--
Provision for loss on real estate	(750)	(3,212)	(3,184)
Write-down of equity securities available for sale	(961)	(8,476)	--
Gain on sale of marketable equity securities	2,607	--	6,749
Minority interest in net earnings of Stratosphere Corp	--	(1,943)	(450)
Income tax benefit (expense)	6,495	(7,480)	30,077
Income from discontinued operations	9,492	6,007	6,117
General partner's share of net income	(8,737)	(10,698)	(38,644)
Net earnings-limited partners' unitholders	$ 59,360	$ 63,168	$ 66,190

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(1) Primarily interest income on U.S. Government and Agency obligations and other short-term investments and Icahn note receivable.

	DECEMBER 31,		
	2003	2002	2001
Assets:			
Rental real estate	$ 340,062	$ 359,700	$ 358,597
Hotel and casino operating property	174,249	171,430	184,191
Land and construction-in-progress	43,459	40,415	69,429
Hotel and resort operating properties	41,526	44,346	43,990
Other investments	231,050	479,104	458,372

	830,346	1,094,995	1,114,579
Reconciling items	659,584	465,481	469,772
Total	$1,489,930	$1,560,476	$1,584,351
Real estate investment capital expenditures:			
Acquisitions:			
Rental real estate	$ --	$ 18,226	$ --
Land and construction-in-progress	--	--	--
Hotel and casino operating property	--	--	--
Hotel and resort operating properties	--	--	--
	$ --	$ 18,226	$ --
Developments:			
Rental real estate	$ 413	$ 181	$ 1,064
Land and construction-in-progress	--	1,138	3,804
Hotel and casino operating property	18,667	2,582	48,909
Hotel and resort operating properties	1,067	1,995	13,753
	$ 20,147	$ 5,896	$ 67,530

22. COMMITMENTS AND CONTINGENCIES

a. In January 2002, Kmart Corp., a tenant leasing seven properties owned by the Company which represent approximately $1,374,000 in annual rentals, filed a voluntary petition for reorganization under Chapter 11 of the Federal Bankruptcy Code. Pursuant to an order of the Bankruptcy Court, four leases have been rejected representing approximately $713,000 in annual rents. The Company recorded a provision for loss of approximately $1.9 million on the four properties, whose leases were rejected, for the year ended December 31, 2001. The Company has not been notified regarding the three remaining leases representing approximately $661,000 in annual rents. At December 31, 2003 and 2002, the carrying value of the seven properties was approximately $5,482,000 and $6,529,000, respectively, which management believes is less than the estimate of net realizable value.

Tiffiny Decorating Company ("Tiffiny"), a subcontractor to Great Western Drywall ("Great Western"), filed a legal action against Stratosphere Corporation, Stratosphere Development, LLC, American Real Estate Holdings Limited Partnership (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 consolidated with the case brought by Tiffiny.

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

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 Tiffiny 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 to

Tiffiny and Great Western in 2002, respectively, is properly due and payable to satisfy all claims for the work performed, including the claim by Tiffiny. The remaining amount has been segregated in a separate interest bearing account. The Stratosphere Parties intend to vigorously defend the action for claims in excess of $1,004,059.

c. In January 2002, the Cape Cod Commission, (the "Commission"), a Massachusetts regional planning body created in 1989, concluded that AREP's New Seabury development is within its jurisdiction for review and approval (the "Administrative Decision"). It is the Company's position that the proposed residential, commercial and recreational development is in substantial compliance with a special permit issued for the property in 1964 and is therefore exempt from the Commission's jurisdiction and that Commission is barred from exercising jurisdiction pursuant to a 1993 settlement agreement between the Commission and a prior owner of the New Seabury property (the "Settlement Agreement").

In February 2002, New Seabury Properties LLC ("New Seabury"), an AREP subsidiary and owner of the property, filed in Barnstable County Massachusetts Superior Court, a civil complaint appealing the Administrative Decision by the Commission, and a separate civil complaint to find the Commission in contempt of the Settlement Agreement. The Court subsequently consolidated the two complaints into one proceeding. In July 2003, New Seabury and the Commission filed cross motions for summary judgment.

Also, in July 2003, in accordance with a Court ruling, the Commission reconsidered the question of its jurisdiction over the initial development proposal and over a modified development proposal that New Seabury filed in March 2003. The Commission concluded that both proposals are within its jurisdiction (the Second Administrative Decision). In August 2003, New Seabury filed in Barnstable County Massachusetts Superior Court another civil complaint appealing the Second Administrative Decision to find the Commission in contempt of the Settlement Agreement.

In November 2003, the Court ruled in New Seabury's favor on its July 2003 motion for partial summary judgment, finding that the special permit remains valid and that the modified development proposal is in substantial compliance with the Special Permit and therefore exempt from the Commission's jurisdiction (the Court did not yet rule on the initial proposal). Under the modified development proposal New Seabury could potentially develop up to 278 residential units and 145,000 square feet of commercial space. In March 2004, New Seabury moved for Summary Judgment to dispose of remaining claims under all three complaints and to obtain a final judgment from the Court. Also in March 2004, the Commission cross-moved for summary judgment on certain claims under each complaint. Under the initial proposal, New Seabury could potentially build up to 675 residential/hotel units and 80,000 square feet of commercial space. The Company cannot predict the effect on the development process if it loses any appeal or if the Commission is ultimately successful in asserting jurisdiction over any of the development proposals.

The General Partner monitors all tenant bankruptcies and defaults and may, when it deems it necessary or appropriate, establish additional reserves for such contingencies.

In addition, in the ordinary course of business, the Company, its subsidiaries and other companies in which the Company has invested are parties to various legal actions. In management's opinion, the ultimate outcome of such legal actions will not have a material effect on the Company's consolidated financial statements taken as a whole.

23. FAIR VALUE OF FINANCIAL INSTRUMENTS

CASH AND CASH EQUIVALENTS, RECEIVABLES, NOTE RECEIVABLE DUE FROM AFFILIATE, ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES AND THE PREFERRED LIMITED PARTNERSHIP UNITS LIABILITY

The carrying amount of cash and cash equivalents, receivables, note receivable due from affiliate, and accounts payable, accrued expenses and other liabilities and the Preferred Limited Partnership Units Liability are carried at cost, which approximates their fair value.

MORTGAGES AND NOTES RECEIVABLE

The fair values of the mortgages and notes receivable past due, in process of foreclosure, or for which foreclosure proceedings are pending, are based on the discounted cash flows of the underlying lease. The fair values of the mortgages and notes receivable satisfied after year end are based on the amount of the net proceeds received.

The fair values of the mortgages and notes receivable which are current are based on the discounted cash flows of their respective payment streams.

The approximate estimated fair values of the mortgages and notes receivable held as of December 31, 2003 and 2002 are summarized as follows (in $000's):

	AT DECEMBER 31, 2003		AT DECEMBER 31, 2002	
	NET INVESTMENT	ESTIMATED FAIR VALUE	NET INVESTMENT	ESTIMATED FAIR VALUE
Total	$ 50,272	$ 55,000	$ 51,449	$ 53,973

The net investment at December 31, 2003 and 2002 is equal to the carrying amount of the mortgage receivable less any deferred income recorded.

MORTGAGES PAYABLE

The approximate estimated fair values of the mortgages payable as of December 31, 2003 and 2002 are summarized as follows (in $000's):

	AT DECEMBER 31, 2003		AT DECEMBER 31, 2002	
	CARRYING VALUE	ESTIMATED FAIR VALUE	CARRYING VALUE	ESTIMATED FAIR VALUE
Total	$180,989	$185,000	$171,848	$190,000

LIMITATIONS

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

24. EMPLOYEE BENEFIT PLANS

a. Employees of the Company who are members of various unions are covered by union-sponsored, collectively bargained, multi-employer health and welfare and defined benefit pension plans. The Company recorded expenses for such plans of approximately $7,600,000, $6,500,000 and $4,900,000 for the years ended December 31, 2003, 2002 and 2001, respectively. Sufficient information is not available from the plans' sponsors to permit the Company to determine the adequacy of the plans' funding status.

b. The Company has retirement savings plans under Section 401(k) of the Internal Revenue Code covering its non-union employees. The plans allow employees to defer, within prescribed limits, up to 15% of their income on a pre-tax basis through contributions to the plans. The Company currently matches, within prescribed limits, up to 6% of eligible employees' compensation at rates ranging from 33% to 50%. The Company recorded charges for matching contributions of approximately $422,000, $433,000 and $477,000, for the years ended December 31, 2003, 2002 and 2001, respectively.

25. REPURCHASE OF DEPOSITARY UNITS

The Company has previously been authorized to repurchase up to 1,250,000 Depositary Units. As of December 31, 2003, the Company has purchased 1,137,200 Depositary Units at an aggregate cost of approximately $11,921,000.

26. SUBSEQUENT EVENTS

On January 5, 2004, American Casino & Entertainment Properties LLC ("American Casino"), an indirect wholly-owned subsidiary of the Company, entered into an agreement to acquire two Las Vegas casino/hotels, Arizona Charlie's Decatur and Arizona Charlie's Boulder from Carl C. Icahn and an entity affiliated with Mr. Icahn, for an aggregate consideration of $125.9 million. The closing of the acquisition is subject to certain conditions, including among other things, obtaining all approvals necessary under the gaming laws. The terms of the transaction were approved by the Audit Committee, who received an opinion from its financial advisor as to the fairness of the consideration to be paid from a financial point of view. Upon receiving all approvals necessary under gaming laws and upon closing of the acquisition, the AREH will transfer 100% of the common stock of Stratosphere Corporation ("Stratosphere") to American Casino. As a result, following the acquisition and contribution, American Casino will own and operate three gaming and entertainment properties in the Las Vegas metropolitan area.

Also, in January 2004, American Casino closed on its offering of Senior Secured Notes Due 2012. The Notes, in the aggregate principal amount of $215 million, bear interest at the rate of 7.85% per annum. The proceeds will be held in escrow pending receipt of all approvals necessary under gaming laws and certain other conditions in connection with the acquisition of Arizona Charlie's Decatur and Boulder. The amount raised in excess of the acquisition cost and expenses will be used to repay intercompany debt and for general business purposes by the Company and its subsidiaries.

Arizona Charlie's Decatur is located on approximately 17 acres of land, four miles west of the Las Vegas strip. An estimated 500,000 people live within a five-mile radius of the property. The property is easily accessible from Route 95, a major highway in Las Vegas. Arizona Charlie's Decatur contains approximately 52,000 square feet of gaming space, 258 hotel rooms, four restaurants and three bars. The property targets repeat customers from the surrounding communities. In 2003, revenues were $67.9 million.

Arizona Charlie's Boulder is located on approximately 24 acres of land, seven miles east of the Las Vegas strip, near an I-515 interchange. The I-515 is the most heavily traveled east/west highway in Las Vegas. An estimated 423,000 people live within a five-mile radius of the property. Arizona Charlie's Boulder contains approximately 41,000 square feet of gaming space, 303 hotel rooms, four restaurants and a 202-space recreational vehicle park. As with the Arizona Charlie's Decatur property, the property targets repeat customers from the surrounding communities. In 2003, revenues were $31.2 million.

Exhibit 99.4

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a)(1) Financial Statements:

The following financial statements of American Real Estate Partners, L.P. are included in Item 8 (Exhibit 99.3 to this Form 8-K):

(a)(2) Financial Statement Schedules:

Schedule III: Real Estate Owned and Revenues Earned (by tenant or guarantor, as applicable) is included herein.

All other Financial Statement schedules have been omitted because the required financial information is not applicable or the information is shown in the Financial Statements or Notes thereto.

(a)(3) Exhibits:

3.1 -- Certificate of Limited Partnership of AREP, dated February 17, 1987 (incorporated by reference to AREP's Exhibit 3.1 to Form 10-Q for the quarter ended March 31, 2004, filed on May 10, 2004).

3.2 -- Amended and Restated Agreement of Limited Partnership of AREP, dated as of May 12, 1987 (incorporated by reference to AREP's Exhibit 3.2 to Form 10-Q for the quarter ended March 31, 2004, filed on May 10, 2004).

3.3 -- Amendment No. 1 to the Amended and Restated Agreement of Limited Partnership of AREP (filed as Exhibit 3.3 to AREP's Annual Report on Form 10-K for the year ended December 31, 1994 and incorporated herein by reference).

3.4 -- Certificate of Limited Partnership of American Real Estate Holdings Limited Partnership (the "Subsidiary"), dated February 17, 1987, and amendment thereto, dated March 12, 1987 (incorporated by reference to AREP's Exhibit 3.4 to Form 10-Q for the quarter ended March 31, 2004, filed on May 10, 2004.).

3.5 -- Amended and Restated Agreement of Limited Partnership of the Subsidiary, dated as of July 1, 1987 (incorporated by reference to AREP's Exhibit 3.5 to Form 10-Q for the quarter ended March 31, 2004, filed on May 10, 2004).

3.6 -- Amendment No. 2 to the Amended and Restated Agreement of Limited Partnership of AREP dated as of August 16, 1996 and filed as Exhibit 10.1 to 8-K filed on August 16, 1996 and incorporated herein by reference.

3.7 -- Amendment No. 1 to the Amended and Restated Agreement of Limited Partnership of the Subsidiary dated August 16, 1996 filed as Exhibit 10.2 to the 8-K dated August 16, 1996 and incorporated herein by reference.

3.8 -- Amendment No. 3. To the Amended and Restated Agreement of Limited Partnership of AREP dated May 9, 2002. (Included in the annual report on 10-K for the year ended December 31, 2002 and incorporated herein by reference)

3.9 -- Amendment No. 2 to the Amended and Restated Agreement of Limited Partnership of the Subsidiary

dated June 14, 2002. (Included in the annual report on 10-K for the year ended December 31, 2002 and incorporated herein by reference)

4.1 -- Depositary Agreement among AREP, the General Partner and Registrar and Transfer Company, dated as of July 1, 1987 (incorporated by reference to AREP's Exhibit 4.1 to Form 10-Q for the quarter ended March 31, 2004, filed on May 10, 2004).

4.2 -- Amendment No. 1 to the Depositary Agreement (filed as Exhibit 4.2 to AREP's Annual Report on Form 10-K for the year ended December 31, 1994 and incorporated herein by reference).

4.3 -- Specimen Depositary Receipt (filed as Exhibit No. 4.2 to AREP's Annual Report on Form 10-K for the year ended December 31, 1987 and incorporated herein by reference).

4.4 -- Form of Transfer Application (filed as Exhibit No. 4.3 to AREP's Annual Report on Form 10-K for the year ended December 31, 1987 and incorporated herein by reference).

4.5 -- Specimen Certificate representing Preferred Units (filed as Exhibit No. 4.9 to AREP's Registration Statement on Form S-3 (Registration No. 33-54767) and incorporated herein by reference).

10.1 -- Nonqualified Unit Option Plan (filed as Exhibit No. 10.1 to AREP's Annual Report on Form 10-K for the year ended December 31, 1987 and incorporated herein by reference).

10.2 -- Distribution Reinvestment Plan (filed as Exhibit No. 10.3 to AREP's Annual Report on Form 10-K for the year ended December 31, 1987 and incorporated herein by reference).

10.10 -- Subscription Guaranty Agreement between AREP and High Coast Limited Partnership (the "Guarantor") (filed as Exhibit 4.10 to AREP's Registration Statement on Form S-3 (Registration No. 33-54767) and incorporated herein by reference).

10.11 -- Registration Rights Agreement between AREP and the Guarantor (filed as Exhibit 4.11 to AREP's Registration Statement on Form S-3 (Registration No. 33-54767) and incorporated herein by reference).

10.12 -- Amended and Restated Agency Agreement (filed as Exhibit 10.12 to AREP's Annual Report on Form 10-K for the year ended December 31, 1994 and incorporated herein by reference).

10.13 -- Subscription Agent Agreement (filed as Exhibit 10.13 to AREP's Annual Report on Form 10-K for the year ended December 31, 1994 and incorporated herein by reference).

10.14 -- Subscription Guaranty Agreement between AREP and the Guarantor (filed as Exhibit 4.10 to Amendment No. 1 to AREP's Registration Statement on Form S-3 (Registration No. 333-31561) and incorporated herein by reference).

10.15 -- Registration Rights Agreement between AREP and the Guarantor (filed as Exhibit 4.11 to Amendment No. 1 to AREP's Registration Statement on Form S-3 (Registration No. 333-31561) and incorporated herein by reference).

10.16 -- Subscription Agent Agreement filed as Exhibit 99.1 to AREP's Registration Statement on Form S-3 (Registration No. 333-31561) and incorporated herein by reference).

10.17 -- Note dated December 27, 2001 from Carl Icahn to American Real Estate

Holdings, L.P. in the amount of $250 million and incorporated herein by reference.

10.18 -- Pledge Agreement dated December 27, 2001 between American Real Estate Holdings, L.P. and Carl Icahn and incorporated herein by reference.

10.19 -- Accommodation Pledge Agreement dated December 27, 2001, between American Real Estate Holdings, L.P. and various pledgors and incorporated herein by reference.

16 -- Letter dated September 27, 1991 of Deloitte & Touche regarding change in accountants (filed as Exhibit No. A to AREP's Current Report on Form 8-K dated October 3, 1991 and incorporated herein by reference).

21 -- List of Subsidiaries (incorporated by reference to AREP's Exhibit 21 to Form 10-Q for the quarter ended March 31, 2004, filed on May 10, 2004).

31.1 -- Certification of Chief Executive Officer - pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.

31.2 -- Certification of Chief Financial Officer - pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.

32.1 -- Certification of Principal Executive Officer - pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 -- Certification of Principal Financial Officer - pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

99.1 -- Audit Committee Charter was adopted on March 12, 2004 and is incorporated herein as Exhibit 99.1.

99.2 -- Code of Ethics for Principal Executive Officer and Senior Financial Officers of American Property Investors, Inc. and American Real Estate Partners, L.P. is incorporated herein as Exhibit 99.2.

(b) Reports on Form 8-K:

(1) A Form 8-K was filed on October 2, 2003 -- American Real Estate Partners, L.P. Acquires Certain Securities of NEG Inc.

(2) A Form 8-K was filed on November 14, 2003 -- American Real Estate Partners, L.P. reports Third Quarter and Nine Months Results.

(3) A Form 8-K was filed on November 19, 2003 -- American Real Estate Partners, L.P. Comments on Trading Activity.

SCHEDULE III

AMERICAN REAL ESTATE PARTNERS, L.P.
a limited partnership

Schedule III

REAL ESTATE OWNED AND REVENUES EARNED

	State	No. of Locations	Amount of Encumberances
COMMERCIAL PROPERTY LAND AND BUILDING			
Acme Markets, Inc. and FPBT of Penn.	PA	1	
Alabama Power Company	AL	5	
Amer Stores, Eckerd & Marburn	NJ	1	
Atrium	VA	1	$ 18,716,286
Best Products Co., Inc.	VA	1	
Chesebrough-Pond's Inc.	CN	1	
Collins Foods International, Inc.	OR	3	
Collins Foods International, Inc.	CA	1	
Dillon Companies, Inc.	MO	1	
Dragon court	MA	1	
Duke Power Co.	NC	1	
Easco Corp.	NC	1	
European American Bank and Trust Co.	NY	1	
Farwell Bldg.	MN	1	
First National Supermarkets, Inc.	CT	1	19,848,351
Fisher Scientific Company	IL	1	
Forte Hotels International, Inc.	NJ	1	
Fox Grocery Company	WV	1	
Gino's, Inc.	MO	1	
Gino's, Inc.	OH	1	
Golf Road	IL	1	6,682,664
Grand Union Co.	MD	1	
Grand Union Co.	NY	1	
Grand Union Co.	VA	1	
Whalen	NY	1	
Gunite	IN	1	
G.D. Searle & Co.	IL	1	
G.D. Searle & Co.	MN	1	
G.D. Searle & Co.	IL	1	
Integra A Hotel and Restaurant Co.	AL	1	
Integra A Hotel and Restaurant Co.	AL	1	
Integra A Hotel and Restaurant Co.	IL		
Integra A Hotel and Restaurant Co.	IN	1	
Integra A Hotel and Restaurant Co.	OH	1	
Integra A Hotel and Restaurant Co.	MO	1	
Integra A Hotel and Restaurant Co.	TX	1	
Integra A Hotel and Restaurant Co.	MI	1	
Intermountain Color	KY	1	
J.C. Penney Company, Inc.	MA	1	
Kings buffet	FL	1	
K-Mart Corporation	LA	1	
K-Mart Corporation	WI	1	
K-Mart Corporation	MN	1	
K-Mart Corporation	FL	1	
K-Mart Corporation	IA	1	
K-Mart Corporation	FL	1	
K-Mart Corporation	FL	1	
K-Mart Corporation	IL	1	
Kobacker Stores, Inc.	MI	2	
Kobacker Stores, Inc.	KY	1	
Kobacker Stores, Inc.	OH	4	
Landmark Bancshares Corporation	MO	1	
Levitz Furniture Corporation	NY	1	
Louisiana Power and Light Company	LA	6	
Louisiana Power and Light Company	LA	7	
Marsh Supermarkets, Inc.	IN	1	
Mid-South	TN	1	12,700,000
Montgomery Ward, Inc.	PA	1	
Montgomery Ward, Inc.	NJ	1	
Morrison, Inc.	AL	1	

Part 1 - Real estate owned at December 31, 2003 - Accounted for under the:

Operating Method

Rent due

	Initial Cost to Company	Cost of Improvements	Amount Carried at close of period	Reserve for Depreciation	and accrued or received in advance at end of period
COMMERCIAL PROPERTY LAND AND BUILDING					
Acme Markets, Inc. and FPBT of Penn.	$ 2,004,393	$ 165,714	$ 2,170,107	$1,560,784	$14,736
Alabama Power Company					
Amer Stores, Eckerd & Marburn	2,045,641		2,045,641 (2)	1,632,403	
Atrium	27,921,246	8,627	27,929,873 (2)	2,293,391	
Best Products Co., Inc.	3,303,553	73,262	3,376,815	128,769	(25,833)
Chesebrough-Pond's Inc.	1,549,805		1,549,805 (4)	1,191,062	(11,770)
Collins Foods International, Inc.	250,812		250,812 (2)	16,352	
Collins Foods International, Inc.	134,253		134,253 (2)	9,289	
Dillon Companies, Inc.	546,681		546,681	382,676	(11,217)
Dragon court	3,700,000	44,706	3,744,706	176,368	
Duke Power Co.	3,464,225		3,464,225	344,114	
Easco Corp.	157,560	888,452	1,046,012	44,423	
European American Bank and Trust Co.	1,355,210		1,355,210 (2)	1,284,888	
Farwell Bldg.	5,081,105		5,081,105 (4)	2,595,341	
First National Supermarkets, Inc.					
Fisher Scientific Company	597,806		597,806 (2)	276,722	13,583
Forte Hotels International, Inc.					
Fox Grocery Company					
Gino's, Inc.					
Gino's, Inc.	314,012		314,012	22,415	
Golf Road	9,288,263	11,591	9,299,854 (2)	1,395,053	
Grand Union Co.					
Grand Union Co.	874,765		874,765	83,272	
Grand Union Co.	266,468		266,468 (2)	200,472	
Whalen	7,934,020		7,934,020 (2)	226,925	670
Gunite	1,134,565		1,134,565 (2)	1,065,034	
G.D. Searle & Co.					
G.D. Searle & Co.	339,358		339,358	169,939	
G.D. Searle & Co.	323,559		323,559 (2)	250,581	
Integra A Hotel and Restaurant Co.	434,056		434,056 (4)	9,422	
Integra A Hotel and Restaurant Co.	458,428		458,428	4,658	
Integra A Hotel and Restaurant Co.					
Integra A Hotel and Restaurant Co.	443,249		443,249 (4)	4,235	1,082
Integra A Hotel and Restaurant Co.	204,192		204,192 (2)	4,082	
Integra A Hotel and Restaurant Co.	414,887		414,887	9,503	
Integra A Hotel and Restaurant Co.	438,097		438,097	10,465	
Integra A Hotel and Restaurant Co.	431,486		431,486 (2)	9,851	1,219
Intermountain Color	560,444		560,444	523,715	
J.C. Penney Company, Inc.	2,484,262		2,484,262	1,987,410	(20,854)
Kings buffet	910,425		910,425	21,401	(279)
K-Mart Corporation					
K-Mart Corporation					
K-Mart Corporation					
K-Mart Corporation					
K-Mart Corporation					
K-Mart Corporation	2,636,000		2,636,000 (2)	1,899,765	
K-Mart Corporation					
K-Mart Corporation	600,000		600,000	15,866	
Kobacker Stores, Inc.	112,225		112,225		1,068
Kobacker Stores, Inc.	88,364		88,364		769
Kobacker Stores, Inc.	298,496		298,496		2,487
Landmark Bancshares Corporation					
Levitz Furniture Corporation					
Louisiana Power and Light Company	5,636,053		5,636,053	483,544	
Louisiana Power and Light Company	6,984,806		6,984,806	553,118	
Marsh Supermarkets, Inc.	5,001,933		5,001,933	3,097,560	
Mid-South	18,226,344		18,226,344 (2)	642,413	
Montgomery Ward, Inc.	3,289,166		3,289,166 (4)	2,290,820	
Montgomery Ward, Inc.	1,178,030		1,178,030 (4)	12,812	
Morrison, Inc.	858,112		858,112	21,353	

	Financing Method		Part 2 - Revenues earned for the Year ended December 31, 2003		
	Net Investment	Minimum lease payments due and accrued at end of period	Total revenue applicable to period	Expended for interest, taxes, repairs and expenses	Net income applicable to period
COMMERCIAL PROPERTY LAND AND BUILDING					
Acme Markets, Inc. and FPBT of Penn.			$ 224,856	$ 125,712	$ 99,144
Alabama Power Company	$ 4,849,942		557,828	0	557,828
Amer Stores, Eckerd & Marburn			565,214	36,898	528,316
Atrium			4,107,462	3,166,166	941,296
Best Products Co., Inc.			232,500	379,156	(146,656)
Chesebrough-Pond's Inc.			141,236	9,094	132,142
Collins Foods International, Inc.			32,489	4,088	28,401
Collins Foods International, Inc.			17,646	2,817	14,829
Dillon Companies, Inc.			26,956	9,016	17,940
Dragon court			143,148	748,277	(605,129)
Duke Power Co.			797,177	115,171	682,006
Easco Corp.			321,000	58,490	262,510
European American Bank and Trust Co.			175,000	36	174,964
Farwell Bldg.			1,151,819	313,290	838,529
First National Supermarkets, Inc.	19,815,365		1,856,505	874,730	981,775
Fisher Scientific Company			163,000	22,286	140,714
Forte Hotels International, Inc.	5,352,110		494,512	0	494,512
Fox Grocery Company	2,128,666		196,007	450	195,557
Gino's, Inc.				0	0
Gino's, Inc.			51,733	5,604	46,129
Golf Road			943,033	817,663	125,370
Grand Union Co.			0	0	0
Grand Union Co.			108,000	20,840	87,160
Grand Union Co.			24,150	4,464	19,686
Whalen			30,700	1,035,623	(1,004,923)

Gunite			0	68,419	(68,419)
G.D. Searle & Co.			0	447	(447)
G.D. Searle & Co.			37,000	2,562	34,438
G.D. Searle & Co.			47,080	4,516	42,564
Integra A Hotel and Restaurant Co.			108,549	7,537	101,012
Integra A Hotel and Restaurant Co.			145,211	4,659	140,552
Integra A Hotel and Restaurant Co.			87,925 (3)	4,591 (3)	83,334 (3)
Integra A Hotel and Restaurant Co.			131,038	4,600	126,438
Integra A Hotel and Restaurant Co.			82,000	3,266	78,734
Integra A Hotel and Restaurant Co.			91,818	7,919	83,899
Integra A Hotel and Restaurant Co.			103,960	11,942	92,018
Integra A Hotel and Restaurant Co.			149,589	10,134	139,455
Intermountain Color			98,422	7,968	90,454
J.C. Penney Company, Inc.			250,244	1,709	248,535
Kings buffet			103,161	37,478	65,683
K-Mart Corporation			0	24,295	(24,295)
K-Mart Corporation			0	(119,468)	119,468
K-Mart Corporation			0	111,970	(111,970)
K-Mart Corporation			0	8,713	(8,713)
K-Mart Corporation	1,046,571		100,422	3,037	97,385
K-Mart Corporation			251,420	13,511	237,909
K-Mart Corporation			113,793 (3)	18,207 (3)	95,586 (3)
K-Mart Corporation			58,582	41,145	17,437
Kobacker Stores, Inc.	123,964	$2,412	25,733	111	25,622
Kobacker Stores, Inc.	70,860	1,115	16,480	1,505	14,975
Kobacker Stores, Inc.	299,721	5,531	59,157	0	59,157
Landmark Bancshares Corporation	3,609,872		521,813	317	521,496
Levitz Furniture Corporation			0	0	0
Louisiana Power and Light Company			1,240,853	161,703	1,079,150
Louisiana Power and Light Company			1,299,275	174,703	1,124,572
Marsh Supermarkets, Inc.			506,300	131,844	374,456
Mid-South			1,684,918	1,306,639	378,279
Montgomery Ward, Inc.			314,280	29,294	284,986
Montgomery Ward, Inc.			193,586	12,930	180,656
Morrison, Inc.			0	77,996	(77,996)

AMERICAN REAL ESTATE PARTNERS, L.P.
a limited partnership

Schedule III

REAL ESTATE OWNED AND REVENUES EARNED

	State	No. of Locations	Amount of Encumberances
Morrison, Inc.	GA	1	
Morrison, Inc.	VA	2	
North Carolina National Bank	SC	2	
Occidental Petroleum Corp.	CA	1	
Ohio Power Co. Inc.	OH	1	
Park West	KY	1	11,740,990
Park West UPS	KY	1	17,605,571
Penske Corp.	OH	1	
Pneumo Corp.	OH	1	
Portland General Electric Company	OR	1	33,628,639
Rayovac	WI	1	15,415,558
Rouse Company	MD	1	
Safeway Stores, Inc.	LA	1	
Sams	MI	1	
Smith's Management Corp.	NV	1	
Southland Corporation	FL	4	
Southland Corporation	FL	1	
Staples	NY	1	
Stone Container	WI	1	5,824,491
Stop & Shop	NY	1	
Stop & Shop	NJ	1	
Stop 'N Shop Co., Inc.	VA	1	
Super Foods Services, Inc.	MI	1	4,327,290
SuperValu Stores, Inc.	MN	1	
SuperValu Stores, Inc.	OH	1	
SuperValu Stores, Inc.	GA	1	

SuperValu Stores, Inc.	IN	1	
Telecom Properties, Inc.	OK	1	
Telecom Properties, Inc.	KY	1	
The A&P Company	MI	1	
The TJX Companies, Inc.	IL	1	
Tire Distribution Systems Inc.	TN	1	
Tops Market	NY	1	
Toys "R" Us, Inc.	TX	1	
Waban	NY	1	
Watkins	MO	1	
Webcraft Technologies	MD	1	
Wetterau, Inc.	PA	1	
Wetterau, Inc.	NJ	1	
Wickes Companies, Inc.	CA	1	

RESIDENTIAL PROPERTY LAND AND BUILDING

Crown Cliffs	AL	1	7,233,108

COMMERCIAL PROPERTY - LAND

Foodarama supermarkets, Inc.	NY	1
Foodarama supermarkets, Inc.	PA	1
Gino's, Inc.	PA	1
Gino's, Inc.	MA	1
Gino's, Inc.	NJ	1
J.C. Penney Company, Inc.	NY	1

COMMERCIAL PROPERTY - BUILDING

AT&T	CA	1
Bank of America	GA	1

Part 1 - Real estate owned at December 31, 2003 - Accounted for under the:

Operating Method

	Initial Cost to Company	Cost of Improvements	Amount Carried at close of period	Reserve for Depreciation	Rent due and accrued or received in advance at end of period
Morrison, Inc.					
Morrison, Inc.	1,765,899		1,765,899	47,355	
North Carolina National Bank	1,450,047		1,450,047	646,536	10,092
Occidental Petroleum Corp.					
Ohio Power Co. Inc.					
Park West	19,199,296		19,199,296 (2)	2,793,207	
Park West UPS	21,109,367		21,109,367 (2)	2,479,441	(1,000)
Penske Corp.	524,956		524,956	19,525	(9,533)
Pneumo Corp.	1,629,713		1,629,713	68,492	
Portland General Electric Company					
Rayovac	22,065,852		22,065,852 (2)	2,243,143	
Rouse Company					
Safeway Stores, Inc.	1,782,885		1,782,885 (4)	1,134,894	
Sams	8,844,225		8,844,225	2,340,082	
Smith's Management Corp.					
Southland Corporation	862,367		862,367	513,035	
Southland Corporation					
Staples	2,391,540		2,391,540 (2)	265,276	
Stone Container	9,028,574		9,028,574	1,287,134	
Stop & Shop	900,865		900,865	83,272	
Stop & Shop	800,770		800,770	74,021	
Stop 'N Shop Co., Inc.	2,158,099		2,158,099	57,647	
Super Foods Services, Inc.					
SuperValu Stores, Inc.					
SuperValu Stores, Inc.					
SuperValu Stores, Inc.					
SuperValu Stores, Inc.					
Telecom Properties, Inc.					
Telecom Properties, Inc.	340,321		340,321	1,181	
The A&P Company	999,172		999,172	13,041	
The TJX Companies, Inc.					
Tire Distribution Systems Inc.	120,946		120,946 (4)	75,200	
Tops Market	262,357		262,357	24,249	(15,726)
Toys "R" Us, Inc.					
Waban	8,478,095		8,478,095 (2)	1,164,396	
Watkins					
Webcraft Technologies					
Wetterau, Inc.			(4)		
Wetterau, Inc.	747,116		747,116	32,088	
Wickes Companies, Inc.	700,333		700,333 (4)	195,738	(4,533)

RESIDENTIAL PROPERTY LAND AND BUILDING

Crown Cliffs	11,457,646	93,253	11,550,899 (1)	3,662,776	

COMMERCIAL PROPERTY - LAND

Foodarama supermarkets, Inc.	140,619		140,619 (2)		
Foodarama supermarkets, Inc.	112,554		112,554 (2)		1,200
Gino's, Inc.	36,271		36,271 (2)		
Gino's, Inc.	50,904		50,904 (2)		
Gino's, Inc.	61,050		61,050 (2)		
J.C. Penney Company, Inc.	51,009		51,009 (4)		458

COMMERCIAL PROPERTY - BUILDING

AT&T	2,546,139	23,566	2,569,705 (4)	82,237	
Bank of America					

	Financing Method		Part 2 - Revenues earned for the Year ended December 31, 2003		
	Net Investment	Minimum lease payments due and accrued at end of period	Total revenue applicable to period	Expended for interest, taxes, repairs and expenses	Net income applicable to period
Morrison, Inc.			183,360	0	183,360
Morrison, Inc.			0	84,818	(84,818)
North Carolina National Bank			69,476	69,670	(194)
Occidental Petroleum Corp.			0	1,228	(1,228)
Ohio Power Co. Inc.	3,221,531	114,600	305,332	0	305,332
Park West			1,559,346	1,473,397	85,949
Park West UPS			1,959,010	1,734,716	224,294
Penske Corp.			63,551	44,467	19,084
Pneumo Corp.			243,750	54,793	188,957
Portland General Electric Company	46,892,351	(414,424)	4,074,139	2,685,000	1,389,139
Rayovac			1,993,330	1,786,171	207,159
Rouse Company			359,392	134,037	225,355
Safeway Stores, Inc.			85,150	11,974	73,176
Sams			1,245,569	161,517	1,084,052
Smith's Management Corp.			32,531	9,856	22,675
Southland Corporation			100,359	3,748	96,611
Southland Corporation			9,993 (3)	330 (3)	9,663 (3)
Staples			352,729	120,169	232,560
Stone Container			885,334	678,909	206,425
Stop & Shop			108,000	20,818	87,182
Stop & Shop			96,000	18,505	77,495
Stop 'N Shop Co., Inc.			109,255	179,573	(70,318)
Super Foods Services, Inc.	8,670,045		931,980	396,831	535,149
SuperValu Stores, Inc.			0	0	0
SuperValu Stores, Inc.			0	0	0
SuperValu Stores, Inc.			0	3,430	(3,430)
SuperValu Stores, Inc.			72,678	14,354	58,324
Telecom Properties, Inc.			(252)	3,654	(3,906)
Telecom Properties, Inc.			34,672	6,763	27,909
The A&P Company			77,851	106,413	(28,562)
The TJX Companies, Inc.			29,575	5,996	23,579
Tire Distribution Systems Inc.			13,200	0	13,200
Tops Market			31,453	6,277	25,176
Toys "R" Us, Inc.			0	136,637	(136,637)
Waban			795,285	196,043	599,242
Watkins			0	0	0
Webcraft Technologies			0	(22,313)	22,313
Wetterau, Inc.			0	45,072	(45,072)
Wetterau, Inc.			150,800	25,788	125,012
Wickes Companies, Inc.			145,452	38,825	106,627

RESIDENTIAL PROPERTY LAND AND BUILDING

Crown Cliffs			2,000,409	1,871,243	129,166

COMMERCIAL PROPERTY - LAND

Foodarama supermarkets, Inc.			16,800	0	16,800
Foodarama supermarkets, Inc.			14,400	0	14,400
Gino's, Inc.			8,571	0	8,571
Gino's, Inc.			8,571	0	8,571
Gino's, Inc.			8,571	0	8,571
J.C. Penney Company, Inc.			5,500	0	5,500

COMMERCIAL PROPERTY - BUILDING

AT&T			449,548	247,906	201,642
Bank of America	2,798,908	40,573	292,259	26,584	265,675

REAL ESTATE OWNED AND REVENUES EARNED

	State	No. of Locations	Amount of Encumberances
Baptist Hospital 1	TN	1	19,885,664
Baptist Hospital 2	TN	1	7,380,651
Harwood Square	IL	1	
Safeway Stores, Inc.	CA	1	
Toys "R" Us, Inc.	RI	1	
United Life & Accident Ins. Co.	NH	1	
Wickes Companies, Inc.	PA	1	
			180,989,263
HOTEL AND RESORT OPERATING PROPERTIES			
New Seabury	MA		
Holiday Inn	FL		
Bayswater	FL		
			0
LESS HELD FOR SALE			(82,861,069)
			$ 98,128,194

Part 1 - Real estate owned at December 31, 2003 - Accounted for under the:

	Initial Cost to Company	Cost of Improvements	Operating Method Amount Carried at close of period	Reserve for Depreciation	Rent due and accrued or received in advance at end of period
Baptist Hospital 1					
Baptist Hospital 2					
Harwood Square	6,943,373	800	6,944,173 (4)	4,186,890	29,900
Safeway Stores, Inc.	558,652		558,652	558,652	
Toys "R" Us, Inc.					
United Life & Accident Ins. Co.					
Wickes Companies, Inc.					
	252,397,367	1,309,971	253,707,338	51,001,774	(23,481)
HOTEL AND RESORT OPERATING PROPERTIES					
New Seabury	37,490,989	(403,250)	37,087,739	6,704,739	
Holiday Inn	11,103,847	365,123	11,468,970 (4)	5,104,068	280,213
Bayswater	5,310,365		5,310,365	531,855	
	53,905,201	(38,127)	53,867,074	12,340,662	280,213
LESS HELD FOR SALE	(146,395,413)	(20,218)	(146,415,631)	(20,152,684)	
	$159,907,155	$1,251,626	$161,158,781	$43,189,752	$256,732

	Financing Method: Net Investment	Financing Method: Minimum lease payments due and accrued at end of period	Part 2 - Revenues earned for the Year ended December 31, 2003: Total revenue applicable to period	Expended for interest, taxes, repairs and expenses	Net income applicable to period
Baptist Hospital 1	23,438,376	1,105,517	1,862,951	1,574,065	288,886
Baptist Hospital 2	8,726,374	410,319	691,443	583,409	108,034
Harwood Square			790,838	246,064	544,774
Safeway Stores, Inc.			26,900	495	26,405
Toys "R" Us, Inc.	797,816	10,430	77,173	0	77,173
United Life & Accident Ins. Co.	3,165,914		274,017	950	273,067
Wickes Companies, Inc.	2,347,187		467,454	0	467,454
	137,355,573	1,276,073	43,298,285	24,714,252	18,584,033
HOTEL AND RESORT OPERATING PROPERTIES					
New Seabury			11,678,516	10,996,669	681,847
Holiday Inn			3,911,515	3,253,372	658,143
Bayswater			2,914,000	2,789,000	125,000
	0	0	18,504,031	17,039,041	1,464,990
LESS HELD FOR SALE			(22,459,690)	(16,320,692)	(6,138,998)
	$137,355,573	$1,276,073	$39,342,626	$25,432,601	$13,910,025

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(1) The Company owns a 70% interest in the joint venture which owns this property.

(2) Such properties are being classified as held for sale at 12/31/03.

(3) Sold in 2003 and included in discontinued ops.

(4) Such properties have been reclassified to held for sale during the quarter ended March 31, 2004. As a result, for the year ended December 31, 2003, such operating lease and hotel and resort operating revenues, expenses and net income have been reclassified to discontinued operations.

AMERICAN REAL ESTATE PARTNERS, L.P. AND SUBSIDIARIES

REAL ESTATE OWNED AND REVENUES EARNED
YEAR ENDED DECEMBER 31, 2003 (IN $000'S)

1a. A reconciliation of the total amount at which real estate owned, accounted for under the operating method and hotel and resort operating properties and development properties, was carried at the beginning of the period, with the total at the close of the period, is shown below:

Balance -- January 1, 2003	$ 303,460
Additions during period	1,675
Reclassifications during period from financing leases	5,065
Reclassifications during period to held for sale	(146,416)
Disposals during period	(2,626)
Balance December 31, 2003	$ 161,158

b. A reconciliation of the total amount of accumulated depreciation at the beginning of the period, with the total at the close of the period, is shown below:

Balance -- January 1, 2003	$ 54,978
Depreciation during period	8,605
Reclassifications during period to held for sale	(20,153)
Disposals during period	(240)
Balance -- December 31, 2003	$ 43,190

Depreciation on properties accounted for under the operating method is computed using the straight-line method over the estimated useful life of the particular property or property components, which range from 5 to 45 years.

2. A reconciliation of the total amount at which real estate owned, accounted for under the financing method, was carried at the beginning of the period, with the total close of the period, is shown below:

Balance -- January 1, 2003	$ 155,458
Reclassifications during period to operating properties	(5,065)
Disposals during period	(7,708)
Amortization of unearned income	13,115
Minimum lease rentals received	(18,444)
Balance -- December 31, 2003	$ 137,356

3. The aggregate cost of real estate owned for Federal income tax purposes is $377,539 before accumulated depreciation.

AMERICAN REAL ESTATE PARTNERS, L.P. AND SUBSIDIARIES

REAL ESTATE OWNED AND REVENUES EARNED -- (CONTINUED)
YEAR ENDED DECEMBER 31, 2003 (IN $000'S)

4. Net income applicable to the period in Schedule III is reconciled with net earnings as follows:

Net income applicable to financing and operating leases and hotel and resort operating properties	$ 13,910
Net income applicable to Stratosphere hotel and casino	22,716(1)
Net income applicable to land, house and condominium sales	4,136
Net income applicable to NEG, Inc	19,522(2)
Add:	
Interest income on U.S. Government and Agency Obligations and other investments	22,543
Dividend and unallocated other income	3,027
	85,854
Deduct expenses not allocated:	
General and administrative expenses	6,850
Nonmortgage interest expense	2,449
Equity in losses of GB Holdings, Inc	3,466
Other	3,703
	16,468
Operating income after income taxes	69,386
Provision for loss on real estate	(750)
Gain on sale of real estate	7,121
Loss on sale of securities	(961)
Write-down of securities	(18,798)
Write-down of mortgages and notes receivable	2,607
Income from continuing operations	58,605
Discontinued Operations:	
Income from discontinued operations	6,139
Net gain on property transactions	3,353

Earnings from discontinued operations	9,492
Net earnings	$ 68,097

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(1) Includes depreciation expense of $12,276 and income tax benefit of $6,720.

(2) Includes income tax expense of $225.

SCHEDULE III

AMERICAN REAL ESTATE PARTNERS, L.P. AND SUBSIDIARIES

REAL ESTATE OWNED AND REVENUES EARNED
YEAR ENDED DECEMBER 31, 2002 (IN $000'S)

1a. A reconciliation of the total amount at which real estate owned, accounted for under the operating method and hotel and resort operating properties, was carried at the beginning of the period, with the total at the close of the period, is shown below:

Balance -- January 1, 2002	$ 273,887
Additions during period	20,886
Reclassifications during period from financing leases	13,503
Write downs	(1,992)
Disposals during period	(2,824)
Balance -- December 31, 2002	$ 303,460

b. A reconciliation of the total amount of accumulated depreciation at the beginning of the period, with the total at the close of the period, is shown below:

Balance -- January 1, 2002	$ 48,057
Depreciation during period	7,105
Disposals during period	(184)
Balance -- December 31, 2002	$ 54,978

Depreciation on properties accounted for under the operating method is computed using the straight-line method over the estimated useful life of the particular property or property components, which range from 7 to 45 years.

2. A reconciliation of the total amount at which real estate owned, accounted for under the financing method, was carried at the beginning of the period, with the total close of the period, is shown below:

Balance -- January 1, 2002	$ 176,757
Reclassifications during period	(13,503)
Write downs	(257)
Disposals during period	(1,560)
Amortization of unearned income	14,722
Minimum lease rentals received	(20,663)
Other	(38)
Balance -- December 31, 2002	$ 155,458

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3. The aggregate cost of real estate owned for Federal income tax purposes is $382,208 before accumulated depreciation.

AMERICAN REAL ESTATE PARTNERS, L.P. AND SUBSIDIARIES

REAL ESTATE OWNED AND REVENUES EARNED -- (CONTINUED)
YEAR ENDED DECEMBER 31, 2002 (IN $000'S)

4. Net income applicable to the period in Schedule III is reconciled with net earnings as follows:

Net income applicable to financing and operating leases and hotel and resort operating properties	$ 14,128
Net income applicable to Stratosphere hotel and casino	8,916(1)
Net income applicable to land, house and condominium sales	20,384
Net income applicable to NEG Inc.	9,415(2)
Add:	
Interest income on U.S. Government and Agency Obligations and other investments	30,344
Dividend and unallocated other income	2,684
Equity in earnings of GB Holdings, Inc.	305
	86,176
Deduct expenses not allocated:	
General and administrative expenses	7,029
Non-mortgage interest expense	1,272
Other	1,625
	9,926
Operating income after income taxes	76,250
Provision for loss on real estate	(3,212)
Gain on sale of real estate	8,990
Write down of securities	(12,226)
Minority interest in net earnings of Stratosphere Corporation	(1,943)
Income from continuing operations	67,859
Discontinued Operations:	
Income from discontinued operations	6,007
Net earnings	$ 73,866

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(1) Includes depreciation expense of $13,328 and income tax expense of $2,412.
(2) Includes income tax expense of $5,068.

AMERICAN REAL ESTATE PARTNERS, L.P. AND SUBSIDIARIES

REAL ESTATE OWNED AND REVENUES EARNED
YEAR ENDED DECEMBER 31, 2001 (IN $000'S)

1a. A reconciliation of the total amount at which real estate owned, accounted for under the operating method and hotel and resort operating properties, was carried at the beginning of the period, with the total at the close of the period, is shown below:

Balance -- January 1, 2001	$ 262,356
Additions during period	14,586
Reclassifications during period from financing leases	9,755

Write downs	(3,184)
Reclassifications during period to assets held for sale	(8,072)
Other reclassifications	(1,130)
Disposals during period	(424)
Balance -- December 31, 2001	$ 273,887

b. A reconciliation of the total amount of accumulated depreciation at the beginning of the period, with the total at the close of the period, is shown below:

Balance -- January 1, 2001	$ 43,471
Depreciation during period	6,252
Disposals during period	(266)
Reclassifications during period to assets held for sale	(1,400)
Balance -- December 31, 2001	$ 48,057

Depreciation on properties accounted for under the operating method is computed using the straight-line method over the estimated life of the particular property or property components, which range from 5 to 45 years.

2. A reconciliation of the total amount at which real estate owned, accounted for under the financing method, was carried at the beginning of the period, with the total at the close of the period, is shown below:

Balance -- January 1, 2001	$ 193,428
Reclassifications during period to operating properties	(9,755)
Disposals during period	(71)
Amortization of unearned income	16,935
Minimum lease rentals received	(23,780)
Balance -- December 31, 2001	$ 176,757

3. The aggregate cost of real estate owned for Federal income tax purposes is $399,813 before accumulated depreciation.

AMERICAN REAL ESTATE PARTNERS, L.P. AND SUBSIDIARIES

REAL ESTATE OWNED AND REVENUES EARNED -- (CONTINUED)
YEAR ENDED DECEMBER 31, 2001 (IN $000'S)

4. Net income applicable to the period in Schedule III is reconciled with net earnings as follows:

Net income applicable to financing and operating leases and hotel and resort operating properties	$ 15,733
Net income applicable to Stratosphere hotel and casino	4,628(1)
Net income applicable to land, house and condominium sales	12,967
Net income applicable to NEG, Inc.	37,300(2)
Add:	
Interest income on U.S. Government and Agency Obligations and other investments	30,367
Dividend and unallocated other income	4,989
Equity in earnings of GB Holdings, Inc.	1,807
	107,791

Deduct expenses not allocated:	
General and administrative expenses	7,080
Non-mortgage interest expense	5,306
Other	1,540
	13,926
Operating income after income taxes	93,865
Provision for loss on real estate	(3,184)
Gain on sale of marketable equity and debt securities	6,749
Gain on sale of real estate	1,737
Minority interest in net earnings of Stratosphere Corporation	(450)
Income from continuing operations	98,717
Discontinued Operations:	
Income from discontinued operations	6,117
Net Earnings	$ 104,834

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(1) Includes depreciation expense of $11,257 and income tax expense of $513.

(2) Includes depreciation expense of $6,163 and income tax benefit of $30,590.

SCHEDULE III

AMERICAN REAL ESTATE PARTNERS, L.P. AND SUBSIDIARIES

REAL ESTATE OWNED AND RESERVE FOR DEPRECIATION BY STATE
(ACCOUNTED FOR UNDER THE OPERATING METHOD)
DECEMBER 31, 2003 (IN $000'S)

STATE	AMOUNT AT WHICH CARRIED AT CLOSE OF YEAR	RESERVE FOR DEPRECIATION
Alabama	$ 13,301	$ 3,698
California	3,829	837
Connecticut	1,550	1,191
Florida	18,553	5,636
Illinois	7,544	4,203
Indiana	5,445	3,633
Kentucky	989	525
Louisiana	14,404	2,172
Massachusetts	43,317	8,869
Michigan	9,956	2,353
Minnesota	5,420	2,765
Missouri	962	392
New Jersey	2,726	119
New York	2,088	190
North Carolina	4,510	389
Ohio	2,767	111
Pennsylvania	5,459	3,852
South Carolina	1,450	647
Tennessee	121	76
Texas	438	10
Virginia	7,301	234
Wisconsin	9,029	1,288
	$ 161,159	$ 43,190

SCHEDULE III

AMERICAN REAL ESTATE PARTNERS, L.P. AND SUBSIDIARIES

REAL ESTATE OWNED BY STATE
(ACCOUNTED FOR UNDER THE FINANCING METHOD)
DECEMBER 31, 2003 (IN $000'S)

STATE	NET INVESTMENT
Alabama	$ 4,850
Connecticut	19,815
Georgia	2,799
Iowa	1,047
Kentucky	71
Michigan	8,794
Missouri	3,610
New Hampshire	3,166
New Jersey	5,352
Ohio	3,521
Oregon	46,892
Pennsylvania	2,347
Rhode Island	798
Tennessee	32,165
West Virginia	2,129
	$ 137,356