

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14D-1

Tender Offer Statement Pursuant to Section
14(d)(1) of the Securities Exchange Act of 1934
and
Amendment No. 20 to Schedule 13D

AMERICAN REAL ESTATE PARTNERS, L.P.
(Name of Subject Company [Issuer])

LEYTON LLC
HIGH COAST LIMITED PARTNERSHIP
BECKTON CORP.
CARL C. ICAHN
(Bidders)

DEPOSITARY UNITS REPRESENTING
LIMITED PARTNER INTERESTS
(Title of Class of Securities)

029169109
(CUSIP Number of Class of Securities)

Keith L. Schaitkin, Esq.
Gordon Altman Butowsky
Weitzen Shalov & Wein
114 West 47th Street
New York, New York 10036
(212) 626-0800

(Name, Address and Telephone Number of Person Authorized to
Receive Notices and Communications on Behalf of Bidder)

Calculation of Filing Fee

Transaction	Amount of
Valuation*: \$105,000,000	Filing Fee: \$21,000

*For purposes of calculating the filing fee only. This amount assumes the purchase of up to 10 million Units of the subject company for \$10.50 per Unit in cash.

[] Check box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid: _____
Form or Registration No.: _____
Filing Party: _____

Dated Filed: _____

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 (the "Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No. 029169109

SCHEDULE 14D-1

1 NAME OF REPORTING PERSONS
S.S OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

Leyton LLC

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) [X]
(See Instructions) (b) []

3 SEC USE ONLY

4 SOURCE OF FUNDS (See Instructions)
AF

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDING IS REQUIRED
PURSUANT TO ITEMS 2(e) OR 2(f) []

6 CITIZENSHIP OR PLACE OR ORGANIZATION
Delaware

7 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
N/A

8 CHECK IF THE AGGREGATE AMOUNT IN ROW (7) EXCLUDES CERTAIN SHARES
(See Instructions) []

9 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (7)

10 TYPE OF REPORTING PERSON (See Instructions)
OO

CUSIP No. 029169109

SCHEDULE 14D-1

1 NAME OF REPORTING PERSONS
S.S OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

High Coast Limited Partnership

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) [X]
(See Instructions) (b) []

3 SEC USE ONLY

4 SOURCE OF FUNDS (See Instructions)
AF

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDING IS REQUIRED
PURSUANT TO ITEMS 2(e) OR 2(f) []

6 CITIZENSHIP OR PLACE OR ORGANIZATION
Delaware

7 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
31,515,044

8 CHECK IF THE AGGREGATE AMOUNT IN ROW (7) EXCLUDES CERTAIN SHARES
(See Instructions) []

9 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (7)
68.4%

10 TYPE OF REPORTING PERSON (See Instructions)
PN

CUSIP No. 029169109

SCHEDULE 14D-1

1 NAME OF REPORTING PERSONS
S.S OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

Beckton Corp.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) [X]
(See Instructions) (b) []

3 SEC USE ONLY

4 SOURCE OF FUNDS (See Instructions)
AF

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDING IS REQUIRED
PURSUANT TO ITEMS 2(e) OR 2(f) []

6 CITIZENSHIP OR PLACE OR ORGANIZATION
Delaware

7 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
31,515,044

8 CHECK IF THE AGGREGATE AMOUNT IN ROW (7) EXCLUDES CERTAIN SHARES
(See Instructions) []

Excludes all depositary units owned of record by API Nominee Corp.

9 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (7)
68.4%

10 TYPE OF REPORTING PERSON (See Instructions)
CO

CUSIP No. 029169109 SCHEDULE 14D-1

1 NAME OF REPORTING PERSONS
S.S OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

Carl C. Icahn

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a)
(See Instructions) (b)

3 SEC USE ONLY

4 SOURCE OF FUNDS (See Instructions)
AF

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDING IS REQUIRED
PURSUANT TO ITEMS 2(e) OR 2(f)

6 CITIZENSHIP OR PLACE OR ORGANIZATION
United States of America

7 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
31,515,044

8 CHECK IF THE AGGREGATE AMOUNT IN ROW (7) EXCLUDES CERTAIN SHARES
(See Instructions)
Excludes all depositary units owned of record by API Nominee Corp.

9 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (7)
68.4%

10 TYPE OF REPORTING PERSON (See Instructions)
IN

SCHEDULE 14D-1

ITEM 1. SECURITY AND SUBJECT COMPANY.

(a) The name of the subject company is American Real Estate Partners, L.P., a Delaware limited partnership (the "Partnership"), which has its principal executive offices at 100 South Bedford Road, Mt. Kisco, New York 10549.

(b) This Schedule relates to the offer by Leyton LLC, a Delaware limited liability company (the "Purchaser"), to purchase up to 10 million of the issued and outstanding depository units representing limited partner interests ("Units") of the Partnership at a purchase price of \$10.50 per Unit, net to the seller in cash (the "Purchase Price"), without interest, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated November 20, 1998 (the "Offer to Purchase"), and the related Letter of Transmittal, copies of which are attached hereto as Exhibits (a)(1) and (a)(2), respectively. The information concerning the Units set forth in the Offer to Purchase in "INTRODUCTION" is incorporated herein by reference.

This schedule also constitutes Amendment No. 20 to the Schedule 13D of High Coast Limited Partnership, Beckton Corp. and Carl C. Icahn, the last amendment to which was filed on November 17, 1998.

(c) The information set forth in the Offer to Purchase in Section 12 "PRICE RANGE OF UNITS" is incorporated herein by reference.

ITEM 2. IDENTITY AND BACKGROUND.

(a)-(d) The Purchaser is a Delaware limited liability company, the sole member of which is High Coast Limited Partnership, a Delaware limited partnership ("High Coast"), the general partner of which is Beckton Corp., a Delaware corporation ("Beckton"), which is wholly-owned by Carl C. Icahn, a citizen of the United States of America. The information set forth in the Offer to Purchase in Section 10 "INFORMATION CONCERNING THE PURCHASER AND CERTAIN AFFILIATES OF THE PURCHASER" and Schedule II of the Offer to Purchase is incorporated herein by reference.

(e)-(f) During the last five years, neither the Purchaser, High Coast, Beckton nor, to the best of their knowledge, any of the persons listed in Schedule II of the Offer to Purchase or referred to in Section 10 "INFORMATION CONCERNING THE PURCHASER AND CERTAIN AFFILIATES OF THE PURCHASER" of the Offer to Purchase (i) has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (ii) was a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting activities subject to, Federal or State securities laws or finding any violation of such laws.

(g) The information set forth in Schedule II of the Offer to Purchase is incorporated herein by reference.

ITEM 3. PAST CONTACTS, TRANSACTIONS OR NEGOTIATIONS WITH THE SUBJECT COMPANY.

(a) The information set forth in the Offer to Purchase in Section 9 "CERTAIN INFORMATION CONCERNING THE PARTNERSHIP" is incorporated herein by reference.

(b) The information set forth in the Offer to Purchase in Section 8 "FUTURE PLANS OF THE PURCHASER," Section 9 "CERTAIN INFORMATION CONCERNING THE PARTNERSHIP" and Section 10 "INFORMATION CONCERNING THE PURCHASER AND CERTAIN AFFILIATES OF THE PURCHASER" is incorporated herein by reference.

ITEM 4. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION.

(a) The information set forth in the Offer to Purchase in Section 11 "SOURCE OF FUNDS" is incorporated herein by reference.

(b)-(c) Not applicable.

ITEM 5. PURPOSE OF THE TENDER OFFER AND PLANS OR PROPOSALS OF THE BIDDER.

(a)-(d) The information set forth in the Offer to Purchase in "INTRODUCTION" and Section 8 "FUTURE PLANS OF THE PURCHASER" is incorporated herein by reference.

(e)-(g) The information set forth in the Offer to Purchase in

Section 7 "EFFECTS OF THE OFFER" is incorporated herein by reference.

ITEM 6. INTEREST IN SECURITIES OF THE SUBJECT COMPANY.

(a)-(b) The information set forth in the Offer to Purchase in Section 15 "INTEREST IN THE SECURITIES OF THE PARTNERSHIP" is incorporated herein by reference.

ITEM 7. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO THE SUBJECT COMPANY'S SECURITIES.

The information set forth in the Offer to Purchase in Section 9 "CERTAIN INFORMATION CONCERNING THE PARTNERSHIP" and Section 10 "INFORMATION CONCERNING THE PURCHASER AND CERTAIN AFFILIATES OF THE PURCHASER" is incorporated herein by reference.

ITEM 8. PERSONS RETAINED, EMPLOYED OR TO BE COMPENSATED.

The information set forth in the Offer to Purchase in "INTRODUCTION" and Section 17 "FEES AND EXPENSES" is incorporated herein by reference.

ITEM 9. FINANCIAL STATEMENTS OF CERTAIN BIDDERS.

The information set forth in the Offer to Purchase in Section 10 "INFORMATION CONCERNING THE PURCHASER AND CERTAIN AFFILIATES OF THE PURCHASER" and Section 11 "SOURCE OF FUNDS" is incorporated herein by reference.

ITEM 10. ADDITIONAL INFORMATION.

(a) The information set forth in the Offer to Purchase in Section 10 "INFORMATION CONCERNING THE PURCHASER AND CERTAIN AFFILIATES OF THE PURCHASER" is incorporated herein by reference.

(b)-(d) The information set forth in the Offer to Purchase in Section 16 "CERTAIN LEGAL MATTERS" is incorporated herein by reference.

(e) The information set forth in the Offer to Purchase in Section 9 "CERTAIN INFORMATION CONCERNING THE PARTNERSHIP" is incorporated herein by reference

(f) Reference is hereby made to the Offer to Purchase and the related Letter of Transmittal, copies of which are attached hereto as Exhibits (a) (1) and (a) (2) respectively, and which are incorporated herein in their entirety by reference.

ITEM 11. MATERIAL TO BE FILED AS EXHIBITS.

- (a) (1) Offer to Purchase, dated November 20, 1998.
- (a) (2) Letter of Transmittal and Related Instructions, dated November 20, 1998.
- (a) (3) Letter to Clients, dated November 20, 1998, for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
- (a) (4) Letter to Brokers, Dealers, Commercial Banks, Trust Companies and other Nominees dated November 20, 1998.
- (a) (5) Notice of Guaranteed Delivery.
- (a) (6) Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.
- (a) (7) Form of Tombstone Advertisement, dated November 20, 1998.
- (a) (8) Press Release, dated November 16, 1998.
- (b) Not applicable.

(c) (1) Indemnity Undertaking of Starfire, dated November 20, 1998.

(d)-(f) Not applicable.

SIGNATURES

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: November 20, 1998

LEYTON LLC

By: HIGH COAST LIMITED PARTNERSHIP,
Member

By: BECKTON CORP.,
General Partner

By: /s/ Carl C. Icahn

Name: Carl C. Icahn
Title: Chairman of the Board

HIGH COAST LIMITED PARTNERSHIP

By: BECKTON CORP.,
General Partner

By: /s/ Carl C. Icahn

Name: Carl C. Icahn
Title: Chairman of the Board

BECKTON CORP.

By: /s/ Carl C. Icahn

Name: Carl C. Icahn
Title: Chairman of the Board

/s/ Carl C. Icahn

CARL C. ICAHN

INDEX TO EXHIBITS

EXHIBIT NUMBER -----	DESCRIPTION -----
(a) (1)	Offer to Purchase, dated November 20, 1998.
(a) (2)	Letter of Transmittal, dated November 20, 1998.
(a) (3)	Letter to Clients, dated November 20, 1998, for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
(a) (4)	Letter to Brokers, Dealers, Commercial Banks, Trust Companies and other Nominees dated November 20, 1998.
(a) (5)	Notice of Guaranteed Delivery.
(a) (6)	Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.
(a) (7)	Form of Tombstone Advertisement, dated November 20, 1998.
(a) (8)	Press Release, dated November 16, 1998.
(c) (1)	Indemnity Undertaking of Starfire, dated November 20, 1998.

Offer to Purchase for Cash
Up to 10 Million Depositary Units
Representing Limited Partner Interests
in
AMERICAN REAL ESTATE PARTNERS, L.P.
(CUSIP: 029169109)
for
\$10.50 Net Per Unit
by
LEYTON LLC

| THE OFFER, WITHDRAWAL RIGHTS AND PRORATION PERIOD WILL |
| EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, |
ON DECEMBER 18, 1998, UNLESS THE OFFER IS EXTENDED.

IMPORTANT

Leyton LLC, a Delaware limited liability company (the "Purchaser"), is offering to purchase up to 10 million of the outstanding depositary units representing limited partner interests ("Units") in American Real Estate Partners, L.P., a Delaware limited partnership (the "Partnership"), at a purchase price of \$10.50 per Unit (the "Purchase Price"), net to the seller in cash, without interest, upon the terms and subject to the conditions set forth in the Offer to Purchase and in the related Letter of Transmittal, including the Instructions thereto, as it may be supplemented or amended from time to time (the "Letter of Transmittal" which, collectively with the Offer to Purchase, constitute the "Offer"). As a result of the relationship of Carl C. Icahn, Beckton Corp. and High Coast Limited Partnership with the Purchaser each of them may be deemed to be a "co-bidder" with the Purchaser. Holders of Units ("Holders") who tender their Units will not be obligated to pay any sales commissions. The 10 million Units sought represent approximately 21.7% of the total units outstanding as of November 1, 1998.

Holders are urged to consider the following factors:

- * The Purchaser's sole member, High Coast Limited Partnership, a Delaware limited partnership ("High Coast") has a majority interest in the Partnership and is an affiliate of and is under common control with the Partnership's general partner, American Property Investors, Inc. ("API"). Mr. Icahn, as the indirect owner of more than 99% of the ownership interest in API and the Purchaser, respectively, has substantial conflicts of interest with respect to the Offer. Additionally, as a result the position of Mr. Icahn, the Purchaser has access to certain non-public information regarding the Partnership.

- * The last sales price of the Units on the last full trading day prior to the date of announcement of the Offer, as reported by the New York Stock Exchange ("NYSE") Composite Tape (as reported by The Wall Street Journal) was \$7 1/4 per Unit. (See Section 12 - "Price Range of Units"). As of November 1, 1998, the liquidation value of the Partnership's assets was estimated by the Purchaser to be \$18.36 per Unit or \$16.45 per Unit on a fully diluted basis. The Purchaser's analysis of liquidation value described herein is merely theoretical, assumes the availability of a willing buyer and may not itself reflect the value of the Units because, among

other things: (i) there is no assurance that any such

liquidation could occur in the foreseeable future; and (ii) any liquidation in which the estimated values contemplated herein might be realized could take an extended period of time (at least a year and quite possibly significantly longer, with the exception of cash and marketable securities) during which the Partnership and its partners would continue to be exposed to the risk of fluctuations in asset values because of changing market conditions and other factors. (See Section 13 - "Purchase Price Considerations").

- * The Purchase Price was established by the Purchaser and is not the result of arm's length negotiations.
- * No independent person has been retained by the Purchaser to evaluate or render any opinion with respect to the fairness of the Purchase Price.
- * The Purchaser (which is an affiliate of and is under common control with the Partnership's general partner, API) is making the Offer with a view to making a profit. Accordingly, there is a conflict between the desire of the Purchaser to purchase Units at a low price and the desire of the Holders to sell their Units at a high price.

THE OFFER IS NOT CONDITIONED UPON ANY MINIMUM AMOUNT OF UNITS BEING TENDERED. THE OFFER IS SUBJECT TO CERTAIN CONDITIONS. If, as of the Expiration Date (as defined in Section 1 - "Terms of the Offer; Expiration Date; Proration"), more than 10 million Units are validly tendered and not properly withdrawn, the Purchaser will accept for purchase on a pro rata basis only 10 million Units, subject to the term and conditions set forth herein. (See Section 14 - "Conditions of the Offer").

Any Holder desiring to tender all or any portion of such Holder's Units should either: (i) complete and sign the Letter of Transmittal (or a manually signed facsimile thereof) in accordance with the instructions in the Letter of Transmittal and mail or deliver the Letter of Transmittal (or such manually signed facsimile) together with the depositary receipt evidencing the tendered Units and any other required documents to the Depositary (as defined below), or tender such Units pursuant to the procedures for book-entry transfer set forth in Section 3 "Procedure for Tendering Units"; or (ii) request such Holder's broker, dealer, commercial bank, trust company or other nominee to effect the transaction for such Holder. A Holder whose Units are registered in the name of a broker, dealer, commercial bank, trust company or other nominee must contact such broker, dealer, commercial bank, trust company or other nominee if such Holder desires to tender such Units.

Questions and requests for assistance or for additional copies of the Offer to Purchase and the Letter of Transmittal may be directed to the Information Agent (as defined below) at the address and telephone number set forth below and on the back cover of the Offer to Purchase. No soliciting dealer fees or other payments to brokers for tenders are being paid by the Purchaser.

For More Information or for Further Assistance,
Please Call the Information Agent:

BEACON HILL PARTNERS, INC.
90 Broad Street
New York, New York 10004
(212) 843-8500 (Collect)
or
(800) 792-2829 (Toll Free)

TABLE OF CONTENTS

	Page

INTRODUCTION.....	1
SECTION 1. TERMS OF THE OFFER; EXPIRATION DATE; PRORATION.....	3
SECTION 2. ACCEPTANCE FOR PAYMENT AND PAYMENT FOR UNITS.....	4
SECTION 3. PROCEDURE FOR TENDERING UNITS.....	6
SECTION 4. WITHDRAWAL RIGHTS.....	8
SECTION 5. EXTENSION OF TENDER PERIOD; TERMINATION; AMENDMENT.....	9
SECTION 6. CERTAIN FEDERAL INCOME TAX CONSEQUENCES TO HOLDERS.....	10
SECTION 7. EFFECTS OF THE OFFER.....	12

SECTION 8.	FUTURE PLANS OF THE PURCHASER.....	13
SECTION 9.	CERTAIN INFORMATION CONCERNING THE PARTNERSHIP.....	14
SECTION 10.	INFORMATION CONCERNING THE PURCHASER AND CERTAIN AFFILIATES OF THE PURCHASER.....	22
SECTION 11.	SOURCE OF FUNDS.....	27
SECTION 12.	PRICE RANGE OF UNITS.....	29
SECTION 13.	PURCHASE PRICE CONSIDERATIONS.....	29
SECTION 14.	CONDITIONS OF THE OFFER.....	32
SECTION 15.	INTEREST IN THE SECURITIES OF THE PARTNERSHIP.....	34
SECTION 16.	CERTAIN LEGAL MATTERS.....	34
SECTION 17.	FEES AND EXPENSES.....	35
SECTION 18.	MISCELLANEOUS.....	35

SCHEDULE I	DESCRIPTION OF REAL ESTATE.....	I-1
------------	---------------------------------	-----

SCHEDULE II	EXECUTIVE OFFICERS AND DIRECTOR OF BECKTON CORP.	II-1
-------------	---	------

To the Holders of Depositary
Units Representing Limited Partner
Interests in American Real Estate Partners, L.P.

INTRODUCTION

The Purchaser hereby offers to purchase up to 10 million Units at a purchase price of \$10.50 per Unit (the "Purchase Price"), net to the seller in cash, upon the terms and subject to the conditions set forth in the Offer. Holders who tender their Units in response to the Offer will not be obligated to pay any sales commissions. The Purchaser has retained Beacon Hill Partners, Inc. to act as Information Agent (the "Information Agent") and Harris Trust Company of New York to act as Depositary (the "Depositary") in connection with the Offer. The Purchaser will pay all charges and expenses in connection with the services of the Information Agent and the Depositary. The Offer is not conditioned on any minimum number of Units being tendered.

Some Factors To Be Considered By Holders. In considering the Offer, Holders may wish to consider the following:

- * The Purchaser's sole member, High Coast has a majority interest in the Partnership and is an affiliate of and is under common control with the Partnership's general partner, API. Mr. Icahn, as the indirect owner of substantially all of the ownership interest in API and the Purchaser, respectively, has substantial conflicts of interest with respect to the Offer. Additionally, as a result the position of Mr. Icahn, the Purchaser has access to certain non-public information regarding the Partnership.
- * The last sales price of the Units on the last full trading day prior to the date of the announcement of the Offer, as reported by the New York Stock Exchange Composite Tape (as reported by The Wall Street Journal) was \$7 1/4 per Unit. (See Section 12 - "Price Range of Units"). As of November 1, 1998, the liquidation value of the Partnership's assets was estimated by the Purchaser to be \$18.36 per Unit or \$16.45 per Unit on a fully diluted basis.¹ The Purchaser's analysis of liquidation value described herein is merely theoretical, assumes the availability of a willing buyer and may not itself reflect the value of the Units because, among other things: (i) there is no assurance that any such liquidation could occur in the foreseeable future; and (ii) any liquidation in which the estimated values contemplated herein might be realized could take an extended period of time (at least a year and quite possibly significantly longer with the exception of cash and marketable securities) during which the Partnership and its partners would continue to be exposed to the risk of fluctuations in asset values because of changing market conditions and other factors. (See Section 13 - "Purchase Price Considerations").

- * The Purchaser Price was established by the Purchaser and is not the result of arm's length negotiations.
- * No independent person has been retained by the Purchaser to evaluate or render any opinion with respect to the fairness of the Purchase Price.

1

In estimating the diluted liquidation value per Unit in the Offer, the Purchaser divided the estimated net liquidation value attributable to limited partner interests by the number of Units and Unit equivalents outstanding. For this purpose, Preferred Units (as defined below) were treated as Unit equivalents based on the methodology for the redemption of Preferred Units in exchange for Units as set forth in the Partnership Agreement (as defined below).

- * The Purchaser (which is an affiliate of and is under common control with the Partnership's general partner, API) is making the Offer with a view to making a profit. Accordingly, there is a conflict between the desire of the Purchaser to purchase Units at a low price and the desire of the Holders to sell their Units at a high price.

- * Entities directly or indirectly owned by Mr. Icahn that are under common control or members of a controlled group, in each case within the meaning of Section 4001 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and Section 414 of the Internal Revenue Code of 1986, as amended (the "Code") and the rules and regulations promulgated thereunder (the "Controlled Group"), are subject to liability under ERISA and the Code. If more than approximately 4.4 million Units are tendered to the Purchaser and accepted for payment, the Partnership may be deemed to be included in the Controlled Group. If the Partnership is deemed to be a member of the Controlled Group, it would become jointly and severally liable with the members of that group for potential pension plan minimum funding and termination liabilities and would be subject to certain advance reporting requirements to the Pension Benefit Guaranty Corporation ("PBGC"). If the Purchaser acquires pursuant to the Offer a number of Units such that the Partnership is deemed to be a member of the Controlled Group, Starfire Holding Corporation, a Delaware corporation ("Starfire") which is directly 100% owned by Mr. Icahn, has undertaken to indemnify the Partnership from losses resulting from any imposition of such termination or minimum funding liabilities on the Partnership or its assets. (See Section 10 - "Information Concerning the Purchaser and Certain Affiliates of the Purchaser; Pension Liability Considerations").

- * Holders may no longer wish to continue with their investment in the Partnership for a number of reasons, including:

The Offer represents a premium over the current market price for Units. (See Section 12 - "Price Range of Units").

The Offer will provide Holders with an immediate opportunity to liquidate their investment in the Partnership without the usual transaction costs associated with market sales.

Holders may disagree (and in the past certain Holders have communicated to the Partnership indicating they do disagree) with the Partnership's stated position regarding distributions and the use of cash. The Partnership has stated its belief in its public filings that excess cash should be used to enhance long-term Holder value through investments in assets

and companies with assets undervalued by the market.
(See Section 13 - "Purchase Price Considerations").

The Offer gives Holders the ability to make an individual determination on whether to tender their Units at the Purchase Price.

The Offer may be attractive to certain Holders who wish in the future to avoid the expenses, delays and complications in filing complex income tax returns which result from an ownership of Units.

To the extent that any losses recognized by Holders for tax purposes with respect to the Partnership in prior years were considered "suspended" losses from a passive activity, such losses may, depending on a Holder's particular circumstances, be available to

2

offset all or a portion of any gain recognized by such Holder on the sale of Units. (See Section 6 - "Certain Federal Income Tax Consequences to Holders").

Holders should consult with their respective advisors about the financial, tax, legal and other implications of accepting the Offer. Holders are urged to read the Offer to Purchase and the related materials carefully and in their entirety before deciding whether to tender their Units.

The Purchaser makes no recommendation to any Holder as to whether to tender or to refrain from tendering Units.

The Purchaser reserves the right to transfer or assign, in whole or from time to time in part, to one or more persons, the right to purchase Units tendered pursuant to the Offer, but any such transfer or assignment will not relieve the Purchaser of its obligations under the Offer or prejudice the rights of tendering Holders to receive payment for Units validly tendered and accepted for payment pursuant to the Offer.

The Purchaser. The Purchaser is a Delaware limited liability company, formed in November, 1998. The sole member of the Purchaser is High Coast Limited Partnership, a Delaware limited partnership ("High Coast"). The general partner of High Coast, Beckton Corp., a Delaware corporation ("Beckton"), is directly 100% owned by Mr. Icahn and the limited partners of High Coast, ACF Industries, Incorporated, a New Jersey corporation, ("ACF") and Tortoise Corp., a New York corporation, ("Tortoise") are each indirectly, more than 99% owned by Mr. Icahn. The Purchaser's principal office is located at 100 South Bedford Road, Mt. Kisco, N.Y. 10549.

Conditions. The Offer is not conditioned on any minimum number of Units being tendered. Certain other conditions, however, do apply. (See Section 14 - "Conditions of the Offer").

Outstanding Units. As of November 1, 1998, there were 46,098,284 Units issued and outstanding, which were held of record by approximately 15,000 Holders. High Coast beneficially owns 31,515,044 Units. (See Section 15 - "Interest in the Securities of the Partnership").

Additional Information. The Partnership is subject to the information and reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith is required to file reports and other information with the Commission relating to its business, financial condition and other matters. Such reports and other information may be inspected at the public reference facilities maintained by the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and are available for inspection and copying at the regional offices of the Commission located in Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 and at 7 World Trade Center, 13th Floor, New York, New York 10048 and at the Commission's World Wide Website at <http://www.sec.gov>. Copies of such material can also be obtained from the Public Reference Room of

the Commission in Washington, D.C. at prescribed rates. In addition, the Purchaser will provide such material to Holders upon request at the cost of the Purchaser.

SECTION 1. TERMS OF THE OFFER; EXPIRATION DATE; PRORATION.

Upon the terms and subject to the conditions of the Offer, the Purchaser will accept (and thereby purchase) up to 10 million Units that are validly tendered on or prior to the Expiration Date and not withdrawn in accordance with the procedures set forth in Section 4 - "Withdrawal Rights". For purposes of the Offer, the term "Expiration Date" shall mean 12:00 midnight, New York City time, on December 18, 1998, unless the Purchaser in its sole discretion shall have extended the period of time for which the Offer is open, in which event the term "Expiration Date" shall mean the latest time and date on which the Offer, as extended by the Purchaser,

3

shall expire. See Section 5 - "Extension of Tender Period; Termination; Amendment", for a description of the Purchaser's right to extend the period of time during which the Offer is open and to amend or terminate the Offer.

If, prior to the Expiration Date, the Purchaser increases the consideration offered to Holders pursuant to the Offer, the increased consideration will be paid for all Units accepted for payment pursuant to the Offer, whether or not the Units were tendered prior to the increase in consideration.

If more than 10 million Units are validly tendered and not properly withdrawn on or prior to the Expiration Date, the Purchaser will, upon the terms and subject to the conditions of the Offer, accept for payment and pay for an aggregate of 10 million of the Units so tendered, pro rata according to the number of Units validly tendered by each Holder and not properly withdrawn on or prior to the Expiration Date, with appropriate adjustments to avoid purchase of fractional Units. If the number of Units validly tendered and not properly withdrawn on or prior to the Expiration Date is less than or equal to 10 million Units, the Purchaser will purchase all Units so tendered and not properly withdrawn, upon the terms and subject to the conditions of the Offer, subject to the adjustments referred to in the preceding sentence.

If proration of tendered Units is required, because of the difficulty of determining the number of Units validly tendered and not withdrawn, the Purchaser may not be able to announce the final results of such proration until at least approximately seven business days after the Expiration Date. Subject to the Purchaser's obligation under Rule 14e-1(c) under the Exchange Act to pay Holders the Purchase Price in respect of Units tendered or return those Units promptly after the termination of withdrawal of the Offer, the Purchaser does not intend to pay for any Units accepted for payment pursuant to the Offer until the final proration results are known. NOTWITHSTANDING ANY SUCH DELAY IN PAYMENT, NO INTEREST WILL BE PAID ON THE PURCHASE PRICE.

The Offer is conditioned on satisfaction of certain conditions. See Section 14 - "Conditions of the Offer", which sets forth in full the conditions of the Offer. Except as otherwise specified in Section 14 hereof, the Purchaser reserves the right (but in no event shall be obligated), in its sole discretion, to waive any or all of those conditions. If, on or prior to the Expiration Date, any or all of the conditions have not been satisfied or waived, the Purchaser reserves the right to: (i) decline to purchase any of the Units tendered, terminate the Offer and return all tendered Units to tendering Holders; (ii) waive all the unsatisfied conditions (subject to the terms of Section 14 hereof) and, subject to complying with applicable rules and regulations of the Commission, purchase all Units validly tendered; (iii) extend the Offer and, subject to the right of Holders to withdraw Units until the Expiration Date, retain the Units that have been tendered during the period or periods for which the Offer is extended; and (iv) amend the Offer.

The Partnership has provided the Purchaser with a list of Holders for the purpose of making the Offer, and the Offer to Purchase, the Letter of Transmittal and, if required, any other relevant materials are being mailed to the Holders to the extent their names and addresses are on such list.

SECTION 2. ACCEPTANCE FOR PAYMENT AND PAYMENT FOR UNITS.

Upon the terms and subject to the conditions of the Offer, the Purchaser will purchase by accepting for payment and will pay for Units validly tendered and not withdrawn in accordance with the procedures specified in Section 4 - "Withdrawal Rights", as promptly as practicable following the Expiration Date. A tendering beneficial owner of Units whose Units are owned of record by an Individual Retirement Account or other qualified plan will not receive direct payment of the Purchase Price; rather, payment will be made to the custodian of such account or plan.

4

In all cases, payment for Units tendered and accepted for payment pursuant to the Offer will be made only after timely receipt by the Depository of: (i) the depository receipts evidencing such Units (the "Depository Receipts,") or timely confirmation (a "Book-Entry Confirmation") of a book-entry transfer of such Units, if such procedure is available, into the Depository's account at The Depository Trust Company (the "Book-Entry Transfer Facility") pursuant to the procedures set forth in Section 3; (ii) the Letter of Transmittal (or a facsimile thereof), properly completed and duly executed with the required signature guarantees, if any, or an Agent's Message (as defined below) in connection with a book-entry transfer; and (iii) any other documents required by the Letter of Transmittal.

The term "Agent's Message" means a message from the Book-Entry Transfer Facility transmitted to, and received by, the Depository forming a part of a Book-Entry Confirmation, which states that the Book-Entry Transfer Facility has received an express acknowledgment from the participant in the Book-Entry Transfer Facility tendering the Units that are the subject of the Book-Entry Confirmation that: (i) the participant has received and agrees to be bound by the terms of the Letter of Transmittal and (ii) the Purchaser may enforce such agreement against the participant.

For purposes of the Offer, the Purchaser will be deemed to have accepted for payment (and thereby purchased) Units validly tendered and not properly withdrawn if, as and when the Purchaser gives oral or written notice to the Depository of the Purchaser's acceptance of such Units for payment pursuant to the Offer. Upon the terms and subject to the conditions of the Offer, payment for Units accepted for payment pursuant to the Offer will be made by deposit of the purchase price therefor with the Depository, which will act as agent for tendering shareholders for the purpose of receiving payments from the Purchaser and transmitting those payments to Holders whose Units have been accepted for payment. Under no circumstances will interest on the purchase price for Units be paid, regardless of any extension of the Offer or any delay in making such payment.

If any tendered Units are not purchased for any reason, the Letter of Transmittal shall be effective to transfer to the Purchaser only that number of the Holder's Units as is accepted for payment and thereby purchased by the Purchaser. If, for any reason, acceptance for payment of, or payment for, any Units tendered pursuant to the Offer is delayed or the Purchaser is unable to accept for payment, purchase or pay for Units tendered pursuant to the Offer, then, without prejudice to the Purchaser's rights under Section 14 - "Conditions of the Offer", the Depository may, nevertheless, on behalf of the Purchaser retain tendered Units, and those Units may not be withdrawn except to the extent that the tendering Holders are entitled to withdrawal rights as described in Section 4 - "Withdrawal Rights"; subject, however, to the Purchaser's obligation under Rule 14e-1(c) under the Exchange Act to pay Holders the Purchase Price in respect of Units tendered or return those Units promptly after termination or withdrawal of the Offer.

If any tendered Units are not accepted for payment for any reason or if Depository Receipts are submitted for more Units than are tendered, Depository Receipts evidencing unpurchased or untendered Units will be returned (or, in the case of Units tendered by book-entry transfer into the Depository's account at the Book-Entry Transfer Facility pursuant to the procedures set forth in Section 3, such Units will be credited to an account maintained at the Book-Entry

Facility), without expense to the tendering shareholder, as promptly as practicable following the expiration, termination or withdrawal of the Offer.

The Purchaser reserves the right to transfer or assign, in whole or from time to time in part, to one or more persons, the right to purchase Units tendered pursuant to the Offer, but any such transfer or assignment will not relieve the Purchaser of its obligations under the Offer or prejudice the rights of tendering Holders to receive payment for Units validly tendered and accepted for payment pursuant to the Offer.

5

SECTION 3. PROCEDURE FOR TENDERING UNITS.

Valid Tender. Except as set forth below, in order for Units to be validly tendered pursuant to the Offer, the Letter of Transmittal (or a manually signed facsimile thereof), properly completed and duly executed, together with the required signature guarantees, or an Agent's Message in connection with a book-entry delivery of Units, and any other documents required by the Letter of Transmittal, must be received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase on or prior to the Expiration Date and either: (i) Depositary Receipts evidencing tendered Units must be received by the Depositary at such address or such Units must be tendered pursuant to the procedure for book-entry transfer described below and a Book-Entry Confirmation must be received by the Depositary, in each case on or prior to the Expiration Date; or (ii) the guaranteed delivery procedures described below must be complied with. Tender of fractional Units will not be permitted, except by a Holder who is tendering all of the Units owned by that Holder. No alternative, conditional or contingent tenders will be accepted.

Book-Entry Transfer. The Depositary will establish an account with respect to the Units at the Book-Entry Transfer Facility for purposes of the Offer within two business days after the date of this Offer to Purchase. Any financial institution that is a participant in the system of the Book-Entry Transfer Facility may make book-entry delivery of Units by causing the Book-Entry Transfer Facility to transfer such Units into the Depositary's account at the Book-Entry Transfer Facility in accordance with the Book-Entry Transfer Facility's procedures for such transfer. However, although delivery of Units may be effected through book-entry transfer at the Book-Entry Transfer Facility, the Letter of Transmittal (or a manually signed facsimile thereof), properly completed and duly executed, together with any required signature guarantees, or an Agent's Message in connection with a book-entry transfer, and any other documents required by the Letter of Transmittal, must in any case be received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase on or prior to the Expiration Date, or the guaranteed delivery procedures described below must be complied with. Delivery of documents to the Book-Entry Transfer Facility in accordance with the Book-Entry Transfer Facility's procedures does not constitute delivery to the Depositary.

THE METHOD OF DELIVERY OF DEPOSITARY RECEIPTS AND ALL OTHER REQUIRED DOCUMENTS, INCLUDING DELIVERY THROUGH THE BOOK-ENTRY TRANSFER FACILITY, IS AT THE OPTION AND RISK OF THE TENDERING HOLDER AND THE DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED BY THE DEPOSITARY (INCLUDING, IN THE CASE OF BOOK-ENTRY TRANSFER, BY BOOK-ENTRY CONFIRMATION). IF DELIVERY IS BY MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, IS RECOMMENDED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ENSURE TIMELY DELIVERY.

Signature Guarantees. No signature guarantee is required if either: (a) the Letter of Transmittal is signed by the registered holder of the Units (which term, for purposes hereof, shall include any participant in the Book-Entry Transfer Facility whose name appears on a security position listing as the owner of such Units) tendered hereby and payment and delivery are to be made directly to such owner and such owner has not completed the box entitled "Special Payment Instructions" or the box entitled "Special Delivery Instructions" in the Letter of Transmittal; or (b) such Units are tendered for the account of a bank, broker, dealer, credit union, savings association or other entity which is a member in good standing of the Securities Transfer Agents Medallion Program (each of the foregoing constituting an "Eligible Institution").

If the Depositary Receipts are registered in the name of a person other than the signer of the Letter of Transmittal, or if payment is to be made to a person other than the registered holder, the Depositary Receipts must be endorsed or accompanied by appropriate stock powers, in either case, signed exactly as the name of the

6

registered holder appears on such depositary receipt, with the signatures on each certificate or stock powers guaranteed as aforesaid.

If Depositary Receipts are forwarded separately to the Depositary, a properly completed and duly executed Letter of Transmittal (or a manually signed facsimile thereof) must accompany each such delivery.

Guaranteed Delivery. If a Holder desires to tender Units pursuant to the Offer and such Holder's Depositary Receipts are not immediately available, or such stockholder cannot deliver the Depositary Receipts and all other required documents to reach the Depositary on or prior to the Expiration Date, or such Holder cannot complete the procedure for delivery by book-entry transfer on a timely basis, such Depositary Receipts may nevertheless be tendered, provided that all of the following conditions are satisfied:

- (i) such tender is made by or through an Eligible Institution;
- (ii) a properly completed and duly executed Notice of Guaranteed Delivery substantially in the form made available by the Purchaser is received by the Depositary as provided below on or prior to the Expiration Date; and
- (iii) the Depositary Receipts (or a Book-Entry Confirmation), representing all tendered Units in proper form for transfer, together with the Letter of Transmittal (or a manually signed facsimile thereof) properly completed and duly executed, with any required signature guarantees (or, in the case of a book-entry transfer, an Agent's Message) and any other documents required by the Letter of Transmittal are received by the Depositary within three NYSE trading days after the date of execution of such Notice of Guaranteed Delivery.

The Notice of Guaranteed Delivery may be delivered by hand or transmitted by facsimile transmission or mail to the Depositary and must include a guarantee by an Eligible Institution and a representation that the Holder owns the Units tendered within the meaning of, and that the tender of the Units effected thereby complies with, Rule 14e-4 under the Exchange Act, each in the form set forth in such Notice of Guaranteed Delivery.

Notwithstanding any other provision hereof, payment for Units accepted for payment pursuant to the Offer will in all cases be made only after timely receipt by the Depositary of Depositary Receipts for, or of Book-Entry Confirmation with respect to, such Units, a properly completed and duly executed Letter of Transmittal (or a manually signed facsimile thereof), together with any required signature guarantees (or, in the case of a book-entry transfer, an Agent's Message), and any other documents required by the Letter of Transmittal.

Appointment As Proxy. By executing a Letter of Transmittal, a tendering Holder irrevocably appoints the Purchaser, and any designees of the Purchaser as the Holder's true and lawful agents and attorneys-in-fact and proxies, in the manner set forth in the Letter of Transmittal, each with full power of substitution, to the full extent of the Holders's rights with respect to the Units tendered by the Holder and accepted for payment by the Purchaser. The Purchaser, and the designees of the Purchaser will, as to those Units, be empowered to exercise all voting and other rights with respect to such Units, including, without limitation, to assign such power of proxy and/or power-of-attorney to any person without assigning the related Units with respect to which the such proxy and power-of-attorney was granted, to deliver such Units and transfer ownership of such Units on the Partnership books maintained by the general partners of the Partnership, to become a substituted Holder and to receive all benefits and otherwise exercise all rights of beneficial ownership of such Units and as a Holder of the Partnership, all in accordance with the terms of the Offer. Each such power of attorney and proxy shall be considered coupled with an interest in the tendered Units and is irrevocable. Such

appointment is subject to and effective upon acceptance for payment of the Units tendered by the Holder. Upon such acceptance for payment, all prior proxies given by the Holder with respect to the Units will, without further action, be revoked, and no subsequent proxies

7

may be given (and if given will not be effective). The Purchaser reserves the right to require that, in order for Units to be deemed validly tendered, immediately upon the Purchaser's acceptance for payment of the Units, the Purchaser must be able to exercise full voting rights with respect to the Units, including voting at any meeting of Holders then scheduled or acting by written consent without a meeting. By executing the Letter of Transmittal, a tendering holder of Units agrees to execute all such documents and take such other actions as shall be reasonably required to enable the Units tendered to be voted in accordance with the directions of the Purchaser.

Determination Of Validity; Rejection Of Units; Waiver Of Defects; No Obligation To Give Notice Of Defects. All questions as to the validity, form, eligibility (including time of receipt) and acceptance for payment of any tender of Units pursuant to the Offer will be determined by the Purchaser, in its sole discretion, which determination shall be final and binding on all parties. The Purchaser reserves the absolute right to reject any or all tenders of any particular Units determined by it not to be in proper form or if the acceptance of or payment for those Units may, in the opinion of the Purchaser's counsel, be unlawful. The Purchaser also reserves the absolute right to waive or amend any of the conditions of the Offer that it is legally permitted to waive as to the tender of any particular Units and to waive any defect or irregularity in any tender with respect to any particular Units of any particular Holder. The Purchaser's interpretation of the terms and conditions of the Offer (including the Letter of Transmittal) will be final and binding on all parties. No tender of Units will be deemed to have been validly made unless and until all defects and irregularities have been cured or waived. Neither the Purchaser, the Depository nor any other person will be under any duty to give notification of any defects or irregularities in the tender of any Units or will incur any liability for failure to give any such notification.

Backup Federal Income Tax Withholding. To prevent the possible application of backup federal income tax withholding of 31% with respect to payment of the Purchase Price, a tendering Holder must provide the Purchaser with the Holder's correct taxpayer identification number by completing the Substitute Form W-9 included in the Letter of Transmittal. (See Section 6 - "Certain Federal Income Tax Consequences to Holders" and the Instructions to the Letter of Transmittal.)

FIRPTA Withholding. To prevent the withholding of federal income tax in an amount equal to 10% of the amount of the Purchase Price plus Partnership liabilities allocable to each Unit purchased, each tendering Holder must complete the FIRPTA Affidavit included in the Letter of Transmittal certifying the Holder's taxpayer identification number and address and that the Holder is not a foreign person. (See Section 6 - "Certain Federal Income Tax Consequences to Holders" and the Instructions to the Letter of Transmittal).

A tender of Units pursuant to any of the procedures described above and the acceptance for payment of such Units will constitute a binding agreement between the tendering Holder and the Purchaser on the terms set forth in the Offer.

SECTION 4. WITHDRAWAL RIGHTS.

Tenders of Units pursuant to the Offer are irrevocable, except that Units tendered pursuant to the Offer may be withdrawn at any time prior to the Expiration Date and, unless already accepted for payment as provided in the Offer to Purchase, may also be withdrawn at any time after January 18, 1999.

For a withdrawal to be effective, a written or facsimile transmission notice of withdrawal must be timely received by the Depository at the addresses set forth on the back cover of the Offer to Purchase. Any notice of withdrawal must specify the name of the person who tendered the Units to be withdrawn, the number of Units to be withdrawn and the name of the registered holder, if

different from that of the person who tendered such Units. If Depositary Receipts evidencing Units to be withdrawn have been delivered or otherwise identified to the Depositary, then, prior to the physical release of such depositary receipts, the serial numbers shown on such

8

depositary receipts must be submitted to the Depositary and the signature(s) on the notice of withdrawal must be guaranteed by an Eligible Institution, unless such Units have been tendered for the account of an Eligible Institution. If Units have been tendered pursuant to the procedure for book-entry transfer as set forth in Section 3 - "Procedure for Tendering Units" any notice of withdrawal must specify the name and number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Units.

If purchase of, or payment for, Units is delayed for any reason or if the Purchaser is unable to purchase or pay for Units for any reason, then, without prejudice to the Purchaser's rights under the Offer, tendered Units may be retained by the Depositary and may not be withdrawn, except to the extent that tendering Holders are entitled to withdrawal rights as set forth in this Section 4; subject, however, to the Purchaser's obligation, pursuant to Rule 14e-1(c) under the Exchange Act, to pay Holders the Purchase Price in respect of Units tendered or return those Units promptly after termination or withdrawal of the Offer.

Any Units properly withdrawn will be deemed not to be validly tendered for purposes of the Offer. Withdrawn Units may be re-tendered, however, by following the procedures described in Section 3 - "Procedure for Tendering Units" at any time prior to the Expiration Date.

All questions as to the validity and form (including time of receipt) of notices of withdrawal will be determined by the Purchaser, in its sole discretion, which determination shall be final and binding on all parties. Neither the Purchaser, the Depositary nor any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give any such notification.

SECTION 5. EXTENSION OF TENDER PERIOD; TERMINATION; AMENDMENT.

The Purchaser expressly reserves the right, in its sole discretion, at any time and from time to time: (i) to extend the period of time during which the Offer is open and thereby delay acceptance for payment of, and the payment for, any Units; (ii) to terminate the Offer and not accept for payment any Units not theretofore accepted for payment or paid for; (iii) upon the occurrence of any of the conditions specified in Section 14 - "Conditions of the Offer", to delay the acceptance for payment of, or payment for, any Units not already accepted for payment or paid for; and (iv) to amend the Offer in any respect (including, without limitation, by increasing or decreasing the consideration offered, the number of Units being sought, or both). Notice of any such extension, termination or amendment will promptly be disseminated to Holders in a manner reasonably designed to inform Holders of such change in compliance with Rule 14d-4(c) under the Exchange Act. In the case of an extension of the Offer, the extension will be followed by a press release or public announcement which will be issued no later than 9:00 a.m., New York City time, on the next business day after the scheduled Expiration Date, in accordance with Rule 14e-1(d) under the Exchange Act.

If the Purchaser extends the Offer, or if the Purchaser (whether before or after its acceptance for payment of Units) is delayed in its payment for Units or is unable to pay for Units pursuant to the Offer for any reason, then, without prejudice to the Purchaser's rights under the Offer, the Depositary may retain tendered Units and those Units may not be withdrawn except to the extent tendering Holders are entitled to withdrawal rights as described in Section 4 - "Withdrawal Rights"; subject, however, to the Purchaser's obligation, pursuant to Rule 14e-1(c) under the Exchange Act, to pay Holders the Purchase Price in respect of Units tendered or return those Units promptly after termination or withdrawal of the Offer.

If the Purchaser makes a material change in the terms of the Offer, or if it waives a material condition to the Offer, the Purchaser will extend the

Offer and disseminate additional tender offer materials to the extent required by Rules 14d-4(c) and 14d-6(d) under the Exchange Act. The minimum period during which an offer must remain open following any material change in the terms of an offer, other than a change in price or a change

in percentage of securities sought or a change in any dealer's soliciting fee, will depend upon the facts and circumstances, including the materiality of the change. With respect to a change in price or, subject to certain limitations, a change in the percentage of securities sought or a change in any dealer's soliciting fee, a minimum of ten business days from the date of such change is generally required to allow for adequate dissemination to holders of Units. Accordingly, if prior to the Expiration Date, the Purchaser increases (other than increases of not more than two percent of the outstanding Units) or decreases the number of Units being sought, or increases or decreases the consideration offered pursuant to an Offer, and if such Offer is scheduled to expire at any time earlier than the tenth business day from the date that notice of such increase or decrease is first published, sent or given to holders of Units, such Offer will be extended at least until the expiration of such ten business days. As used in the Offer to Purchase, "business day" means any day other than a Saturday, Sunday or a federal holiday, and consists of the time period from 12:01 a.m. through 12:00 midnight, New York City time.

SECTION 6. CERTAIN FEDERAL INCOME TAX CONSEQUENCES TO HOLDERS.

The following summarizes certain of the federal income tax consequences of a sale of Units pursuant to the Offer by a typical Holder. This summary is based on the Code, applicable Treasury regulations thereunder, administrative rulings, practice and procedures and judicial authority, all as of the date of the Offer. All of the foregoing are subject to change, and any such change could affect the continuing accuracy of this summary. This summary does not discuss all aspects of federal income taxation that may be relevant to a particular Holder in light of such Holder's specific circumstances or to certain types of Holders subject to special treatment under the federal income tax laws (for example, foreign persons, dealers in securities, banks, insurance companies and tax-exempt organizations), nor (except as otherwise expressly indicated) does it describe any aspect of state, local, foreign or other tax laws. Sales of Units pursuant to the Offer will be taxable transactions for federal income tax purposes, and also may be taxable transactions under applicable state, local, foreign and other tax laws. Holders should consult their respective tax advisors as to the particular tax consequences to each such Holder of selling units pursuant to the Offer.

In general, a Holder will recognize gain or loss on a sale of Units pursuant to the Offer equal to the difference between: (i) the Holder's "amount realized" on the sale; and (ii) the Holder's adjusted tax basis in the Units sold. The "amount realized" with respect to a Unit will be a sum equal to the amount of cash received by the Holder for the Unit pursuant to the Offer (that is, the Purchase Price) plus the Holder's share of the Partnership's liabilities allocable to the Units (as determined under Code Section 752).

The amount of a Holder's adjusted tax basis in such Units will vary depending upon the Holder's particular circumstances. Generally, a Holder's basis in the Units will be equal to cash paid for such Units, increased by: (i) his share of the Partnership's liabilities allocable to the Unit (as determined under Code Section 752); and (ii) his share of items of partnership income and gain, and reduced, but not below zero, by: (a) his share of items of Partnership loss and deduction; and (b) any cash distributions received by such Holder from the Partnership. If a Holder tenders pursuant to the Offer less than all of his or her Units, then such Holder's adjusted tax basis in Units is determined by allocating between the tendered shares and the shares retained (including any of the 5% cumulative pay-in-kind redeemable preferred units representing limited partner interest (the "Preferred Units")). Generally, the IRS takes the position that a partner has a single aggregate basis in all of the partner's partnership interests and that, to determine gain or loss upon a sale of a part of such partnership interests, the portion of the partner's basis allocated to the interests being sold equals the partner's share of partnership liabilities transferred in the sale plus the partner's aggregate tax basis (excluding basis attributable to partnership liabilities) multiplied by the ratio of the fair

market value of the interests sold to the fair market value of all of the partner's partnership interests. It is not clear whether the IRS's ruling position applies to interests in publicly traded partnerships represented by separate certificates.

The gain or loss recognized by a Holder on a sale of a Unit pursuant to the Offer generally will be treated as a capital gain or loss if (as is generally expected to be the case) the Unit was held by the Holder as a capital asset. That capital gain or loss will be treated as long-term capital gain or loss if the tendering Holder's holding period for the Unit exceeds 12 months. Under current law, long-term capital gains of individuals and other non-corporate taxpayers are taxed at a maximum marginal federal income tax rate of 20%, whereas the maximum marginal federal income tax rate for ordinary income of such persons is 39.6%. Corporate taxpayers are taxed at a maximum federal income tax rate of 35% on both long-term capital gains and ordinary income. Capital losses are deductible only to the extent of capital gains, except that non-corporate taxpayers may deduct up to \$3,000 of capital losses in excess of the amount of their capital gains against ordinary income. Excess capital losses generally can be carried forward to succeeding years (a corporation's carry forward period is five years and a non-corporate taxpayer may carry forward such losses indefinitely); in addition, a corporation is permitted to carry back excess capital losses to the three preceding taxable years, provided the carryback does not increase or produce a net operating loss for any of those years.

If any portion of the amount realized by a Holder is attributable to "unrealized receivables" (which includes depreciation recapture) or "inventory" as defined in Code Section 751, then a portion of the Holder's gain or loss will be ordinary rather than capital.

A tendering Holder will be allocated a portion of the Partnership's taxable income or loss for the year of sale with respect to the Units sold in accordance with the provisions of the Partnership Agreement concerning transfers of Units. Such allocation and any cash distributed by the Partnership to the Holder for that year will affect the Holder's adjusted tax basis in Units and, therefore, the amount of such Holder's taxable gain or loss upon a sale of Units pursuant to the Offer.

Under Code Section 469(k), the passive activity rules apply separately to items attributable to each publicly traded partnership such as the Partnership. Therefore, under Code Section 469, a non-corporate taxpayer or personal service corporation generally can deduct "passive activity losses" (if any) from a publicly traded partnership or loss on a sale of Units in any year only to the extent of the person's passive activity income for that year from such publicly traded partnership. Closely held corporations may not offset such losses against so-called "portfolio" income from any publicly traded partnerships or other sources. Substantially all post-1986 losses (if any) of Holders from the Partnership are passive activity losses. To the extent that the Partnership incurred losses or a Holder disposed of Units at a loss, Holders may have "suspended" passive activity losses from the Partnership (i.e., post-1986 net taxable losses in excess of statutorily permitted "phase-in" amounts and which have not been used to offset income from the Partnership).

If a Holder sells Units pursuant to the Offer and after the Expiration Date, the Holder owns no Units or Preferred Units, either actually or constructively (within the meaning of Code Sections 267(b) or 707(b)(1)), any "suspended" losses (if any) and any losses realized by the Holder upon the sale of the Units, will first be allowed as a deduction against any other net passive gain to the Holder from the sale of the Units and any other net passive activity income attributable to the Units or other passive activity investments, and the balance of any "suspended" net losses (if any) from the Units will no longer be subject to the passive activity loss limitation and, therefore, will be deductible by such Holder against his other income (subject to any other applicable limitations).

If a Holder who participates in the Offer owns, either actually or constructively, Units or Preferred Units after the Expiration Date, a loss recognized by that Holder will be allowed as a deduction (subject to other

applicable limitations) only to the extent of the Holder's passive income from the Partnership for that year, and if a gain is recognized by a Holder upon the sale of Units, such Holder's current or "suspended" passive activity losses (if any) from the Partnership will be allowed as a deduction against such gain. If such Holder subsequently disposes of his Units or Preferred Units in a taxable transaction, and, as a result, no longer owns any Units or

11

Preferred Units, then any remaining "suspended" losses and any losses realized by the Holder upon the sale of Units or Preferred Units will generally be allowed in the manner provided in the preceding paragraph.

Holders who tender Units may be subject to 31% backup withholding unless those Holders provide a taxpayer identification number ("TIN") and certify that the TIN is correct or properly certify that they are awaiting a TIN. A Holder may avoid backup withholding by properly completing and signing the Substitute Form W-9 included as part of the Assignment of Partnership Interest. If a Holder who is subject to backup withholding does not properly complete and sign the Substitute Form W-9, the Purchaser will withhold 31% from payments to such Holder.

A Holder who tenders Units must file an information statement with his federal income tax return for the year of the sale which provides the information specified in Treasury Regulation ss.1.751-1(a)(3). The selling Holder also must notify the Partnership of the date of the transfer and the names, addresses and TINs of the transferor and transferee within 30 days of the date of the transfer (or, if earlier, by January 15 of the following calendar year).

Gain realized by a foreign Holder on the sale of a Unit pursuant to the Offer will be subject to federal income tax. Under Code Section 1445, the transferee of an interest held by a foreign person in a partnership which owns United States real property generally is required to deduct and withhold a tax equal to 10% of the amount realized on the disposition. In order to comply with this requirement, the Purchaser will withhold 10% of the amount realized by a tendering Holder unless the Holder properly completes and signs the FIRPTA Affidavit included as part of the Assignment of Partnership Interest certifying the Holder's TIN, that such Holder is not a foreign person and the Holder's address. Amounts withheld would be creditable against a foreign Holder's federal income tax liability and, if in excess thereof, a refund could be obtained from the Internal Revenue Service by filing a U.S. income tax return.

SECTION 7. EFFECTS OF THE OFFER

(i) Holders. In exchange for the Purchase Price, each tendering Holder will give up its rights as a Holder with respect to all Units purchased, including, without limitation, the right to receive distributions from the Partnership or to derive any benefit from any appreciation in the value of the Units. The Partnership has not made any distributions of cash during the past 4 years. Mr. Icahn, the indirect owner of all of the ownership interest of API, the general partner of the Partnership, believes that the Partnership should continue to hold and invest, rather than distribute cash. (See Section 8 - "Future Plans of the Purchaser").

(ii) Partnership. The Controlled Group is subject to liability under ERISA and the Code with respect to certain pension plan funding obligations and liabilities for underfunding. If more than approximately 4.4 million Units are tendered to the Purchaser and accepted for payment, the Partnership may be deemed to be included in the Controlled Group. If the Partnership is deemed a member of the Controlled Group, it would become jointly and severally liable with the members of that group for potential pension plan minimum funding and termination liabilities and would be subject to certain advance reporting requirement to the PBGC. If the Purchaser acquires pursuant to the Offer a number of Units such that the Partnership is deemed to be a member of the Controlled Group, Starfire which is directly 100% owned by Mr. Icahn, has undertaken to indemnify the Partnership from losses resulting from any imposition of such termination or minimum funding liabilities on the Partnership or its assets. (See Section 10 - "Information Concerning the Purchaser and Certain Affiliates of the Purchaser; Pension Liability Considerations").

(iii) Market for Units. If a substantial number of Units are purchased pursuant to the Offer, the likely result will be a reduction in the number of Holders. Such a reduction in the number of Holders may result in a reduction in the liquidity and volume of activity in the trading market for the Units.

SECTION 8. FUTURE PLANS OF THE PURCHASER.

The purpose of the Offer is to enable Mr. Icahn to increase his already significant interest in the Partnership based on his belief that the Units represent an attractive long term investment at the Purchase Price.

There can be no assurance, however, that the Purchaser's judgment is correct, and, as a result, ownership of Units (either by the Purchaser or Holders who retain their Units) will remain a speculative investment.

The Partnership has previously disclosed: (i) that it may consider the acquisition of, or seek to effect control of, land development companies and other real estate operating companies; (ii) that from time to time the Partnership has discussed, and in the future may discuss, and may make such acquisitions from Mr. Icahn or his affiliates, provided that the terms thereof are fair and reasonable to the Partnership; and (iii) that in this regard, in 1997 an offer was made by the Partnership, acting through the audit committee of API, to purchase a land development company owned by Mr. Icahn for approximately \$48.5 million, which offer was not accepted.

At a meeting of the Board of Directors of API held on November 15, 1998, a member of the audit committee raised the issue of whether the Partnership should again consider the purchase of Mr. Icahn's land development company, Bayswater Realty and Capital Corp. ("Bayswater"), in light of the Partnership's consideration of land development activities, and in particular the possibility that Raleigh may acquire the general partner interest, and additional limited partnership interest, in Arvida. (See Section 10 - "Information Concerning the Partnership; Certain Transactions; ARVIDA Transaction"). Arvida is principally engaged in the development of planned resort and primary home communities. Mr. Icahn indicated that he would be willing to engage in discussions regarding such a transaction. Any such transaction could involve cash, Units or a combination thereof. There can be no assurance whether any such transaction will be pursued. If such transaction is not completed, Mr. Icahn may discuss the possibility of the Partnership utilizing the services of Bayswater in connection with the Partnership's land development and property management activities.

The Partnership has not made any distributions to Holders for the last four years (other than in connection with the 1997 Rights Offering (see Section 9 - "Certain Information Concerning the Partnership") and a similar rights offering conducted by the Partnership in March, 1995). The Partnership has stated its belief in its public filings that excess cash should be used to enhance long-term Holder value through investments in assets and companies with assets undervalued by the market. Mr. Icahn, the indirect owner of all of the ownership interest in API, the general partner of the Partnership, believes that the Partnership should continue to hold and invest, rather than to distribute, cash and that the cash assets of the Partnership should be applied prudently to: (i) enhance the Partnership's existing properties; (ii) support the Partnership's existing debt and property maintenance obligations; and (iii) provide to the Partnership the opportunity to engage in additional investments in and relating to real property, including, without limitation, land and land development projects, and securities, including, without limitation, high yield bonds, on a domestic and international basis, as appropriate opportunities arise. In addition, Mr. Icahn does not believe that it is an appropriate time for any substantial dispositions of the Partnership's real property assets.

Except to the extent set forth above, the Purchaser does not have any present plans or proposals which relate to or would result in (but reserves the right to engage in transactions that may relate to or result in) an extraordinary transaction, such as a merger, reorganization or liquidation, involving the Partnership or any of its subsidiaries; a sale or transfer of a

material amount of the Partnership's or any of its subsidiaries' assets; any changes in composition of the Partnership's senior management or personnel or their compensation; any changes

in the Partnership's present capitalization or dividend policy; or any other material changes in the Partnership's corporate structure or business. In addition, the Purchaser reserves the right to and/or to have persons related to or affiliated with it to, acquire additional Units or sell Units. Any such acquisition may be made through private purchases, through open market purchases, through one or more future tender or exchange offers or by any other means deemed advisable. Any acquisition may be at a price higher or lower than the price to be paid for the Units purchased pursuant to the Offer, and may be for cash or other consideration. The Purchaser also reserves the right to sell some or all of its Units that it owns from time to time.

SECTION 9. CERTAIN INFORMATION CONCERNING THE PARTNERSHIP.

The Partnership's Assets and Business. The Partnership is a limited partnership formed in 1987 under the laws of the State of Delaware. Its principal executive offices are located at 100 South Bedford Road, Mt. Kisco, New York 10549. Its telephone number is (914) 242-7700.

The Partnership's general partner is API, which is wholly-owned by Beckton, which is wholly-owned by Mr. Icahn. Mr. Icahn is the indirect beneficial owner of 31,515,044 Units and 6,642,067 Preferred Units. The Partnership's business is conducted through a subsidiary limited partnership American Real Estate Holding Limited Partnership ("AREH"), in which the Partnership owns more than a 99% limited partnership interest. References to the Partnership herein include AREH, unless the context otherwise requires. API also acts as the general partner for AREH.

The Partnership has not made any distributions to Holders for the last four years (other than in connection with the 1997 Rights Offering and a similar rights offering conducted by the Partnership in March 1995).

The Partnership is primarily engaged in the business of acquiring and managing real estate and activities related thereto. On August 16, 1996, the amendment (the "Amendment") to the Partnership's limited partnership agreement (the "Partnership Agreement") became effective which permits the Partnership to make non-real estate related investments in addition to its real estate activities. Pursuant to the Partnership Agreement as amended, the Partnership, while continuing to pursue suitable investments in the real estate markets, may invest a portion of its funds in securities of issuers that are not necessarily engaged as one of their primary activities in the ownership, development or management of real estate. Such investments may include equity and debt securities of domestic and foreign issuers. The investment objective of the Partnership with respect to such investments will be to purchase undervalued securities, so as to maximize total return consisting of current income and/or capital appreciation. Undervalued securities are those which the Partnership believes may have greater inherent value than indicated by their then current trading price and/or may lend themselves to "activist" shareholder involvement. The equity securities in which the Partnership may invest may include common stocks, preferred stocks and securities convertible into common stocks, as well as warrants to purchase such securities. The debt securities in which the Partnership may invest may include bonds, debentures, notes, mortgage-related securities and municipal obligations. Certain of such securities may include lower rated securities which may provide the potential for higher yields and therefore may entail higher risk. The Partnership has stated that it will conduct its investment activities in such a manner so as not to be deemed an investment company under the 1940 Act.

The Partnership's primary investment strategy in recent periods has been to seek to acquire undervalued assets including residential development projects, land parcels for future residential and commercial development, commercial properties, non-performing loans and securities of entities which own, manage or develop significant real estate assets, including limited partnership units and securities issued by real estate investment trusts. In addition to holding real property, the Partnership may consider the acquisition

or seek effective control of land development companies and other real estate operating companies which may have significant assets under

development and may enhance its ability to develop and manage the Partnership's properties. The Partnership may originate or purchase mortgage loans including non-performing mortgage loans. The Partnership will normally acquire non-performing mortgage loans with a view to acquiring title to or control over the underlying properties. The Partnership also may retain purchase money mortgages in connection with its sale of portfolio properties, with such terms as API deems appropriate at the time of sale. Certain of the Partnership's investments may be owned by special purpose subsidiaries formed by the Partnership or by joint ventures (including joint ventures with affiliates of API).

Properties. As of September 30, 1998, the Partnership held interests in 198 separate real estate assets (primarily consisting of fee and leasehold interests and, to a limited extent, interests in real estate mortgages) in 32 states. Approximately 91% of the Partnership's properties are currently net-leased, 2% are operating properties, 2% are in the process of being developed and 5% are vacant and being marketed for sale. The following table summarizes the type, number per type and average net effective rent per square foot of the Partnership's properties:

Type of Property -----	Number of Properties -----	Average Net Effective Rent Per Square Foot -----
Retail	91	\$4.78 (1)
Industrial	22	\$2.37 (1)
Office	28	\$7.36 (1)
Supermarkets	19	\$3.37 (1)
Banks	7	\$4.85 (1)
Other:		
Properties That		
Collateralize Purchase		
Money Mortgages	9	N/A
Land	14	N/A
Truck Terminals	4	\$3.72 (1)
Hotels	3	N/A
Apartment Complexes	1	N/A

(1) Based on net-lease rentals.

The following table summarizes the number of the Partnership's properties in each region specified below:

Location of Property -----	Number of Properties -----
United States:	
Southeast	90
Northeast	41
South Central	9
Southwest	13
North Central	41
Northwest	4

Additional detailed information concerning the real property of the Partnership is set forth on Schedule I hereto and incorporated herein by reference.

From January 1, 1997 through December 31, 1997, the Partnership sold or otherwise disposed of 24 properties. In connection with such sales and dispositions, The Partnership received an aggregate of approximately \$37,643,000 in cash, net of closing costs and amounts utilized to satisfy mortgage indebtedness which encumbered such properties. As of December 31, 1997, the Partnership owned seven properties that were being actively marketed for sale. The aggregate net realizable value of such properties is estimated to be approximately \$4,164,000.

From January 1, 1998 through September 30, 1998, the Partnership sold or otherwise disposed of 11 properties. In connection with such sales and dispositions, the Partnership received an aggregate of approximately \$22,000,000 in cash, net of closing costs and amounts utilized to satisfy mortgage indebtedness which encumbered such properties. As of September 30, 1998, the Partnership owned seven properties that were being actively marketed for sale. The aggregate net realizable value of such properties is estimated to be approximately \$4,049,000.

On January 7, 1997 the Partnership sold three properties tenanted by Federal Realty Investment Trust ("FRIT") for a total selling price of approximately \$9,363,000. Two first mortgages with principal balances outstanding of approximately \$878,000 were repaid at closing. In addition, closing costs of approximately \$40,000 were incurred. As a result, the Partnership recognized a gain of approximately \$1,778,000 in 1997. In addition, on January 7, 1997, FRIT made a loan to the Partnership in the approximate amount of \$8,759,000 secured by a fourth property tenanted by FRIT located in Broomal, Pennsylvania. Concurrently with this loan, the Partnership granted and FRIT exercised an option to purchase the Broomal property with a closing to occur on or about June 30, 1998. The purchase price is the unpaid balance of the mortgage loan of approximately \$8,500,000 at the closing date. The nonrecourse mortgage loan bears interest at the rate of 8% per annum and requires monthly debt service payments of approximately \$72,000.

On January 16, 1997, the Partnership sold the Travelodge Hotel it had been operating since January 18, 1996 when the former tenant, Forte Hotels, Inc. entered into a Lease Termination and Mutual Release Agreement. The selling price was approximately \$2,165,000 net of closing costs. A gain of \$1,403,000 was recorded in 1997.

In April 1997, the Partnership sold the hotel property located in Phoenix, Arizona. The selling price was approximately \$15,525,000 net of approximately \$250,000 of closing costs. A gain of approximately \$7,863,000 was recognized in 1997.

On December 12, 1997, the Partnership sold the property tenanted by Hancock Bank located in Baton Rouge, Louisiana. The selling price was \$5,075,000 and closing costs of approximately \$84,000 were incurred. As a result, the Partnership recognized a gain of approximately \$1,345,000.

On February 19, 1998, the Partnership sold a property located in Palo Alto, California to its tenant, Lockheed Missile and Space Company, for a selling price of approximately \$9,400,000. As a result, the Partnership recognized a gain of approximately \$4,130,000 in the nine months ended September 30, 1998.

On May 21, 1998, the Partnership sold a property located in Atlanta, Georgia tenanted by AT&T, Corp. for a selling price of \$8,600,000. As a result, the Partnership recognized a gain of approximately \$1,266,000 in the nine months ended September 30, 1998.

In accordance with a previously executed option agreement, the Partnership sold a property located in Broomal, Pennsylvania to its tenant Federal Realty Investment Trust. The consideration received by the Partnership was a satisfaction of mortgage payable in the amount of approximately \$8,500,000. A gain of approximately \$2.6 million was recorded in the nine months ended September 30, 1998.

In 1997, the Partnership acquired mortgages for approximately \$16 million secured by certain real property in Cape Cod, Massachusetts. The properties are part of a master planned community and golf resort known as New Seabury. The debtor filed a Chapter 11 petition in the United States Bankruptcy Court, District of Massachusetts. In June 1998, a Chapter 11 plan of reorganization proposed by the Partnership was approved by the Bankruptcy Court. In late July 1998, the Partnership acquired substantially all of the debtor's assets including two golf courses, other recreational facilities, a villa rental program, condominium and time share units and land for future development. The Partnership assumed mortgage debt of approximately \$3.5 million.

For each of the years ended December 31, 1997, 1996 and 1995 and for the nine months ended September 30, 1998, no single real estate asset or series of assets leased to the same lessee accounted for more than 10% of the gross revenues of the Partnership. However, at December 31, 1997, 1996 and 1995, and for the nine months ended September 30, 1998, PGEC occupied a property, which represented more than 10% of the Partnership's total real estate assets. PGEC is an electric utility engaged in the generation, purchase, transmission, distribution and sale of electricity, whose shares are traded on the NYSE.

The PGEC Property is an office complex consisting of three buildings containing an aggregate of approximately 803,000 square feet on an approximate 2.7 acre parcel of land located in Portland, Oregon. A Predecessor Partnership originally purchased the PGEC Property on September 11, 1978 for a price of approximately \$57,143,000.

The PGEC Property is net-leased to a wholly owned subsidiary of PGEC for forty years, with two ten-year and one five-year renewal options. The annual rental is \$5,137,309 until 2003, \$4,973,098 until 2018 and \$2,486,549 during each renewal option. PGEC has guaranteed the performance of its subsidiary's obligations under the lease. The lessee has an option to purchase the PGEC Property in September of 2003, 2008, 2013 and 2018 at a price equal to the fair market value of the PGEC Property determined in accordance with the lease and is required to make a rejectable offer to purchase the PGEC Property in September 2018 for a price of \$15,000,000. A rejection of such offer will have no effect on the lease obligations or the renewal and purchase options.

On December 5, 1997 the Partnership executed a mortgage loan with Principal Mutual Life Insurance Company in the original principal amount of approximately \$46.3 million, secured by, among other things, a first deed of trust, security agreement and assignment of rents on the PGEC Property. The loan replaced the existing mortgage loan on the complex with an outstanding principal balance of approximately \$24.2 million, bearing interest at 8.5% and maturing in 2002. The interest rate is fixed at 7.51%. The entire net annual rent payable by PGEC of approximately \$5,137,000 is required to be applied toward the debt service on the loan. The refinancing has a maturity date of September 10, 2008, at which time a remaining principal payment of approximately \$20 million will be due from the Partnership.

Selected Financial Data. Set forth below is a summary of certain financial data for the Partnership which has been excerpted from the Partnership's public filings and reports. More comprehensive financial and other information is included in such reports and other documents filed by the Partnership with the Commission, and the following summary is qualified in its entirety by reference to such reports and other documents and all the financial information and related notes contained therein.

AMERICAN REAL ESTATE PARTNERS L.P.
SELECTED FINANCIAL STATEMENTS
(Dollars in Thousands except per Unit amounts)

Nine Months Ended
September 30,

1998* 1997*

(unaudited)

Total revenues	\$ 69,718	\$ 48,876
	=====	=====
Earnings before property and securities transactions	\$ 46,253	\$ 25,867
Gain on sales and disposition of real estate	9,760	13,288
Gain on sales of marketable equity securities	--	29,188
Provision for loss on mortgages receivable	--	--
Provision for loss on real estate	(602)	(705)
	-----	-----
Net earnings	\$ 55,411	\$ 67,638**
	=====	=====
Net earnings per limited partnership unit:		
Basic:		
Earnings before property and securities transactions	.92	.91
Net gain from property and securities transactions	.19	1.57
	-----	-----
Net earnings	\$ 1.11	\$ 2.48
	=====	=====
Weighted average limited partnership units outstanding	46,198,284	26,117,8853
	=====	=====
Diluted:		
Earnings before property and securities transactions	\$.84	\$.90
Net gain from property and securities transactions	.17	1.45
	-----	-----
Net earnings	\$ 1.01	\$ 2.35
	=====	=====
Weighted average limited partners units and equivalent partnership units outstanding	53,918,593	28,230,2653
	=====	=====
Distributions to partners	\$--	\$--
At end of period:		
Real estate leased to others	\$ 389,587	\$ 381,019
Hotel operating properties	\$ 33,031	\$ 4,881
Investment in treasury bills	\$ 422,600	\$--
Mortgages and note receivable	\$ 87,444	\$ 69,633
Total assets	\$ 1,088,123	\$ 966,144
Senior indebtedness	\$--	\$ 11,308
Mortgages payable	\$ 187,514	\$ 141,305
Partners' equity	\$ 862,183	\$ 801,580

Year Ended December 31,

1997* 1996* 1995* 1994* 1993*

Total revenues	\$ 70,918	\$ 71,774	\$ 69,920	\$ 61,551	\$ 60,157
	=====	=====	=====	=====	=====
Earnings before property and securities transactions	\$ 41,020	\$ 34,240	\$ 30,833	\$ 19,577	\$ 18,379
Gain on sales and disposition of real estate	16,051	24,517	5,091	4,174	4,760
Gain on sales of marketable equity securities	29,188	--	--	--	--
Provision for loss on mortgages receivable	(9,790)	--	--	--	--
Provision for loss on real estate	(1,085)	(935)	(768)	(582)	(462)
	-----	-----	-----	-----	-----

Net earnings	\$ 75,384	\$ 57,822	\$ 35,156	\$ 23,169	\$ 22,677
Net earnings per limited partnership unit:					
Basic:					
Earnings before property and securities transactions	\$ 1.19	\$ 1.27	\$ 1.30	\$ 1.39	\$ 1.30
Net gain from property and securities transactions	1.08	.90	.19	.25	.30
Net earnings	\$ 2.27	\$ 2.17	\$ 1.49	\$ 1.64	\$ 1.60
Weighted average limited partnership units outstanding					
	31,179,246	25,666,640	22,703,180	13,812,800	13,812,800
Diluted:					
Earnings before property and securities transactions	\$ 1.16	\$ 1.20	\$ 1.17	\$ 1.39	\$ 1.30
Net gain from property and securities transactions	.97	.82	.16	.25	.30
Net earnings	\$ 2.13	\$ 2.02	\$ 1.33	\$ 1.64	\$ 1.60
Weighted average limited partners units and equivalent partnership units outstanding					
	34,655,395	28,020,392	27,538,840	13,812,800	13,812,800
Distributions to partners	\$--	\$--	\$--	\$--	\$ 7,078
At end of period:					
Real estate leased to others	\$ 387,252	\$ 357,184	\$ 412,075	\$ 437,699	\$ 444,409
Hotel operating properties	\$ 5,002	\$ 12,955	\$ 13,362	\$ 13,654	\$ 14,070
Investment in treasury bills	\$ 372,165	\$--	\$--	\$--	\$--
Mortgages and note receivable	\$ 59,970	\$ 15,226	\$ 15,056	\$ 8,301	\$ 20,065
Total assets	\$ 991,230	\$ 641,310	\$ 620,880	\$ 492,868	\$ 502,981
Senior indebtedness	\$ 11,308	\$ 22,616	\$ 33,923	\$ 45,231	\$ 55,231
Mortgages payable	\$ 156,433	\$ 115,911	\$ 163,968	\$ 174,096	\$ 195,274
Partners' equity	\$ 809,325	\$ 485,559	\$ 404,189	\$ 259,237	\$ 236,068

- - - - -
- * To the extent financial information pertaining to the Partnership is reflected, such information is consolidated for the Partnership and AREH.
- ** Includes extraordinary item (early extinguishment of debt).

Certain Transactions.

Rights Offering. On September 25, 1997, the Partnership completed a rights offering (the "1997 Offering"), pursuant to which it raised approximately \$267 million, net of related expenses. Pursuant to the terms of the 1997 Offering, Holders on the record date received one transferable subscription right (each a "Right") for each five Units held. Each Right was exercisable at a subscription price of \$52 for a combination of securities consisting of four Units and one Preferred Unit. High Coast acted as guarantor of the 1997 Offering. In consideration of acting as guarantor, High Coast was granted three demand and unlimited piggyback registration rights with respect to the Units. Initially, High Coast acquired 11,116,568 Units and 2,779,142 Preferred Units as a result of exercising Rights received based upon its ownership of Units. In addition, the Purchaser exercised an over-subscription privilege and pursuant to the foregoing and its subscription guaranty it acquired a total of 6,502,764 additional Units and 1,625,691 additional Preferred Units; as a result, the 1997 Offering was fully subscribed.

Stratosphere. Stratosphere Corp. is a Nevada corporation which owns and operates the Stratosphere Tower, Casino and Hotel in Las Vegas, Nevada ("Stratosphere"). Stratosphere recently completed a reorganization under Chapter 11 of the United States Bankruptcy Code. Pursuant to Stratosphere's Restated Second Amended Plan of Reorganization (the "Plan of Reorganization"), Stratosphere's currently outstanding equity interests were surrendered, and a certain class of Stratosphere's outstanding debt securities ("Stratosphere Bonds") was converted into 100% of the equity interests in Stratosphere.

Prior to the effective date of the Plan of Reorganization, AREH owned an aggregate of 48.5% of the Stratosphere Bonds. As a result of applicable licensing requirements of the Nevada Gaming Commission and the City of Las Vegas, AREH was required to obtain licenses to own and operate the Stratosphere Casino prior to the conversion of its Stratosphere Bonds into equity securities pursuant to the Plan of Reorganization.

In an effort to ensure compliance with such licensing requirements, on June 5, 1998, AREH entered into a certain Repurchase Agreement and an associated Letter Agreement (together, the "Repurchase Agreement") with Nevar LLC, a newly-formed New York limited liability company wholly owned and operated by Mr. Icahn. AREH entered into the Repurchase Agreement with Nevar because both parties anticipated that Nevar would obtain licensing to own and operate the Stratosphere Casino prior to the effective date of the Plan of Reorganization, while AREH would not. This expectation was based on the premise that investigations conducted by governmental authorities in connection with the licensing process would be less time-consuming with respect to Nevar because, whereas AREH's application for licensing would require the investigation of AREH's multiple officers, directors and affiliates, the investigation by the licensing authorities of Nevar, which is owned and operated solely by Mr. Icahn, would require the investigation of Mr. Icahn only.

The Repurchase Agreement provides, among other things, that AREH would sell all of its Stratosphere Bonds to Nevar if: (i) Stratosphere's Plan of Reorganization, converting Stratosphere Bonds to equity interests, became effective before AREH obtained licensing to own and operate the Stratosphere Casino; and (ii) Nevar had obtained licensing to own and operate the Stratosphere Casino by such time. The Repurchase Agreement further provides that if AREH obtains all licensing necessary to own and operate the Stratosphere Casino within 18 months of the sale of its Stratosphere Bonds to Nevar, Nevar will sell back to AREH, at the same purchase price Nevar paid to AREH, plus interest per annum of 150 basis points over Citibank's prime rate and reimbursement of certain of Nevar's costs during such term, all of the equity interests which AREH's Stratosphere Bonds were converted into, along with AREH's proportionate share of all sale proceeds, stock rights, acquired shares and other benefits which have accreted to such equity interests or have been purchased by Nevar during the term of Nevar's ownership.

19

By August 28, 1998, Nevar was fully licensed to own and operate the Stratosphere Casino. On October 14, 1998, Stratosphere's Plan of Reorganization became effective. As of the effective date of Stratosphere's Plan of Reorganization AREH had not yet obtained licensing to own and operate the Stratosphere Casino and, pursuant to the Repurchase Agreement, AREH sold all of its Stratosphere Bonds to Nevar.

AREH is currently in the process of seeking to obtain licensing which will permit it to repurchase its interest in Stratosphere back from Nevar, as provided for in the Repurchase Agreement.

Phillips Services. AREH and High River Limited Partnership ("High River"), a Delaware limited partnership of which Mr. Icahn owns more than 99%, have recently acquired from third parties a position in the bank debt of Philip Services Corp. and Philip Services (Delaware), Inc. (collectively "Philip"), and has the status of a lender under Philip's credit facility with Canadian Imperial Bank of Commerce and certain other lenders (the "Credit Facility"). As of the date hereof, High River owns approximately 14% of the common shares of Philip, which were acquired by High River in various purchases made since May 1998.

ARVIDA Transaction. Raleigh Capital Associates, L.P. ("Raleigh"), is a Delaware limited partnership the sole general partner of which is Zephyr Partners ("Zephyr"), a New York partnership, and the sole limited partner of which is Boreas Partners, L.P. ("Boreas"), a Delaware limited partnership. The partners of Zephyr are GP Aeolus, Inc., a New York corporation wholly-owned by Mr. Icahn, and AREHGP, Inc. ("AREHGP"), a Delaware corporation wholly-owned by AREH. The general partners of Boreas are Bayswater and AREHGP, and the limited partners of Boreas are AREH, Bayswater, Stanmore LLC and Northholt LLC. Stanmore LLC and Northholt LLC are Delaware limited liability companies, the sole member of which is AREH. On October 30, 1998, Bayswater, Stanmore LLC and Northholt LLC subscribed for \$40.5 million, \$60 million and \$34.5 million, respectively, of capital of Boreas, payable on the earlier of (i) five days after written request or (ii) April 15, 1999. AREH indirectly owns a 70% interest in Raleigh and Mr. Icahn indirectly owns a 30% interest in Raleigh. Prior to May 1998, several entities unaffiliated with AREH or Mr. Icahn were also general or limited partners of Raleigh. In May 1998, Raleigh redeemed the partnership interests of

all of its partners other than Zephyr and Boreas (the "Redemption"), leaving Zephyr and Boreas as Raleigh's sole general partner and limited partner. Raleigh acquired 79,696 units of limited partnership interest ("Arvida Units") in Arvida/JMB Partners, L.P. ("Arvida") for an aggregate purchase price of approximately \$36.7 million pursuant to a tender offer which expired on August 1, 1996. Raleigh acquired an additional 26,405 Arvida Units for an aggregate purchase price of approximately \$11.6 million pursuant to a subsequent tender offer which expired on April 29, 1997. Raleigh currently beneficially owns 106,747 Arvida Units, constituting approximately 26.4% of the issued and outstanding Arvida Units.

Raleigh, Arvida /JMB Managers, Inc., the general partner of Arvida (the "Arvida General Partner"), The St. Joe Company, a Florida corporation (the "Arvida Unit Purchaser"), and the Partnership have entered into a Buy/Sell Agreement, dated as of November 6, 1998 (the "Agreement"), pursuant to which, among other things (and subject to various conditions and limitations set forth therein): (i) Raleigh must elect, on or prior to December 10, 1998, either (a) to sell all of its Arvida Units to the Arvida Unit Purchaser at a price determined by the Arvida General Partner (the "Buy/Sell Price") (a "Sale Election") or (b) to purchase substantially all of the assets of the Arvida General Partner, including its general partner interest and the interests of the Associate Limited Partners in Arvida (collectively, the "GP Assets") (a "Purchase Election"). If Raleigh makes a Purchase Election, it must also make a tender offer (the "Raleigh Tender Offer") for any and all outstanding Arvida Units at a price determined by Raleigh which is equal to or greater than the Buy/Sell Price, which Raleigh Tender Offer would close contemporaneously with the closing of the purchase and sale of the GP Assets. As of the closing of such purchase and sale, Raleigh would become the general partner of Arvida. Nothing herein shall be deemed to commence a Raleigh Tender Offer for Arvida Units, which Raleigh Tender Offer would be commenced by Raleigh only following its making a Purchase Election pursuant to, and subject to the terms and conditions set forth in, the Agreement. Raleigh is currently conducting a "due diligence" investigation of Arvida and the Arvida

20

General Partner to enable it to determine whether to make a Sale Election or a Purchase Election. No such determination has yet been made. The Partnership has guaranteed Raleigh's obligations under the Agreement. If Raleigh makes a Purchase Election and all outstanding Arvida Units not already owned by Raleigh were tendered pursuant to the Raleigh Tender Offer, the aggregate purchase price for such Arvida Units and the GP Assets would be in excess of \$150 million. As a condition to the obligation of the Arvida General Partner to sell the GP Assets, Raleigh is required to obtain the consent of Arvida's senior lenders to such transaction or arrange for the re-financing of Arvida's senior secured debt (approximately \$61.8 million as of September 30, 1998). In addition, if Raleigh makes a Purchase Election, at the closing of the purchase and sale of the GP Assets, the Arvida General Partner will assign to Raleigh a promissory note in the principal amount of approximately \$21 million issued to the Arvida General Partner by an affiliate in exchange for the assignment by Raleigh to the Arvida General Partner of a promissory note of like principal amount to be issued to Raleigh by the Partnership.

In connection with the execution and delivery of the Agreement, Mr. Icahn has agreed to cause High River, to indemnify the Partnership and its wholly-owned subsidiary entities against any claims, losses and liabilities incurred by any of them relating to Raleigh ("Raleigh Losses"), and the Partnership has agreed to indemnify Mr. Icahn and entities wholly-owned by Mr. Icahn against any Raleigh Liabilities incurred by any of them, so that all such Raleigh Liabilities are shared by the Partnership, on the one hand, and Mr. Icahn, on the other hand, ratably in accordance with their respective ownership interests in Raleigh.

Kahn Litigation. On or about September 9, 1997, Amanda Heather Kahn and Kimberly Robin Kahn commenced a litigation captioned Amanda Heather Kahn and Kimberly Robin Kahn v. Carl C. Icahn, American Property Investors, Inc., Bayswater Realty and Capital Corp., Alfred D. Kingsley, John P. Saldarelli, William A. Leidesdorf, Jack G. Wasserman and American Real Estate Partners, L. P. in the Delaware Chancery Court in New Castle County (the "Court") (C.A. no. 15916). The plaintiffs' complaint purports to state derivative claims on behalf of American Real Estate Partners, L.P. claiming breach of fiduciary duty, breach

of the duty of loyalty and usurpation of partnership opportunities arising out of investments in Stratosphere and Arvida. On or about April 3, 1998, the defendants moved to dismiss the complaint. On November 12, 1998, the Court granted the defendants' motion to dismiss the complaint. Plaintiffs have until December 16, 1998 to appeal the Court's grant of the defendants' motion to dismiss.

Miller Litigation. On November 18, 1998, Ruth Ellen Miller filed a Class Action Complaint bearing the caption Ruth Ellen Miller, on behalf of herself and all others similarly situated v. American Real Estate Partners, L.P., High Coast Limited Partnership, American Property Investors, Inc. Carl C. Icahn, Alfred Kingsley, Mark H. Rachesky, William A. Leidesdorf, Jack G. Wasserman and John P. Saldarelli in the Delaware Chancery Court in New Castle County (Civil Action No. 16788NC) (the "Complaint"). The Complaint purports to state claims on behalf of a putative class of all holders of Units sounding in breach of fiduciary duty, aiding and abetting breaches of fiduciary duty, injunction and breach of the Partnership Agreement. The Complaint seeks to have Ms. Miller appointed as class representative and that the putative class be certified. The Complaint also seeks an unspecified amount in damages and injunctive relief: (i) dissolving the Partnership; (ii) enjoining API from continuing to act as general partner of the Partnership; (iii) enjoining the Partnership from engaging in any transaction in which Icahn has either a direct or indirect interest, absent an affirmative vote of a majority of the outstanding Units held by the putative class, including this Offer; and (iv) ordering API to exercise its fiduciary obligations. The Complaint also seeks costs and attorneys' fees.

Other Transactions. In May 1995, the Partnership and an affiliate of API ("Affiliate") entered into an agreement with the third-party landlord of its leased executive office space. The agreement provided for the Partnership and the Affiliate to relocate their offices to an adjacent building also owned by the landlord which relocation occurred in September 1995. In accordance with the agreement, the Partnership entered into a lease, expiring in 2001, for 7,920 square feet of office space, at an annual rental of approximately \$153,000. The Partnership has sublet to certain affiliates of API 3,205 square feet at an annual rental of approximately \$62,000,

21

resulting in a net annual rental of approximately \$91,000. Affiliates of API reimbursed the Partnership for approximately \$62,000 in rent paid by the Partnership on its behalf during 1997 in connection with the new lease. The prior lease, which was terminated, provided for approximately 6,900 square feet at an annual rental of \$155,000 to the Partnership. In addition, the Partnership and the Affiliate received a lease termination fee of \$350,000 allocated \$175,000 to the Partnership and \$175,000 to the Affiliate. Such allocations and the terms of the sublease were reviewed and approved by API's board of directors' Audit Committee (the "Audit Committee"). In addition, in 1997 the Partnership entered into a license agreement for a portion of office space from an affiliate of API. 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 Partnership has the non-exclusive use of approximately 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 pays \$17,067.78 per month, together with 16.79% of certain "additional rent". In 1997, the Partnership paid an affiliate of API \$68,747 of rent in connection with this licensing agreement. In connection with the build-out of the space, the Partnership reimbursed such affiliate \$486,989, representing the Partnership's allocable share of such costs net of a pro rata share of the sub-lessor's allowance for such build-out. The terms of such sublease were reviewed and approved by the Audit Committee. The Partnership was paid by API for payroll and certain other expenses \$34,000 and \$50,000 in 1997 and 1996, respectively.

Additional Information. The Partnership is subject to the information and reporting requirements of the Exchange Act, and in accordance therewith is required to file reports and other information with the Commission relating to its business, financial condition and other matters. Such reports and other information may be inspected at the public reference facilities maintained by the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and are available for inspection and copying at the regional offices of the Commission located in Northwestern Atrium Center, 500

West Madison Street, Suite 1400, Chicago, Illinois 60661 and at 7 World Trade Center, 13th Floor, New York, New York 10048 and at the Commission's World Wide Website at <http://www.sec.gov>. Copies of such material can also be obtained from the Public Reference Room of the Commission in Washington, D.C. at prescribed rates. In addition, the Purchaser will provide such material to Holders upon request at the cost of the Purchaser.

SECTION 10. INFORMATION CONCERNING THE PURCHASER AND CERTAIN AFFILIATES OF THE PURCHASER.

The Purchaser is a Delaware limited liability company, formed in November 1998. The Purchaser has no assets and has engaged in no transactions prior to the date hereof. The sole member of the Purchaser is High Coast. High Coast's sole assets consist of approximately \$800,000 in cash and its ownership of 31,515,044 Units and 6,642,067 Preferred Units and it does not currently have any other interests or liabilities. The general partner of High Coast, Beckton is directly 100% owned by Mr. Icahn and the limited partners of High Coast, ACF and Tortoise are indirectly, more than 99% owned by Mr. Icahn. Beckton is a Delaware corporation, formed in November 1998. Beckton has no assets other than its interest in High Coast and its ownership of all of the stock of API and has engaged in no transactions prior to the date hereof.

Funding for the Offer will be provided by Unicorn Associates Corporation. (See Section 11 - "Source of Funds").

The address of the principal office of the Purchaser, Beckton and High Coast is 100 South Bedford Road, Mount Kisco, New York 10549. Mr. Icahn's business address is c/o Icahn & Co., Inc., One Wall Street Court, New York, New York 10005.

22

Mr. Icahn's present principal occupation or employment is set forth on Schedule II attached hereto and is incorporated herein by reference. Also set forth on Schedule II and incorporated herein by reference are Mr. Icahn's material occupations, positions, offices or employments during the past five years, including the principal business and address of any business, corporation or other organization in which such occupation, position, office or employment was carried on.

Neither the Purchaser nor High Coast has any executive officer or director. The name, position, citizenship, business address, present principal occupation or employment, material occupations, positions, offices or employments during the past five years and the principal business address of any business corporation or other organization in which such occupation, position, office or employment was carried on, of each executive officer and director of Beckton, the sole general partner of High Coast, are set forth on Schedule II attached hereto and are incorporated herein by reference.

Neither the Purchaser, High Coast, Beckton, Mr. Icahn, nor any executive officer or director of any of the foregoing, has been, during the past five years, (a) convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (b) a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting activities subject to, federal or state securities laws or a finding of any violation of such laws.

Except as set forth in this Offer to Purchase: (i) neither the Purchaser, High Coast, Beckton, Mr. Icahn nor, to the best of the Purchaser's knowledge, any of the persons listed on Schedule II, nor any affiliate of the foregoing beneficially owns or has a right to acquire any Units; (ii) neither the Purchaser, High Coast, Beckton, Mr. Icahn nor, to the best of the Purchaser's knowledge, any of the persons listed on Schedule II, nor any affiliate of the foregoing has effected any transaction in the Units within the past 60 days; (iii) neither the Purchaser, High Coast, Beckton, Mr. Icahn nor, to the best of the Purchaser's knowledge, any of the persons listed on Schedule II nor any affiliate of the foregoing has any contract, arrangement, understanding or relationship with any other person with respect to any securities of the

Partnership, including, but not limited to, contracts, arrangements, understandings or relationships concerning the transfer or voting thereof, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or the giving or withholding of proxies; (iv) there have been no transactions or business relationships which would be required to be disclosed under the rules and regulations of the Commission between any of the Purchaser, High Coast, Beckton, Mr. Icahn or, to the best of the Purchaser's knowledge, any of the persons listed on Schedule II, on the one hand, and the Partnership or its affiliates, on the other hand; and (v) since the commencement of the Partnership's third full fiscal year preceding the date of this Offer to Purchase there have been no contracts, negotiations, or transactions between the Purchaser, High Coast, Beckton, Mr. Icahn or, to the best of the Purchaser's knowledge, any of the persons listed on Schedule II, on the one hand, and the Partnership or its affiliates, on the other hand, concerning a merger, consolidation or acquisition, tender offer or other acquisition of securities, an election of directors or a sale or other transfer of a material amount of assets.

Pension Liability Considerations. ERISA and the Code require that a contributing sponsor ("Sponsor") of a defined benefit pension plan ("Pension Plan") subject to ERISA and the Code make certain minimum funding contributions to fund the benefits that participants accrue under the Pension Plan. Upon termination of a Pension Plan, its Sponsor is liable for any unfunded benefit liabilities that exist at the time of termination ("Termination Liabilities"). Liability for minimum funding contributions and Termination Liabilities under a Pension Plan extends, jointly and severally, to each member of a Sponsor's "controlled group" (generally defined to include parent entities and their 80% owned subsidiaries and certain brother-sister entities). Moreover, upon the failure to make minimum funding contributions in excess of \$1 million when due or pay Termination Liabilities after demand by the Pension Benefit Guaranty Corporation (the "PBGC"), liens in favor of the relevant Pension Plans or the PBGC, respectively, would attach to the assets of all members of the Sponsor's controlled group.

23

If more than approximately 4.8 million Units are tendered to the Purchaser and accepted for payment, Mr. Icahn will indirectly own more than an 80% interest in the Partnership and the Partnership will be deemed to be a member of the Controlled Group which includes ACF Industries Incorporated ("ACF") and an ACF subsidiary, Pichin Corp. ("Pichin"), by virtue of Mr. Icahn's direct and indirect ownership of at least 80% of such entities. However, the determination of whether the Partnership will be deemed to be a member of the Controlled Group involves some degree of uncertainty. For example, although the foregoing analysis is based on the book value of the Units and Preferred Units, it is possible that the determination of ownership interest should be made on the basis of market values rather than on book values. If it is correct to base such determination on an analysis of market values, then based on current market prices Mr. Icahn may indirectly own more than 80% in the Partnership, and the Partnership may be deemed a member of the Controlled Group, if approximately 4.4 million Units are tendered to the Purchaser and accepted for payment.

In addition, Mr. Icahn's failure to acquire 4.8 (or 4.4) million Units may not preclude the Partnership from becoming a member of the Controlled Group in the future. The ownership test for controlled group membership is based upon an 80% ownership of either a partnership's capital or profits interest. Because Mr. Icahn owns in excess of 80% of the Preferred Units, the Partnership may be viewed as a member of the Controlled Group in any year in which distributions with respect to the Preferred Units are a substantial portion of the Partnership's profits, if such distributions are viewed as a profits interest. Currently, the Partnership's profits are well in excess of the amount of distributions with respect to the Preferred Units and, in any case, it is uncertain that distributions on the Preferred Units would be viewed as a profits interest for this purpose. Similarly, since the Partnership's equity held by holders of Preferred Units increases every year as a result of the distributions on the Preferred Units, if such equity increases disproportionately faster relative to the equity of the Holders of Units, then even if Mr. Icahn does not acquire more than 4.4 million units, the Partnership could still become a member of the Controlled Group in a future year.

ACF and other members of the Controlled Group sponsor several Pension

Plans ("ACF Pension Plans") (not including the TWA Plans described below) which are underfunded in the aggregate by approximately \$26 million on an ongoing actuarial basis as of the first day of each plan's current plan year, and by approximately \$91 million if each of the ACF Pension Plans would have been terminated on such date and the PBGC's actuarial assumptions were applied. The liability upon plan termination could be more or less than this amount depending on future changes in promised benefits, investment returns, the assumptions used to calculate the liability and the outcome of any litigation relating to the amount of liability. If the Partnership becomes part of the Controlled Group, the Partnership would be jointly and severally liable for any failure of ACF or any other member of the Controlled Group to make minimum funding contributions or pay Termination Liabilities with respect to the ACF Pension Plans. The PBGC could demand that the Partnership pay the liabilities and could, at its discretion, enforce against the assets of the Partnership the statutory liens arising from any such failure.

Pursuant to a settlement (the "Settlement") entered into in 1993 by the PBGC and TWA, among others, in connection with the Chapter 11 bankruptcy case of TWA, as amended and revised to date, Pichin became the Sponsor directly liable for minimum funding obligations of the Pension Plans for Trans World Airlines ("TWA") employees (the "TWA Plans"), which TWA Plans had theretofore been frozen. If the Partnership is deemed to be a member of the Controlled Group it would be jointly and severally liable, together with all other entities in the Controlled Group, for minimum funding obligations of the TWA Plans. However, Pichin has the right under the Settlement to terminate the obligation to make minimum funding payments for future periods by causing a termination of the TWA Plans. In the event of any such termination, under the Settlement payments for any Termination Liabilities in respect of the TWA Plans ("Termination Payments") are required to commence 18 months after the date of termination and are limited to 8 annual payments of \$30 million each. However, the PBGC's recourse under the Settlement with respect to the Termination Payments is limited to the collateral pledged to secure such Termination Payments. Control over making the minimum funding payments and the determination of whether to seek termination of the TWA Plans ultimately will be in the control of Mr. Icahn.

24

Because of the current underfunded status of the ACF Pension Plans and the TWA Plans, certain members of the Controlled Group, which may include the Partnership if more than approximately 4.4 million Units are tendered to the Purchaser pursuant to the Offer and accepted for payment, are subject to 30-day advance reporting to the PBGC of certain corporate transactions that are deemed to be "reportable events" under ERISA. Such reportable events include, among other things, any transaction which would result in a Controlled Group member leaving the Controlled Group, and certain extraordinary dividends and stock redemptions. Thus, any transaction in which the Partnership would cease to be a member of the Controlled Group after having become such a member (such as the issuance of additional Units so as to dilute Mr. Icahn's interest below 80%), and certain extraordinary distributions and redemptions with respect to the Units, would be subject to the 30-day advance reporting requirements. Generally, while the PBGC has no authority to enjoin any such reportable event, the PBGC could institute proceedings to terminate one or more of the ACF Pension Plans and/or the TWA Plans, thus triggering Termination Liabilities for members of the Controlled Group, if it reasonably expects that any such event presents an unreasonable increase in the possible long-run loss of the PBGC with respect to such plans.

In connection with the Offer, Starfire, which is directly 100% owned by Mr. Icahn, delivered to API an undertaking (the "Indemnity"), pursuant to which it would undertake to indemnify and hold the Partnership harmless from all losses, costs and expenses resulting from the imposition of any minimum funding or termination liabilities, as described above, on the Partnership or its assets. The Indemnity provides, among other things, that so long as such contingent liabilities exist and could be imposed on the Partnership, Starfire will not make any distributions to its stockholders that would reduce its net worth to less than \$250 million. Starfire is permitted to delegate its duties under the Indemnity (and therefore cease to be obligated thereunder) to Mr. Icahn, or to any entity affiliated with Mr. Icahn provided that such entity has a net worth of greater than the lesser of: (i) \$250 million, or (ii) the net worth of Starfire (or the person then obligated under the Indemnity) at the time of such delegation. The Indemnity provides that it will become effective if the

Purchaser acquires, pursuant to the Offer, a number of Units such that the Partnership is deemed under ERISA or the Code to be a member of the Controlled Group.

Set forth below is audited financial information with respect to Starfire and its consolidated subsidiaries. Starfire is not subject to periodic reporting requirements under the Exchange Act.

25

STARFIRE HOLDING CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
December 31, 1997
(Dollars in millions)

ASSETS

Current Assets:

Cash and cash equivalents (including reverse repurchase agreements of \$343 in 1997)	\$ 551
Marketable securities, at market value	80
Receivables:	
Trade receivables, net of allowance for doubtful accounts (52 in 1997)	59
Receivable from brokers and dealers	117
Interest and dividends	15
Inventories	59
Prepaid expenses and other assets	40

Total current assets	921

Property, plant and equipment:

Land	2
Manufacturing facilities	118
Specialized railroad cars leased to others	1,670
Other	11

	1,801
Less accumulated depreciation and amortization	677

Net property, plant and equipment 1,124

Investments in other partnerships	978
Amounts due from affiliates	211
Investment in sales-type lease	170
Total assets	\$3,404
	=====

LIABILITIES AND SHAREHOLDER'S EQUITY

Current liabilities:

Short-term debt	\$ 497
Securities sold, not yet purchased	83
Note payable	1
Trade payables	64
Accrued expenses:	
Salaries, wages and employee benefits	5
Interest	19
Other	41

Total current liabilities	710

Long-term debt	1,309
Deferred income taxes, net	292
Phase-out reserve, less current portion	73
Other liabilities	122

Total liabilities	2,506

Shareholder's equity:

Common stock, voting, \$.10 par; authorized 10,000 shares, issued 579 shares	--
--	----

Retained earnings	920
Minimum pension liability adjustment, net of taxes	(13)
Common stock held in treasury, 15 shares	(1)
Unrealized gains (losses) on marketable securities, net of taxes of \$(5) in 1997	(8)

Total shareholder's equity	898

Total liabilities and shareholder's equity	\$ 3,404
	=====

26

STARFIRE HOLDING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Year Ended December 31, 1997
(Dollars in millions)

Revenues:	
Railcar rentals and services	\$ 205
Ticket sales	201
Manufacturing operations	297
Equity in earnings of partnerships	160
Gain on sales-type lease	154
Investment income, net	63
Other	46

Total revenues	1,126
	=====
Costs and expenses:	
Fleet operating expenses	27
Cost of ticket sales	151
Cost of manufacturing	264
Selling, administrative and other expenses	93
Depreciation and amortization	52
Interest	128
Phase-out reserve expense	1

Total costs and expenses	716

Income before income taxes and extraordinary item	410

Income tax expense	146

Income before extraordinary item	264

Early extinguishment of debt, net of taxes of \$15	20

Net income	\$ 244

SECTION 11. SOURCE OF FUNDS.

The Purchaser is a newly formed entity. The Purchaser expects that approximately \$105,000,000 (exclusive of fees and expenses) will be required to purchase 10 million Units, if tendered. The Purchaser will obtain the funds necessary to complete the Offer from a capital contribution from High Coast. High Coast will obtain such funds from a capital contribution from its limited partner, Tortoise which will in turn receive the same as an indirect capital contribution from Unicorn Associates Corporation ("Unicorn"). Mr. Icahn, the direct or indirect owner of more than 99% of the ownership interest of the above entities, will cause the capital contributions referred to above to be made.

Set forth below is financial information with respect to Unicorn and its consolidated subsidiaries. Unicorn is not subject to periodic reporting

requirements under the Exchange Act. The financial information set forth below with respect to Unicorn is unaudited. Unicorn does not prepare audited financial statements in the ordinary course of its business and, accordingly, such audited financial statements were not available or obtainable without unreasonable cost or expense.

27

UNICORN ASSOCIATES CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
September 30, 1998
(in millions)
(unaudited)

ASSETS

Cash and cash equivalents	\$	197.5
Marketable securities		72.0
Receivables:		
Accrued interest		0.2
Notes		17.9
Amounts due from brokers		79.1
Investments in partnerships		1,038.1
Amounts due from affiliates		89.1
Deferred charges, deposits and other assets		1.0

Total assets		1,494.9
		=====

LIABILITIES AND SHAREHOLDER'S EQUITY

Liabilities

Income taxes payable		25.6
Securities sold, not yet purchased		52.3
Deferred income taxes		10.0

Total liabilities		87.9

Shareholder's equity:

Common stock, no par value per share, 3,000 shares authorized. 1,002 shares issued and outstanding		1,157.8
Retained earnings		293.4
Unrealized holding losses on marketable securities net of taxes of \$16.8 million		(44.2)

Total shareholder's equity 1,407.0

Total liabilities and shareholder's equity \$ 1,494.9

CONSOLIDATED STATEMENT OF OPERATIONS
Nine Months Ended September 30, 1998
(in millions)
(unaudited)

Revenues

			Nine Months Ended September 30, 1998

Interest and other income	\$	31.1	
Equity in earnings of partnerships		50.2	
Net realized gains		5.9	

Total revenues		87.2	

Cost and expenses:	-----
Interest expense	5.1
Other expenses	0.3

Total cost and expenses	5.4

Income before income tax expense	81.8
Income tax expense	31.1

Net income	\$ 50.7
	=====

SECTION 12. PRICE RANGE OF UNITS

The Units are traded on the NYSE under the symbol "ACP." Trading on the NYSE commenced July 23, 1987, and the range of high and low market prices for the Depositary Units on the New York Stock Exchange Composite Tape (as reported by The Wall Street Journal) from March 31, 1996 through September 30, 1998 is as follows:

Quarter Ended:	High	Low
-----	----	---
March 31, 1996	\$ 9.375	\$ 8.625
June 30, 1996	9.125	8.875
September 30, 1996	9.125	8.625
December 31, 1996	9.25	8.875
March 31, 1997	11.75	9.125
June 30, 1997	14.25	9.875
September 30, 1997	13.625	10.625
December 31, 1997	11.375	9.4375
March 31, 1998	11.50	9.8125
June 30, 1998	10.75	9.75
September 30, 1998	10.25	8.0625

The last sales price of the Units on the last full trading day prior to the date of announcement of the Offer, as reported by the New York Stock Exchange Composite Tape (as reported by The Wall Street Journal) was \$7 1/4 per Unit.

SECTION 13. PURCHASE PRICE CONSIDERATIONS.

Background. The Purchaser has set the Purchase Price at \$10.50 net per Unit. The Purchase Price represents the price at which the Purchaser is willing to purchase Units. No independent person has been retained by the Purchaser to evaluate or render any opinion with respect to the fairness of the Purchase Price and no representation is made by the Purchaser or any affiliate of the Purchaser as to such fairness. Limited Partners are urged to consider carefully all of the information contained in the Offer to Purchase and related documents and consult with their own advisors, tax, financial or otherwise, in evaluating the terms of the Offer, before deciding whether to tender Units.

The Purchaser is making the Offer because it believes that the Units represent an attractive long-term investment at the Purchase Price, which has been established by the Purchaser. There can be no assurance, however, that this judgment is correct, and, as a result, ownership of Units (either by the Purchaser or Holders who retain their Units) will remain a speculative investment.

The Partnership has not made any distributions to Holders for the last four years (other than in connection with the 1997 Rights Offering (see Section 9 - "Certain Information Concerning the Partnership") and a similar rights offering conducted by the Partnership in March, 1995). The Partnership has stated its belief in its public filings that excess cash should be used to

enhance long-term Holder value through investments in assets and companies with assets undervalued by the market. Mr. Icahn, the indirect owner of all of the ownership interest of API, the general partner of the Partnership, believes the Partnership should continue to hold and invest, rather than distribute, cash and that the cash assets of the Partnership should be applied prudently to: (i) enhance the Partnerships existing properties; (ii) support the Partnership's existing debt and property maintenance obligations; and (iii) provide opportunities to the Partnership for additional investments in and

29

relating to real property, including, without limitation, land and land development, and securities, including, without limitation, high yield bonds, on a domestic and international basis, as appropriate opportunities arise. In addition, Mr. Icahn does not believe that it is an appropriate time for any substantial dispositions of the Partnership's real property assets.

The Purchaser believes, based on communications received by the Partnership, that certain Holders may disagree with the Partnership's plans regarding distributions and the use of cash outlined above or may otherwise desire to derive cash from their investment in the near term. The Offer gives Holders the opportunity to sell their Units at a premium over the current market price for the Units.

Assistance by Partnership Employees. The Purchaser was assisted in its updating, gathering and review of data and in its preparation, analysis, calculations and estimations of the values set forth in the Offer to Purchase by certain employees of the Partnership. Any reference herein to any updating, gathering and review of data, or any preparation, analysis, calculation, estimation or similar activity by the Purchaser, includes the activities of such persons. The Purchaser will reimburse the Partnership for all costs, salary and related items incurred by the Partnership in respect of such employees based upon the time spent providing such assistance to the Purchaser.

Estimate of Liquidation Value. In connection with the Offer, the Purchaser estimated the liquidation value of the Partnerships assets to be \$18.36 per Unit or \$16.45 per Unit on a fully diluted basis.¹ The Purchaser's estimate of liquidation value per Unit is based on a hypothetical sale of all of the Partnership's properties and the distribution to the Holders and API of the gross proceeds of such sales, net of related indebtedness, together with the Partnership's cash, proceeds from security investments including stocks, bonds, and limited partnership interests and all other assets that are believed to have liquidation value, after provision in full for all of the Partnership's other known liabilities and after giving effect to the estimated costs associated with winding up the Partnership, which may include real estate transaction costs such as brokerage commissions, legal fees, title costs, closing expenses etc. Additionally, estimated brokerage expenses incurred in selling securities and the costs associated with winding up the Partnership were deducted.

The Purchaser's analysis of liquidation value described herein is merely theoretical, assumes the availability of a willing buyer and may not itself reflect the value of the Units because, among other things: (i) there is no assurance that any such liquidation could occur in the foreseeable future; and (ii) any liquidation in which the estimated values contemplated herein might be realized could take an extended period of time (at least a year and quite possibly significantly longer, with the exception of cash and marketable securities) during which the Partnership and its partners would continue to be exposed to the risk of fluctuations in asset values because of changing market conditions and other factors. For any property sales in which the Partnership would be required to indemnify the buyer for matters arising after the closing, a portion of the sales proceeds could be held by the Partnership until all possible claims were satisfied, further extending the delay in the receipt by the Holders of liquidating proceeds. Because of these factors, the Purchaser believes the actual current value of a Unit may be less than its estimate of the liquidation value. Conversely, there is a possibility that the value realizable in an orderly liquidation could be greater than the estimated liquidation value. A reduction in operating expenses or an increase in rental revenues would result in a higher liquidation value under the method described above. Similarly, a higher liquidation value would result if a buyer applied lower capitalization rates (reflecting a willingness to accept a lower rate of return on its investment) to the net operating income generated by the

- - - - -
1 In estimating the diluted liquidation value per Unit in the Offer, the Purchaser divided the estimated net liquidation value attributable to limited partner interests by the number of Units and Unit equivalents outstanding. For this purpose, the Preferred Units were treated as Unit equivalents based on the methodology for the redemption of Preferred Units in exchange for Units as set forth in the Partnership Agreement.

30

Partnership's properties than the capitalization rates applied by the Purchaser as discussed below. Additionally, stocks, bonds and other securities may be subject to significant market swings. The analysis described in this Section 13, is based on a series of assumptions, some of which may not be correct. Accordingly, this analysis should be viewed as indicative of the Purchaser's approach to valuing Units and not as any way predictive of the likely result of any future transaction.

Methodology To Determine Gross Real Estate Value. In arriving at the liquidation value, the Purchaser reviewed the actual lease terms, property cash flow history and performance measures, any other existing file information (property descriptions, photographs, site and/or building plans, third-party appraisals (if any), internal engineering inspection reports, market studies, etc.) where available, for each specific property.

The Purchaser generally contacted a real estate professional (commercial sales broker, leasing broker, investor or appraiser) at the time of the valuation in each local market who was familiar with the subject property's location and the local real estate marketplace to update the file on market conditions. Often time, this local professional had previously been contacted and may have inspected the property or site location previously. These professionals were consulted for their opinions regarding market rents, capitalization rates and/or other valuation parameters for similar properties in the local market, and for information regarding neighborhood trends, demographic data and trends, adjacent uses, visibility and accessibility issues, supply and demand trends for the property type and the market under review, or other significant attributes of the property or market area, to the extent they had such knowledge.

Utilizing the information generated from internal sources and files and market information from local real estate professionals, the Purchaser made a judgement as to the appropriate methodology and parameters for the valuation of each individual property (capitalization rates, discount rates, market rents, renewal assumptions, etc) and, utilizing existing lease or property cash flow information, came to a value conclusion. In the majority of cases, the "Income Capitalization Approach" to value was utilized (either direct capitalization or discounted cash flow analysis) to determine the gross value of the Partnership's real estate assets (the "Gross Real Estate Value"). The Income Capitalization Approach derives an estimate of value by converting the anticipated economic benefits of owning property into a value estimate through capitalization. This approach is based on the principle of "anticipation," which holds that investors recognize the relationship between an asset's income and its value. In order to value the economic benefits of a property, potential income and expenses must be estimated, and the most appropriate capitalization method must be selected. The two most common methods of converting net income into value are direct capitalization and discounted cash flow analysis. In direct capitalization, net operating income is divided by an overall rate extracted from market sales to indicate a value. In the discounted cash flow method, anticipated future net income streams and a reversionary value are discounted to an estimate of net present value at a chosen discount rate (internal rate of return).

Since most of the portfolio real estate assets are single-tenanted, net-leased transactions, a direct capitalization approach was often the basis for the analysis (applying a capitalization rate typically between 9% and 12% to current or projected net operating income). In situations where the rent was approximately the same as the market rent for the property, the capitalization rate reflected the quality of the tenant, length of the lease, quality of the physical asset and site, and market conditions (including level of investor activity). In certain situations the current lease payments were determined to be significantly greater than the market rent, in which case a discounted cash

flow analysis was employed so that the valuation would reflect the premium value of the above-market lease as well as the new lower rent projected upon re-leasing and the financial risks associated with the expiration of the lease (leasing commissions, allowances for tenant improvements, capital improvements to the building and rent loss during re-tenanting). The discount rate utilized in this discounted cash flow analysis was generally between 11% and 13%.

31

In situations where current contractual rent was significantly below market rent, the capitalization rate was adjusted downward from the perceived market capitalization rate for the subject property to account for the increase in cash flow that may materialize at lease expiration when either the current tenant renews or a new tenant is procured at the increased rental rate. However, most of the below-market leases in the portfolio have long-term renewal options at the same contractual rent, a reduced contractual rent, or a stepped up rent that will still be significantly below the perceived market rent; in these cases, the tenants leasehold interest has continuing economic value and the tenant is motivated to exercise these renewal options, reducing the "upside" or opportunity for the landlord to increase cash flow. In these cases, the direct capitalization rate was generally employed where a capitalization rate of usually 9-10% was applied to existing rent. A higher capitalization rate was sometimes used if the tenant was not deemed to have a strong credit profile and the property was potentially difficult to re-tenant (if the tenant were to default or choose not to exercise their option(s)).

For properties that were purchased within the past twelve months, the actual purchase price funded by the Partnership was generally used as the primarily tool in determining the current value unless there were significant developments affecting the property's value since the acquisition date.

Multi-tenanted property valuations generally utilized the 1998 budgeted cash flow or actual operating results (generally defined as gross rent collections less an allowance for bad debt minus operating expenses and reserves for capital expenditures), and applied a capitalization rate which was consistent with the quality of the property and property type, resulting in a value by the direct capitalization approach.

Land held for future development was valued based on either third-party appraisals or information provided by local brokers as to the potential proceeds which would be generated by a bulk sale of the remaining residential lots. A discount would be incorporated for land for which all development approvals have not yet been obtained.

Determination of Liquidation Value. In estimating the liquidation value per Unit, the Purchaser adjusted the Gross Real Estate Value estimate, determined in the manner set forth above, of \$511,925,000 to reflect the Partnership's other assets and liabilities. Specifically, the Purchaser added the amounts of cash, treasury bills, stocks and bonds, limited partnership interest, accounts receivable (\$654,213,600) and subtracted the debt encumbering the Partnership's assets including the face value of the Preferred Units (\$261,734,182) and all other liabilities as of November 1, 1998 (\$11,499,000). The Purchaser then deducted \$29,153,465, representing a reserve equal to 2.5% of the total asset estimate (which represents the Purchaser's estimate of the probable costs of brokerage commissions, real estate transfer taxes, pre-payment penalties, legal and other expenses relating to the termination of the Partnership). The net result, \$863,751,953, was further adjusted for the 1.99% interest which is required to be allocated to API in accordance with the Partnership Agreement. This resulted in an aggregate value of \$846,563,289 resulting in a net liquidation value of: \$18.36 per Unit or \$16.45 per Unit on a fully diluted basis. This represents the Purchaser's estimate of the aggregate net liquidation proceeds which could be realized on an orderly liquidation of the Partnership, based on the assumptions implicit in the calculations described above.

SECTION 14. CONDITIONS OF THE OFFER.

Notwithstanding any other term of the Offer, the Purchaser will not be required to accept for payment or to pay for any Units tendered if all authorizations, consents, orders or approvals of, or declarations or filings

with, or expiration of waiting periods imposed by, any court, administrative agency or commission or other governmental authority or instrumentality, domestic or foreign, necessary for the consummation of the transactions contemplated by the Offer shall not have been filed, occurred or been obtained. Furthermore, notwithstanding any other term of the Offer and in addition to the Purchaser's right to withdraw or amend the Offer at any time before the Expiration Date, the Purchaser will not be required to accept for payment or pay for

32

any Units not theretofore accepted for payment or paid for and may terminate the Offer as to such Units if, at any time on or after the date of the Offer and before the acceptance of such Units for payment or the payment therefor, any of the following conditions exists:

(a) a preliminary or permanent injunction or other order of any federal or state court, government or governmental authority or agency shall have been issued and shall remain in effect which: (i) makes illegal, delays or otherwise directly or indirectly restrains or prohibits the making of the Offer or the acceptance for payment, purchase of or payment for any Units by the Purchaser; (ii) imposes or confirms limitations on the ability of the Purchaser effectively to exercise full rights of ownership of any Units, including, without limitation, the right to vote any Units acquired by the Purchaser pursuant to the Offer or otherwise on all matters properly presented to the Partnership's Holders; (iii) imposes or confirms limitations on the ability of the Purchaser to fully exercise the voting rights conferred pursuant to its appointment as proxy in respect of all tendered Units which it accepts for payment; or (iv) requires divestiture by the Purchaser of any Units (except, in any such case, as expressly contemplated by the Agreement);

(b) there shall be any action taken, or any statute, rule, regulation or order proposed, enacted, enforced, promulgated, issued or deemed applicable to the Offer by any federal or state court, government or governmental authority or agency, which might, directly or indirectly, result in any of the consequences referred to in clauses (i) through (iv) of paragraph (a) above;

(c) any change or development shall have occurred or been threatened since the date of the Offer to Purchase, in the business, properties, assets, liabilities, financial condition, operations, results of operations, or prospects of the Partnership, which is outside the ordinary course of the Partnership's business or may be materially adverse to the Partnership, or the Purchaser shall have become aware of any fact that does or may have a material adverse effect on the value of the Units;

(d) there shall have occurred: (i) any general suspension of trading in, or limitation on prices for, securities on any national securities exchange or in the over-the-counter market in the United States; (ii) a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States; (iii) any limitation by any governmental authority on, or other event which might affect, the extension of credit by lending institutions or result in any imposition of currency controls in the United States; (iv) a commencement of a war or armed hostilities or other national or international calamity directly or indirectly involving the United States; (v) a material change in United States or other currency exchange rates or a suspension or a limitation on the markets thereof; or (vi) in the case of any of the foregoing existing at the time of the commencement of the Offer, a material acceleration or worsening thereof;

(e) there shall have been threatened, instituted or pending any action or proceeding before any court or governmental agency or other regulatory or administrative agency or commission or by any other person, challenging the acquisition of any Units pursuant to the Offer or otherwise directly or indirectly relating to the Offer, or otherwise, in the judgment of the Purchaser, adversely affecting the

Purchaser or the Partnership or causing any material diminution of the benefits to be derived by the Purchaser as a result of the transactions contemplated by the Offer;

(f) a tender offer or exchange offer for some or all of the Units is made or publicly announced or proposed to be made, supplemented or amended by any person other than the Purchaser; or

33

(g) in the Purchaser's judgment, the purchase of Units pursuant to the Offer would be reasonably likely to: (i) cause the Units to be held of record by less than 300 persons; or (ii) cause the Units to be delisted from the NYSE.

The foregoing conditions are for the sole benefit of the Purchaser and may be asserted by the Purchaser regardless of the circumstances giving rise to such conditions or may be waived by the Purchaser in whole or in part at any time and from time to time in its sole discretion. Any determination by the Purchaser concerning the events described above will be final and binding upon all parties.

SECTION 15. INTEREST IN THE SECURITIES OF THE PARTNERSHIP

The Purchaser's sole member, High Coast, owns 31,515,044 Units or approximately 68.4% of the Units outstanding and 6,642,067 Preferred Units or approximately 86.5% of the Preferred Units outstanding. To the best knowledge of the Purchaser no officer or director of the Partnership or its general partner owns any Units, other than Mr. Icahn.

The Partnership purchased 100,000 Units on October 16, 1998 at a price of \$73/8 per Unit pursuant to its repurchase program through a block trade on the NYSE. Other than as provided in the preceding sentence, no transaction has been effected in the Units by the Purchaser or its affiliates (including Mr. Icahn and his affiliates) or any officer, director or associate of the Purchaser, in the last 60 days.

SECTION 16. CERTAIN LEGAL MATTERS.

General. Except as set forth in this Section 16, the Purchaser is not aware of any licenses or regulatory permits that would be material to the business of the Partnership, taken as a whole, and that might be adversely affected by the Purchaser's acquisition of Units as contemplated herein, or any filings, approvals or other actions by or with any domestic or foreign governmental authority or administrative or regulatory agency that would be required prior to the acquisition of Units by the Purchaser pursuant to the Offer as contemplated herein. While there is no present intent to delay the purchase of Units tendered pursuant to the Offer pending receipt of any such additional approval or the taking of any such action, there can be no assurance that any such additional approval or action, if needed, would be obtained without substantial conditions or that adverse consequences might not result to the Partnership's business, or that certain parts of the Partnership's business might not have to be disposed of or other substantial conditions complied with in order to obtain such approval or action, any of which could cause the Purchaser to elect to terminate the Offer without purchasing Units thereunder. The Purchaser's obligation to purchase and pay for Units is subject to certain conditions, including conditions related to the legal matters discussed in this Section 16.

Antitrust. Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), and the rules and regulations that have been promulgated thereunder by the Federal Trade Commission (the "FTC"), certain acquisition transactions may not be consummated until certain information and documentary material is filed with the FTC and the Antitrust Division of the Department of Justice, and certain waiting period requirements have been satisfied. The Purchaser does not believe any filing is required under the HSR Act with respect to its acquisition of Units contemplated by the Offer.

State Laws. The Purchaser is not aware of any jurisdiction in which the making of the Offer is not in compliance with applicable law. If the Purchaser becomes aware of any jurisdiction in which the making of the Offer would not be in compliance with applicable law, the Purchaser will make a good faith effort to comply with any such law. If, after such good faith effort, the Purchaser cannot comply with any such law, the Offer will not

34

be made to (nor will tenders be accepted from or on behalf of) Holders residing in any such jurisdiction. In those jurisdictions whose securities or blue sky laws require the Offer to be made by a licensed broker or dealer, the Offer shall be made on behalf of the Purchaser, if at all, only by one or more registered brokers or dealers licensed under the laws of that jurisdiction.

SECTION 17. FEES AND EXPENSES.

Except as set forth in this Section 17, the Purchaser will not pay any fees or commissions to any broker, dealer or other person for soliciting tenders of Units pursuant to the Offer. The Purchaser has retained Harris Trust Company of New York to act as Depositary and Beacon Hill Partners, Inc. to act as Information Agent in connection with the Offer. The Purchaser will pay the Depositary and Information Agent reasonable and customary compensation for their services in connection with the Offer, plus reimbursement for out-of-pocket expenses, and will indemnify the Depositary and Information Agent against certain liabilities and expenses in connection therewith, including liabilities under the federal securities laws. The Purchaser will also reimburse the Partnership in respect of certain amounts in connection with the assistance provided by employees of the Partnership to the Purchaser. (See Section 13 - "Purchase Price Considerations). The Purchaser will also pay all costs and expenses of printing and mailing the Offer and its legal fees and expenses.

SECTION 18. MISCELLANEOUS

The Purchaser has filed with the Commission a Tender Offer Statement on Schedule 14D-1 (including exhibits), pursuant to Rule 14d-3 under the Exchange Act, furnishing certain additional information with respect to the Offer, and may file amendments thereto. The Schedule 14D-1 and any amendments thereto, including exhibits, may be inspected and copies may be obtained at the same places and in the same manner as set forth in the Introduction of the Offer to Purchase (except that they will not be available at the regional offices of the Commission).

No person has been authorized to give any information or to make any representation on behalf of the Purchaser not contained herein or in the Letter of Transmittal and, if given or made, such information or representation must not be relied upon as having been authorized.

LEYTON LLC

November 20, 1998

35

SCHEDULE I

DESCRIPTION OF REAL ESTATE

DESCRIPTION OF PROPERTIES
(Alphabetical by Tenant)

TENANT	LOCATION	DATE OF PURCHASE	TYPE OF OWNER- SHIP (1)
COMMERCIAL PROPERTY LAND AND BUILDING			
Acme Markets, Inc. and FPBT of Penn.	PA	07/25/77	FO
Alabama Power Company	5 Alabama locations	06/04/75	FOS
American Stores and The Fidelity Bank	PA	10/18/79	FO
American Stores, Grace & Schottenstein Stores	NJ	10/01/79	FO
American Recreation Group, Inc.	NC	7/31/73	FO
Best Products	VA	12/30/74	FO
Caldor, Inc.	MA	07/27/78	FO
Chesebrough-Pond's, Inc.	CT	07/23/80	FO
Chomerics, Inc.	MA	07/22/81	FO
Collins Foods International, Inc.	3 Oregon locations	09/16/73	FO
Collins Foods International, Inc.	CA	09/16/73	FO
David Miller of California	CA	02/28/74	FO
Dillon Companies, Inc.	MO	09/05/73	FO
Dillion Companies, Inc.	6 Louisiana locations	09/04/80	FO
Duke Power Co.	NC	03/29/76	FOS
European American Bank and Trust Co.	NY	03/17/77	FO
Farwell Building	MN	06/30/77	FOS
First National Supermarkets, Inc.	CT	11/07/79	FOS
First Union National Bank	NC	12/30/74	FO
Fisher Scientific Company	IL	06/30/77	FO
Forte Hotels International, Inc.	NJ	05/06/75	FO
Fox Grocery Company	WV	11/14/77	FOS
Gino's Inc.	MO	08/14/74	FO
Gino's Inc.	CA	08/14/74	FO
Gino's Inc.	OH	08/14/74	FO
Gino's, Inc.	IL	08/14/74	FO
Golf Road	IL	09/26/97	FOS
Grand Union Co.	NJ	04/08/75	FO
Grand Union Co.	MD	12/09/77	FO
Grand Union Co.	3 New York locations	04/08/75	FO
Grand Union Co.	NY	04/09/73	FO
Grand Union Co.	VA	12/09/77	FO
Grand Union Co.	NY	01/12/79	FOS
Gunite	IN	06/03/77	FOS
G.D. Searle & Co.	MD	08/13/79	FO
G.D. Searle & Co.	AL	10/30/79	FO
G.D. Searle & Co.	IL	01/21/80	FO
G.D. Searle & Co.	MN	06/11/80	FO
G.D. Searle & Co.	IL	06/27/78	FO
G.D. Searle & Co.	TN	01/05/79	FO
G.D. Searle & Co.	MD	10/30/79	FO
Haverty Furniture	GA	04/11/79	FO
Haverty Furniture	FL	04/11/79	FO
Haverty Furniture	VA	04/11/79	FO
Integra A Hotel and Restaurant Co.	AL	12/31/81 & 4/1/82	FO
Integra A Hotel and Restaurant Co.	IL	10/29/81	FO
Integra A Hotel and Restaurant Co.	IN	08/01/88	FO
Integra A Hotel and Restaurant Co.	OH	12/31/81	FO
Integra A Hotel and Restaurant Co.	MO	10/14/81	FO
Integra A Hotel and Restaurant Co.	TX	04/23/82	FO
Intermountain Color	KY	03/05/75	FO
J.C. Penney Co.	MA	12/20/77	FO
Kelley Springfield Tire Co.	TN	01/31/77	FO
K-Mart Corporation	LA	11/01/79	FO
K-Mart Corporation	WI	03/27/81	FO
K-Mart Corporation	FL	05/28/80	FO

K-Mart Corporation	MN	02/21/81	FOS
K-Mart Corporation	FL	05/14/80	FO
K-Mart Corporation	IA	07/02/81	FO
K-Mart Corporation	FL	05/09/80	FO
K-Mart Corporation	IL	12/09/77	FOS
Kobacker Stores, Inc.	4 Michigan locations	12/29/79	FO

TENANT	USE	BLDG. SQ. FT.	LEASE EXP.
COMMERCIAL PROPERTY LAND AND BUILDING			
Acme Markets, Inc. and FPBT of Penn.	Supermarket and bank branch	47,994	7/31/02 & 5/31/04
Alabama Power Company	Division offices	276,980	6/30/05
American Stores and The Fidelity Bank	Supermarket and bank branch	38,600	10/31/99 & 6/30/00
American Stores, Grace & Schottenstein Stores	Supermarket sub-l'd retail & vacant retail	94,144	9/30/99
American Recreation Group, Inc.	Vacant printing press & office	76,050	n/a
Best Products	Vacant industrial building	500,000	n/a
Caldor, Inc.	Mall anchor retail store	83,104	10/31/02
Chesebrough-Pond's, Inc.	Warehouse & distribution facility	186,000	4/30/05
Chomerics, Inc.	Office & learning center	80,000	1/31/05
Collins Foods International, Inc.	Fast-food restaurants	5,865	12/31/01
Collins Foods International, Inc.	Fast-food restaurant	2,075	12/31/01
David Miller of California	Master leased shopping center	28,625	2/28/99
Dillon Companies, Inc.	Supermarket	39,483	7/31/03
Dillon Companies, Inc.	Convenience store/gas stations	18,289	9/30/00 & '03 & '05
Duke Power Co.	R&D/office/warehouse	300,000	3/31/01
European American Bank and Trust Co.	Bank branch and retail	46,350	8/31/04
Farwell Building	Multi-tenanted warehouse/distribution	441,133	Various
First National Supermarkets, Inc.	Warehouse & distribution	1,022,296	11/30/09
First Union National Bank	Bank & offices	18,000	12/31/99
Fisher Scientific Company	Warehouse & office	74,784	11/14/10
Forté Hotels International, Inc.	239 room hotel	161,625	4/30/10
Fox Grocery Company	Food warehouse	244,000	8/31/04
Gino's Inc.	Sub-leased to fabric store	5,852	8/31/99
Gino's Inc.	'Dark'	5,000	8/31/99
Gino's Inc.	'Dark'	5,000	8/31/99
Gino's, Inc.	Sub-leased to fast-food restaurant	5,000	8/31/99
Golf Road	Two retail stores	103,125	1/31/13 & 9/30/12
Grand Union Co.	Supermarket	25,000	4/7/00
Grand Union Co.	Sub-leased to hardware store	16,830	4/30/01
Grand Union Co.	Supermarket	84,240	4/7/00
Grand Union Co.	Partially leased cold storage warehouse	51,000	11/30/98
Grand Union Co.	Supermarket	25,740	4/30/01
Grand Union Co.	'Dark' distribution center	535,000	2/29/04
Gunite	Manufacturing & office	120,310	12/31/02
G.D. Searle & Co.	Retail optical store	1,600	8/31/99
G.D. Searle & Co.	Vacant retail store	1,700	n/a
G.D. Searle & Co.	Retail store	2,470	2/28/00
G.D. Searle & Co.	Retail store	1,500	5/31/00
G.D. Searle & Co.	Retail store	1,881	7/30/03
G.D. Searle & Co.	Retail store	1,736	11/30/98
G.D. Searle & Co.	Retail optical store	1,600	9/30/99
Haverty Furniture	Retail furniture store	42,990	4/30/99
Haverty Furniture	Retail furniture store	27,000	4/30/99
Haverty Furniture	Retail furniture store	28,500	4/30/99
Integra A Hotel and Restaurant Co.	Restaurants	27,179	3/31/02 & 2/28/03
Integra A Hotel and Restaurant Co.	Restaurant	8,000	10/31/01
Integra A Hotel and Restaurant Co.	Restaurant	10,400	2/28/03
Integra A Hotel and Restaurant Co.	Restaurant	10,250	4/30/02
Integra A Hotel and Restaurant Co.	Restaurant	10,200	10/31/01
Integra A Hotel and Restaurant Co.	Restaurant	10,397	10/31/02
Intermountain Color	Printing facility	28,000	1/31/02
J.C. Penney Co.	Mall anchor retail store	120,598	1/31/02
Kelley Springfield Tire Co.	Sub-leased to tire store	2,184	10/6/00
K-Mart Corporation	'Dark'	60,842	11/30/04
K-Mart Corporation	Sub-leased to Penda Corp.	52,320	4/30/05
K-Mart Corporation	Partial sub-lease to supermarket	112,700	7/31/01
K-Mart Corporation	Mall anchor retail store	55,552	2/28/05
K-Mart Corporation	Multi-tenanted shopping Center	133,385	Various
K-Mart Corporation	Retail store	38,301	6/30/06
K-Mart Corporation	Retail stores	228,300	2/28/01
K-Mart Corporation	Sub-l'd to furniture store & office call center	39,797	10/31/02
Kobacker Stores, Inc.	Retail shoe stores (one sub-'d to rest)	16,678	1/31/06

I-1

TENANT	LOCATION	DATE OF PURCHASE	TYPE OF OWNER- SHIP
--------	----------	---------------------	------------------------------

Kobacker Stores, Inc.	KY	12/29/79	FO
Kobacker Stores, Inc.	5 Ohio locations	12/29/79	FO
Landmark Bancshares Corporation	MO	12/29/82	FO
Levitz Furniture Corporation	NY	07/18/73	FO
Lockheed Corporation	CA	06/12/81	FO
Louisiana Power & Light Company	8 Louisiana locations	10/30/80	FOS
Louisiana Power & Light Company	7 Louisiana locations	10/30/80	FOS
Marsh Supermarkets, Inc.	IN	03/30/84	FO
Montgomery Ward, Inc.	PA	05/11/80	FO
Montgomery Ward, Inc.	NJ	05/14/80	FO
Morrison, Inc.	AL	02/24/82	FO
Morrison, Inc.	GA	12/16/81	FO
Morrison, Inc.	FL	04/02/82	FO
		04/28/82 &	
Morrison Inc.	VA	4/25/82	FO
	5 South Carolina		
	locations		
North Carolina National Bank		12/15/82	FO
Occidental Petroleum Corp.	CA	12/22/76	FOS
Ohio Power Co., Inc.	OH	10/11/79	FO
Park West International	KY	12/31/97	FOS
Penske Corp.	OH	06/14/79	FOS
Pneumo Corp.	OH	05/03/74	FOS
Portland General Electric Company	OR	09/11/78	FOS
Rouse Company	MD	06/30/77	FOS
Safeway Stores, Inc.	LA	07/31/72	FO
Sams	MI	06/26/89	FOS
Smith's Management Corp.	NV	06/04/78	FOS
Southland Corporation	5 Florida locations	12/23/80	FO
Staples	NY	11/02/92	FO
Stone Container	WI	08/18/98	FO
Stop 'N Shop Co., Inc.	NY	05/09/80	FO
Stop 'N Shop Co., Inc.	VA	05/09/80	FOS
Super Foods Services	MI	6/28/78	FOS
SuperValu Stores, Inc.	MN	02/15/89	JV
SuperValu Stores, Inc.	OH	02/15/89	JV
SuperValu Stores, Inc.	GA	02/15/89	JV
SuperValu Stores, Inc.	IN	02/15/89	JV
Telecom Properties, Inc.	KY	05/25/78	FO
Telecom Properties, Inc.	OK	07/24/78	FO
The A&P Company	MI	09/07/77	FO
The TJX Companies, Inc.	IL	11/17/77	FO
Toys 'R Us	TX	11/14/78	FOS
USA Petroleum	SC	04/26/79	FO
USA Petroleum	OH	04/26/79	FO
USA Petroleum	GA	04/26/79	FO
Waban	NY	11/02/92	FOS
Watkins	MO	05/07/75	FO
Webcraft Technologies	MD	11/08/78	FOS
Wetterau, Inc.	PA	10/21/80	FO
Wetterau, Inc.	NJ	04/03/80	FO
Wickes Companies, Inc.	3 California locations	12/28/79	FOS
RESIDENTIAL PROPERTY LAND AND BUILDING			
Crown Cliffs	AL	06/01/94	1
COMMERCIAL PROPERTY -- LAND			
Easco Corp.	NC	10/31/77	LF
Foodrama Supermarkets, Inc.	NY	02/15/73	LF
Foodrama Supermarkets, Inc.	PA	01/01/73	LF
Gino's, Inc.	PA	07/31/72	LF
Gino's, Inc.	MI	07/31/72	LF
Gino's, Inc.	MA	07/31/72	LF
Gino's, Inc.	NJ	07/31/72	LF
J.C. Penney Company, Inc.	NY	06/01/73	LF
Levitz Furniture Corporation	CA	05/09/72	LF
Levitz Furniture Corporation	KS	01/08/73	LF

TENANT	USE	BLDG. SQ. FT.	LEASE EXP.
Kobacker Stores, Inc.	Retail shoe stores	20,800	1/31/06
Kobacker Stores, Inc.	Retail shoe store	4,160	1/31/06
Landmark Bancshares Corporation	Office	29,600	12/31/07
Levitz Furniture Corporation	Showroom & office	177,178	7/31/01
Lockheed Corporation	R&D	165,600	8/31/06
Louisiana Power & Light Company	Office & warehouse	227,402	9/30/00

Louisiana Power & Light Company	Office & warehouse	144,529	11/30/00
Marsh Supermarkets, Inc.	Supermarket	51,618	9/30/99
Montgomery Ward, Inc.	Retail store w/subtenants	131,400	3/31/00
Montgomery Ward, Inc.	Retail store; partial sbls'd to supermarket	109,000	8/1/03
Morrison, Inc.	Restaurant	10,400	6/30/02
Morrison, Inc.	Restaurant	10,500	6/30/02
Morrison, Inc.	Restaurant	10,400	6/30/02
Morrison Inc.	Restaurants	20,800	6/30/02
North Carolina National Bank	Bank branches (3 are 'dark')	28,885	3/31/03
Occidental Petroleum Corp.	Land zoned for retail use	7.5 acres	n/a
Ohio Power Co., Inc.	Office/computer center	22,500	12/31/09
Park West International	3 bldg. multi-tenanted industrial park	1,199,600	Various
Penske Corp.	Manufacturing facility	48,420	7/31/01
Pneumo Corp.	Manufacturing plant	270,520	4/30/02
Portland General Electric Company	3 bldg. office complex	460,000	9/30/18
Rouse Company	Office bldg.	100,000	3/31/04
Safeway Stores, Inc.	Supermarket	36,196	7/31/02
Sams	Warehouse club	101,000	6/30/07
Smith's Management Corp.	Sub-leased to a flea market	28,800	12/31/03
Southland Corporation	Convenience store/gas station	12,786	11/30/00
Staples	Retail Store	24,234	8/31/11
Stone Container	Manufacturing facility	202,500	4/30/09
Stop 'N Shop Co., Inc.	'Dark' mall anchor	123,000	4/30/00
Stop 'N Shop Co., Inc.	Retail	132,400	5/31/02
Super Foods Services	Distribution/warehouse	599,987	9/30/10
SuperValu Stores, Inc.	Supermarket	63,944	6/30/03
SuperValu Stores, Inc.	Supermarket	62,425	12/06/03
SuperValu Stores, Inc.	Supermarket	78,571	5/14/05
SuperValu Stores, Inc.	Supermarket	60,494	8/31/03
Telecom Properties, Inc.	Sub-leased to package distributor	9,080	6/30/03
Telecom Properties, Inc.	Sub-leased to trucking operator	6,290	8/31/03
The A&P Company	Strip center + 'dark' supermarket	119,165	7/31/03
The TJX Companies, Inc.	Retail furniture store	53,550	8/31/03
Toys 'R Us	Retail store	41,659	1/31/12
USA Petroleum	Gas stations	750	4/30/99
USA Petroleum	'Dark' (no improvements)	n/a	4/30/99
USA Petroleum	'Dark' and sub-leased to tire store	537	4/30/99
Waban	Retail store	115,660	5/31/13
Watkins	Trucking facility w/office	32,718	2/28/03
Webcraft Technologies	Printing plant/office/ warehouse	66,000	7/8/00
Wetterau, Inc.	'Dark'	37,100	9/30/00
Wetterau, Inc.	Supermarkets	46,440	3/31/99 & 4/30/99
Wickes Companies, Inc.	Retail hardware store, flea market and vacant	107,186	12/31/06 & 12/31/06
RESIDENTIAL PROPERTY LAND AND BUILDING			
Crown Cliffs	Apartments	240 units	n/a
COMMERCIAL PROPERTY -- LAND			
Easco Corp.	Bldg. utilized as tool manufacturing facility	178,854	10/31/03
Foodorama Supermarkets, Inc.	Building subleased to supermarket	n/a	12/31/99
Foodorama Supermarkets, Inc.	Building sub-leased to office user	n/a	12/31/99
Gino's, Inc.	Building tenant d/b/a restaurant	n/a	12/31/98
Gino's, Inc.	Building tenant d/b/a restaurant	n/a	12/31/98
Gino's, Inc.	Building tenant d/b/a restaurants	n/a	12/31/98
Gino's, Inc.	Building tenant d/b/a video store	n/a	12/31/98
J.C. Penney Company, Inc.	Building utilized for retail	189,296	8/31/02
Levitz Furniture Corporation	Bldg. sub-l'd to furniture store and vacant	n/a	6/1/02 & 7/31/07
Levitz Furniture Corporation	Building utilized for retail	170,637	12/31/02

I-2

TENANT	LOCATION	DATE OF PURCHASE	TYPE OF OWNER-SHIP1
COMMERCIAL PROPERTY -- BUILDING			
Bank South	GA	09/23/76 06/18/72 &	2
Harwood Square	IL	11/22/82	LI
Holiday Inn	FL	04/21/80	LI
Safeway Stores	CA	12/29/72	LI
Toys 'R Us, Inc.	RI	09/25/79	LI
United Life & Accident Ins. Co.	NH	12/16/77	LI
Wickes Companies, Inc.	PA	10/23/75	LI
Weigh-Tronix, Inc.	CA	04/20/77	LI
Baptist Hospital 1	TN	06/30/97	LI
Baptist Hospital 2	TN	06/30/97	LI
DEVELOPMENT PROPERTY			
Dellwood	NY	05/18/95	FO
Grassy Hollow	NY	08/30/94	FO
Kimco Realty	NY	11/02/92	LF
HOTEL AND DEVELOPMENT PROPERTY			
New Seabury	MA	07/23/98	FOS

TENANT	USE	BLDG. SQ. FT.	LEASE EXP.
COMMERCIAL PROPERTY -- BUILDING			
Bank South	Bank offices & operations center	103,700	8/31/06
Harwood Square	Multi-tenanted shopping center	137,662	Various
Holiday Inn	214 room hotel	125,031	n/a
Safeway Stores	Supermarket	30,885	12/31/02
Toys 'R Us, Inc.	Retail store	42,889	5/31/10
United Life & Accident Ins. Co.	Office	91,946	10/31/06
Wickes Companies, Inc.	Retail store	153,017	4/29/07
Weigh-Tronix, Inc.	Manufacturing & office	157,000	12/31/98
Baptist Hospital 1	Medical office building	216,227	12/31/98
Baptist Hospital 2	Medical office building	80,786	12/31/18
DEVELOPMENT PROPERTY			
Dellwood	Land zoned for residential use	248 acres	n/a
Grassy Hollow	16 lot approved sub-division	92 acres	n/a
	Building under construction		
Kimco Realty	for donut store	3,000	3/31/19
HOTEL AND DEVELOPMENT PROPERTY			
New Seabury	Master planned community		n/a

FO = Fee Ownership
FOS = Fee Ownership subject to first mortgage
JV = 50% interest in joint venture which has fee ownership
LF = Leased Fee
LI = Leasehold interest in improvement subject to a ground lease.

1 70% interest in joint venture which has fee ownership subject to first and second mortgages
2 99.7083% interest in joint venture which has leasehold interest in improvements subject to ground lease

I-3

SCHEDULE OF MORTGAGES
(Alphabetical by Tenant)

Tenant/Location	Principal Balance at September 30, 1998	Stated Interest Rate	Period Amortized (Yrs.)	Maturity Date	Principal Balance Due at Maturity
Alabama Power Co./Anniston, AL	\$ 858,142	9.250%	30.00	5/31/00	\$ 704,618
Alabama Power Co./Eufala, AL	360,005	9.250	30.00	5/31/00	295,598
Alabama Power Co./Mobile, AL	955,120	9.250	30.00	5/31/00	784,245
Alabama Power Co./Montgomery, AL	906,331	9.250	30.00	5/31/00	729,921
Alabama Power Co./Tuscaloosa, AL	898,184	9.250	30.00	5/31/00	737,497
Baptist Hospital/Nashville, TN					
Building 1	22,653,010	7.840	21.50	12/31/18	0
Building 2	8,407,763	7.840	21.50	12/31/18	0
Brown Cliffs/Hoover, AL					
1st Mortgage	8,132,588	7.690	30.00	10/15/07	4,026,461
2nd Mortgage	204,698	8.300	5.00	10/15/00	0
Duke Power Co./Toddville, NC	2,662,599	9.750	25.00	2/28/01	1,770,574
Farwell Bldg./So. St. Paul, MN	759,916	8.625	23.83	7/31/01	0
First National Supermarkets, Inc./Windsor Locks, CT	13,443,046	9.500	16.00	11/30/09	0
Fox Grocery Co./Milton, WV	1,073,130	9.000	24.00	11/30/03	0
Golf Road/Schaumburg, IL	7,121,773	7.250	30.00	4/30/08	6,208,473
Grand Union Co./Mt. Kisco, NY	4,387,601	10.125	35.00	1/31/14	0
Gumite/Elkhart, IN	111,453	9.250	22.00	9/30/00	0
K-Mart Corporation/Canton, IL	232,524	8.750	25.00	1/31/03	0
K-Mart Corporation/Shakopee, MN	480,000	8.250	15.00	1/31/06	0
Louisiana Power & Light Company/Luling, LA	70,582	8.790	8.50	10/31/00	0
LP&L/Amite, LA	61,228	8.790	8.50	10/31/00	0
LP&L/Bastrop, LA	81,637	8.790	8.50	10/31/00	0
LP&L/Chalmette, LA	107,998	8.790	8.50	10/31/00	0
LP&L/Ferriiday, LA	54,569	8.790	8.50	10/31/00	0
LP&L/Gretna (Gov. Hall), LA	482,590	8.790	8.50	10/31/00	0
LP&L/Gretna (Virgil), LA	616,951	8.790	8.50	10/31/00	0
LP&L/Hammond, LA	123,730	8.790	8.50	10/31/00	0
LP&L/Houma, LA	82,912	8.790	8.50	10/31/00	0
LP&L/Jefferson, LA	734,728	8.790	8.50	10/31/00	0
LP&L/New Orleans (Elmira), LA	57,400	8.790	8.50	10/31/00	0
LP&L/New Orleans (Delaronde), LA	1,137,808	8.790	8.50	10/31/00	0

LP&L/Reserve, LA	92,266	8.790	8.50	10/31/00	0
LP&L/Westwego, LA	94,817	8.790	8.50	10/31/00	0
LP&L/W. Monroe, LA	451,126	8.790	8.50	10/31/00	0
New Seabury, MA	8,452,332	Prime +1	??	10/1/98	8,452,332
(Repaid in Full 10/30/98)					
Occidental Petroleum Corp./Bakersfield, CA	1,761,095	9.250	30.00	5/31/07	0
Park West/Hebron, KY					
Buildings A & B	12,529,384	7.210	30.00	6/30/08	10,847,908
UPS Building	19,432,371	7.080	25.00	6/30/08	15,442,651
Penske Corp./Maineville, OH	10,298	8.613	20.00	6/30/99	0
Pneumo Corp./Cleveland, OH	752,420	9.250	28.00	5/31/02	0
Portland General Electric Co./Portland, OR	44,893,928	7.510	10.83	8/31/08	20,144,417
Rouse Co./Columbia, MD	3,023,278	9.500	12.00	4/30/04	0
Sam's Madison Heights, MI	5,485,135	9.625	10.00	10/31/99	5,444,164
Smith's Management Corp./Las Vegas, NV	346,907	9.500	25.00	11/30/03	125,727

I-4

Tenant/Location	Principal Balance at September 30, 1998	Stated Interest Rate	Period Amortized (Yrs.)	Maturity Date	Principal Balance Due at Maturity
Stop 'N Shop Co., Inc./Norfolk, VA	\$ 753,629	9.000%	22.00	4/30/02	\$ 115,229
Super Foods Services/Bridgeport, MI	6,405,347	8.250	16.67	8/31/10	0
Toys 'R Us, Inc./Arlington, TX	825,128	7.080	18.00	12/31/11	0
Waban/E. Syracuse, NY	3,523,026	8.250	20.00	11/1/98	\$3,523,026
(Repaid in full 10/30/98)					
Webcraft Technologies/Salisbury, MD	442,590	9.500	10.83	2/28/04	0
Wickes Companies, Inc./Hacienda Heights, CA	439,623	9.375	26.33	3/31/06	0
Wickes Companies, Inc./Santa Clara, CA	506,180	9.375	26.33	3/31/06	0
TOTAL:	\$187,480,896				

I-5

AMERICAN REAL ESTATE PARTNERS, LP
a limited partnership

	State	No. of Locations	Amount of Encumbrances
COMMERCIAL			
PROPERTY LAND			
AND BUILDING			
Acme Markets, Inc. and FPBT of Penn.	PA	1	
Alabama Power Company	AL	5	\$ 3,977,783
Amer Stores and The Fidelity Bank	PA	1	
Amer Stores, Grace, & Shottenstein Stores	NJ	1	
American Recreation Group, Inc.	NC	1	
Amterre Ltd. Partnership	PA	1	
Best Products Co., Inc.	VA	1	
Caldor, Inc.	MA	1	
Chesebrough-Pond's Inc.	CN	1	
Chomerics, Inc.	MA	1	
Collins Foods Interna- tional, Inc.(3)	OR	3	
Collins Foods Interna- tional, Inc.	CA	1	
David Miller of California	CA	1	
Dillon Companies, Inc.	MO	1	
Dillon Companies, Inc.	LA	6	
Druid Point Bldg.	GA	1	
Duke Power Co.	NC	1	2,662,598
European American Bank and Trust Co.	NY	1	
Farwell Bldg.	MN	1	759,916
Federated Department Stores, Inc.	CA	1	
First National			

Supermarkets, Inc.	CT	1	13,443,046
First Union National Bank	NC	1	
Fisher Scientific Company	IL	1	
Forte Hotels International, Inc.	NJ	1	
Forte Hotels International, Inc.	TX	1	
Fox Grocery Company	WV	1	1,073,130

REAL ESTATE OWNED AND REVENUES EARNED

Real estate owned at September 30, 1998

Initial Cost to Company	Cost of Improvements	Amount Carried at close of period	Reserve for Depreciation	Depreciation Range in years	Depreciation Method
-------------------------	----------------------	-----------------------------------	--------------------------	-----------------------------	---------------------

COMMERCIAL

PROPERTY LAND AND BUILDING

Acme Markets, Inc. and FPBT of Penn.	\$2,004,393	\$2,004,393	\$1,417,707	25	COMPONENT
Alabama Power Company Amer Stores and The Fidelity Bank					
Amer Stores, Grace, & Shottenstein Stores	2,043,567	2,043,567	1,538,648	35	COMPONENT
American Recreation Group, Inc.	300,000	300,000		HFS	
Amterre Ltd. Partnership				SOLD	
Best Products Co., Inc.	3,303,553	3,303,553		20	STRAIGHT LINE
Caldor, Inc.					
Chesebrough-Pond's Inc.	1,549,805	1,549,805	1,124,710	20-45	COMPONENT
Chomerics, Inc.					
Collins Foods International, Inc. (3)	169,048	169,048		SOLD	
Collins Foods International, Inc.	87,810	87,810			
David Miller of California	1,036,681	1,036,681	510,210	25	STRAIGHT LINE
Dillon Companies, Inc.	546,681	546,681	319,765	30	STRAIGHT LINE
Dillon Companies, Inc.	1,555,112	1,555,112	863,186	30	COMPONENT
Druid Point Bldg.				SOLD	
Duke Power Co.					
European American Bank and Trust Co.	1,355,210	1,355,210	1,284,888	20	STRAIGHT LINE
Farwell Bldg.	5,226,279	5,226,279	1,276,321	15-20	STRAIGHT LINE
Federated Department Stores, Inc.				SOLD	
First National Supermarkets, Inc.					
First Union National Bank					
Fisher Scientific Company	597,806	597,806	159,719	20	STRAIGHT LINE
Forte Hotels International, Inc.					
Forte Hotels International, Inc.				SOLD	
Fox Grocery Company					

Net Investment Financing Method (G)	Total revenue applicable to period (G)	Tax Basis
-------------------------------------	--	-----------

COMMERCIAL

PROPERTY LAND AND BUILDING

Acme Markets, Inc. and FPBT of Penn.		\$ 184,416	875,617
Alabama Power Company	\$ 7,260,519	577,905	8,277,149
Amer Stores and The Fidelity Bank	583,570	56,653	245,599
Amer Stores, Grace, & Shottenstein Stores		107,051	504,919
American Recreation Group, Inc.		70,700	481,568

Amterre Ltd. Partnership		288,480	0
Best Products Co., Inc.			1,959,295
Caldor, Inc.	1,817,545	130,046	1,099,018
Chesebrough-Pond's Inc.		105,927	425,095
Chomerics, Inc.	6,038,965	577,441	3,117,517
Collins Foods International, Inc.(3)	81,764	24,367	225,187
Collins Foods International, Inc.	46,444	13,235	119,695
David Miller of California		47,611	673,882
Dillon Companies, Inc.		45,553	296,973
Dillon Companies, Inc.		137,504	692,078
Druid Point Bldg.		620,625	0
Duke Power Co.	4,460,155	341,768	5,826,979
European American Bank and Trust Co.		131,250	472,101
Farwell Bldg.		739,041	2,797,448
Federated Department Stores, Inc.		25,497	0
First National Supermarkets, Inc.	23,310,063	1,617,220	6,423,138
First Union National Bank	546,706	38,067	388,163
Fisher Scientific Company		122,250	1,421,165
Forte Hotels International, Inc.	6,309,531	431,578	3,779,022
Forte Hotels International, Inc.			0
Fox Grocery Company	3,147,397	212,410	1,700,297

I-6

	State	No. of Locations	Amount of Encumbrances
	-----	-----	-----
Gino's, Inc.	MO	1	
Gino's, Inc.	CA	1	
Gino's, Inc.	OH	1	
Gino's, Inc.	IL	1	
Golf Road	IL	1	7,121,773
Grand Union Co.	NJ	1	
Grand Union Co.	MD	1	
Grand Union Co.	NY	3	
Grand Union Co.	NY	1	
Grand Union Co.	VA	1	
Grand Union Co.	NY	1	4,387,601
Gunite	IN	1	111,453
G.D. Searle & Co.	MD	1	
G.D. Searle & Co.	MN	1	
G.D. Searle & Co.	AL	1	
G.D. Searle & Co.	IL	1	
G.D. Searle & Co.	MN	1	
G.D. Searle & Co.	IL	1	
G.D. Searle & Co.	TN	1	
G.D. Searle & Co.	MD	1	
Haverty Furniture Companies, Inc.	GA	1	
Haverty Furniture Companies, Inc.	FL	1	
Haverty Furniture Companies, Inc.	VA	1	
Integra A Hotel and Restaurant Co.	AL	2	
Integra A Hotel and Restaurant Co.	IL	1	
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

REAL ESTATE OWNED AND REVENUES EARNED

Real estate owned at September 30, 1998

	Initial Cost to Company	Cost of Improvements	Amount Carried at close of period	Reserve for Depreciation	Depreciation Range in years	Depreciation Method
Gino's, Inc.	209,213		209,213			
Gino's, Inc.	225,100		225,100			
Gino's, Inc.	201,938		201,938			
Gino's, Inc.	235,972		235,972			
Golf Road	9,292,656	(8,921)	9,283,735	223,024	35	STRAIGHT LINE
Grand Union Co.	430,664		430,664			
Grand Union Co.	372,383		372,383	253,487	30	COMPONENT
Grand Union Co.	1,091,020	(7,000)	1,084,020			
Grand Union Co.	1,988,704		1,988,704	1,233,582	HFS	
Grand Union Co.	266,468		266,468	181,684	30	COMPONENT
Grand Union Co.						
Gunite	1,134,565		1,134,565	1,065,034	30	COMPONENT
G.D. Searle & Co.	299,229		299,229	149,862	20-35	COMPONENT
G.D. Searle & Co.					SOLD	
G.D. Searle & Co.	146,781		146,781	91,627	HFS	
G.D. Searle & Co.	256,295		256,295	165,722	20-35	COMPONENT
G.D. Searle & Co.	339,358		339,358	151,429	20-35	COMPONENT
G.D. Searle & Co.	323,559		323,559	226,870	30	COMPONENT
G.D. Searle & Co.	214,421		214,421	149,067	20-35	COMPONENT
G.D. Searle & Co.	325,891		325,891	150,823	20-35	COMPONENT
Haverty Furniture Companies, Inc.						
Haverty Furniture Companies, Inc.						
Haverty Furniture Companies, Inc.						
Integra A Hotel and Restaurant Co.	245,625		245,625			
Integra A Hotel and Restaurant Co.	198,392		198,392			
Integra A Hotel and Restaurant Co.	231,513		231,513			
Integra A Hotel and Restaurant Co.						
Integra A Hotel and Restaurant Co.	224,837		224,837			
Integra A Hotel and Restaurant Co.	228,793		228,793			
Integra A Hotel and Restaurant Co.	234,464		234,464			
Intermountain Color	559,644		559,644	450,363	25	STRAIGHT LINE
J.C. Penney Company, Inc.	2,484,262		2,484,262	1,647,948	25	STRAIGHT LINE

	Net Investment Financing Method(G)	Total revenue applicable to period(G)	Tax Basis
Gino's, Inc.	147,837	24,076	255,459
Gino's, Inc.	140,765	31,045	285,589
Gino's, Inc.	125,900	28,442	255,478
Gino's, Inc.	130,855	33,328	293,221
Golf Road		565,070	7,166,491

Grand Union Co.	407,077	62,467	652,208
Grand Union Co.		25,313	159,580
Grand Union Co.	1,049,272	161,014	1,592,094
Grand Union Co.		63,750	1,138,226
Grand Union Co.		18,113	113,943
Grand Union Co.	7,129,847	494,040	4,543,643
Gunite		171,375	374,029
G.D. Searle & Co.		21,449	149,366
G.D. Searle & Co.		9,235	0
G.D. Searle & Co.			59,235
G.D. Searle & Co.		24,071	90,574
G.D. Searle & Co.		22,961	187,929
G.D. Searle & Co.		17,259	134,560
G.D. Searle & Co.		14,055	65,362
G.D. Searle & Co.		20,250	175,069
Haverty Furniture Companies, Inc.	581,191	39,368	379,565
Haverty Furniture Companies, Inc.	440,296	29,824	287,549
Haverty Furniture Companies, Inc.	560,615	38,166	365,104
Integra A Hotel and Restaurant Co.	1,321,773	173,202	1,001,495
Integra A Hotel and Restaurant Co.	422,061	74,476	428,106
Integra A Hotel and Restaurant Co.	570,728	88,393	505,683
Integra A Hotel and Restaurant Co.	571,693	62,176	380,031
Integra A Hotel and Restaurant Co.	430,163	78,067	453,886
Integra A Hotel and Restaurant Co.	535,017	100,522	494,818
Integra A Hotel and Restaurant Co.	543,099	100,831	491,470
Intermountain Color J.C. Penney Company, Inc.		62,927	236,951
		187,683	1,151,668

I-7

	State	No. of Locations	Amount of Encumberances
	-----	-----	-----
Kelley Springfield Tire Company	TN	1	
K-Mart Corporation	LA	1	
K-Mart Corporation	WI	1	
K-Mart Corporation	FL	1	
K-Mart Corporation	MN	1	480,000
K-Mart Corporation	FL	1	
K-Mart Corporation	IA	1	
K-Mart Corporation	FL	1	
K-Mart Corporation	IL	1	232,524
Kobacker Stores, Inc.	MI	4	
Kobacker Stores, Inc.	KY	1	
Kobacker Stores, Inc.	OH	5	
Kraft, Inc.	NC	1	
Landmark Bancshares Corporation	MO	1	
Levitz Furniture Corporation	NY	1	
Lockheed Corporation	CA	1	
Louisiana Power and Light Company	LA	8	2,660,413
Louisiana Power and Light Company	LA	7	1,591,486
Marsh Supermarkets, Inc.	IN	1	
Montgomery Ward, Inc.	PA	1	

Montgomery Ward, Inc.	NJ	1	
Morrison, Inc.	AL	1	
Morrison, Inc.	GA	1	
Morrison, Inc.	FL	1	
Morrison, Inc.	VA	2	
North Carolina National Bank(4)	SC	2	
North Carolina National Bank	SC	3	
Occidental Petroleum Corp.	CA	1	1,761,095
Ohio Power Co. Inc.	OH	1	
Old National Bank of Washington	WA	1	
Park West	KY	1	12,529,384
Park West (UPS)	KY	1	19,432,371
Penske Corp.	OH	1	10,298

REAL ESTATE OWNED AND REVENUES EARNED

Real estate owned at September 30, 1998

Initial Cost to Company	Cost of Improvements	Amount Carried at close of period	Reserve for Depreciation	Depreciation Range in years	Depreciation Method
Kelley Springfield Tire Company	120,946	120,946	75,200	20	STRAIGHT LINE
K-Mart Corporation					
K-Mart Corporation					
K-Mart Corporation					
K-Mart Corporation	2,760,118	2,760,118	1,713,000	20-45	COMPONENT
K-Mart Corporation	2,636,000	2,636,000	1,793,300	20-45	COMPONENT
K-Mart Corporation					
Kobacker Stores, Inc.	215,148	215,148			
Kobacker Stores, Inc.	88,364	88,364			
Kobacker Stores, Inc.	354,030	354,030			
Kraft, Inc.				SOLD	
Landmark Bancshares Corporation					
Levitz Furniture Corporation	988,463	988,463			
Lockheed Corporation	2,449,469	2,449,469			
Louisiana Power and Light Company					
Louisiana Power and Light Company	3,491,431	3,491,431			
Marsh Supermarkets, Inc.	5,001,933	5,001,933	2,307,293	35	STRAIGHT LINE
Montgomery Ward, Inc.	3,289,166	3,289,166	2,157,686	20-45	COMPONENT
Montgomery Ward, Inc.					
Morrison, Inc.	324,288	324,288			
Morrison, Inc.	347,404	347,404			
Morrison, Inc.	375,392	375,392			
Morrison, Inc.	363,059	363,059			
North Carolina National Bank(4)	1,450,047	1,450,047	516,136	40	STRAIGHT LINE
North Carolina National Bank	949,334	949,334	434,689	HFS	
Occidental Petroleum Corp.	2,324,780	2,324,780	404,295	HFS	
Ohio Power Co. Inc.					
Old National Bank of Washington				SOLD	
Park West	19,020,000	19,099,418	346,736	35	STRAIGHT LINE
Park West (UPS)	21,106,313	21,106,313	70,255	35	STRAIGHT LINE
Penske Corp.					

Net Investment Financing Method(G)	Total revenue applicable to period(G)	Tax Basis
------------------------------------	---------------------------------------	-----------

Kelley Springfield Tire Company		8,587	68,933
K-Mart Corporation	1,650,896	104,002	686,029

K-Mart Corporation	1,879,118	126,851	1,008,487
K-Mart Corporation	2,144,971	154,104	1,028,356
K-Mart Corporation	1,743,435	106,989	1,087,769
K-Mart Corporation		178,934	1,030,109
K-Mart Corporation	1,336,663	94,191	759,886
K-Mart Corporation	1,766,334	305,594	1,701,788
K-Mart Corporation	947,555	56,683	634,904
Kobacker Stores, Inc.	410,912	50,470	322,573
Kobacker Stores, Inc.	97,303	14,167	114,688
Kobacker Stores, Inc.	595,521	63,935	510,737
Kraft, Inc.			0
Landmark Bancshares Corporation	4,509,058	474,683	2,096,229
Levitz Furniture Corporation	2,040,968	257,713	2,968,530
Lockheed Corporation	4,046,716	625,428	3,645,085
Louisiana Power and Light Company	12,024,382	1,132,791	5,084,554
Louisiana Power and Light Company	4,128,974	736,323	3,984,337
Marsh Supermarkets, Inc.		407,349	3,113,565
Montgomery Ward, Inc.		235,710	1,131,392
Montgomery Ward, Inc.	1,528,169	137,498	682,206
Morrison, Inc.	693,984	98,133	720,377
Morrison, Inc.	663,483	98,293	722,911
Morrison, Inc.	701,771	103,837	776,557
Morrison, Inc.	1,731,966	201,643	1,481,263
North Carolina National Bank(4)		108,803	1,147,417
North Carolina National Bank			990,176
Occidental Petroleum Corp.			4,407,409
Ohio Power Co. Inc.	3,890,408	272,023	1,266,073
Old National Bank of Washington		225,741	0
Park West		1,358,621	16,265,005
Park West (UPS)		290,194	15,953,620
Penske Corp.	551,653	56,463	288,267

I-8

	State	No. of Locations	Amount of Encumbrances
	-----	-----	-----
Pneumo Corp.	OH	1	752,420
Portland General Electric Company	OR	1	44,893,928
Rouse Company	MD	1	3,023,278
Safeway Stores, Inc.	LA	1	
Sams	MI	1	5,485,135
Smith's Management Corp.	NV	1	346,907
Southland Corporation	FL	5	
Staples	NY	1	
Stone Container	WI	1	
Stop 'N Shop Co., Inc.	NY	1	
Stop 'N Shop Co., Inc.	VA	1	753,629
Super Foods Services, Inc.	MI	1	6,405,347
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	
Toys 'R' Us, Inc.	TX	1	825,128

USA Petroleum Corporation	SC	2	
USA Petroleum Corporation	OH	1	
USA Petroleum Corporation	GA	2	
Waban	NY	1	3,523,026
Watkins	MO	1	
Webcraft Technologies	MD	1	442,590
Wetterau, Inc.	PA	1	
Wetterau, Inc.	NJ	2	
Wickes Companies, Inc.	CA	2	506,153
Wickes Companies, Inc.	CA	1	439,650

REAL ESTATE OWNED AND REVENUES EARNED

Real estate owned at September 30, 1998

Initial Cost to Company	Cost of Improvements	Amount Carried at close of period	Reserve for Depreciation	Depreciation Range in years	Depreciation Method
Pneumo Corp.					
Portland General Electric Company					
Rouse Company					
Safeway Stores, Inc.	1,782,885	1,782,885	1,071,160	20-40	COMPONENT
Sams	8,844,225	8,844,225	1,492,811	40	STRAIGHT LINE
Smith's Management Corp.					
Southland Corporation	1,162,971	1,162,971	669,089	20-45	COMPONENT
Staples	2,457,582	2,457,582	65,942	35	STRAIGHT LINE
Stone Container	9,027,973	9,027,973		30	STRAIGHT LINE
Stop 'N Shop Co., Inc.	5,013,507	5,013,507	3,640,494	20-45	COMPONENT
Stop 'N Shop Co., Inc.					
Super Foods Services, Inc.					
SuperValu Stores, Inc. *	1,370,965	1,370,965	231,958	40	STRAIGHT LINE
SuperValu Stores, Inc.*	3,000,671	3,000,671	518,285	40	STRAIGHT LINE
SuperValu Stores, Inc.*	2,344,836	2,344,836	401,676	40	STRAIGHT LINE
SuperValu Stores, Inc.*	2,267,573	2,267,573	388,061	40	STRAIGHT LINE
Telecom Properties, Inc.					
Telecom Properties, Inc.	281,253	281,253			
The A&P Company					
The TJX Companies, Inc.					
Toys 'R' Us, Inc.	501,836	501,836			
USA Petroleum Corporation	163,161	163,161			
USA Petroleum Corporation	78,443	78,443			
USA Petroleum Corporation	138,062	138,062			
Waban	8,378,095	8,378,095	582,901	15-35	COMPONENT
Watkins	965,741	973,245	96,904	25	STRAIGHT LINE
Webcraft Technologies	780,774	780,774	140,845	20	STRAIGHT LINE
Wetterau, Inc.					
Wetterau, Inc.					
Wickes Companies, Inc.	1,883,689	1,883,689	1,282,971	20-40	COMPONENT
Wickes Companies, Inc.	2,447,297	2,447,297	1,205,185	HFS	

	Net Investment Financing Method(G)	Total revenue applicable to period(G)	Tax Basis
Pneumo Corp.	2,181,589	160,301	1,322,020
Portland General Electric Company	51,455,700	3,336,170	14,196,037
Rouse Company	6,214,362	412,120	3,160,809
Safeway Stores, Inc.		63,862	869,195
Sams		813,705	6,944,942
Smith's Management Corp.	818,968	55,220	498,413
Southland Corporation		95,679	493,454
Staples		214,410	2,522,028
Stone Container		97,639	6,837,265
Stop 'N Shop Co., Inc.		340,609	1,373,013

Stop 'N Shop Co., Inc.	2,720,978	183,985	1,234,200
Super Foods Services, Inc.	10,069,888	802,850	5,511,051
SuperValu Stores, Inc. *		86,163	0
SuperValu Stores, Inc.*		239,876	0
SuperValu Stores, Inc.*		168,161	0
SuperValu Stores, Inc.*		145,250	0
Telecom Properties, Inc.	111,857	7,905	48,644
Telecom Properties, Inc.	96,539	27,426	330,062
The A&P Company	1,519,358	128,811	716,892
The TJX Companies, Inc.	2,587,577	177,240	1,381,919
Toys 'R' Us, Inc.	1,089,319	105,847	1,450,662
USA Petroleum Corporation	150,994	28,261	169,597
USA Petroleum Corporation	80,670	13,588	81,554
USA Petroleum Corporation	132,383	23,916	143,548
Waban		515,118	7,762,546
Watkins		86,850	760,873
Webcraft Technologies		128,514	1,572,788
Wetterau, Inc.	779,357	62,664	386,069
Wetterau, Inc.	1,688,585	132,703	582,090
Wickes Companies, Inc.		441,023	1,682,810
Wickes Companies, Inc.			634,427

I-9

	State	No. of Locations	Amount of Encumberances
	-----	-----	-----
RESIDENTIAL			
PROPERTY LAND			
AND BUILDING			
Crown Cliffs*	AL	1	8,337,286
COMMERCIAL			
PROPERTY -- LAND			
Easco Corp.	NC	1	
Foodarama supermarkets, Inc.	NY	1	
Foodarama supermarkets, Inc.	PA	1	
Gino's, Inc.	MD	1	
Gino's, Inc.	PA	1	
Gino's, Inc.	MI	1	
Gino's, Inc.	MA	2	
Gino's, Inc.	NJ	1	
J.C. Penney Company, Inc.	NY	1	
Levitz Furniture Corporation	CA	2	
Levitz Furniture Corporation	KS	1	
COMMERCIAL			
PROPERTY -- BUILDING			
Bank South	GA	1	
Harwood Square	IL	1	
Holiday Inn	FL	1	
Lockheed Corporation	CA	1	
Safeway Stores, Inc.	CA	1	
Toys 'R' Us, Inc.	RI	1	
United Life & Accident Ins. Co.	NH	1	
Wickes Companies, Inc.	PA	1	
Weigh-Tronix, Inc.	CA	1	
Baptist Hospital 1	TN	1	22,653,010
Baptist Hospital 2	TN	1	8,407,762

REAL ESTATE OWNED AND REVENUES EARNED

Real estate owned at September 30, 1998

	Initial Cost to Company	Cost of Improvements	Amount Carried at close of period	Reserve for Depreciation	Depreciation Range in years	Depreciation Method
RESIDENTIAL PROPERTY LAND AND BUILDING Crown Cliffs*	11,065,875	12,883	11,078,758 (2)	1,485,218	5-27.5	STRAIGHT LINE
COMMERCIAL PROPERTY -- LAND						
Easco Corp.	157,560		157,560			
Foodarama supermarkets, Inc.	140,619		140,619			
Foodarama supermarkets, Inc.	112,554		112,554			
Gino's, Inc.					SOLD	
Gino's, Inc.	36,271		36,271			
Gino's, Inc.	71,160		71,160			
Gino's, Inc.	102,048		102,048			
Gino's, Inc.	61,050		61,050			
J.C. Penney Company, Inc.	51,009		51,009			
Levitz Furniture Corporation	1,134,836		1,134,836			
Levitz Furniture Corporation	460,490		460,490			
COMMERCIAL PROPERTY -- BUILDING						
Bank South						
Harwood Square	6,803,769	33,959	6,837,728	3,144,598	34.8	STRAIGHT LINE
Holiday Inn	7,203,982	416,726	7,620,708	2,633,146	5-39	COMPONENT
Lockheed Corporation					SOLD	
Safeway Stores, Inc.	558,652		558,652	529,442	27	STRAIGHT LINE
Toys 'R' Us, Inc.						
United Life & Accident Ins. Co.						
Wickes Companies, Inc.						
Weigh-Tronix, Inc.						
Baptist Hospital 1						
Baptist Hospital 2						

Net Investment Financing Method (G)	Total revenue applicable to period (G)	Tax Basis
--	---	-----------

RESIDENTIAL PROPERTY LAND AND BUILDING Crown Cliffs*	1,265,519	0
COMMERCIAL PROPERTY -- LAND		
Easco Corp.	9,300	157,560
Foodarama supermarkets, Inc.	10,500	140,619
Foodarama supermarkets, Inc.	9,000	114,022
Gino's, Inc.	3,571	0
Gino's, Inc.	5,357	81,159
Gino's, Inc.	5,357	71,160
Gino's, Inc.	10,714	102,048
Gino's, Inc.	5,357	61,846
J.C. Penney Company, Inc.	4,125	51,009
Levitz Furniture Corporation	103,924	1,134,836
Levitz Furniture Corporation	35,257	460,490
COMMERCIAL PROPERTY -- BUILDING		

Bank South	3,681,454	279,551	1,594,696
Harwood Square		610,671	3,172,281
Holiday Inn		3,075,178	3,317,337
Lockheed Corporation		112,919	0
Safeway Stores, Inc.		20,175	168,728
Toys 'R' Us, Inc.	1,005,777	71,750	507,053
United Life & Accident Ins. Co.	4,274,424	270,516	1,746,714
Wickes Companies, Inc.	3,158,494	335,628	1,185,738
Weigh-Tronix, Inc.	2,323,704	180,192	1,467,951
Baptist Hospital 1	25,059,603	1,483,880	19,535,134
Baptist Hospital 2	9,300,980	550,748	7,250,549
			0
			0
			0
			0

I-10

	State	No. of Locations	Amount of Encumbrances
	-----	-----	-----
DEVELOPMENT			
PROPERTY			
Dellwood	NY	1	
Grassy Hollow	NY	1	
East Syracuse	NY	1	
HOTEL AND DEVELOP-			
MENT PROPERTY			
New Seabury	MA	1	8,484,332

			\$187,514,452
			=====

REAL ESTATE OWNED AND REVENUES EARNED

Real estate owned at September 30, 1998

	Initial Cost to Company	Cost of Improvements	Amount Carried at close of period	Reserve for Depreciation	Depreciation Range in years
	-----	-----	-----	-----	-----
DEVELOPMENT					
PROPERTY					
Dellwood	3,120,317		3,120,317		
Grassy Hollow	601,135		601,135		
East Syracuse	138,108		138,108		
HOTEL AND DEVELOP-					
MENT PROPERTY					
New Seabury	27,965,241		27,965,241		
	-----		-----		
	\$221,869,592	\$534,569	\$ 222,404,161 (1)	\$ 44,034,952 (1)	
	=====	=====	=====	=====	

REAL ESTATE
OWNED AND
REVENUES
EARNED

Real estate
owned at
September
30, 1998

Depreciation	Net Investment Financing	Total revenue applicable
--------------	--------------------------------	--------------------------------

Method	Method(G)	to period(G)	Tax Basis
DEVELOPMENT PROPERTY Dellwood			3,120,317
Grassy Hollow			594,843
East Syracuse			138,108
HOTEL AND DEVELOP- MENT PROPERTY New Seabury		2,995,714	27,965,241
	\$248,297,648	\$38,126,065	\$278,155,864

(G) In accordance with Generally Accepted Accounting Principles.

(HFS) Held for sale -- Property no longer depreciated nor revenue earned.
Current net book value included.

(1) Amount shown includes hotel operating properties.

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

(3) Sold two locations in 1998.

(4) Sold one location in 1998.

(*) Treated as investment in joint venture for tax purposes.

I-11

AMERICAN REAL ESTATE PARTNERS, LP
a limited partnership

	State	No. of Locations
COMMERCIAL PROPERTY LAND AND BUILDING Acme Markets, Inc. and FPBT of Penn.	PA	1
Alabama Power Company	AL	5
Amer Stores and The Fidelity Bank	PA	1
Amer Stores, Grace, & Shottenstein Stores	NJ	1
American Recreation Group, Inc.(3)	NC	1
Amterre Ltd. Partnership	NJ	1
Amterre Ltd. Partnership	PA	2
Amterre Ltd. Partnership	PA	1
Best Products Co., Inc.	VA	1
Caldor, Inc.	MA	1
Chesebrough-Pond's Inc.	CN	1
Chomerics, Inc.	MA	1
Collins Foods Interna- tional, Inc.(4)	OR	3
Collins Foods Interna- tional, Inc.(5)	CA	1
David Miller of California	CA	1
Dillon Companies, Inc.	MO	1
Dillon Companies, Inc.(5)	LA	6
Druid Point Bldg.	GA	1
Duke Power Co.	NC	1
European American Bank		

and Trust Co.	NY	1
Farwell Bldg.	MN	1
Federated Department Stores, Inc.	CA	1
First National Supermar- kets, Inc.	CT	1
First Union National Bank	NC	1
Fisher Scientific Company	IL	1
Foodarama Supermarkets, Inc.	PA	1
Forte Hotels International, Inc.	NJ	1

REAL ESTATE OWNED AND REVENUES EARNED

Real estate owned at December 31, 1997					
Amount of Encumbrances	Initial Cost to Company	Cost of Improvements	Amount Carried at close of period	Reserve for Depreciation	Depreciation Range & Method
COMMERCIAL					
PROPERTY LAND AND BUILDING					
Acme Markets, Inc. and FPBT of Penn.	\$2,004,393		\$2,004,393	\$1,389,613	25 yrs Comp
Alabama Power Company	\$ 4,292,790				
Amer Stores and The Fidelity Bank					
Amer Stores, Grace, & Shottenstein Stores	2,043,567		2,043,567	1,525,255	35 yrs Comp
American Recreation Group, Inc.(3)	642,771	(342,771)	300,000		HFS (3) SOLD
Amterre Ltd. Partnership					SOLD
Amterre Ltd. Partnership	8,581,485				SOLD
Amterre Ltd. Partnership					SOLD
Best Products Co., Inc.	3,358,053	(54,500)	3,303,553		20 yrs S/L
Caldor, Inc.					
Chesebrough-Pond's Inc.	1,549,805		1,549,805	1,110,025	20-45 yrs Comp
Chomerics, Inc.					
Collins Foods Interna- tional, Inc.(4)	169,048		169,048		
Collins Foods Interna- tional, Inc.(5)	87,810		87,810		
David Miller of California	1,036,681		1,036,681	494,648	25 yrs S/L
Dillon Companies, Inc.	546,681		546,681	310,198	30 Yrs S/L
Dillon Companies, Inc.(5)	1,555,112		1,555,112	854,145	35 Yrs Comp
Druid Point Bldg.	6,139,692	114,890	6,254,582	883,216	SOLD
Duke Power Co.	2,903,279				
European American Bank and Trust Co.	1,355,210		1,355,210	1,284,888	20 Yrs S/L
Farwell Bldg.	939,773	5,073,279	5,073,279	1,088,188	15-20 yrs S/L
Federated Department Stores, Inc.	363,342		363,342		SOLD
First National Supermar- kets, Inc.	13,933,727				
First Union National Bank					
Fisher Scientific Company	597,806		597,806	143,004	20 yrs S/L
Foodarama Supermarkets, Inc.					SOLD
Forte Hotels International, Inc.	216,914				

REAL ESTATE OWNED AND REVENUES
EARNED

Real estate owned at December 31, 1997	
Financing Method Net Investment (G)	1997 Total revenue applicable to period(G)

COMMERCIAL

PROPERTY LAND
AND BUILDING

Acme Markets, Inc. and FPBT of Penn.		\$ 245,888
Alabama Power Company	\$ 7,517,553	797,599
Amer Stores and The Fidelity Bank	633,667	81,172
Amer Stores, Grace, & Shottenstein Stores		157,735
American Recreation Group, Inc.(3)		48,164
Amterre Ltd. Partnership		0
Amterre Ltd. Partnership		0
Amterre Ltd. Partnership	5,958,448	597,424
Best Products Co., Inc.		109,134
Caldor, Inc.	1,873,574	167,527
Chesebrough-Pond's Inc.		141,236
Chomerics, Inc.	6,202,655	792,465
Collins Foods Interna- tional, Inc.(4)	81,764	35,411
Collins Foods Interna- tional, Inc.(5)	46,444	11,455
David Miller of California		63,482
Dillon Companies, Inc.		65,268
Dillon Companies, Inc.(5)		183,340
Druid Point Bldg.		1,351,918
Duke Power Co.	4,716,271	482,477
European American Bank and Trust Co.		175,000
Farwell Bldg.		957,184
Federated Department Stores, Inc.	208,036	63,418
First National Supermar- kets, Inc.	23,685,974	2,194,767
First Union National Bank	577,217	53,820
Fisher Scientific Company		176,583
Foodarama Supermarkets, Inc.		81,014
Forte Hotels International, Inc.	6,412,979	585,869

I-12

	State	No. of Locations
	-----	-----
Forte Hotels International, Inc.	TX	1
Fox Grocery Company	WV	1
Gino's, Inc.	MO	1
Gino's, Inc.	CA	1
Gino's, Inc.	OH	1
Gino's, Inc.	IL	1
Gino's, Inc.	NJ	1
Golf Road	IL	1
Grand Union Co.	NY	
Grand Union Co.	NJ	1
Grand Union Co.	MD	1
Grand Union Co.	NY	3
Grand Union Co.	NY	1
Grand Union Co.	VA	1
Grand Union Co.	NY	1
Gunite	IN	1
G.D. Searle & Co.	MD	1
G.D. Searle & Co.	MN	1
G.D. Searle & Co.	AL	1
G.D. Searle & Co.	IL	1

G.D. Searle & Co.	FL	1
G.D. Searle & Co.	MN	1
G.D. Searle & Co.	IL	1
G.D. Searle & Co.	TN	1
G.D. Searle & Co.	TN	1
G.D. Searle & Co.	MD	1
Hancock	LA	1
Haverty Furniture Companies, Inc.	GA	1
Haverty Furniture Companies, Inc.	FL	1
Haverty Furniture Companies, Inc.	VA	1
Holiday Inn	AZ	1
Integra A Hotel and Restaurant Co.	AL	2
Integra A Hotel and Restaurant Co.	IL	1
Integra A Hotel and Restaurant Co.	IN	1
Integra A Hotel and Restaurant Co.	OH	1
Integra A Hotel and Restaurant Co.	MO	1

REAL ESTATE OWNED AND REVENUES EARNED

Real estate owned at December 31, 1997

Amount of Encumbrances	Initial Cost to Company	Cost of Improvements	Amount Carried at close of period	Reserve for Depreciation	Depreciation Range & Method
Forte Hotels International, Inc.					SOLD
Fox Grocery Company	1,193,998				
Gino's, Inc.	13,662	209,213	209,213		
Gino's, Inc.	15,711	225,100	225,100		
Gino's, Inc.	14,627	201,938	201,938		
Gino's, Inc.	16,986	235,972	235,972		
Gino's, Inc.					SOLD
Golf Road		9,292,656	9,292,656	55,756	35 yrs S/L HFS
Grand Union Co.		430,664	430,664		
Grand Union Co.		372,383	372,383	249,742	30 yrs Comp
Grand Union Co.		1,110,120	(19,100)	1,091,020	
Grand Union Co.		266,468	266,468	178,999	30 yrs Comp
Grand Union Co.	4,473,221				
Gunite	148,230	1,134,565	1,134,565	1,065,034	30 yrs Comp
G.D. Searle & Co.		299,229	299,229	145,833	20-35 yrs Comp
G.D. Searle & Co.		261,918	261,918	174,337	SOLD
G.D. Searle & Co.		0	0	0	HFS
G.D. Searle & Co.		256,295	256,295	161,229	20-35 yrs Comp
G.D. Searle & Co.		0	0	0	SOLD
G.D. Searle & Co.		339,358	339,358	147,266	20-35 yrs Comp
G.D. Searle & Co.		323,559	323,559	223,483	30 yrs Comp
G.D. Searle & Co.		214,421	214,421	145,172	20-35 yrs Comp
G.D. Searle & Co.		0	0	0	
G.D. Searle & Co.		325,891	325,891	146,800	20-35 yrs Comp
Hancock					SOLD
Haverty Furniture Companies, Inc.	245,234				
Haverty Furniture Companies, Inc.	185,175				
Haverty Furniture Companies, Inc.	232,724				
Holiday Inn					SOLD
Integra A Hotel and Restaurant Co.		245,625	245,625		
Integra A Hotel and Restaurant Co.		198,392	198,392		
Integra A Hotel and Restaurant Co.		231,513	231,513		
Integra A Hotel and Restaurant Co.					
Integra A Hotel and Restaurant Co.		224,837	224,837		

REAL ESTATE OWNED AND REVENUES
EARNED

Real estate owned at December 31, 1997		

	Financing Method Net Investment (G)	1997 Total revenue applicable to period (G)

Forte Hotels International, Inc.		(11,423)
Fox Grocery Company	3,258,447	290,442
Gino's, Inc.	165,655	33,514
Gino's, Inc.	151,721	42,735
Gino's, Inc.	135,210	39,120
Gino's, Inc.	137,724	45,689
Gino's, Inc.		33,010
Golf Road		108,494
Grand Union Co.		
Grand Union Co.	427,410	85,502
Grand Union Co.		33,750
Grand Union Co.	1,101,687	220,389
Grand Union Co.		7,083
Grand Union Co.		24,150
Grand Union Co.	7,310,207	676,977
Gunite		208,080
G.D. Searle & Co.		27,000
G.D. Searle & Co.		22,162
G.D. Searle & Co.		0
G.D. Searle & Co.		23,013
G.D. Searle & Co.		0
G.D. Searle & Co.		30,614
G.D. Searle & Co.		28,319
G.D. Searle & Co.		18,740
G.D. Searle & Co.		0
G.D. Searle & Co.		28,598
Hancock		450,785
Haverty Furniture Compa- nies, Inc.	616,002	55,885
Haverty Furniture Compa- nies, Inc.	466,667	42,337
Haverty Furniture Compa- nies, Inc.	594,370	54,193
Holiday Inn		2,138,010
Integra A Hotel and Res- taurant Co.	1,397,060	239,858
Integra A Hotel and Res- taurant Co.	461,675	103,757
Integra A Hotel and Res- taurant Co.	604,563	121,983
Integra A Hotel and Res- taurant Co.	620,765	89,986
Integra A Hotel and Restaurant Co.	469,913	108,409

I-13

State	No. of Locations
-----	-----

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
Kelley Springfield Tire Company	TN	1
K-Mart Corporation	LA	1
K-Mart Corporation	WI	1
K-Mart Corporation	FL	1
K-Mart Corporation	MN	1
K-Mart Corporation	FL	1
K-Mart Corporation	IA	1
K-Mart Corporation	FL	2
K-Mart Corporation	IL	1
Kobacker Stores, Inc.	MI	4
Kobacker Stores, Inc.	KY	1
Kobacker Stores, Inc.	OH	5
Kraft, Inc.	NC	1
Landmark Bancshares Corporation	MO	1
Levitz Furniture Corporation	NY	1
Lockheed Corporation	CA	1
Louisiana Power and Light Company	LA	8
Louisiana Power and Light Company	LA	7
Macke Co.	VA	1
Marsh Supermarkets, Inc.	IN	1
Montgomery Ward, Inc.	PA	1
Montgomery Ward, Inc.	NJ	1
Morrison, Inc.	AL	1
Morrison, Inc.	GA	1
Morrison, Inc.	FL	1
Morrison, Inc.	VA	2
M.C.O. Properties	CO	1
North Carolina National Bank(7)	SC	6
Occidental Petroleum Corp.	CA	1
Ohio Power Co. Inc.	OH	1

REAL ESTATE OWNED AND REVENUES EARNED

Real estate owned at December 31, 1997

Amount of Encumbrances	Initial Cost to Company	Cost of Improvements	Amount Carried at close of period	Reserve for Depreciation	Depreciation Range & Method
Integra A Hotel and Restaurant Co.	228,793		228,793		
Integra A Hotel and Restaurant Co.	234,464		234,464		
Intermountain Color	11,180	559,644	559,644	434,676	25 yrs S/L
J.C. Penney Company, Inc.	2,484,262		2,484,262	1,588,326	25 yrs S/L
Kelley Springfield Tire Company	120,946		120,946	75,200	20 yrs Comp
K-Mart Corporation					
K-Mart Corporation	530,000	2,760,118	2,760,118	1,688,401	20-45 yrs Comp
K-Mart Corporation		2,636,000	2,636,000	1,765,878	20-45 yrs Comp
K-Mart Corporation	263,859				
Kobacker Stores, Inc.		215,148	215,148		
Kobacker Stores, Inc.	66,777	88,364	88,364		
Kobacker Stores, Inc.	65,759	354,030	354,030		
Kraft, Inc.					SOLD
Landmark Bancshares Corporation					
Levitz Furniture Corporation	988,463		988,463		

Lockheed Corporation		2,449,469	2,449,469		
Louisiana Power and Light Company	3,464,338				
Louisiana Power and Light Company	2,075,693	3,491,431	3,491,431		
Macke Co.					SOLD
Marsh Supermarkets, Inc.	5,001,933	5,001,933	2,133,683		35 yrs S/L
Montgomery Ward, Inc.	3,289,166	3,289,166	2,120,374		20-45 yrs Comp
Montgomery Ward, Inc.					
Morrison, Inc.	324,288	324,288			
Morrison, Inc.	347,404	347,404			
Morrison, Inc.	375,392	375,392			
Morrison, Inc.	363,059	363,059			
M.C.O. Properties					SOLD
North Carolina National Bank(7)	2,938,008	2,938,008	1,008,024		40 yrs S/L
Occidental Petroleum Corp.	1,857,296				HFS
Ohio Power Co. Inc.					

REAL ESTATE OWNED AND REVENUES
EARNED

		1997
	Financing Method Net Investment (G)	Total revenue applicable to period (G)
Real estate owned at December 31, 1997		
Integra A Hotel and Restaurant Co.	576,867	139,420
Integra A Hotel and Restaurant Co.	577,240	138,537
Intermountain Color J.C. Penney Company, Inc.		81,330
Kelley Springfield Tire Company		250,244
K-Mart Corporation	1,684,293	11,449
K-Mart Corporation	1,919,517	141,806
K-Mart Corporation	2,224,386	173,164
K-Mart Corporation	1,780,445	213,781
K-Mart Corporation		146,038
K-Mart Corporation		236,480
K-Mart Corporation	1,367,760	128,806
K-Mart Corporation	1,831,105	413,734
K-Mart Corporation	977,099	78,194
Kobacker Stores, Inc.	423,743	62,971
Kobacker Stores, Inc.	100,094	19,192
Kobacker Stores, Inc.	613,834	92,644
Kraft, Inc.		50,414
Landmark Bancshares Corporation	4,586,844	644,743
Levitz Furniture Corporation	2,149,353	354,406
Lockheed Corporation	4,143,163	847,243
Louisiana Power and Light Company	12,443,623	1,567,252
Louisiana Power and Light Company	4,321,049	1,007,611
Macke Co.		74,516
Marsh Supermarkets, Inc.		506,300
Montgomery Ward, Inc.		314,280
Montgomery Ward, Inc.	1,570,578	147,710
Morrison, Inc.	720,862	134,559
Morrison, Inc.	690,199	134,750
Morrison, Inc.	728,153	142,096
Morrison, Inc.	1,785,553	276,296

M.C.O. Properties		12,974
North Carolina National Bank(7)		224,823
Occidental Petroleum Corp.		0
Ohio Power Co. Inc.	3,962,361	370,060

I-14

	State	No. of Locations
	-----	-----
Old National Bank of Washington	WA	1
Park West	KY	1
Penske Corp.	OH	1
Pneumo Corp.	OH	1
Portland General Electric Company	OR	1
Rouse Company	MD	1
Safeway Stores, Inc.	LA	1
Sams	MI	1
Smith's Management Corp.	NV	1
Southland Corporation	FL	5
Staples	NY	1
Stop 'N Shop Co., Inc.	NY	1
Stop 'N Shop Co., Inc.	VA	1
Super Foods Services, Inc.	MI	1
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
Toys "R" Us, Inc.	MA	1
Toys "R" Us, Inc.	IL	1
Toys "R" Us, Inc.	NY	1
Toys "R" Us, Inc.	TX	1
Toys "R" Us, Inc.	MI	1
Toys "R" Us, Inc.	TX	1
Trafalgar Industries, Inc.	NY	1
USA Petroleum Corporation	SC	2
USA Petroleum Corporation	OH	1
USA Petroleum Corporation	GA	2
Waban	NY	1

REAL ESTATE OWNED AND REVENUES EARNED

Real estate owned at December 31, 1997

	Amount of Encumbrances	Initial Cost to Company	Cost of Improvements	Amount Carried at close of period	Reserve for Depreciation	Depreciation Range & Method
	-----	-----	-----	-----	-----	-----
Old National Bank of Washington		4,190,632		4,190,632	2,816,843	SOLD
Park West		19,020,000		19,020,000		35 yrs S/L
Penske Corp.	108,036					
Pneumo Corp.	878,314					

Portland General Electric Company	46,177,752					
Rouse Company	3,320,839					
Safeway Stores, Inc.		1,782,885		1,782,885	1,061,233	20-45 yrs Comp
Sams	5,543,256	8,844,225		8,844,225	1,371,772	40 yrs S/L
Smith's Management Corp.	371,047					
Southland Corporation		1,162,971		1,162,971	657,550	20-45 yrs Comp
Staples		2,455,975	1,607	2,457,582	37,661	35 yrs S/L
Stop 'N Shop Co., Inc.		5,013,507		5,013,507	3,589,887	20-45 yrs Comp
Stop 'N Shop Co., Inc.	869,612					
Super Foods Services, Inc.	6,635,566					
SuperValu Stores, Inc.		1,370,965		1,370,965	211,948	40 yrs S/L
SuperValu Stores, Inc.		3,000,671		3,000,671	474,489	40 yrs S/L
SuperValu Stores, Inc.		2,344,836		2,344,836	367,453	40 yrs S/L
SuperValu Stores, Inc.		2,267,573		2,267,573	354,965	40 yrs S/L
Telecom Properties, Inc.	44,630					
Telecom Properties, Inc.	115,678	281,253		281,253		
The A&P Company						
The TJX Companies, Inc.						
Toys "R" Us, Inc.						SOLD
Toys "R" Us, Inc.						SOLD
Toys "R" Us, Inc.						SOLD
Toys "R" Us, Inc.	856,725	501,836		501,836		
Toys "R" Us, Inc.						SOLD
Toys "R" Us, Inc.						SOLD
Trafalgar Industries, Inc.						SOLD
USA Petroleum Corporation		163,161		163,161		
USA Petroleum Corporation		78,443		78,443		
USA Petroleum Corporation		138,062		138,062		
Waban	3,608,807	8,378,095		8,378,095	500,930	30 yrs S/L

REAL ESTATE OWNED AND REVENUES
EARNED

Real estate
owned at
December
31, 1997

	1997
Financing Method Net Investment (G)	Total revenue applicable to period(G)
-----	-----

Old National Bank of Washington		677,222
Park West		0
Penske Corp.	573,940	84,821
Pneumo Corp.	2,272,594	223,429
Portland General Electric Company	52,081,512	4,497,800
Rouse Company	6,362,762	563,969
Safeway Stores, Inc.		85,150
Sams		1,127,521
Smith's Management Corp.	838,205	75,545
Southland Corporation		127,573
Staples		277,966
Stop 'N Shop Co., Inc.		454,145
Stop 'N Shop Co., Inc.	2,815,364	254,630
Super Foods Services, Inc.	10,213,426	1,087,412
SuperValu Stores, Inc.		114,885
SuperValu Stores, Inc.		319,834
SuperValu Stores, Inc.		224,215
SuperValu Stores, Inc.		193,024
Telecom Properties, Inc.	115,990	10,965
Telecom Properties, Inc.	101,212	37,044
The A&P Company	1,678,976	176,747
The TJX Companies, Inc.	2,661,258	238,968
Toys "R" Us, Inc.		82,445
Toys "R" Us, Inc.		101,865
Toys "R" Us, Inc.		104,136
Toys "R" Us, Inc.	1,107,437	108,188

Toys "R" Us, Inc.		77,087
Toys "R" Us, Inc.		142,913
Trafalgar Industries, Inc.		0
USA Petroleum Corporation	167,972	39,312
USA Petroleum Corporation	88,832	18,900
USA Petroleum Corporation	146,749	33,264
Waban		659,262

I-15

	State	No. of Locations
	-----	-----
Watkins	MO	1
Webcraft Technologies	MD	1
Wetterau, Inc.	PA	1
Wetterau, Inc.	NJ	2
Wickes Companies, Inc. (6)	CA	3
RESIDENTIAL		
PROPERTY LAND AND BUILDING		
Crown Cliffs	AL	1
COMMERCIAL		
PROPERTY--LAND		
Easco Corp.	NC	1
Foodarama supermarkets, Inc.	NY	1
Foodarama supermarkets, Inc.	PA	1
Gino's, Inc.	MD	1
Gino's, Inc.	PA	1
Gino's, Inc.	MI	1
Gino's, Inc.	MA	2
Gino's, Inc.	NJ	1
J.C. Penney Company, Inc.	NY	1
Levitz Furniture Corporation	CA	2
Levitz Furniture Corporation	KS	1
COMMERCIAL		
PROPERTY--BUILDING		
Bank South	GA	1
Harwood Square	IL	1
Holiday Inn	FL	1
Lockheed Corporation	CA	1
Safeway Stores, Inc.	CA	1
Toys "R" Us, Inc.	RI	1
United Life & Accident Ins. Co.	NH	1
Wickes Companies, Inc.	PA	1
Weigh-Tronix, Inc.	CA	1
Baptist Hospital 1	TN	1
Baptist Hospital 2	TN	1

REAL ESTATE OWNED AND REVENUES EARNED

Real estate owned at December 31, 1997

	Amount of Encumbrances	Initial Cost to Company	Cost of Improvements	Amount Carried at close of period	Reserve for Depreciation
Watkins		965,741		965,741	81,047
Webcraft Technologies Wetterau, Inc.	487,877	780,774		780,774	117,371
Wetterau, Inc.					
Wickes Companies, Inc. (6)	1,507,459	2,447,297		2,447,297	1,250,994
RESIDENTIAL PROPERTY LAND AND BUILDING					
Crown Cliffs	8,504,936	10,944,883	120,992	11,065,875 (2)	1,173,049
COMMERCIAL PROPERTY--LAND					
Easco Corp.		157,560		157,560	
Foodarama supermarkets, Inc.		140,619		140,619	
Foodarama supermarkets, Inc.		112,554		112,554	
Gino's, Inc.		86,027		86,027	
Gino's, Inc.		36,271		36,271	
Gino's, Inc.		71,160		71,160	
Gino's, Inc.		102,048		102,048	
Gino's, Inc.		61,050		61,050	
J.C. Penney Company, Inc.		51,009		51,009	
Levitz Furniture Corporation		1,134,836		1,134,836	
Levitz Furniture Corporation		460,490		460,490	
COMMERCIAL PROPERTY-- BUILDING					
Bank South Harwood Square		6,803,769		6,803,769	2,997,054
Holiday Inn		6,846,683	357,299	7,203,982	2,200,324
Lockheed Corporation					
Safeway Stores, Inc.		558,652		558,652	513,925
Toys "R" Us, Inc.					
United Life & Accident Ins. Co.					
Wickes Companies, Inc.					
Weigh-Tronix, Inc.					
Baptist Hospital 1	23,089,860				
Baptist Hospital 2	8,569,902				

REAL ESTATE OWNED AND REVENUES EARNED

Real estate owned at December 31,
1997

Depreciation Range & Method	Financing Method Net Investment (G)	1997 Total revenue applicable to period (G)
Watkins	25 yrs S/L	114,800
Webcraft Technologies	20 yrs S/L	171,353
Wetterau, Inc.	823,756	88,039
Wetterau, Inc.	1,780,342	187,312
Wickes Companies, Inc. (6)	20-45 yrs S/L	588,030
RESIDENTIAL PROPERTY LAND AND BUILDING		
Crown Cliffs	5-27.5 yrs S/L	1,741,608
COMMERCIAL PROPERTY--LAND		
Easco Corp.		12,400
Foodarama supermarkets, Inc.		14,000
Foodarama supermarkets, Inc.		12,000
Gino's, Inc.	SOLD	7,143
Gino's, Inc.		7,143
Gino's, Inc.		7,143
Gino's, Inc.		14,286

Gino's, Inc.	SOLD		7,143
J.C. Penney Company, Inc.			5,500
Levitz Furniture Corporation			99,302
Levitz Furniture Corporation			47,009
COMMERCIAL PROPERTY-- BUILDING			
Bank South		3,755,472	382,109
Harwood Square	34.8 yrs S/L		737,149
Holiday Inn	5-39 yrs S/L		3,959,694
Lockheed Corporation	SOLD	5,293,023	676,617
Safeway Stores, Inc.	27 yrs S/L		26,900
Toys "R" Us, Inc.		1,027,896	98,014
United Life & Accident Ins. Co.		4,396,908	372,115
Wickes Companies, Inc.		3,240,160	457,648
Weigh-Tronix, Inc.		2,501,135	259,859
Baptist Hospital 1		25,234,428	994,844
Baptist Hospital 2		9,365,708	369,279

I-16

	State	No. of Locations
	-----	-----
DEVELOPMENT		
PROPERTY		
Dellwood	NY	1
Grassy Hollow	NY	1
East Syracuse	NY	1
		--

REAL ESTATE OWNED AND REVENUES EARNED

Real estate owned at December 31, 1997					
Amount of Encumbrances	Initial Cost to Company	Cost of Improvements	Amount Carried at close of period	Reserve for Depreciation	Depreciation Range & Method
-----	-----	-----	-----	-----	-----
DEVELOPMENT					
PROPERTY					
Dellwood	3,120,317		3,120,317		
Grassy Hollow	601,135		601,135		
East Syracuse	138,108		138,108		
\$156,432,734	\$168,789,822	\$178,417	\$ 168,968,239 (1)	\$ 42,369,888 (1)	
=====	=====	=====	=====	=====	

REAL ESTATE OWNED AND REVENUES EARNED

Real estate owned at
December
31, 1997

Financing Method Net Investment (G)	1997 Total revenue applicable to period(G)
-----	-----
DEVELOPMENT	
PROPERTY	
Dellwood	0
Grassy Hollow	0
East Syracuse	0
	-
-----	-----
\$265,656,836	\$47,857,010
=====	=====

-
- (G) In accordance with Generally Accepted Accounting Principles
(HFS) Held For Sale. No longer depreciated nor revenues earned. No net book value for HFS at 12/31/97
- (1) Amount shown includes hotel operating properties.
(2) The Company owns a 70% interest in the joint venture which owns this property.
(3) Reclassified to Held For Sale in 1998
(4) Sold one property in 1998 and 2 properties in 1997
(5) Sold 1 property in 1998 and 1 in 1997
(6) One property in Held for Sale at 12/31/97 and 12/31/96
(7) One property sold in 1998 and 3 Held for Sale at 12/31/97

I-17

AMERICAN REAL ESTATE PARTNERS, LP
a limited partnership

REAL ESTATE OWNED AND REVENUES EARNED

Real estate owned at December 31, 1996

State	No. of Locations	Amount of Encumbrances	Initial Cost to Company	Cost of Improvements
-----	-----	-----	-----	-----
COMMERCIAL				
PROPERTY LAND				
AND BUILDING				
Acme Markets, Inc. and FPBT of Penn.	PA	1	\$2,004,393	
Alabama Power Company	AL	5	\$ 4,680,325	
Amer Stores and The Fidelity Bank	PA	1		
Amer Stores, Grace, & Shottenstein Stores	NJ	1	2,043,567	
American Recreation Group, Inc.	NC	1		
Amterre Ltd. Partnership	NJ	1	1,559,648	
Amterre Ltd. Partnership	PA	2	867,847	639,797
Amterre Ltd. Partnership	PA	1	2,090,127	
Best Products Co., Inc.	VA	1		
Caldor, Inc.	MA	1		
Chesebrough-Pond's Inc.	CN	1	1,549,805	
Chomerics, Inc.	MA	1		
Coldwell Banker & Co. ..	CA	1		
Coldwell Banker & Co. ..	MN	1		
Coldwell Banker & Co. ..	VA	1		
Coldwell Banker & Co. ..	MO	1		
Collins Foods Interna- tional, Inc.(4)	OR	6	82,457	218,713

Collins Foods International, Inc.(5)	CA	3	131,970	87,810	
Cordis Corporation	FL	1			
David Miller of California	CA	1		1,036,681	
Dillon Companies, Inc. .	MO	1		546,681	
Dillon Companies, Inc.(5)	LA	8		1,555,112	
Druid Point Bldg.	GA	1		4,919,956	1,219,736
Duke Power Co.	NC	1	3,198,097		
European American Bank and Trust Co.	NY	1		1,355,210	
Farwell Bldg.	MN	1	1,162,240	5,052,286	20,993
Federated Department Stores, Inc.	CA	1		363,342	
First National Supermarkets, Inc.	CT	1	14,536,079		
First Union National Bank	NC	1			
Fisher Scientific Company	IL	1		597,806	

Real estate owned at December 31, 1996

	Amount Carried at close of period	Reserve for Depreciation	Depreciation Method	Financing Method Net Investment (G)	Total revenue applicable to period (G)
COMMERCIAL					
PROPERTY LAND AND BUILDING					
Acme Markets, Inc. and FBET of Penn.	\$2,004,393	\$1,352,155	25 yrs Comp	\$ 7,833,206	\$ 245,888
Alabama Power Company					825,971
Amer Stores and The Fidelity Bank				693,620	86,866
Amer Stores, Grace, & Shottenstein Stores	2,043,567	1,507,397	35 yrs Comp		232,735
American Recreation Group, Inc.			HFS	685,807	68,401
Amterre Ltd. Partnership	1,559,648		SOLD	3,331,346	459,735
Amterre Ltd. Partnership	639,797		SOLD	2,014,875	285,432
Amterre Ltd. Partnership			SOLD	6,220,298	620,821
Best Products Co., Inc.			20 yrs S/L	3,418,326	338,557
Caldor, Inc.				1,942,431	185,380
Chesebrough-Pond's Inc.	1,549,805	1,090,444	20-45 yrs Comp		141,236
Chomerics, Inc.				6,398,366	814,924
Coldwell Banker & Co. ..			SOLD		24,673
Coldwell Banker & Co. ..			SOLD		71,909
Coldwell Banker & Co. ..			SOLD		41,122
Coldwell Banker & Co. ..			SOLD		0
Collins Foods International, Inc.(4)	218,713			109,018	46,392
Collins Foods International, Inc.(5)	87,810			46,444	53,826
Cordis Corporation			SOLD		713,383
David Miller of California	1,036,681	473,898	25 yrs S/L		63,482
Dillon Companies, Inc. .	546,681	297,442	30 Yrs S/L		63,753
Dillon Companies, Inc.(5)	1,555,112	842,444	35 Yrs Comp		183,340
Druid Point Bldg.	6,139,692	661,844	SOLD		191,746
Duke Power Co.				5,030,971	510,580
European American Bank and Trust Co.	1,355,210	1,271,504	20 Yrs S/L		175,000
Farwell Bldg.	5,073,279	837,344	15-20 yrs S/L		938,078
Federated Department Stores, Inc.	363,342		SOLD	393,414	65,392
First National Supermarkets, Inc.				24,148,717	2,235,207
First Union National Bank				614,834	57,047
Fisher Scientific Company	597,806	120,718	20 yrs S/L		163,000

I-18

Real estate owned at December 31, 1996

State	No. of Locations	Amount of Encumbrances	Initial Cost to Company	Cost of Improvements
-------	------------------	------------------------	-------------------------	----------------------

Foodarama Supermarkets, Inc.	PA	1		1,317,844		
Forte Hotels International, Inc.	NJ	1	699,694			
Forte Hotels International, Inc.	TX	1				
Fox Grocery Company	WV	1	1,343,018			
Gino's, Inc.	MO	1	61,942	209,213		
Gino's, Inc.	CA	1	54,342	225,100		
Gino's, Inc.	OH	1	57,160	201,938		
Gino's, Inc.	IL	1	46,597	235,972		
Gino's, Inc.	NJ	1	49,887	259,525		
Gino's, Inc. & The A&P Co.	PA	1				
Grand Union Co.	NY	1				
Grand Union Co.	NJ	1		430,664		
Grand Union Co.	MD	1		372,383		
Grand Union Co.	NY	3		1,110,120		
Grand Union Co.	NY	1				
Grand Union Co.	VA	1		266,468		
Grand Union Co.	NY	1	4,577,761			
Gunite	IN	1	193,475	1,134,565		
G.D. Searle & Co.	MD	1		299,229		
G.D. Searle & Co.	MN	1		261,918		
G.D. Searle & Co.	AL	1		0		
G.D. Searle & Co.	IL	1		256,295		
G.D. Searle & Co.	FL	1		0		
G.D. Searle & Co.	MN	1		339,358		
G.D. Searle & Co.	IL	1		323,559		
G.D. Searle & Co.	TN	1		214,421		
G.D. Searle & Co.	TN	1		0		
G.D. Searle & Co.	MD	1		325,891		
Hancock	LA	1	2,284,232	4,484,256		
Haverty Furniture Companies, Inc.	GA	1	272,303			
Haverty Furniture Companies, Inc.	FL	1	205,616			
Haverty Furniture Companies, Inc.	VA	1	258,411			
Holiday Inn	AZ	1	3,220,181	9,028,875	335,254	
Integra A Hotel and Restaurant Co.	AL	2		245,625		
Integra A Hotel and Restaurant Co.	IL	1		198,392		
Integra A Hotel and Restaurant Co.	IN	1		231,513		

Real estate owned at
December 31,
1996

	Amount Carried at close of period	Reserve for Depreciation	Depreciation Method	Financing Method Net Investment (G)	Total revenue applicable to period(G)
Foodarama Supermarkets, Inc.	1,317,844	835,225	SOLD		120,516
Forte Hotels International, Inc.				6,540,478	596,849
Forte Hotels International, Inc.			SOLD		2,619,501
Fox Grocery Company				3,395,645	305,550
Gino's, Inc.	209,213			174,807	34,985
Gino's, Inc.	225,100			166,443	44,136
Gino's, Inc.	201,938			148,879	40,373
Gino's, Inc.	235,972			154,733	46,992
Gino's, Inc.	259,525		SOLD	191,535	49,627
Gino's, Inc. & The A&P Co.					185,702
Grand Union Co.			HFS		
Grand Union Co.	430,664			452,308	87,711

	372,383				
Grand Union Co.	244,749		30 yrs Comp		33,750
Grand Union Co.	1,110,120			1,165,869	226,083
Grand Union Co.					0
Grand Union Co.	266,468	175,421	30 yrs Comp		24,150
Grand Union Co.				7,532,429	696,186
Gunite	1,134,565	1,050,721	30 yrs Comp		204,000
G.D. Searle & Co.	299,229	140,461	20-35 yrs Comp		27,000
G.D. Searle & Co.					
MN	261,918	170,818	SOLD		22,162
G.D. Searle & Co.	0	0			0
G.D. Searle & Co.	256,295	155,239	20-35 yrs Comp		23,013
G.D. Searle & Co.	0	0	SOLD		0
G.D. Searle & Co.	339,358	141,715	20-35 yrs Comp		30,614
G.D. Searle & Co.	323,559	218,967	30 yrs Comp		28,319
G.D. Searle & Co.	214,421	139,979	20-35 yrs Comp		18,740
G.D. Searle & Co.	0	0			0
G.D. Searle & Co.	325,891	141,434	20-35 yrs Comp		28,598
Hancock	4,484,256	729,669	SOLD		442,204
Haverty Furniture Companies, Inc.				659,017	59,473
Haverty Furniture Companies, Inc.				499,255	45,055
Haverty Furniture Companies, Inc.				636,081	57,671
Holiday Inn	9,364,129	1,582,362	SOLD		5,970,105
Integra A Hotel and Restaurant Co.	245,625			1,478,067	247,756
Integra A Hotel and Restaurant Co.	198,392			505,753	107,664
Integra A Hotel and Restaurant Co.	231,513			641,103	124,887

I-19

Real estate owned at December 31, 1996

State	No. of Locations	Amount of Encumbrances	Initial Cost to Company	Cost of Improvements
Integra A Hotel and Restaurant Co.	OH	1		
Integra A Hotel and Restaurant Co.	MO	1	224,837	
Integra A Hotel and Restaurant Co.	TX	1	228,793	
Integra A Hotel and Restaurant Co.	MI	1	234,464	
Intermountain Color ..	KY	1	42,652	559,644
J.C. Penney Company, Inc.	MA	1	2,484,262	
Kelley Springfield Tire Company	TN	1	120,946	
K-Mart Corporation ...	LA	1		
K-Mart Corporation ...	WI	1		
K-Mart Corporation ...	FL	1		
K-Mart Corporation ...	MN	1	580,000	
K-Mart Corporation ...	FL	1	2,756,998	3,120
K-Mart Corporation ...	IA	1		
K-Mart Corporation ...	FL	1	2,636,000	
K-Mart Corporation ...	IL	1	302,575	
Kobacker Stores, Inc.	MI	4	215,148	
Kobacker Stores, Inc.	KY	1	71,607	88,364
Kobacker Stores, Inc.	OH	5	70,906	354,030
Kobacker Stores, Inc.	FL	1		
Kraft, Inc.	NC	1	1,434,125	
Landmark Bancshares Corporation	MO	1		
Levitz Furniture Corporation	NY	1	1,648,463	(660,000)
Lockheed Corporation .	CA	1	2,449,469	

Lockheed Corporation .	NJ	1			
Louisiana Power and Light Company	LA	8	4,469,597		
Louisiana Power and Light Company	LA	7	2,673,758	3,496,322	(4,891)
Macke Co.	VA	1		553,113	
Marsh Supermarkets, Inc.	IN	1		5,001,933	
Montgomery Ward, Inc.	PA	1	762,571	3,289,166	
Montgomery Ward, Inc.	NJ	1			
Morrison, Inc.	AL	1		324,288	
Morrison, Inc.	GA	2		347,404	
Morrison, Inc.	FL	1		375,392	
Morrison, Inc.	VA	2		363,059	
M.C.O. Properties	CO	1			
North Carolina National Bank(7)	SC	6		2,938,008	
Occidental Petroleum Corp.	CA	1	1,975,646	2,564,053	

Real estate owned at
December 31,
1996

	Amount Carried at close of period	Reserve for Depreciation	Depreciation Method	Financing Method Net Investment (G)	Total revenue applicable to period(G)
Integra A Hotel and Restaurant Co.				674,639	96,555
Integra A Hotel and Restaurant Co.	224,837			514,167	112,159
Integra A Hotel and Restaurant Co.	228,793			621,382	143,690
Integra A Hotel and Restaurant Co.	234,464			613,076	141,595
Intermountain Color ..	559,644	413,759	25 yrs S/L		77,000
J.C. Penney Company, Inc.	2,484,262	1,508,829	25 yrs S/L		250,244
Kelley Springfield Tire Company	120,946	74,925	20 yrs Comp		11,449
K-Mart Corporation ...				1,725,687	145,127
K-Mart Corporation ...				1,969,353	177,408
K-Mart Corporation ...				2,321,964	222,498
K-Mart Corporation ...				1,826,407	149,630
K-Mart Corporation ...	2,760,118	1,655,604	20-45 yrs Comp		224,639
K-Mart Corporation ...				1,406,004	132,186
K-Mart Corporation ...	2,636,000	1,729,316	20-45 yrs Comp	1,911,191	420,360
K-Mart Corporation ...				1,013,873	80,977
Kobacker Stores, Inc.	215,148			439,493	63,420
Kobacker Stores, Inc.	88,364			103,511	19,514
Kobacker Stores, Inc.	354,030			636,305	94,689
Kobacker Stores, Inc.			SOLD		3,715
Kraft, Inc.	1,434,125	1,072,369	SOLD		150,042
Landmark Bancshares Corporation				4,678,726	656,654
Levitz Furniture Corporation	988,463			2,283,078	365,774
Lockheed Corporation .	2,449,469		SOLD	4,258,420	712,506
Lockheed Corporation .			SOLD		0
Louisiana Power and Light Company				12,945,748	1,625,331
Louisiana Power and Light Company	3,491,431			4,551,301	1,034,036
Macke Co.	553,113	357,209	SOLD		60,000
Marsh Supermarkets, Inc.	5,001,933	1,902,204	35 yrs S/L		566,537
Montgomery Ward, Inc.	3,289,166	2,070,624	20-45 yrs Comp		314,280
Montgomery Ward, Inc.				1,623,021	142,509
Morrison, Inc.	324,288			752,983	138,345
Morrison, Inc.	347,404			722,129	123,177
Morrison, Inc.	375,392			759,682	145,812
Morrison, Inc.	363,059			1,849,561	283,874
M.C.O. Properties			SOLD		64,743

North Carolina National Bank(7)	2,938,008	957,698	40 yrs S/L	221,822
Occidental Petroleum Corp.	2,564,053	404,295	HFS	0

I-20

Real estate owned at December 31, 1996				
State	No. of Locations	Amount of Encumbrances	Initial Cost to Company	Cost of Improvements
Ohio Power Co. Inc.	OH	1		
Old National Bank of Washington	WA	1	4,190,632	
Penske Corp.	NJ	2		
Penske Corp.	OH	1	138,869	
Penske Corp.	NY	1		
Penske Corp.	MI	1		
Pioneer Standard Electronics, Inc.	NY	1		
Pneumo Corp.	OH	1	1,033,195	
Portland General Electric Company	OR	1	24,820,228	
Rouse Company	MD	1	3,686,118	
Safeway Stores, Inc.	LA	1		1,782,885
Sams	MI	1	5,614,527	8,844,225
Smith's Management Corp.	NV	1	400,681	
Southland Corporation ...	FL	10		1,162,971
Sperry - Sun Drilling ...	CAN	1		
Staples	NY	1		2,455,975
Stop 'N Shop Co., Inc. ..	NY	1		5,013,507
Stop 'N Shop Co., Inc. ..	VA	1	1,012,607	
Super Foods Services, Inc.	MI	1	6,921,253	
SuperValu Stores, Inc. ..	MN	1		1,370,965
SuperValu Stores, Inc. ..	OH	1		3,000,671
SuperValu Stores, Inc. ..	GA	1		2,344,836
SuperValu Stores, Inc. ..	IN	1		2,267,573
Telecom Properties, Inc.	OK	1	50,452	
Telecom Properties, Inc.	KY	1	131,378	281,253
The A&P Company	MI	1		
The TJX Companies, Inc.	IL	1		
Toys "R" Us, Inc.	MA	1	588,362	330,605
Toys "R" Us, Inc.	IL	1	763,033	427,993
Toys "R" Us, Inc.	NY	1	859,561	480,785
Toys "R" Us, Inc.	TX	1	896,334	501,836
Toys "R" Us, Inc.	MI	1	849,539	
Toys "R" Us, Inc.	TX	1	606,814	
Trafalgar Industries, Inc.	NY	1		
USA Petroleum Corporation	SC	2		163,161
USA Petroleum Corporation	OH	1		78,443
USA Petroleum Corporation	GA	2		138,062
Waban	NY	1	3,715,255	8,298,301
Watkins	MO	1		965,741
Webcraft Technologies ...	MD	1	543,470	780,774
Wetterau, Inc.	PA	1		
Wetterau, Inc.	NJ	2		

	Amount Carried at close of period	Reserve for Depreciation	Depreciation Method	Financing Method Net Investment (G)	Total revenue applicable to period (G)
Ohio Power Co. Inc.				4,050,937	377,799
Old National Bank of Washington	4,190,632	2,323,660			677,222
Penske Corp.			SOLD		0
Penske Corp.				601,293	58,550
Penske Corp.					0
Penske Corp.			SOLD		248,691
Pioneer Standard Electronics, Inc.			SOLD		49,990
Pneumo Corp.				2,384,240	233,583
Portland General Electric Company				52,721,021	4,550,192
Rouse Company				6,546,154	579,247
Safeway Stores, Inc.	1,782,885	1,047,998	20-45 yrs Comp		85,150
Sams	8,844,225	1,210,387	40 yrs S/L		999,779
Smith's Management Corp.				861,937	77,566
Southland Corporation ...	1,162,971	642,164	20-45 yrs Comp		127,573
Sperry - Sun Drilling ...			SOLD		(3,693)
Staples	2,455,975		35 yrs S/L		88,392
Stop 'N Shop Co., Inc. ..	5,013,507	3,522,410	20-45 yrs Comp		454,145
Stop 'N Shop Co., Inc. ..				2,931,886	264,457
Super Foods Services, Inc.				10,387,320	1,104,986
SuperValu Stores, Inc. ..	1,370,965	185,269	40 yrs S/L		114,885
SuperValu Stores, Inc. ..	3,000,671	416,095	40 yrs S/L		319,834
SuperValu Stores, Inc. ..	2,344,836	321,821	40 yrs S/L		224,215
SuperValu Stores, Inc. ..	2,267,573	310,838	40 yrs S/L		193,024
Telecom Properties, Inc.				121,075	11,412
Telecom Properties, Inc.	281,253			106,968	37,544
The A&P Company				1,732,229	181,948
The TJX Companies, Inc.				2,752,407	240,906
Toys "R" Us, Inc.	330,605		SOLD	748,757	107,419
Toys "R" Us, Inc.	427,993		SOLD	965,125	123,662
Toys "R" Us, Inc.	480,785		SOLD	1,077,629	126,520
Toys "R" Us, Inc.	501,836			1,129,852	132,231
Toys "R" Us, Inc.				1,068,425	94,219
Toys "R" Us, Inc.			SOLD	1,486,541	144,755
Trafalgar Industries, Inc.			SOLD		0
USA Petroleum Corporation	163,161			288,980	41,032
USA Petroleum Corporation	78,443			138,932	19,727
USA Petroleum Corporation	138,062			244,525	34,720
Waban	8,378,095	391,636	30 yrs S/L		659,262
Watkins	965,741	59,904	25 yrs S/L	0	108,900
Webcraft Technologies ...	790,774	86,072	20 yrs S/L		171,353
Wetterau, Inc.				872,586	92,460
Wetterau, Inc.				1,892,310	198,118

I-21

Real estate owned at December 31, 1996

State	No. of Locations	Amount of Encumbrances	Initial Cost to Company	Cost of Improvements
Wickes Companies, Inc. (6)	CA	3	1,619,489	2,447,297
Weigh-Tronix	CA	1		
DEVELOPMENT				
PROPERTY				
Dellwood	NY	1		3,104,793
Grassy Hollow	NY	1		598,145
East Syracuse	NY	1		138,108
			\$115,911,504	\$158,822,393
			=====	=====
				\$1,290,247
				=====

Real estate owned at December 31, 1996

	Amount Carried at close of period	Reserve for Depreciation	Depreciation Method	Financing Method Net Investment (G)	Total revenue applicable to period (G)
--	--	-----------------------------	------------------------	--	---

Wickes Companies, Inc. (6)	2,447,297	1,208,359	20-45 yrs S/L,HFS		686,887
Weigh-Tronix				2,719,614	280,323
DEVELOPMENT					
PROPERTY					
Dellwood	3,120,317				0
Grassy Hollow	601,135				0
East Syracuse	138,108				0
	-----	-----		-----	-----
	\$ 160,112,640 (1)	\$ 43,754,936 (1)		\$253,781,903	\$58,823,724
	-----	-----		-----	-----

- - - - -
- (G) In accordance with Generally Accepted Accounting Principles.
(HFS) Held For Sale. No longer depreciated nor revenues earned. No Net book value of HFS at 12/31/96.
- (1) Amount shows includes hotel operating properties.
(2) The Company owes a 70% interest in the joint venture which owns this property.
(3) Reclassified to Held For Sale in 1998.
(4) Sold one property in 1998 and 2 properties in 1997.
(5) Sold 1 property in 1998 and 1 in 1997.
(6) One property in Held For Sale at 12/31/97 and 12/31/96.
(7) One Property Sold in 1998 and 3 Held for Sale at 12/31/97.

SCHEDULE II

EXECUTIVE OFFICERS AND DIRECTOR OF BECKTON CORP.

The sole member of Beckton Corp. is High Coast Limited Partnership. Beckton Corp. is the general partner of High Coast Limited Partnership. The name and positions of the executive officers and directors of Beckton Corp. is set forth below. Each such executive officer and director is a citizen of the United States of America.

Name	Position
- - - - -	-----
Carl C. Icahn	Chairman of the Board and Director
Edward E. Mattner	President, Treasurer and Secretary

The following sets forth with respect to each executive officer and director of Beckton Corp. such person's (a) name, (b) present principal occupation or employment and the name, principal business and address of any corporation or other organization in which such employment or occupation is conducted and (c) material occupations, positions, offices or employments during at least the last five years, giving the starting and ending dates of each and the name, principal business and address of any business corporation or other organization in which such occupation, position, office or employment was carried on.

Carl C. Icahn. Mr. Icahn is the Chairman of the Board and sole director of Beckton Corp. Mr. Icahn has been Chairman of the Board of Directors of American Property Investors, Inc. since November 15, 1990. Mr. Icahn is also President and a director of Starfire Holding Corporation (formerly Icahn Holding Corporation), a Delaware corporation ("SHC"), and Chairman of the Board and a director of various of SHC's subsidiaries, including ACF Industries, Inc., a New Jersey corporation ("ACF"). SHC is primarily engaged in the business of holding, either directly or through subsidiaries, a majority of the common stock of ACF and its address is 100 South Bedford Road, Mt. Kisco, New York 10549. Mr. Icahn has also been Chairman of the Board of Directors of ACF since October 29, 1984 and a director of ACF since June 29, 1984. ACF is a railroad freight and tank car leasing, sales and manufacturing company. He has also been Chairman of the Board of Directors and President of Icahn & Company, Inc. since 1968. Icahn & Company, Inc. is a registered broker-dealer and a member of the National Association of Securities Dealers. In 1979, Mr. Icahn acquired control and presently serves as Chairman of the Board of Directors of Bayswater Realty & Capital Corp., which is a real estate investment and development company ("Bayswater"). ACF, Icahn & Company, Inc. and Bayswater are deemed to be

directly or indirectly owned and controlled by Mr. Icahn. Mr. Icahn was Chief Executive Officer and a member of the Office of the Chairman of Trans World Airlines ("TWA") from November 8, 1988 to January 8, 1993; Chairman of the Board of Directors of TWA from January 3, 1986 to January 8, 1993; and a director of TWA from September 27, 1985 to January 8, 1993. Mr. Icahn also has substantial equity interests in and controls various partnerships and corporations which invest in publicly traded securities. Mr. Icahn's business address is c/o Icahn & Co., Inc., One Wall Street Court, New York, New York 10005.

Edward E. Mattner. Mr. Mattner is the President, Treasurer and Secretary of Beckton Corp. Mr. Mattner is a securities trader for various affiliates of Mr. Icahn. Mr. Mattner has served in this capacity since May 1976. Mr. Mattner's business address is c/o Icahn & Co., Inc., One Wall Street Court, New York, New York 10005.

LETTER OF TRANSMITTAL
to Tender Depositary Units Representing Limited Partner Interests
in
American Real Estate Partners, L.P.
Pursuant to the Offer to Purchase
Dated November 20, 1998
As Amended From Time to Time
of
LEYTON LLC

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT,
NEW YORK CITY TIME, ON
DECEMBER 18, 1998, UNLESS THE OFFER IS EXTENDED.

Holders desiring to tender their depositary units representing limited partner interests ("Units") should complete and sign this Letter of Transmittal, and forward it to the Depositary at one of the addresses set forth below together with all depositary receipts representing their interests in Units tendered ("Depositary Receipts"). Instructions for completing this Letter of Transmittal are included herein, along with a pre-addressed envelope to the Depositary.

The Depositary for the Offer is:
HARRIS TRUST COMPANY OF NEW YORK

By Mail: Wall Street Station
P.O. Box 1023
New York, NY 10268-1023
To Confirm: Delivery: (212) 701-7624
By Hand/Overnight: Receive Window
Wall Street Plaza
88 Pine Street, 19th Floor
New York, New York 10005

If you have any questions or need assistance in completing this Letter of Transmittal, please call the Information Agent, Beacon Hill Partners, Inc. at (212) 843-8500 (Collect) or (800) 792-2829 (Toll Free).

Capitalized terms used herein and not defined shall have the meanings given to them in the Offer to Purchase For Cash Up to 10 million Depositary Units Representing Limited Partner Interests in American Real Estate Partners, L.P., dated November 20, 1998, as it may be amended from time to time, of Leyton LLC (the "Offer to Purchase").

Delivery of this Letter of Transmittal or any other required documents to an address other than those set forth above does not constitute valid delivery. Holders wishing to tender pursuant to the tender offer must validly tender their Units to the Depositary on or prior to the Expiration Date.

This Letter of Transmittal is to be used: (i) if Depositary Receipts are to be physically delivered to the Depositary or (ii) unless an Agent's Message (as defined in Section 2 of the Offer to Purchase) is utilized, if delivery of Units is to be made by book-entry transfer to the account maintained by the Depositary at The Depositary Trust Company ("DTC" or "Book-Entry Transfer Facility") pursuant to the procedure for tendering Units set forth in Section 3 to the Offer to Purchase. DELIVERY OF DOCUMENTS TO THE BOOK-ENTRY TRANSFER FACILITY DOES NOT CONSTITUTE DELIVERY TO THE DEPOSITARY.

Holders whose Depositary Receipts are not available or who cannot deliver their Depositary Receipts and all other documents required hereby to the Depositary on or prior to the Expiration Date, or who cannot complete the procedure for book-entry transfer on a timely basis, nevertheless may tender their Units in accordance with the guaranteed delivery procedures set forth in Section 3 of the Offer to Purchase.

DESCRIPTION OF UNITS TENDERED
(See Instructions 8 and 17)

Name(s) and Address(es) of Registered Holder(s)
(Please fill in, if blank, exactly as name(s) appear(s)
on transfer books of Partnership)

Number of Units Tendered
(Attach additional list, if necessary)

Table with 4 columns: Depositary Receipt No. (s)*, Total No. of Units Owned*, No. of Units Tendered**, No. of DRIP Units Tendered**

* Need not be completed by Holders tendering by book-entry transfer.

** Unless otherwise indicated, it will be assumed that all Units or DRIP Units (as the case may be) described above are being tendered. See Instructions 8 and 17.

IMPORTANT: HOLDERS WHO WISH TO TENDER THEIR UNITS MUST COMPLETE THE BOX BELOW ENTITLED "METHOD OF DELIVERY," COMPLETE THE BOX ABOVE ENTITLED "DESCRIPTION OF UNITS TENDERED" AND SIGN IN THE APPROPRIATE BOXES. HOLDERS WHO COMPLETE THIS LETTER OF TRANSMITTAL WILL BE DEEMED TO HAVE TENDERED ALL UNITS LISTED IN THE ABOVE REFERRED TO BOXES.

METHOD OF DELIVERY

[] CHECK HERE IF DEPOSITARY RECEIPTS FOR TENDERED UNITS ARE ENCLOSED HEREWITH.

[] CHECK HERE IF TENDERED UNITS ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE DEPOSITARY WITH THE BOOK-ENTRY TRANSFER FACILITY AND COMPLETE THE FOLLOWING:

Name of Tendering

Institution: _____

Account Number: _____ Transaction Code Number: _____

[] CHECK HERE IF TENDERED UNITS ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE DEPOSITARY AND COMPLETE THE FOLLOWING:

Name(s) of Registered Holder(s): _____

Window Ticket Number (if any): _____

Date of Execution of Notice of Guaranteed Delivery: _____

Name of Eligible Institution which Guaranteed Delivery: _____

NOTE: SIGNATURES MUST BE PROVIDED BELOW
(PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY)

Ladies and Gentlemen:

By execution hereof, the undersigned hereby tenders to Leyton LLC, a Delaware limited liability company (the "Purchaser"), the number of the undersigned's Units in American Real Estate Partners, L.P., a Delaware limited partnership (the "Partnership"), at a price of \$10.50 per Unit, net to the seller in cash, without interest, upon the terms and subject to the conditions set forth in the Offer to Purchase, receipt of which is hereby acknowledged, and in this Letter of Transmittal (which, together with any supplements or amendments, collectively constitute the "Offer"). The Purchaser reserves the right to transfer or assign, in whole or from time to time in part, to one or more persons, the right to purchase Units tendered pursuant to the Offer, but any such transfer or assignment will not relieve the Purchaser of its obligations under the Offer or prejudice the rights of tendering Holders to receive payment for Units validly tendered and accepted for payment pursuant to the Offer. Holders who tender their Units will not be obligated to pay any sales commissions in connection with such tender.

The undersigned understands that if more than 10 million Units are validly tendered prior to or on the Expiration Date and not properly withdrawn, the Purchaser will, upon the terms of the Offer, accept for payment from among those tendered Units 10 million Units on a pro rata basis based upon the number of the tendered Units with adjustments to avoid purchases of certain fractional Units.

Subject to and effective upon acceptance for payment of and payment for the Units tendered hereby, the undersigned hereby sells, assigns, and transfers to, or upon the order of, the Purchaser, all right, title, proxy and interest in and to all of the Units tendered hereby, including, without limitation, all rights in, and claims to, any voting rights, rights to be substituted as a

limited partner of the Partnership, Partnership profits and losses, cash distributions and other benefits of any nature whatsoever distributable or allocable to or otherwise associated with such tendered Units under the Partnership Agreement; provided, that if any tendered Units are not purchased for any reason as described in Section 2 of the Offer to Purchase, this Letter of Transmittal shall be effective to transfer to the Purchaser only that number of the undersigned's Units as are accepted for payment and thereby purchased by the Purchaser. The undersigned understands that upon acceptance for payment of and payment for the Units tendered by the undersigned, the Purchaser will seek admission to the Partnership as a limited partner in substitution for the undersigned as to all such Units tendered by the undersigned. If, however, the Purchaser accepts for payment and purchases less than all of the undersigned's Units tendered hereby, the undersigned may continue to be a limited partner with respect to Units tendered by the undersigned that are not purchased. By executing and delivering this Letter of Transmittal, the undersigned, being a tendering Holder, expressly intends the Purchaser to become a limited partner.

By executing and delivering this Letter of Transmittal, a tendering Holder irrevocably appoints the Purchaser and any designees of the Purchaser and of each of them as such Holder's proxies and agents (all such persons collectively, the "Proxies"), with full power of substitution, to the full extent of such Holder's rights with respect to the Units tendered by such Holder and accepted for payment by the Purchaser. All such Proxies shall be considered irrevocable and coupled with an interest in the tendered Units. Such appointment will be effective when, and only to the extent that, the Purchaser accepts such Units for payment. Upon such acceptance for payment pursuant to the Offer, all prior proxies given by such Holder with respect to such Units will be revoked without further action, and no subsequent proxies may be given nor any subsequent written consent executed (and, if given or executed, will not be deemed effective). The Purchaser may assign such proxy to any person with or without assigning the related Units with respect to which such

2

proxy was granted. The Purchaser reserves the right to require that, in order for a Unit to be deemed validly tendered, immediately upon the Purchaser's payment for such Unit, the Purchaser must be able to exercise full voting rights with respect to such Unit and other securities, including voting at any meeting of limited partners.

By executing and delivering the Letter of Transmittal, a tendering Holder also irrevocably constitutes and appoints the Purchaser and any designees of the Purchaser as the Holder's attorneys-in-fact, each with full power of substitution to the full extent of the Holder's rights with respect to the Units tendered by the Holder and accepted for payment by the Purchaser. Such appointment will be effective when, and only to the extent that, the Purchaser accepts the tendered Units for payment. Upon such acceptance for payment, all prior powers of attorney granted by the Holder with respect to such Units will, without further action, be revoked, and no subsequent powers of attorney may be granted (and if granted will not be effective). Pursuant to such appointment as attorneys-in-fact, the Purchaser and any designees of the Purchaser each will have the power, among other things, (i) to seek to transfer ownership of such Units on the Partnership's books and execute and deliver any accompanying evidences of transfer and authenticity any of them may deem necessary or appropriate in connection therewith, (ii) upon receipt by the Depository (as the tendering Holder's agent) of the Purchase Price, to receive any and all distributions made by the Partnership, and to receive all benefits and otherwise exercise all rights of beneficial ownership of such Units in accordance with the terms of the Offer, (iii) to execute and deliver to the Partnership and/or its general partners a change of address form instructing the Partnership to send any and all future distributions to which the Purchaser is entitled pursuant to the terms of the Offer, in respect of tendered Units to the address specified in such form, and (iv) to endorse any check payable to or upon the order of such Holder representing a distribution to which the Purchaser is entitled pursuant to the terms of the Offer, in each case on behalf of the tendering Holder; and (v) to deliver Units and transfer ownership of such Units on the Partnership's books maintained by the general partner, the Partnership and the Partnership's depository and transfer agent and to become a substituted limited partner and to receive all benefits and otherwise exercise all rights of beneficial ownership of such Units and as a limited partner of the Partnership, all in accordance with the terms of the Offer. If legal title to the Units is held through an IRA or KEOGH or similar account, the Holder understands that this Letter of Transmittal must be signed by the custodian of such IRA or KEOGH and the Holder hereby authorizes and directs the custodian of such IRA or KEOGH to confirm this Letter of Transmittal. This power of attorney

shall not be affected by the subsequent mental disability of the Holder, and the Purchaser shall not be required to post bond in any nature in connection with this power of attorney. The Purchaser may assign such power of attorney to any person with or without assigning the related Units with respect to which such power of attorney was granted.

The undersigned hereby represents and warrants that the undersigned owns the Units tendered hereby and has full power and authority to validly tender, sell, assign and transfer the Units tendered hereby and that when the same are accepted for payment by the Purchaser, the Purchaser will acquire good, marketable and unencumbered title thereto, free and clear of all liens, restrictions, charges, encumbrances, conditional sales agreements or other obligations relating to the sale or transfer thereof, and such Units will not be subject to any adverse claims and that the transfer and assignment contemplated herein are in compliance with all applicable laws and regulations. The undersigned further represents and warrants that the undersigned is a "United States person," as defined in Section 7701(a)(30) of the Internal Revenue Code of 1986, as amended (the "Code"), or if the undersigned is not a United States person, the undersigned does not own beneficially or of record more than 5% of the outstanding Units. Upon request, the undersigned will execute and deliver any additional documents deemed by the Depository or the Purchaser to be necessary or desirable to complete the assignment, transfer and purchase of Units tendered hereby and otherwise in order to complete the transactions, transfers and admissions to the Partnership contemplated herein.

The undersigned understands that a tender of Units pursuant to the procedures described in Section 3 of the Offer to Purchase and in the Instructions hereto will constitute a binding agreement between the undersigned and the Purchaser upon the terms and subject to the conditions of the Offer. All authority herein conferred or agreed to be conferred shall survive the death or incapacity of the undersigned, and any obligation of the undersigned hereunder shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned. Except as stated in the Offer, this tender is irrevocable.

The undersigned recognizes that under certain circumstances set forth in the Offer to Purchase, the Purchaser may not be required to accept for payment any of the Units tendered hereby. If any tendered Units are not purchased for any reason, the Letter of Transmittal shall be effective to transfer to the Purchaser only that number of Units as is accepted and thereby purchased by the Purchaser, and the Depository Receipts (or, if necessary, new Depository Receipts) representing such unpurchased Units shall be returned.

Upon acceptance of Units by the Purchaser, the Purchaser agrees to be bound by all of the terms and provisions of the Partnership Agreement.

SIGN HERE TO TENDER YOUR UNITS

(TO BE COMPLETED BY ALL TENDERING HOLDERS REGARDLESS OF
WHETHER DEPOSITARY RECEIPTS ARE BEING PHYSICALLY DELIVERED HEREWITH)

PLEASE BE SURE TO COMPLETE ALL APPLICABLE BLANKS

By executing this document in the space provided below, the undersigned hereby: (i) evidences the Holder's agreement to and acceptance of all of the terms, provisions and matters set forth in this Letter of Transmittal and in the Offer to Purchase and (ii) tenders the number of Units specified below pursuant to the terms of the Offer. The undersigned hereby acknowledges and certifies, under penalty of perjury, to all of the foregoing and that the information and representations set forth below and provided in Boxes A and B of this Letter of Transmittal, which have been duly completed by the undersigned, are true and correct as of the date hereof.

PLEASE SEE INSTRUCTION 3 REGARDING SIGNATURES ON LETTER OF TRANSMITTAL

X _____ Address: _____
Signature of Holder -- Date

Printed Name of Holder (Include Zip Code)

X _____ (The Address provided above must be the
Signature of Holder -- Date registered address of the Holder.)

Printed Name of Holder Telephone (Home) () _____

Telephone (Work) () _____

Capacity (Full Title): _____

GUARANTEE OF SIGNATURE(S)

Authorized
Signature: _____ Name of Eligible Institution: _____

Name: _____ Address: _____

Date: _____ Telephone: () _____

4

SPECIAL PAYMENT INSTRUCTIONS
(See Instructions 2, 3, 9 and 10)

To be completed ONLY if the check for the purchase price of Units purchased or Depository Receipts for Units not tendered or not purchased are to be issued in the name of someone other than the signatory, or if Units tendered by book-entry transfer that are not purchased are to be returned by credit to an account at the Book-Entry Transfer Facility other than that designated above.

[] Issue (check appropriate box(es):

[] Check [] Depository Receipt(s) to:

Name: _____
(Please Print or Type)

Address: _____

(Include Zip Code)

(Tax Identification or Social Security No.)
(See Substitute Form W-9)

[] Credit unpurchased Units tendered by book-entry transfer to the account set forth below:

Name of Account Party

Account No. _____ at

SPECIAL DELIVERY INSTRUCTIONS
(See Instructions 2, 3, 9 and 10)

To be completed ONLY if the check for the purchase price of Units purchased or Depository Receipt(s) for Units not tendered or not purchased are to be mailed to someone other than the Signatory or to the Signatory at an address other than that shown above next to the signatory.

[] Mail (check appropriate box(es):

[] Check [] Depository Receipt(s) to:

Name: _____
(Please Print or Type)

Address: _____

(Include Zip Code)

Unless otherwise indicated herein in the box entitled "Special Payment Instructions," the Depository will issue the check with respect to tendered Units accepted for purchase, and return any Depository Receipts not tendered or not accepted for purchase, in the name(s) of the registered Holder(s) appearing above in the box entitled "Description of Shares Tendered." Similarly, unless otherwise indicated herein in the box entitled "Special Delivery Instructions," the Depository will mail the check with respect to tendered Units accepted for purchase, together with any Depository Receipts not tendered or not accepted for purchase (and any accompanying documents, as appropriate) to the address(es) of the registered Holder(s) appearing above in the box entitled "Description of Shares Tendered." If either the "Special Payment Instructions" box and the "Special Delivery Instructions" box are completed, the Depository will issue the check with respect to any tendered Units accepted for purchase and return any Depository Receipts not tendered or not accepted for payment in the name(s) of, and will mail the check and any such Units not tendered or not accepted for payment and return any Depository Receipts not tendered or not accepted for payment in the name(s) of, and will mail the check and any such Units not tendered or not accepted for payment to, the person(s) at the address(es) so indicated. Unless otherwise indicated herein under "Special Payment Instructions," in the case of a book-entry transfer of Units, please credit the account maintained at the Book-Entry Transfer Facility indicated above with respect to any Units not accepted for payment. The Signatory recognizes that the Purchaser has no obligations pursuant to the "Special Payment Instructions" box or "Special Delivery Instructions" box provisions of this Letter of Transmittal to transfer any Units from the name of the registered Holder(s) thereof if the Purchaser does not accept for payment any of the principal amount of such Units.

Please note that a tendering beneficial owner of Units whose Units are owned of record by an IRA or other qualified plan will not receive direct payment of the purchase price; rather, payment will be made to the custodian of such account or plan.

TAX CERTIFICATES

=====

PLEASE COMPLETE

BOX A

SUBSTITUTE FORM W-9
(See Instruction 5)

The person signing this Letter of Transmittal hereby certifies to the Purchaser under penalties of perjury:

Part 1 -- The Taxpayer Identification Number (TIN) furnished in the space below is the correct TIN of the Holder;

TIN: _____

Part 2 -- If no TIN is provided in the space above and this box [] is checked, the Holder has applied for a TIN, a TIN has not been issued to the Holder and either (i) the Holder has mailed or delivered an application to receive a TIN to the appropriate Internal Revenue Service ("IRS") Center or Social Security Administration office or (ii) the Holder intends to mail or deliver an application in the near future and it is understood that if the Holder does not provide a TIN to the Purchaser within 60 days, 31% of all reportable payments made to the Holder thereafter will be withheld until a TIN is provided to the Purchaser; and

Part 3 -- Unless this box [] is checked, the Holder is NOT subject to backup withholding either because the Holder (i) is exempt from backup withholding, (ii) has not been notified by the IRS that the Holder is subject to backup withholding as a result of a failure to report all interest or dividends or (iii) has been notified by the IRS that such Holder is no longer subject to backup withholding.

=====

=====

PLEASE COMPLETE
BOX B

FIRPTA AFFIDAVIT - CERTIFICATE OF NON-FOREIGN STATUS
(See Instruction 5)

Under Section 1445(c) (5) of the Code and Treas. Reg. 1.1445-11T(d), a transferee of a U.S. real property interest must withhold tax if the transferor is a foreign person. To inform the Purchaser that no withholding is required with respect to the Holder's interest in the Partnership, the person signing this Letter of Transmittal hereby certifies the following under penalties of perjury:

Part 1 -- Unless this box [] is checked, the Holder is a U.S. citizen or a resident alien for purposes of U.S. income taxation, and if not an individual, is not a foreign corporation, foreign partnership, foreign trust, or foreign estate (as those terms are defined in the Code and Treasury regulations, promulgated thereunder);

Part 2 -- The name of the Holder is _____;

Part 3 -- The Holder's Social Security Number (for individuals) or Employer Identification Number (for non-individuals) is _____; and

Part 4 -- The Holder's home address (in the case of an individual) or office address (in the case of an entity) is _____.

=====

6

INSTRUCTIONS

for Completing the Letter of Transmittal for
AMERICAN REAL ESTATE PARTNERS, L.P.
Forming Part of the Terms and Conditions of the Offer

FOR ASSISTANCE IN COMPLETING THIS LETTER OF TRANSMITTAL, PLEASE CALL:
BEACON HILL PARTNERS, INC. AT (212) 843-8500 (COLLECT) OR
(800) 792-2829 (TOLL FREE).

1. DELIVERY OF LETTER OF TRANSMITTAL.

For convenience in responding to the Offer, a pre-addressed envelope has been enclosed with the Offer to Purchase. To ensure the Depositary's receipt of the Letter of Transmittal along with any and all Depositary Receipts, it is suggested that you use an overnight courier or, if the Letter of Transmittal is to be delivered by United States mail, that you use certified or registered mail, return receipt requested. The method of delivery of the Letter of Transmittal and all other required documents, including delivery through any book-entry transfer facility, is at the option and risk of the tendering Holder and delivery will be deemed made only when actually received by the Depositary. In all cases, sufficient time should be allowed to assure timely delivery.

This Letter of Transmittal is to be used only if Units tendered hereby are to be forwarded herewith. All physically tendered Depositary Receipts (or in the case of book-entry transfer, an Agent's Message), together with a properly completed and validly executed Letter of Transmittal (or manually signed facsimile thereof) and any other documents required by this Letter of Transmittal must be received by the Depositary at one of its addresses set forth on the cover page hereof on or prior to the Expiration Date (except as otherwise provided pursuant to the Notice of Guaranteed Delivery). If Depositary Receipts are forwarded to the Depositary in multiple deliveries, a properly completed and validly executed Letter of Transmittal must accompany each such delivery.

To be effective, a properly completed and duly executed original Letter of Transmittal along with any and all Depositary Receipts, any required signature guarantees and any other required documents must be received by the Depositary at one of its addresses set forth below prior to 12:00 Midnight, New York City time on December 18, 1998, unless extended (the "Expiration Date").

By Mail: HARRIS TRUST COMPANY OF NEW YORK
Wall Street Station
P.O. Box 1023
New York, New York 10268-1023

By Hand/Overnight Delivery: HARRIS TRUST COMPANY OF NEW YORK
Receive Window
Wall Street Plaza
88 Pine Street, 19th Floor
New York, New York 10005

To Confirm: (212) 701-7624

2. GUARANTEE OF SIGNATURES.

No signature guarantee is required if either:

(a) this Letter of Transmittal is signed by the registered Holder of the Units (which term, for purposes hereof, shall include any participant in the Book-Entry Transfer Facility whose name appears on a security position listing as the owner of such Units) tendered hereby and payment and delivery are to be made directly to such owner and such owner has not completed the box entitled "Special Payment Instructions" or the box entitled "Special Delivery Instructions" above; or

(b) such Units are tendered for the account of a bank, broker, dealer, credit union, savings association or other entity which is a member in good standing of the Securities Transfer Agents Medallion Program (each of the foregoing constituting an "Eligible Institution").

IN ALL OTHER CASES, AN ELIGIBLE INSTITUTION MUST GUARANTEE ALL SIGNATURES ON THIS LETTER OF TRANSMITTAL.

3. SIGNATURES ON LETTER OF TRANSMITTAL.

If the Letter of Transmittal is signed by the registered Holder(s) of the tendered Units, the signature(s) must correspond exactly with the name(s) as shown on the records of the Partnership without alteration, enlargement or any change whatsoever.

If the Letter of Transmittal is signed by trustees, executors, administrators, guardians, attorneys-in-fact, agents, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and proper evidence satisfactory to the Depositary and the Purchaser of their authority so to act must be submitted (see Instruction 4). With respect to most trusts, generally only the signature of the named trustee will be required. For Units held in a custodial account for minors, only the signature of the custodian will be required.

7

For IRA custodial accounts, the beneficial owner should return the executed Letter of Transmittal to the Depositary as specified in Instruction 1 herein. Such Letter of Transmittal will then be forwarded by the Depositary to the custodian for additional execution. Such Letter of Transmittal will not be considered duly completed until after it has been executed by the custodian.

If any tendered Units are registered in different names, it will be necessary to complete, sign and submit as many separate Letters of Transmittal as there are different Depositary Receipts.

If this Letter of Transmittal is signed by the registered Holder(s) of the Units tendered hereby, no endorsements of Depositary Receipts or separate stock powers are required unless payment of the purchase price is to be made, or Units not tendered or not purchased are to be returned, in the name of any person other than the registered Holder(s). Signatures on any such Depositary Receipts or stock powers must be guaranteed by an Eligible Institution.

If this Letter of Transmittal is signed by a person other than the registered Holder(s) of the Units tendered hereby, the Depositary Receipt must be endorsed or accompanied by, appropriate stock powers, in either case, signed exactly as the name(s) of the registered Holder(s) appear(s) on the certificates for such Units. Signature(s) on any such certificates or stock powers must be guaranteed by an Eligible Institution.

If this Letter of Transmittal or any certificate or stock power is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, such person should so indicate when signing, and proper evidence satisfactory to the Purchaser of the authority of such person so to act must be submitted.

4. DOCUMENTATION REQUIREMENTS.

In addition to information required to be completed on the Letter of Transmittal, additional documentation may be required by the Purchaser under certain circumstances including, but not limited to those listed below. Questions on documentation should be directed to Beacon Hill Partners, Inc. at (212) 843-8500 (Collect) or (800) 792-2829 (Toll Free).

Deceased Owner (Joint Tenant)	Certified copy of death certificate.
Deceased Owner (Others)	Certified copy of death certificate (See also Executor/Administrator/Guardian below).
Executor/Administrator/Guardian	(a) Certified copies of court appointment documents for executor or administrator dated within 60 days of the date of execution of the Letter of Transmittal; and (b) Copy of applicable provisions of the will (title page, executor(s)' powers, asset distribution); OR (c) Certified copy of estate distribution documents.
Attorney-In-Fact	Current power of attorney.
Corporations/Partnerships	Certified copy of corporate resolution(s) (with raised corporate seal) or other evidence of authority to act. Partnerships should furnish copy of their partnership agreement.
Trust/Pension Plans	Copy of cover page of the trust or pension plan, along with copy of the section(s) setting forth names and powers of trustee(s) and any amendments to such sections or appointment of successor trustee(s).

5. U.S. PERSONS.

A Holder who or which is a United States citizen or a resident alien individual, a domestic corporation, a domestic partnership, a domestic trust or a domestic estate (collectively, "United States persons") as those terms are defined in the Code and Treasury regulations, promulgated thereunder, should follow the instructions with respect to certifying Boxes A and B.

Taxpayer Identification Number. To avoid 31% federal income tax withholding, the Holder or other payee must provide the Depositary with the Holder's correct TIN in the blanks provided for that purpose in Boxes A and B. In the case of an individual person, such person's social security number is his or her TIN.

WHEN DETERMINING THE TIN TO BE FURNISHED, PLEASE NOTE: Individual accounts should reflect their own TIN; joint accounts should reflect the TIN of the person whose name appears first; trust accounts should reflect the TIN assigned to the Trust; custodial accounts for the benefit of minors should reflect the TIN of the minor; corporations or other businesses should reflect the TIN assigned to that entity.

Substitute Form W-9 -- Box A. Each tendering Holder is required to provide the Depository with a correct TIN on Substitute Form W-9 and to certify, under penalties of perjury, that (i) the TIN provided on Substitute Form W-9 is correct (or that such Holder is awaiting a TIN) and (ii) the Holder either (a) is exempt from backup withholding, (b) has not been notified by the IRS that the Holder is subject to backup withholding as a result of a failure to report all interest or dividends or (c) has been notified by the IRS that the Holder is no longer subject to backup withholding. Failure to provide the information on the form may subject the tendering Holder to 31% federal income tax withholding on the payments made to the Holder or other payee with respect to Units purchased pursuant to the Offer.

8

The box in Box A, Part 2 of the form may be checked if the tendering Holder has not been issued a TIN and has applied for a TIN or intends to apply for a TIN in the near future. If the box in Part 2 is checked, backup withholding, if applicable, will begin 7 days after the Depository receives an Awaiting TIN Certification and will continue until the Holder's TIN is provided to the Depository. If within 60 days the Depository receives the Holder's TIN on a new IRS Form W-9 or copy of the Substitute Form W-9 provided above, the Depository will return amounts withheld through the date such IRS Form W-9 or Substitute Form W-9 is received.

DO NOT CHECK THE BOX IN BOX A, PART 3 UNLESS YOU HAVE BEEN NOTIFIED BY THE IRS THAT YOU ARE SUBJECT TO BACKUP WITHHOLDING.

FIRPTA Affidavit -- Box B. To avoid potential withholding of tax pursuant to Section 1445 of the Code in an amount equal to 10% of the purchase price for Units purchased pursuant to the Offer, plus the amount of any liabilities of the Partnership allocable to such Units, each Holder who or which is a United States person must complete the FIRPTA Affidavit stating, under penalties of perjury, such Holder's TIN and address, and that such Holder is not a foreign person. Tax withheld under Section 1445 of the Code is not an additional tax. If withholding results in an overpayment of tax, a refund may be obtained from the IRS. CHECK THE BOX IN BOX B, PART 1 ONLY IF YOU ARE NOT A U.S. PERSON AS DESCRIBED THEREIN.

6. FOREIGN PERSONS.

In order for a Holder who is a foreign person (i.e., not a United States person as defined in Instruction 5 above) to qualify as exempt from 31% backup withholding, such foreign Holder must complete and deliver to the Depository, along with the Letter of Transmittal, Substitute Form W-8 which can be obtained from the Information Agent.

7. CONDITIONAL TENDERS.

No alternative, conditional or contingent tenders will be accepted.

8. NUMBER OF UNITS TENDERED; PARTIAL TENDERS.

LETTERS OF TRANSMITTAL WHICH HAVE BEEN DULY EXECUTED, BUT WHERE NO INDICATION IS MARKED IN THE "NUMBER OF UNITS TENDERED" COLUMN IN THE BOX ENTITLED "DESCRIPTION OF UNITS TENDERED," SHALL BE DEEMED TO HAVE TENDERED ALL UNITS PURSUANT TO THE OFFER. ALL UNITS REPRESENTED BY DEPOSITARY RECEIPTS DELIVERED TO THE DEPOSITARY WILL BE DEEMED TO HAVE BEEN TENDERED UNLESS OTHERWISE INDICATED. If fewer than all the Units evidenced by any Depository Receipt submitted are to be tendered, new Depository Receipt(s) for the remainder of the Units that were evidenced by the old Depository Receipt(s) will be sent to the tendering Holder as soon as practicable after the expiration of the Offer. No fractional Units will be purchased (except from a Holder who is tendering all of the Units owned by that Holder). All tendering Holders, by execution of the Letter of Transmittal (or manually signed facsimile thereof), waive any right to receive any notice of the acceptance of their Units for payment.

9. SPECIAL PAYMENT AND DELIVERY INSTRUCTIONS.

If the check for the purchase price of any Units purchased is to be issued, or any Units not tendered or not purchased are to be returned in the name of, a person other than the person(s) signing this Letter of Transmittal or if the check or any Depository Receipts for Units not tendered or not

purchased are to be mailed to someone other than the person(s) signing this Letter of Transmittal or to the person(s) signing this Letter of Transmittal at an address other than that shown above, the appropriate boxes on this Letter of Transmittal should be completed. Holders tendering Units by book-entry transfer may request that Units not purchased be credited to such account at any of the Book-Entry Transfer Facility as such Holder may designate under "Special Payment Instructions."

10. STOCK TRANSFER TAXES.

The Purchaser will pay any stock transfer taxes with respect to the sale and transfer of any Units to it or its order pursuant to the Offer. If, however, payment of the purchase price is to be made to, or Units not tendered or not purchased are to be returned in the name of, any person other than the registered Holder(s), then the amount of any stock transfer taxes (whether imposed on the registered Holder(s), such other person or otherwise) payable on account of the transfer to such person will be deducted from the purchase price unless satisfactory evidence of the payment of such taxes, or exemption therefrom, is submitted.

11. WAIVER OF CONDITIONS.

The conditions of the Offer may be waived by the Purchaser in whole or in part at any time and from time to time in its sole discretion.

12. LOST, DESTROYED OR STOLEN DEPOSITARY RECEIPT(S).

If any Depositary Receipt evidencing Units has been lost, destroyed or stolen, the Holder should promptly notify the Depositary. The Holder will then be instructed as to the steps that must be taken in order to replace the Depositary Receipt. This Letter of Transmittal and related documents cannot be processed until the procedures for replacing lost or destroyed Depositary Receipts have been followed.

13. WITHDRAWAL RIGHTS.

Holders who have tendered and wish to exercise their right of withdrawal with respect to the Offer must give a timely notice of withdrawal by writing or facsimile transmission, which notice must be received by the Depositary at one of its addresses set forth on the front cover of this Letter of Transmittal on or prior to the time provided in Section 4 of the Offer to Purchase. For a withdrawal to be effective, a written or facsimile transmission notice of withdrawal must be timely received by the Depositary at one of its addresses set forth on the back cover of the Offer to Purchase. Any notice of withdrawal must specify the name of the person who tendered the Units to be withdrawn, the number of Units to be withdrawn and the name of the registered Holder, if different from that of the person who tendered such Units. If Depositary Receipts evidencing Units to be withdrawn have been delivered or otherwise identified to the Depositary, then, prior to the physical release of such Depositary Receipts, the serial numbers shown on such Depositary Receipts must be submitted to the Depositary and the signature(s) on the notice of withdrawal must be guaranteed by an Eligible Institution, unless such Units have been tendered for the account of an Eligible Institution. If Units have been tendered pursuant to the procedure for book-entry transfer as set forth in Section 3 of the Offer to Purchase, any notice of withdrawal must specify the name and number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Units. Withdrawals of tenders of Units may not be rescinded and any Units withdrawn thereafter will be deemed not validly tendered for purposes of the Offer. However, properly withdrawn Units may be retendered by following the procedures described in Section 3 of the Offer to Purchase at any time prior to the Expiration Date.

14. VALIDITY OF LETTER OF TRANSMITTAL.

All questions as to the validity, form, eligibility (including time of receipt) and acceptance of the Letter of Transmittal will be determined by the Purchaser and such determination will be final and binding. The Purchaser's interpretation of the terms and conditions of the Offer (including these Instructions for the Letter of Transmittal) also will be final and binding. The Purchaser will have the right to waive any irregularities or conditions as to the manner of tendering. And any irregularities in connection with tenders must

be cured within such time as the Purchaser shall determine unless waived by it.

The Letter of Transmittal will not be valid unless and until any irregularities have been cured or waived. Neither the Purchaser, the Depository nor the Information Agent are under any duty to give notification of any defects in a Letter of Transmittal and will incur no liability for failure to give such notification.

15. REQUESTS FOR ASSISTANCE AND ADDITIONAL COPIES.

Questions or requests for assistance may be directed to the Information Agent, Beacon Hill Partners, Inc. at (212) 843-8500 (collect) or (800) 792-2829 (toll free). Copies of the Offer to Purchase and the Letter of Transmittal may be obtained from the Information Agent by calling either number.

16. INADEQUATE SPACE.

If the space provided herein is inadequate, additional information may be provided on a separate schedule signed and attached hereto.

17. DIVIDEND REINVESTMENT PLAN.

Certain persons may hold Units issued under the Partnership's dividend reinvestment plan ("DRIP Units"). LETTERS OF TRANSMITTAL WHICH HAVE BEEN DULY EXECUTED, BUT WHERE NO INDICATION IS MARKED IN THE "NUMBER OF DRIP UNITS TENDERED" COLUMN IN THE BOX ENTITLED "DESCRIPTION OF UNITS TENDERED," SHALL BE DEEMED TO HAVE TENDERED ALL DRIP UNITS PURSUANT TO THE OFFER. If the Holders of DRIP Units do not indicate in the box entitled "Description of Units Tendered" what type of Units are being tendered or do not complete the box entitled "No. of DRIP Units Tendered" and tender more Units than the Units that they hold which are not DRIP Units, they shall be deemed to have first tendered their Units which are not DRIP Units and then their DRIP Units.

IMPORTANT: A PROPERLY COMPLETED AND DULY EXECUTED LETTER OF TRANSMITTAL (ALONG WITH AND ANY AND ALL DEPOSITARY RECEIPTS, AND ANY REQUIRED SIGNATURE GUARANTEES AND ANY OTHER REQUIRED DOCUMENTS) MUST BE RECEIVED BY THE DEPOSITARY ON OR PRIOR TO 12:00 MIDNIGHT, NEW YORK CITY TIME ON DECEMBER 18, 1998, UNLESS EXTENDED.

IMPORTANT TAX INFORMATION

Under federal income tax law, in order to prevent backup withholding on amounts payable to a Holder whose tendered Units are accepted for payment, such Holder is required to provide the Depository with such Holder's correct TIN on Substitute Form W-9 above or otherwise establish a basis for exemption from backup withholding. If the Depository is not provided with the correct TIN, the Holder or other payee may be subject to penalties imposed by the IRS. In addition, payments that are made to such Holder or other payee with respect to Units purchased pursuant to the Offer may be subject to backup withholding.

Certain Holders (including, among others, all corporations and certain foreign persons) are not subject to these backup withholding and reporting requirements. Exempt Holders should indicate their exempt status on Substitute Form W-9. In order for a foreign person to qualify as an exempt recipient, that Holder must deliver to the Depository a Substitute Form W-8, signed under penalties of perjury, attesting to that Holder's exempt status.

If backup withholding applies, the Depository is required to withhold 31% of any reportable payments made to the Holder or other payee. Backup withholding is not an additional tax. Rather, the federal income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained from the IRS.

Offer to Purchase for Cash
Up to 10 Million Depositary Units
Representing Limited Partner Interests
in
AMERICAN REAL ESTATE PARTNERS, L.P.
for
\$10.50 Net Per Unit
by
LEYTON LLC

THE OFFER WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON
DECEMBER 18, 1998, UNLESS EXTENDED (THE "EXPIRATION DATE").

November 20, 1998

To Our Clients:

We enclose for your consideration the Offer to Purchase dated November 20, 1998 (the "Offer to Purchase") and the accompanying Letter of Transmittal (which together constitute the "Offer") in connection with the offer by Leyton LLC, a Delaware limited liability company (the "Purchaser"), to purchase up to 10 million depositary units representing limited partner interests ("Units") in American Real Estate Partners, L.P. (the "Partnership") for \$10.50 per Unit pursuant to the terms of the Offer, all upon the terms and subject to the conditions set forth in the Offer.

We are the registered holder of Units held for your account. A tender of such Units may be made only by us as the holder of record and pursuant to your instructions. The specimen Letter of Transmittal is furnished to you for your information only and cannot be used by you to tender Units held by us for your account.

Accordingly, we request your instructions as to whether you wish us to tender any or all of the Units held by us for your account upon the terms and subject to the conditions set forth in the Offer.

We urge you to read the enclosed Offer to Purchase and Letter of Transmittal carefully before instructing us to tender your Units.

Capitalized terms used herein and not otherwise defined herein shall have their respective meanings set forth in the Offer to Purchase.

Your attention is also directed to the following:

1. The tender price is \$10.50 per Unit, net to the seller in cash, subject to applicable withholding taxes, upon the terms and subject to the conditions set forth in the Offer.
2. The Offer is being made for up to 10 million Units.
3. Consummation of the Offer is subject to certain conditions as described in the Offer to Purchase. See the Offer to Purchase under the caption "Section 14 - Conditions of the Offer." Subject to the conditions specified in the Offer, all of which conditions may be waived by the Purchaser at any time in whole or in part, the Purchaser will accept for payment up to 10 million Units validly tendered on or prior to the Expiration Date.
4. Tendering holders of Units will not be required to pay, except as otherwise provided in the Instructions to the Letter of Transmittal, transfer taxes with respect to the tendering of the Units pursuant to the Offer.

If you wish to have us tender Units pursuant to the Offer, please so instruct us by completing, executing, detaching and returning to us the instruction form attached hereto. An envelope to return your instructions to us is enclosed. If you authorize the tender of your Units, all such Units will be

tendered unless otherwise specified on the instruction form.

Payment for Units purchased pursuant to the Offer will in all cases be made only after timely receipt by the Depository of (a) Depository Receipts or timely confirmation of the book-entry transfer of such Units into the account maintained by the Depository at The Depository Trust Company (the "Book-Entry Transfer Facility"), pursuant to the procedure set forth in Section 3 of the Offer to Purchase, (b) the Letter of Transmittal (or a manually signed facsimile thereof), properly completed and duly executed with any required signature guarantees, or an Agent's Message (as defined in the Offer to Purchase) in connection with a book-entry delivery and (c) any other documents required by the Letter of Transmittal.

Your instructions should be forwarded to us in sufficient time to permit us to submit a tender on your behalf by the Expiration Date for the Offer, which is 12:00 Midnight, New York City time, on December 18, 1998, unless extended.

The Purchaser is not aware of any jurisdiction where the making of the Offer is not in compliance with the laws of such jurisdiction. If the Purchaser becomes aware of any jurisdiction where the making of the Offer would not be in compliance with such laws, the Purchaser will make a good faith effort to comply with any such laws or seek to have such laws declared inapplicable to the Offer. If, after such good faith effort, the Purchaser cannot comply with any such applicable laws, the Offer will not be made to (nor will tenders be accepted from or on behalf of) the holders of units residing in such jurisdiction.

Instructions with Respect to the
Offer to Purchase for Cash Up to 10 Million Depository Units
Representing Limited Partner Interests
in
American Real Estate Partners, L.P.

The undersigned acknowledge(s) receipt of your letter and the enclosed Offer to Purchase dated November 20, 1998 and the related Letter of Transmittal in connection with the offer by Leyton LLC, a Delaware limited liability company (the "Purchaser"), to purchase for cash up to 10 million depository units representing limited partner interests ("Units") in the American Real Estate Partners, L.P. for \$10.50 per Unit pursuant to the terms of the Offer.

This will instruct you to tender to the Purchaser the number of Units indicated below (or if no number is indicated below, all Units) which are held by you for the account of the undersigned, upon the terms and subject to the conditions set forth in the Offer.

Number of Units to be Tendered: _____ Units*

Date: _____

SIGN HERE

Signature(s) _____

(Print Name(s)) _____

(Print Address(es)) _____

(Area Code and Telephone Number(s)) _____

(Taxpayer Identification or
Social Security Number(s)

* Unless otherwise indicated, it will be assumed that all of the Units held by
us for your account are to be tendered.

Beacon Hill Partners, Inc.
90 Broad Street
20th Floor
New York, New York 10004

Offer to Purchase for Cash
Up to 10 Million Depositary Units
Representing Limited Partner Interests
in
AMERICAN REAL ESTATE PARTNERS, L.P.
for
\$10.50 Net Per Unit
by
LEYTON LLC

THE OFFER WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME,
ON DECEMBER 18, 1998, UNLESS EXTENDED (THE "EXPIRATION DATE").

November 20, 1998

To Brokers, Dealers, Commercial Banks,
Trust Companies and other Nominees:

We have been retained by Leyton LLC, a Delaware limited liability company (the "Purchaser"), to act as Information Agent in connection with its offer to purchase for cash up to 10 million depositary units representing limited partner interests (the "Units") in American Real Estate Partners, L.P. (the "Partnership") for \$10.50 per Unit pursuant to the terms of the Offer (as herein defined), upon the terms and subject to the conditions set forth in the Offer to Purchase dated November 20, 1998 (the "Offer to Purchase"), and in the accompanying Letter of Transmittal (which together constitute the "Offer").

The purchase price of \$10.50 per Unit for the Units which are tendered, accepted for payment and paid for by the Purchaser pursuant to the Offer will be in full satisfaction of all amounts due for such tendered Units.

Consummation of the Offer is subject to certain conditions as described to the Offer to Purchase. See the Offer to Purchase under the caption "Section 14. - Conditions of the Offer." Subject to the terms and conditions specified in the Offer, all of which conditions may be waived by the Purchaser at any time in whole or in part, the Purchaser will accept for payment up to 10 million Units validly tendered on or prior to the Expiration Date.

We are asking you to contact your clients for whom you hold Units registered in your name or in the name of your nominee. You will be reimbursed by the Purchaser for customary clerical and mailing expenses incurred by you in forwarding materials to your clients. The Purchaser will not pay any fees or commissions to any broker or dealer or other person (other than Beacon Hill Partners, Inc. (the "Information Agent") and Harris Trust Company of New York (the "Depositary"), in each case as described in the Offer) for soliciting tenders of Units pursuant to the Offer. Tendering holders of Units will not be required to pay, except as otherwise provided in the Instructions to the enclosed Letter of Transmittal, transfer taxes with respect to the tendering of the Units pursuant to the Offer.

For your information and for forwarding to your clients for whom you hold Units registered in your name or in the name of your nominee or for forwarding to your clients who hold Units registered in their own names, we are enclosing the following documents:

1. The Offer to Purchase;

2. Letter of Transmittal to be used in accepting the Offer;

3. Letter which may be sent to your clients for whose accounts you hold Units in your name or in the name of your nominee, together with an Instruction Form for obtaining such clients' instructions with regard to the Offer;

4. Notice of Guaranteed Delivery to be used to accept the Offer if depositary receipts representing such Units ("Depositary Receipts") are not immediately available, or if the procedure for book-entry transfer cannot be completed on or prior to the Expiration Date; and

5. Return envelope addressed to Harris Trust Company of New York, the Depositary.

We urge you to contact your clients as promptly as possible. Please note that the Offer will expire at 12:00 Midnight, New York City time, on December 18, 1998, unless extended. See the Offer to Purchase under the caption "Section 5.-Extension of Tender Period; Termination; Amendment."

In order to take advantage of the Offer, (i) a duly executed and properly completed Letter of Transmittal with any required signature guarantees, or an Agent's Message (as defined in the Offer to Purchase) in connection with a book-entry delivery of Units, and any other required documents should be sent to the Depositary, and (ii) Depositary Receipts representing the tendered Units should be delivered to the Depositary, or such Units should be tendered by book-entry transfer into the Depositary's account maintained at the Book-Entry Transfer Facility (as described in the Offer to Purchase), all in accordance with the instructions set forth in the Letter of Transmittal and the Offer to Purchase.

If a holder of Units desires to tender Units pursuant to the Offer, and (i) the Depositary Receipts are not immediately available, or (ii) such holder cannot deliver such Depositary Receipts and other required documents to reach the Depositary before the Expiration Date, (iii) such holder cannot complete the procedures for book-entry transfer on a timely basis, then in each case such holder must tender such Units according to procedures for guaranteed delivery set forth in the Offer to Purchase under the caption "Section 3. - Procedure for Tendering Units."

Requests for information or additional copies of the Offer to Purchase or the Letter of Transmittal should be directed to either the Information Agent or the Depositary. All deliveries, correspondence and questions sent or presented to the Information Agent or the Depositary relating to the Offer should be directed to one of the addresses or telephone numbers set forth on the back cover of the Offer to Purchase.

Very truly yours,

BEACON HILL PARTNERS, INC.

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY OTHER PERSON AS AN AGENT OR AFFILIATE OF THE PURCHASER, THE INFORMATION AGENT OR THE DEPOSITARY, OR AUTHORIZE YOU OR ANY OTHER PERSON TO MAKE STATEMENTS ON BEHALF OF ANY OF THEM WITH RESPECT TO THE OFFER, EXCEPT FOR STATEMENTS EXPRESSLY MADE IN THE OFFER TO PURCHASE OR THE LETTER OF TRANSMITTAL.

NOTICE OF GUARANTEED DELIVERY
for
TENDER OF DEPOSITARY UNITS REPRESENTING
LIMITED PARTNER INTERESTS IN

AMERICAN REAL ESTATE PARTNERS, L.P.
(Not to be used for Signature Guarantees)

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT,
NEW YORK CITY TIME, ON DECEMBER 18, 1998, UNLESS EXTENDED.

This Notice of Guaranteed Delivery or one substantially equivalent hereto must be used to accept the Offer (as defined below) if depositary receipts ("Depositary Receipts") evidencing depositary units representing the limited partner interests (the "Units") in American Real Estate Partners, L.P. (the "Partnership"), are not immediately available or the procedures for book-entry transfer cannot be completed on a timely basis or time will not permit all required documents to reach the Harris Trust Company of New York (the "Depositary") prior to the Expiration Date (as defined in the Offer to Purchase). This Notice of Guaranteed Delivery may be delivered by hand or transmitted by facsimile transmission or mail to the Depositary. See Section 3 of the Offer to Purchase.

The Depositary for the Offer is:

THE HARRIS TRUST COMPANY OF NEW YORK

By Mail:
Harris Trust Company of New York
Wall Street Station
P.O. Box 1023
New York, NY 10268-1023

By Hand/Overnight Delivery:
Harris Trust Company of New York
Receive Window
Wall Street Plaza
88 Pine Street, 19th Floor
New York, NY 10005

By Facsimile Transmission:
(212) 701-7636
(for Eligible Institutions Only)
Confirm by Telephone

For Information call (212) 701-7624 (Collect) or (800) 792-2829 (Toll Free)

DELIVERY OF THIS NOTICE OF GUARANTEED DELIVERY TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF INSTRUCTIONS VIA A FACSIMILE TRANSMISSION TO A NUMBER OTHER THAN THE ONES LISTED ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.

This Notice of Guaranteed Delivery is not to be used to guarantee signatures. If a signature on a Letter of Transmittal is required to be guaranteed by an Eligible Institution (as defined in Section 3 of the Offer to Purchase) under the instructions thereto, such signature guarantee must appear in the applicable space provided in the signature box on the Letter of Transmittal.

The Eligible Institution that completes this form must communicate the guarantee to the Depositary and must deliver the Letter of Transmittal and Depositary Receipts to the Depositary within the time period shown herein. Failure to do so could result in a financial loss to such Eligible Institution.

THE GUARANTEE ON THE NEXT PAGE MUST BE COMPLETED

Ladies and Gentlemen:

The undersigned hereby represents that it "owns" the Units tendered hereby within the meaning of Rule 14e-4 under the Securities Exchange Act of 1934, as amended ("Rule 14e-4"), and hereby tenders to Leyton LLC, a Delaware limited liability company, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated November 20, 1998 (the "Offer to Purchase"), and in the related Letter of Transmittal (which, together with any supplements or amendments thereto, collectively constitute the "Offer"), receipt of each of which is hereby acknowledged, the number of Units indicated below pursuant to the guaranteed delivery procedures set forth in Section 3 of the Offer to Purchase.

Number of Units: _____	Name(s) of Record Holder(s): _____
Depository Receipt Nos. (if available): _____	_____
_____	(Please type or print)
Check the box if Units will be tendered by book-entry transfer:	Address(es): _____
<input type="checkbox"/> The Depository Trust Company	_____
	(Zip Code)
	Area Code and Tel. No.: _____
Account Number: _____	Signature(s): _____
Dated: _____	_____

THE GUARANTEE SET FORTH BELOW MUST BE COMPLETED

GUARANTEE
(Not to be used for signature guarantee)

The undersigned, an Eligible Institution (as such term is defined in Section 3 of the Offer to Purchase), hereby guarantees to deliver to the Depository the Depository Receipts representing the Units tendered hereby, in proper form for transfer, or a Book-Entry Confirmation (as defined in Section 2 of the Offer to Purchase) with respect to such Units, in either case together with a properly completed and duly executed Letter of Transmittal (or a manually signed facsimile thereof), together with any required signature guarantees (or, in the case of a book-entry transfer, an Agent's Message (as defined in Section 2 of the Offer to Purchase)), and any other documents required by the Letter of Transmittal, all within three New York Stock Exchange, Inc. trading days after the date hereof.

Name of Firm: _____	_____
	(Authorized Signature)
Address: _____	Name: _____
_____	Title: _____
(Zip Code)	
Area Code and Tel. No.: _____	Date: _____

NOTE: DO NOT SEND DEPOSITARY RECEIPTS WITH THIS NOTICE OF GUARANTEED DELIVERY. DEPOSITARY RECEIPTS SHOULD BE SENT ONLY TOGETHER WITH YOUR LETTER OF TRANSMITTAL.

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION
NUMBER ON SUBSTITUTE FORM W-9

Guidelines for Determining the Proper Identification Number to Give the Payer. Social Security numbers have nine digits separated by two hyphens: i.e., 000-00-0000. Employer identification numbers have nine digits separated by only one hyphen: i.e., 00-0000000. The table below will help determine the number to give the payer.

For this type of account:	Give the SOCIAL SECURITY number of --	For this type of account:	Give the EMPLOYER IDENTIFICATION number of --
1. An individual account	The individual	9. A valid trust, estate or pension trust	Legal entity (Do not furnish the identifying number of the personal representative or trustee unless the legal entity itself is not designated in the account title.)
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, any one of the individuals(1)		
3. Husband and wife (joint account)	The actual owner of the account or, if joint funds, either person(1)		
4. Custodian account of a minor (Uniform Gift to Minors Act)	The minor(2)	10. Corporate account	The Corporation
5. Adult and minor	The adult or, if the minor is the	11. Religious, charitable,	
or The organization (joint account)	only contributor, the minor(1)	educational organization account	
6. Account in the name of guardian or committee for a designated ward, minor, or incompetent person	The ward, minor, or incompetent person(3)	12. Partnership account held in the name of the business	The partnership
7. a. The usual revocable savings trust account (grantor is also trustee)	The grantor-trustee(1)	13. Association, club, or other tax-exempt organization	The organization
b. So-called trust account that is not a legal or valid trust under state law	The actual owner(1)	14. A broker or registered nominee	The broker or nominee
8. Sole proprietorship account	The Owner(4)	15. Account with the Department of Agriculture in the name of a public entity (such as a State or local government, school district, or prison) that receives agricultural program payments	The public entity

- (1) List first and circle the name of the person whose number you furnish.
- (2) Circle the minor's name and furnish the minor's social security number.
- (3) Circle the ward's, minor's or incompetent person's name and furnish such person's social security number.
- (4) Show the name of the owner.
- (5) List first and circle the name of the legal trust, estate or pension trust.

NOTE: If no name is circled when there is more than one name, the number will be considered to be that of the first name listed.

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION
NUMBER ON SUBSTITUTE FORM W-9

Obtaining a Number

If you don't have a taxpayer identification number or you don't know your number, obtain Form SS-5, Application for a Social Security Number Card, or Form SS-4, Application for Employer Identification Number, at the local office of the Social Security Administration or the Internal Revenue Service and apply for a number.

Payees Exempt from Backup Withholding

Payees specifically exempted from backup withholding on All payments include the

following:

- o A corporation
- o A financial institution.
- o An organization exempt from tax under section 501(a), or an individual retirement plan.
- o The United States or any agency or instrumentality thereof.
- o A State, the District of Columbia, a possession of the United States, or any subdivision or instrumentality thereof.
- o A foreign government, a political subdivision of a foreign government, or any agency or instrumentality thereof.
- o An international organization or any agency, or instrumentality thereof.
- o A registered dealer in securities or commodities registered in the U.S. or a possession of the U.S.
- o A real estate investment trust.
- o A common trust fund operated by a bank under section 584(a).
- o An exempt charitable remainder trust, or a non-exempt trust described in section 4947(a)(1)
- o An entity registered at all times under the Investment Company Act of 1940.
- o A foreign central bank of issue.

Payments of dividends and patronage dividends not generally subject to backup withholding include the following:

- o Payments to nonresident aliens subject to withholding under section 1441.
- o Payments to partnerships not engaged in a trade or business in the U.S. and which have at least one nonresident partner.
- o Payments of patronage dividends where the amount received is not paid in money.
- o Payments made by certain foregoing organizations.
- o Payments made to certain nominees.

Payments of interest not generally subject to backup withholding include the following:

- o Payments of interest on obligations issued by individuals.

Note: You may be subject to backup withholding if this interest is \$600 or more and is paid in the course of the payer's trade or business and you have not provided your correct taxpayer identification number to the payer.

- o Payments of tax-exempt interest (including exempt-interest dividends under section 852).
- o Payments described in section 6049(b)(5) to nonresident aliens.
- o Payments on tax-free covenant bonds under section 1451.
- o Payments made by certain foreign organizations.
- o Payments made to certain nominees.

Exempt payees described above should file Form W-9 to avoid possible erroneous backup withholding. FILE THIS FORM WITH THE PAYER, FURNISH YOUR TAXPAYER IDENTIFICATION NUMBER, WRITE "EXEMPT" ON THE FACE OF THE FORM, AND RETURN IT TO THE PAYER. IF THE PAYMENTS ARE INTEREST, DIVIDENDS, OR PATRONAGE DIVIDENDS, ALSO SIGN AND DATE THE FORM.

Certain payments other than interest, dividend, and patronage dividends, that are not subject to information reporting are also not subject to backup withholding. For details, see the regulations under sections 6041, 6041A(a), 6045, and 6050A.

Privacy Act Notice. -- Section 6109 requires most recipients of dividend, interest, or other payments to give taxpayer identification numbers to payers who must report the payments to the IRS. IRS uses the numbers for identification purposes. Payers must be given the numbers whether or not recipients are required to file tax returns. Beginning January 1, 1984 payers must generally withhold 20% of taxable interest, dividend, and certain other payments to a payee who does not furnish a taxpayer identification number to a payer. Certain penalties must also apply.

Penalties.

(1) Penalty for failure to Furnish Taxpayer Identification Number. -- If you fail to furnish your taxpayer identification number to a payer, you are subject to a penalty of \$50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

(2) Civil Penalty for False Information With Respect to Withholding. -- If you make a false statement with no reasonable basis which results in no imposition of backup withholding, you are subject to a penalty of \$500.

(3) Criminal Penalty for Falsifying Information. Falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

FOR ADDITIONAL INFORMATION CONTACT
YOUR TAX CONSULTANT OR THE
INTERNAL REVENUE SERVICE.

This announcement is neither an offer to purchase nor a solicitation of an offer to sell Units. The Offer is being made solely by the Offer to Purchase of Leyton LLC, dated November 20, 1998, and the related Letter of Transmittal and is not being made to, nor will tenders be accepted from or on behalf of, Holders residing in any jurisdiction in which making or accepting the Offer would violate that jurisdiction's laws. In those jurisdictions where the securities, blue sky or other laws require the Offer to be made by a licensed broker or dealer, the Offer shall be made on behalf of Leyton LLC, if at all, only by one or more registered brokers or dealers licensed under the laws of such jurisdiction.

Notice of Offer to Purchase for Cash
Up to Ten Million Depositary Units
Representing Limited Partner Interests
in
AMERICAN REAL ESTATE PARTNERS, L.P.
at
\$10.50 Net Per Unit
by
LEYTON LLC

Leyton LLC (the "Purchaser"), a limited liability company affiliated with Carl C. Icahn, is offering to purchase up to 10 million depositary units representing limited partner interests in American Real Estate Partners, L.P., a Delaware limited partnership (the "Partnership"), at a purchase price (the "Purchase Price") of \$10.50 per Unit, net to the seller in cash, without interest thereon, upon the terms and subject to the conditions set forth in the Purchaser's Offer to Purchase dated November 20, 1998 (the "Offer to Purchase"), and in the Letter of Transmittal (which, together with any supplements or amendments, constitute the "Offer"). All outstanding depositary units of limited partner interests in the Partnership are referred to herein as "Units" and the holders of such Units are referred to herein as "Holders."

=====

THE OFFER, THE WITHDRAWAL RIGHTS AND PRORATION PERIOD WILL
EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON DECEMBER 18,
1998, UNLESS THE OFFER IS EXTENDED.

=====

Mr. Icahn currently owns the general partner of the Partnership and is the beneficial owner of in excess of 68% of the Units. As a result, Mr. Icahn may be deemed to control the Partnership.

The Offer will expire at 12:00 midnight, New York City time, on December 18, 1998, unless and until the Purchaser, in its sole discretion, shall have extended the period of time for which the Offer is open (such date and time, as extended, the "Expiration Date").

If the Purchaser makes a material change in the terms of the Offer, or if it waives a material condition to the Offer, the Purchaser will extend the Offer and disseminate additional tender offer materials to the extent required by Rules 14d-4(c) and 14d-6(d) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The minimum period during which the Offer must remain open following any material change in the terms of the Offer, other than a change in price or a change in percentage of securities sought or a change in any dealer's soliciting fee, will depend upon the facts and circumstances, including the materiality of the change. With respect to a change in price or, subject to certain limitations, a change in the percentage of securities sought or a change in any dealer's soliciting fee, a minimum of ten business days from the date of such change is generally required to allow for adequate

dissemination to Holders. Accordingly, if prior to the Expiration Date, the Purchaser increases (other than increases of not more than two percent of the outstanding Units) or decreases the number of Units being sought, or increases or decreases the consideration offered pursuant to the Offer, and if the Offer is scheduled to expire at any time earlier than the tenth business day from the date that notice of such increase or decrease is first published, sent or given to Holders, the Offer will be extended at least until the expiration of such ten business days. For purposes of the Offer, a "business day" means any day other than a Saturday, Sunday or a federal holiday and consists of the time period from 12:01 a.m. through 12:00 midnight, New York City time. The period of time during which the Offer is open may be extended by the Purchaser, at any time and from time to time. If the Purchaser extends the Offer, such extension will be followed by a press release or public announcement thereof, which will be issued no later than 9:00 a.m., New York City time, on the next business day after the scheduled Expiration Date.

For purposes of the Offer, the Purchaser will be deemed to have accepted for payment pursuant to the Offer, and thereby purchased, validly tendered Units if, as and when the Purchaser gives oral or written notice to the Depository of the Purchaser's acceptance of those Units for payment pursuant to the Offer.

Tenders of Units made pursuant to the Offer are irrevocable, except that Holders who tender their Units in response to the Offer will have the right to withdraw their tendered Units at any time prior to the Expiration Date by sending a written or facsimile transmission notice of withdrawal to the Depository (as defined in the Offer to Purchase) at one of its addresses set forth on the back cover of the Offer to Purchase. Any notice of withdrawal must specify the name of the person who tendered the Units to be withdrawn, the number of Units to be withdrawn and the name of the registered holder, if different from that of the person who tendered such Units. If depository receipts evidencing Units to be withdrawn have been delivered or otherwise identified to the Depository, then, prior to the physical release of such depository receipts, the serial numbers shown on such depository receipts must be submitted to the Depository and the signature(s) on the notice of withdrawal must be guaranteed by an Eligible Institution (as defined in the Offer to Purchase), unless such Units have been tendered for the account of an Eligible Institution. If Units have been tendered pursuant to the procedure for book-entry transfer as set forth in Section 3 of the Offer to Purchase any notice of withdrawal must specify the name and number of the account at the Book-Entry Transfer Facility (as defined in the Offer to Purchase) to be credited with the withdrawn Units. In addition, tendered Units may be withdrawn at any

time after January 18, 1999, unless the tender has theretofore been accepted for payment as provided in the Offer to Purchase.

If tendering Holders tender more than the number of Units that the Purchaser seeks to purchase pursuant to the Offer, the Purchaser will take into account the number of Units so tendered and take up and pay for as nearly as may be pro rata, disregarding fractions, according to the number of Units tendered by each tendering Holder during the period during which the Offer remains open.

Each of the Tender Offer Documents (as defined below) contains important information which should be read carefully before any decision is made with respect to the Offer.

The terms of the Offer are more fully set forth in the Offer to Purchase with respect to the Offer and the related Letter of Transmittal (the "Tender Offer Documents"). Questions and requests for assistance or requests for copies of the Tender Offer Documents may be directed to the Information Agent, as set forth below, and copies will be furnished promptly at the Purchaser's expense. No fees or commissions will be payable to brokers, dealers or other persons for soliciting tenders of Units pursuant to the Offer. The Tender Offer Documents contain terms and conditions, and the information required by Rule 14d-6(e)(1)(vii) under the Exchange Act, which are incorporated herein by reference.

The Information Agent for the Offer is:

Beacon Hill Partners, Inc.

90 Broad Street
New York, New York 10004
(212) 843-8500 (Collect)
or
(800) 755-5001 (Toll Free)

November 20, 1998

FOR IMMEDIATE RELEASE

Contact: Susan Gordon 702-4309

ICAHN UNIT TO INITIATE TENDER OFFER

Mount Kisco, N.Y., November 16, 1998 - Carl C. Icahn announced today that he will initiate a tender offer (the "Offer") for up to ten million Depositary Units of American Real Estate Partners, L.P. (NYSE:ACP), a Delaware limited partnership, at a purchase price of \$10.50 per Unit, net to the seller in cash. The bidder will be a newly formed entity controlled by Mr. Icahn.

It is anticipated that the Offer will commence on or before November 20, 1998.

The Units sought constitute approximately 21.7% of the outstanding Units of the Partnership. Mr. Icahn currently is the beneficial owner of approximately 68% of the outstanding Units.

The Offer is not subject to financing.

UNDERTAKING

UNDERTAKING entered into this 20th day of November, 1998, by STARFIRE HOLDING CORPORATION, a Delaware corporation (the "Indemnitor"), for the benefit of AMERICAN REAL ESTATE PARTNERS, L.P., a Delaware limited partnership ("AREP") and its subsidiaries (collectively with AREP, the "Indemnitees" and each of such Indemnitees individually, an "Indemnitee").

WHEREAS, Leyton LLC, a Delaware limited liability company (the "Purchaser"), a company affiliated with Mr. Carl C. Icahn, has commenced a tender offer (the "Offer") for depository units ("Units") representing limited partner interests in AREP pursuant to an Offer to Purchase dated November 20, 1998 (the "Offer to Purchase");

WHEREAS, entities directly or indirectly owned by Carl C. Icahn that are under common control or members of a controlled group, in each case within the meaning of Section 4001 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and Section 414 of the Internal Revenue Code of 1986, as amended (the "Code") and the rules and regulations promulgated thereunder (the "Controlled Group"), are subject to liability under ERISA and the Code with respect to certain pension plan minimum funding and termination liabilities (such minimum funding and termination liabilities, as more fully described in Section 10 of the Offer to Purchase entitled "Information Concerning the Purchaser and Certain Affiliates of the Purchaser; Pension Liability Considerations," the "Pension Liabilities");

WHEREAS, the Indemnitor is an indirect beneficial owner of interests in the Purchaser;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Indemnitor hereby undertakes and agrees as follows:

1. Defined Terms. Unless otherwise defined herein, each capitalized term used herein shall have the meaning attributed to it below:

"Effective Date" shall mean that date, if any, on which the Purchaser acquires pursuant to the Offer a number of Units such that the Partnership is deemed under ERISA or the Code to be a member of the Controlled Group .

"Entity" shall mean any partnership, limited liability company, joint venture, corporation, trust or other business entity or vehicle.

"Losses" shall mean any and all losses, costs, damages, fees or expenses (including, without limitation, reasonable attorneys fees and disbursements) arising

from Pension Liabilities imposed upon any Indemnitee as a result of such person being deemed, under ERISA or the Code, to a member of the Controlled Group.

"Net Worth" shall mean, as to any Entity, the amount by which its total assets exceed its total liabilities, all as determined on a consolidated basis in accordance with generally accepted accounting principles applicable in the United States of America.

"Termination Date" shall mean that date, if any, on which the Indemnitees are no longer subject to any: (x) Pension Liability; or (y) any contingency that could result in the imposition of any Losses upon an Indemnitee.

2. Indemnity. The Indemnitor agrees that from the Effective Date and through the Termination Date, at its sole cost and expense, it will indemnify and defend and hold harmless, each Indemnatee, from any and all Losses imposed on any Indemnatee or its assets.

3. Net Worth. Any Indemnitor that is an Entity agrees that from the Effective Date and through the Termination Date, the Indemnitor will not make any distributions to its stockholders or other owners that would reduce its Net Worth to less than \$250 million.

4. Delegation. Any Indemnitor may delegate its duties and obligations under this Undertaking to Mr. Icahn, or to an Entity affiliated with Mr. Icahn, so long as Mr. Icahn or such Entity agrees to assume and fully perform all of the obligations of the Indemnitor hereunder (the "Assumed Obligations"). Any such delegation may be made without the consent of any Indemnatee.

In the case of any such delegation to any Entity, the Entity to which such delegation is made shall have a Net Worth in an amount greater than the lesser of: (i) \$250 million, or (ii) the Net Worth of the delegating Indemnitor at the time of such delegation.

5. Release. Following any delegation in accordance with the terms of this Section 4 of this Undertaking: (i) the delegating Indemnitor shall be, and shall be deemed to be, released from all of its duties and obligations hereunder and shall have no liability to any Indemnatee in respect of this Undertaking, and all of the same shall, for all purposes be deemed to have been included in the Assumed Obligations; and (ii) thereafter the person or Entity assuming such duties and obligations shall be deemed for all purposes to be the "Indemnitor" (and no other person or Entity shall be deemed to be the Indemnitor for any purpose) until such time, if any, of a subsequent delegation pursuant hereto.

6. Effect; Termination. Notwithstanding the other provisions hereof, the duties and obligations of the Indemnitor hereunder will: (i) be effective and enforceable only from the Effective Date, if any; and (ii) terminate on the Termination Date, if any.

7. Enforcement. Each Indemnatee shall be an express third party beneficiary of this Undertaking and shall be entitled to enforce the same as if it were a party hereto.

2

8. Waiver; Amendment. The provisions of this Undertaking may be changed, waived, discharged or terminated only by an instrument in writing signed by the Indemnitor and AREP.

9. Governing Law. This Undertaking shall in all respects be governed by, and construed and enforced in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the Indemnitor has caused this Undertaking to be executed as of the date first written above.

INDEMNITOR:

STARFIRE HOLDING CORPORATION

/s/ Carl C. Icahn

Name: Carl C. Icahn

Title: President

[SIGNATURE PAGE FOR UNDERTAKING BY
STARFIRE HOLDING CORPORATION DATED NOVEMBER 20, 1998]

3

Manually signed facsimile copies of the Letter of Transmittal will be accepted. The Letter of Transmittal and any other required documents should be sent or delivered by each Holder or such Holder's broker, dealer, bank, trust company or other nominee to the Depository as set forth below.

THE DEPOSITARY FOR THE OFFER IS:

HARRIS TRUST COMPANY OF NEW YORK

BY MAIL:

Wall Street Station
P.O. Box 1023
New York, New York 10268-1023

BY HAND/OVERNIGHT DELIVERY:

Receive Window
Wall Street Plaza
88 Pine Street, 19th Floor
New York, New York 10005

CONFIRM BY TELEPHONE:

(212) 701-7624

Questions and requests for assistance or for additional copies of the Offer to Purchase and the Letter of Transmittal may be directed to the Information Agent at its telephone number and address listed below. You may also contact your broker, dealer, bank, trust company or other nominee for assistance concerning the Offer.

THE INFORMATION AGENT FOR THE OFFER IS:

BEACON HILL PARTNERS, INC.

90 Broad Street
New York, New York 10004
(212) 843-8500 (Collect)
or
(800) 792-2829 (Toll Free)