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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2004

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____TO _____

COMMISSION FILE NUMBER 1-9516

AMERICAN REAL ESTATE PARTNERS, L.P.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	13-3398766
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)
100 SOUTH BEDFORD ROAD, MT. KISCO, NY (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	10549 (ZIP CODE)

(914) 242-7700

(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act) Yes [X] No [ ]

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AMERICAN REAL ESTATE PARTNERS, L.P.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

	JUNE 30, 2004	DECEMBER 31, 2003
	(UNAUDITED)	(RESTATED)
	(IN $000'S)	
ASSETS		
Real estate leased to others:		
Accounted for under the financing method	$ 98,372	$ 137,356
Accounted for under the operating method, net of accumulated depreciation	65,253	76,443
Properties held for sale	49,193	128,813
Investment in U.S. Government and Agency obligations	113,141	61,573
Cash and cash equivalents	1,080,261	500,593
Marketable equity and debt securities	29,975	80,522
Other investments	138,739	50,328
Investment in NEG Holding LLC	77,481	69,346
Equity interest in GB Holdings, Inc.	28,811	30,854
Hotel, casino and resort operating properties net of accumulated depreciation:		
American Casino and Entertainment Properties LLC	295,080	298,703
Hotel and resort	34,689	41,526
Land and construction-in-progress	40,797	43,459
Deferred tax asset	86,754	82,607
Receivables and other assets	62,478	49,897
Total	$ 2,201,024	$ 1,652,020
LIABILITIES AND PARTNERS' EQUITY		
Mortgages payable:		
Real estate leased to others	$ 79,023	$ 98,128
Properties held for sale	15,142	82,861
	94,165	180,989
Senior secured notes payable	215,000	--
Senior unsecured notes payable--net of unamortized discount of $2,569,000	350,431	--
Liability for purchased securities	59,853	--
Accounts payable, accrued expenses and other liabilities	77,760	98,888
Preferred limited partnership units:		

Preferred units, $10 liquidation preference, 5% cumulative pay-in-kind; 10,400,000 authorized; 10,286,264 and 9,796,607 issued and outstanding as of June 30, 2004 and December 31, 2003	104,099	101,649
	901,308	381,526
Commitments and contingencies (Notes 2 and 3)		
Limited partners:		
Depositary units; 47,850,000 authorized; 47,235,484 outstanding	1,315,577	1,184,870
General partner	(3,940)	97,545
Treasury units at cost:		
1,137,200 depositary units	(11,921)	(11,921)
Partners' equity	1,299,716	1,270,494
Total	$ 2,201,024	$ 1,652,020

See notes to consolidated financial statements.

AMERICAN REAL ESTATE PARTNERS, L.P.

CONSOLIDATED STATEMENTS OF EARNINGS

	THREE MONTHS ENDED JUNE 30,	
	2004	2003
		(RESTATED)
	(UNAUDITED)	
	(IN $000'S EXCEPT PER UNIT DATA)	
Revenues:		
Hotel and casino operating income	$ 73,360	$ 64,823
Land, house and condominium sales	12,443	1,551
Interest income on financing leases	2,490	3,341
Interest income on U.S. Government and Agency obligations and other investments	11,092	3,826
Rental income	1,962	2,410
Hotel and resort operating income	3,439	4,525
Accretion of investment in NEG Holding LLC	8,219	6,701
NEG management fee	2,860	2,006
Dividend and other income	2,251	818
Equity in earnings (losses) of GB Holdings, Inc.	(215)	644
	117,901	90,645
Expenses:		
Hotel and casino operating expenses	55,884	54,560
Cost of land, house and condominium sales	7,705	898
Hotel and resort operating expenses	2,872	3,077
Interest expense	11,612	5,697
Depreciation and amortization	7,977	6,278
General and administrative expenses	4,666	3,452
Property expenses	1,351	1,142
	92,067	75,104
Operating income	25,834	15,541
Other gains and (losses):		
Write-down of other investments	--	(18,798)
Gain on sales of marketable debt securities	8,310	--
Loss on sales and disposition of real estate	(226)	(272)
Income from continuing operations before income taxes	33,918	(3,529)
Income tax expense	(3,088)	(3,167)
Income (loss) from continuing operations	30,830	(6,696)
Discontinued operations:		
Income from discontinued operations	2,699	1,985
Gain on sales and disposition of real estate	48,257	1,924
Income from discontinued operations	50,956	3,909
Net earnings (loss)	$ 81,786	$ (2,787)
Net earnings (loss) attributable to (Note 11):		
Limited partners	$ 79,054	$ (4,851)
General partners	2,732	2,064
	$ 81,786	$ (2,787)
Net earnings (loss) per limited partnership unit:		
Basic earnings (loss):		
Income (loss) from continuing operations	$ 0.63	$ (0.21)
Income from discontinued operations	1.08	0.08

Basic earnings (loss) per LP unit	$ 1.71	$ (0.13)
Weighted average limited partnership units outstanding	46,098,284	46,098,284
Diluted earnings (loss):		
Income (loss) from continuing operations	$ 0.58	$ (0.21)
Income from discontinued operations	0.96	0.08
Diluted earnings (loss) per LP unit	$ 1.54	$ (0.13)
Weighted average limited partnership units and equivalent partnership units outstanding	51,938,033	46,098,284

See notes to consolidated financial statements.

AMERICAN REAL ESTATE PARTNERS, L.P.

CONSOLIDATED STATEMENTS OF EARNINGS

	SIX MONTHS ENDED JUNE 30,	
	2004	2003
		(RESTATED)
	(UNAUDITED)	
	(IN $000'S EXCEPT PER UNIT DATA)	
Revenues:		
Hotel and casino operating income	$ 148,369	$ 130,553
Land, house and condominium sales	17,457	6,411
Interest income on financing leases	5,426	6,759
Interest income on U.S. Government and Agency obligations and other investments	15,981	8,395
Rental income	5,123	4,703
Hotel and resort operating income	5,543	6,597
Accretion of investment in NEG Holding LLC	16,124	15,451
NEG management fee	5,479	3,879
Dividend and other income	3,084	1,710
Equity in losses of GB Holdings, Inc.	(563)	(213)
	222,023	184,245
Expenses:		
Hotel and casino operating expenses	110,131	108,051
Cost of land, house and condominium sales	11,063	5,001
Hotel and resort operating expenses	4,969	5,342
Interest expense	17,971	12,330
Depreciation and amortization	15,592	12,688
General and administrative expenses	9,030	6,825
Property expenses	2,535	2,136
	171,291	152,373
Operating income	50,732	31,872
Other gains and (losses):		
Provision for loss on real estate	--	(200)
Write-down of equity securities available for sale	--	(961)
Write-down of other investments	--	(18,798)
Gain on sales of marketable debt securities	37,167	--
Gain on sales and disposition of real estate	5,821	866
Income from continuing operations before income taxes	93,720	12,779
Income tax expense	(9,257)	(7,059)
Income from continuing operations	84,463	5,720
Discontinued operations:		
Income from discontinued operations	5,157	3,961
Gain on sales and disposition of real estate	55,186	1,924
Income from discontinued operations	60,343	5,885
Net earnings	$ 144,806	$ 11,605
Net earnings attributable to (Note 11):		
Limited partners	$ 136,662	$ 5,424
General partners	8,144	6,181
	$ 144,806	$ 11,605
Net earnings (loss) per limited partnership unit:		
Basic earnings (loss):		
Income (loss) from continuing operations	$ 1.68	$ (0.06)
Income from discontinued operations	1.28	0.13

Basic earnings per LP unit	$ 2.96	$ 0.07
Weighted average limited partnership units outstanding	46,098,284	46,098,284
Diluted earnings (loss):		
Income (loss) from continuing operations	$ 1.53	$ (0.06)
Income from discontinued operations	1.13	0.13
Diluted earnings per LP unit	$ 2.66	$ 0.07
Weighted average limited partnership units and equivalent partnership units outstanding	52,218,668	46,098,284

See notes to consolidated financial statements.

AMERICAN REAL ESTATE PARTNERS, L.P.

CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS' EQUITY AND COMPREHENSIVE INCOME

	SIX MONTHS ENDED JUNE 30, 2004 (UNAUDITED) (IN $000'S)				
	GENERAL PARTNER'S EQUITY (DEFICIT)	LIMITED PARTNERS' EQUITY DEPOSITARY UNITS	HELD IN TREASURY		TOTAL PARTNERS' EQUITY
			AMOUNTS	UNITS	
Balance, December 31, 2003 (as previously reported)	$ (19,501)	$ 1,184,870	$ (11,921)	1,137	$ 1,153,448
Arizona Charlie's acquisition	117,046	--	--	--	117,046
Balance, December 31, 2003 (restated)	97,545	1,184,870	(11,921)	1,137	1,270,494
Comprehensive income:					
Net earnings	8,144	136,662	--	--	144,806
Unrealized losses on securities available for sale	(1)	(69)	--	--	(70)
Reversal of unrealized gains on marketable debt securities sold	(128)	(6,297)	--	--	(6,425)
Net unrealized gains on securities available for sale	8	411	--	--	419
Comprehensive income	8,023	130,707	--	--	138,730
Capital distribution	(17,916)	--	--	--	(17,916)
Capital contribution	22,800	--	--	--	22,800
Arizona Charlies acquisition	(125,900)	--	--	--	(125,900)
Arizona Charlies acquisition adjustment	(1,213)	--	--	--	(1,213)
Change in deferred tax asset re acquisition of Arizona Charlies	12,721	--	--	--	12,721
Balance, June 30, 2004	$ (3,940)	$ 1,315,577	$ (11,921)	1,137	$ 1,299,716

Accumulated other comprehensive income at June 30, 2004 was $349.

See notes to consolidated financial statements.

AMERICAN REAL ESTATE PARTNERS, L.P.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	SIX MONTHS ENDED JUNE 30,	
	2004	2003
		(RESTATED)
	(UNAUDITED) (IN $000'S)	
Cash flows from operating activities:		
Income from continuing operations	$ 84,463	$ 5,720

Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	15,592	12,688
Preferred LP unit interest expense	2,450	--
Gain on sales and disposition of real estate	(5,821)	(866)
Provision for loss on real estate	--	200
Write-down of equity securities available for sale	--	961
Write-down of other investments	--	18,798
Gain on sales of marketable equity securities	(37,167)	--
Equity in losses of GB Holdings, Inc.	563	213
Deferred gain amortization	(1,019)	(1,019)
Accretion of investment in NEG Holding LLC	(16,124)	(15,451)
Deferred income tax expense	5,995	2,665
Changes in operating assets and liabilities:		
Decrease in land and construction-in-progress	2,181	146
Decrease in accounts payable, accrued expenses and other liabilities	(852)	(35,227)
(Increase) decrease in receivables and other assets	(3,612)	19
Net cash provided by (used in) continuing operations	46,649	(11,153)
Income from discontinued operations	60,343	5,885
Depreciation and amortization	414	2,231
Net gain from property transactions	(55,186)	(1,924)
Net cash provided by discontinued operations	5,571	6,192
Net cash provided by (used in) operating activities	52,220	(4,961)
Cash flows from investing activities:		
Decrease (increase) in other investments	351	(30,909)
Repayments of mezzanine loans included in other investments	25,861	--
Purchase of debt securities	(54,775)	--
Net proceeds from the sales and disposition of real estate	16,635	3,259
Principal payments received on leases accounted for under the financing method	2,168	2,737
Acquisition of Arizona Charlies	(125,900)	--
Acquisitions of rental real estate	(14,583)	--
Additions to hotel, casino and resort operating property	(11,264)	(4,483)
Additions to rental real estate	(299)	(281)
Increase in investment in U.S. Government and Agency Obligations	(51,568)	(16,717)
Proceeds from sale of marketable equity & debt securities	86,507	--
Guaranteed payment from NEG Holding LLC	7,989	10,239
Priority distribution from NEG Holding LLC	--	40,506
Increase in restricted cash	(447)	173
Other	(98)	(53)
	(119,423)	4,471
Cash flows from discontinued operations:		
Net proceeds from the sales and disposition of real estate	101,452	3,518
Net cash (used in) provided by investing activities	(17,971)	7,989

Continued.....

CONSOLIDATED STATEMENTS OF CASH FLOWS -- (CONTINUED)

	SIX MONTHS ENDED JUNE 30,	
	2004	2003
		(RESTATED)
	(UNAUDITED)	
	(IN $000'S)	
CASH FLOWS FROM FINANCING ACTIVITIES:		
Partners' equity:		
Distributions to members	(17,916)	--
Member's contribution	15,894	--

Debt:		
Proceeds from Senior Notes Payable	565,409	--
Decrease in due to affiliates	(25,000)	--
Proceeds from mortgages payable	10,000	20,000
Payments on mortgages payable	--	(3,837)
Periodic principal payments	(2,968)	(3,468)
Net cash provided by financing activities	545,419	12,695
Net increase in cash and cash equivalents	579,668	15,723
Cash and cash equivalents, beginning of period	500,593	79,540
Cash and cash equivalents at end of period	$ 1,080,261	$ 95,263
Supplemental information:		
Cash payments for interest	$ 8,748	$ 58,598
Supplemental schedule of noncash investing and financing activities:		
Reclassification of real estate from operating lease	$ (24,849)	$ --
Reclassification from hotel and resort operating properties	(6,428)	--
Reclassification to property held for sale	31,277	--
Reclassification of real estate to operating lease	--	2,158
Reclassification of real estate from financing lease	--	(2,158)
Reclassification from receivables and other assets	--	(1,631)
Reclassification to mortgages and notes receivable included in other investments	--	1,631
Decrease in mortgages and notes receivables included in other investments	--	(3,453)
Decrease in deferred income	--	2,565
Increase in real estate accounted for under the operating method	--	888
	$ --	$ --
Net unrealized gains on securities available for sale	$ 349	$ 2,342
Increase in equity and debt securities	$ 600	$ 600
Purchase of debt securities	$ 59,853	$ --
Contribution of note from NEG Holding LLC	$ --	$ 10,940
Member's capital contribution	$ 6,906	$ --
Change in tax asset related to acquisition	$ 12,721	$ --
Change in deferred tax asset valuation allowance	$ --	$ 2,412
Net assets contributed by parent	$ --	$ 233

See notes to consolidated financial statements

AMERICAN REAL ESTATE PARTNERS, L.P.
FORM 10-Q JUNE 30, 2004
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. GENERAL

American Real Estate Partners, L.P. ("AREP" or the "Company") is a master limited partnership formed in Delaware on February 17, 1987. The accompanying consolidated financial statements and related footnotes should be read in conjunction with the consolidated financial statements and related footnotes contained in the Company's annual report on Form 10-K for the year ended December 31, 2003.

The financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission related to interim financial statements. All adjustments which, in the opinion of management, are necessary to fairly present the results for the interim periods have been made. Certain prior year amounts have been reclassified in order to conform to the current year presentation.

The consolidated financial statements include the accounts of the Company and its majority owned subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

The results of operations for the three and six months ended June 30, 2004 are not necessarily indicative of the results to be expected for the full year. Hotel, casino and resort operations are highly seasonal in nature and are not necessarily indicative of results expected for the full year.

2. RELATED PARTY TRANSACTIONS

a. On January 5, 2004, American Casino & Entertainment Properties LLC ("American Casino"), an indirect wholly-owned subsidiary of the Company, entered

into an agreement to acquire two Las Vegas casino/hotels, Arizona Charlie's Decatur and Arizona Charlie's Boulder, from Carl C. Icahn ("Mr. Icahn") and an entity affiliated with Mr. Icahn, for an aggregate consideration of $125.9 million. Mr. Icahn is Chairman of the Board of American Property Investors, Inc., AREP's general partner ("API" or the "General Partner"). The acquisition was completed on May 26, 2004 upon obtaining all approvals necessary under the gaming laws. The terms of the transactions were approved by the Audit Committee of the Board of Directors of the General Partner ("Audit Committee") which was advised by its independent financial advisor and by counsel. See Note 4. - Notes to Consolidated Financial Statements.

b. In 1997 the Company entered into a license agreement with an affiliate of the General Partner for office space. Pursuant to the license agreement, the Company has the non-exclusive use of approximately 2,275 square feet for which it pays monthly rent of $11,185 plus 10.77% of certain "additional rent." The terms of such license agreement were reviewed and approved by the Audit Committee. The agreement which expired in May 2004, has been extended on a month-to-month basis. For the three and six months ended June 30, 2004, the Company paid rent of approximately $26,000 and $65,000, respectively. For the three and six months ended June 30, 2003, the Company paid rent of $40,000 and $77,000, respectively.

c. American Casino billed the Sands Hotel and Casino (the "Sands") approximately $67,000 and $116,000 for administrative services performed by Stratosphere personnel during the three and six months ended June 30, 2004. respectively. For the three and six months ended June 30, 2003, American Casino billed the Sands approximately $97,000 for administrative services. See Note 6 - Notes to Consolidated Financial Statements.

d. National Energy Group, Inc. ("NEG") received management fees from affiliates of the General Partner of approximately $2.9 million and $5.5 million in the three and six months ended June 30, 2004, respectively, and received management fees from affiliates of approximately $2 million and $3.9 million in the three and six months ended June 30, 2003, respectively. See Note 5 - Notes to Consolidated Financial Statements.

e. In the three and six months ended June 30, 2004, the Company paid approximately $60,000 and $120,000 to an affiliate of the General Partner for telecommunication services and paid approximately $40,000 and $84,000 to the affiliate for such services in the three and six months ended June 30, 2003, respectively.

f. An affiliate of the General Partner provided certain administrative services to the Company which paid such affiliate approximately $20,000 and $40,000 in both the three and six months ended June 30, 2004 and 2003, respectively.

g. The Company provided certain administrative services to affiliates of the General Partner and was paid $27,000 in the three and six months ended June 30, 2004, and $40,000 for such services in the three and six months ended June 30, 2003.

h. As of August 1, 2004 affiliates of Mr. Icahn owned 8,900,995 Preferred Units and 39,896,836 Depositary Units.

3. COMMITMENTS AND CONTINGENCIES

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

In February 2002, New Seabury Properties L.L.C. ("New Seabury"), the Company's subsidiary and owner of the property, filed in Barnstable County Massachusetts Superior Court, a civil complaint appealing the Administrative Decision by the Commission and a separate complaint to find the Commission in

contempt of the Settlement Agreement. The Court subsequently consolidated the two complaints into one proceeding. In July 2003, New Seabury and the Commission filed cross motions for summary judgment.

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

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

The carrying value of New Seabury's development assets at June 30, 2004 is approximately $9.9 million.

b. Tiffiny Decorating Company ("Tiffiny"), a subcontractor to Great Western Drywall ("Great Western"), filed a legal action against Stratosphere Corporation, Stratosphere Development, LLC, American Real Estate Holdings Limited Partnership (collectively referred to as the "Stratosphere Parties"), Great Western, Nevada Title and Safeco Insurance, Case No. A443926 in the Eighth Judicial District Court of the State of Nevada. The legal action asserts claims that include breach of contract, unjust enrichment and foreclosure of lien. The Stratosphere Parties have filed a cross-claim against Great Western in that action. Additionally, Great Western has filed a separate legal action against the Stratosphere Parties setting forth the same disputed issues and claiming additional damages. That separate action, Case No. A448299 in the Eighth Judicial Court of the State of Nevada, has been consolidated with the case brought by Tiffiny.

The initial complaint brought by Tiffiny asserts that Tiffiny performed certain construction services at the Stratosphere and was not fully paid for those services. Tiffiny claims the sum of approximately $0.5 million against

Great Western, the Stratosphere Parties, and the other defendants, which the Stratosphere Parties contend has been paid to Great Western for payment to Tiffiny.

Great Western is alleging that it is owed payment from the Stratosphere Parties for work performed and for delay and disruption damages. Great Western is claiming damages in the sum of approximately $3.9 million plus interest, costs and legal fees from the Stratosphere Parties. This amount apparently includes the Tiffiny claim.

The Stratosphere Parties have evaluated the project and have determined that the amount of $1.0 million, of which $0.2 million and $0.4 million were disbursed to Tiffiny and Great Western, respectively, is properly due and payable to satisfy all claims for the work performed, including the claim by Tiffiny. The remaining amount has been segregated in a separate interest bearing account. The Stratosphere Parties intend to vigorously defend the action for claims in excess of $1.0 million.

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

4. HOTEL, CASINO AND RESORT OPERATING PROPERTIES

a. HOTEL AND CASINO OPERATING PROPERTIES

On January 5, 2004, American Casino, an indirect wholly-owned subsidiary of the Company, entered into an agreement to acquire two Las Vegas casino/hotels, Arizona Charlie's Decatur and Arizona Charlie's Boulder, from Carl C. Icahn and an entity affiliated with Mr. Icahn, for an aggregate consideration of $125.9 million. Upon obtaining all approvals necessary under gaming laws, the acquisition was completed on May 26, 2004. The terms of the transactions were approved by the Audit Committee which was advised by its independent financial advisor and by counsel. As previously contemplated upon closing, American Real Estate Holdings Limited Partnership ("AREH"), the Company's direct subsidiary, transferred 100% of the common stock of Stratosphere to American Casino. As a result, following the acquisition and contribution, American Casino owns and operates three gaming and entertainment properties in the Las Vegas metropolitan area. The Company consolidates American Casino and its subsidiaries in the Company's financial statements. In accordance with generally accepted accounting principles, assets transferred between entities under common control are accounted for at historical costs similar to a pooling of interests, and the financial statements of previously separate companies for periods prior to the acquisition are restated on a combined basis. The Company's June 30, 2003 consolidated financial statements have been restated to reflect the acquisition of Arizona Charlie's Decatur and Arizona Charlie's Boulder.

Earnings, capital contributions and distributions prior to the acquisition have been allocated to the General Partner. In accordance with the purchase agreement, prior to the acquisition, capital contributions of $22.8 million were received from and capital distributions of $17.9 million were paid to affiliates of Mr. Icahn. The purchase price of $125.9 million was charged to the General Partner as was $1.2 million, representing the excess of the purchase price over historical cost.

Also in January 2004, American Casino closed on its offering of Senior Secured Notes Due 2012. The Notes, in the aggregate principal amount of $215 million, bear interest at the rate of 7.85% per annum. The proceeds were held in escrow pending receipt of all approvals necessary under gaming laws and certain other conditions in connection with the acquisition of Arizona Charlie's Decatur and Arizona Charlie's Boulder. Upon satisfaction of all closing conditions on May 26, 2004, the proceeds of the offering were released from escrow. American Casino used the proceeds of the offering for the acquisition and to repay intercompany indebtedness and for distributions to AREH.

American Casino's operations for the three and six months ended June 30, 2004 and 2003 have been included in "Hotel and casino operating income and expenses" in the Consolidated Statements of Earnings. Hotel and casino operating expenses include all expenses except for depreciation and amortization and income tax provision. Such expenses have been included in "Depreciation and amortization expense" and "Income tax expense" in the Consolidated Statements of Earnings. American Casino's depreciation and amortization expense was $6.4 million and $12.3 million in the three and six months ended June 30, 2004, respectively, and $5.0 million and $10.3 million in the three and six months ended June 30, 2003, respectively. American Casino's income tax provision was $1.4 million and $5.9 million in the three and six months ended June 30, 2004, respectively, and $2.0 million and $4.4 million in the three and six months ended June 30, 2003, respectively. American Casino accounted for approximately 67% and 71% of the Company's revenues in the six months ended June 30, 2004 and 2003, respectively, and approximately 75% and 71% of the Company's operating income in the six months ended June 30, 2004 and 2003, respectively.

STRATOSPHERE TOWER CASINO AND HOTEL

The Stratosphere, which offers the tallest free-standing observation

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

ARIZONA CHARLIE'S DECATUR

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

ARIZONA CHARLIE'S BOULDER

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

The ownership and operation of the Las Vegas casinos are subject to the Nevada Gaming Control Act and regulations promulgated thereunder, various local ordinances and regulations, and are subject to the licensing and regulatory control of the Nevada Gaming Commission, the Nevada State Gaming Control Board, and various other county and city regulatory agencies, including the City of Las Vegas.

b. HOTEL AND RESORT OPERATING PROPERTIES

Hotel and resort operations for the three and six months ended June 30, 2004 and 2003 have been included in "Hotel and resort operating income and expenses" in the Consolidated Statements of Earnings. Hotel and resort operating expenses include all expenses except for approximately $0.7 million and $1.4 million of depreciation and amortization for the three and six months ended June 30, 2004, respectively, and $0.7 million and $1.4 million in the three and six months ended June 30, 2003, respectively. Such amounts have been included in "Depreciation and amortization expense" in the Consolidated Statements of Earnings.

5. NATIONAL ENERGY GROUP, INC.

a. NATIONAL ENERGY GROUP, INC.

In October 2003, pursuant to a purchase agreement dated as of May 16, 2003, the Company acquired certain debt and equity securities of National Energy Group, Inc. ("NEG") from entities affiliated with Mr. Icahn for an aggregate consideration of approximately $148.1 million plus approximately $6.7 million of accrued interest on the debt securities. The agreement was reviewed and approved by the Audit Committee which was advised by its independent financial advisor and by legal counsel. The securities acquired were $148.6 million in principal amount of outstanding 10 3/4% Senior Notes due 2006 of NEG, representing all of NEG's outstanding debt securities, and approximately 5.6 million shares of common stock of NEG. As a result of the foregoing transaction and the acquisition by the Company of additional NEG common stock in the open market prior to the closing, the Company beneficially owns in excess of 50% of the outstanding common stock of NEG. AREP consolidates NEG in its financial statements. In accordance with generally accepted accounting principles, assets transferred between entities under common control are accounted for at historical costs similar to a pooling of interests, and the financial statements of previously separate companies for periods prior to the acquisition are restated on a combined basis. There is no minority interest allocated to the other NEG stockholders because of NEG's negative equity based on book value. In addition, the NEG Holding Operating Agreement contains a provision that allows Gascon at any time, in its sole discretion, to redeem the NEG membership interest in NEG Holding at a price equal to the fair market value of such interest determined as if NEG Holding had sold all of its assets for fair market value and

liquidated. Since all of NEG's operating assets and oil and natural gas properties have been contributed to NEG Holding, as noted above, following such a redemption, NEG's principal assets would consist solely of its cash balances. The Company's June 30, 2003 consolidated financial statements have been restated to reflect the acquisition of NEG.

NEG owns a 50% interest in NEG Holding LLC ("NEG Holding"); the other 50% interest in NEG Holding is held by Gascon Partners ("Gascon"), an affiliate of Mr. Icahn. Gascon is the managing member of NEG Holding. NEG Holding owns NEG Operating LLC ("NEG Operating"), which is engaged in the business of oil and gas exploration and production. Under the NEG Holding operating agreement, NEG is to receive guaranteed payments of approximately $39.9 million and a priority distribution of approximately $148.6 million before Gascon receives any distributions. Due to the substantial uncertainty that NEG will receive any distribution above the priority and guaranteed payments amounts, NEG accounts for its investment in NEG Holding as a preferred investment.

NEG Holding is a variable interest entity. As of June 30, 2004, it has net assets of approximately $162 million. The Company has determined that the Company is not the primary beneficiary of the variable interest entity. The maximum exposure to losses as a result of the Company's interest in NEG Holding is $77 million.

In the three and six months ended June 30, 2004, NEG recorded income tax provisions of $1.7 million and $3.3 million, respectively, and for the three and six months ended June 30, 2003, $1.2 million and $2.7 million, respectively, based on taxable income and applying an effective tax rate of approximately 35%.

In connection with a credit facility obtained by NEG Holding on December 29, 2003, NEG and Gascon have pledged as security their respective interests in NEG Holding.

b. INVESTMENT IN NEG HOLDING LLC

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

Balance sheets for NEG Holding as of June 30, 2004 and December 31, 2003 are as follows:

	2004	2003
	(IN $000'S)	
Current assets	$ 26,249	$ 33,415
Noncurrent assets(1)	212,365	190,389
Total assets	$ 238,614	$ 223,804
Current liabilities	$ 20,412	$ 14,253
Noncurrent liabilities	56,129	48,514
Total liabilities	76,541	62,767
Members' equity	162,073	161,037
Total liabilities and members' equity	$ 238,614	$ 223,804

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(1) Primarily oil and gas properties

Summary income statements for NEG Holding for the six months ended June 30, 2004 and 2003 are as follows:

	2004	2003
	(IN $000'S)	
Total revenues	$ 32,366	$ 33,135
Costs and expenses	22,393	23,624
Operating income	9,973	9,511
Other income (expense)	(948)	(1,040)
Income before cumulative effect of change in accounting principle	9,025	8,471
Cumulative effect of change in accounting principle	--	1,912
Net Income	$ 9,025	$ 10,383

Prior to September 2001, NEG owned and operated certain oil and gas properties. Effective as of May 1, 2001, NEG contributed all of its oil and gas properties to NEG Holding. NEG recorded its investment in NEG Holding at the historical cost of the oil and gas properties that NEG contributed into the partnership (in exchange for NEG Holding's obligation to pay NEG the priority distribution and guaranteed payments). NEG accretes its investment in NEG Holding from the initial investment recorded up to the priority distribution amount, including the guaranteed payments, at the implicit rate of interest, recognizing the accretion income in earnings. Accretion income is periodically adjusted for changes in the timing of cash flows, if necessary due to unscheduled cash distributions. Receipt of guaranteed payments and the priority distribution are recorded as reductions in the preferred investment. The preferred investment is evaluated quarterly for other than temporary impairment.

Because of the substantial uncertainty that NEG will receive any distributions in excess of the priority distribution and the guaranteed payments ("residual interest"), the residual interest attributable to the investment in NEG Holding is valued at zero. Upon payment of the priority distribution in 2006, NEG's investment in NEG Holding will be zero. Cash receipts, if any, after the priority distribution and the guaranteed payments will be reported in income as earned. The following is a roll forward of the investment in NEG Holding as of June 30, 2004:

	(IN $000'S)
Investment in NEG Holding at December 31, 2003	$ 69,346
Accretion of investment in NEG Holding	16,124
Guaranteed payment from NEG Holding	(7,989)
Investment in NEG Holding at June 30, 2004	$ 77,481

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

1. Guaranteed payments are to be paid to NEG, calculated on an annual interest rate of 10.75% on the outstanding priority distribution amount. At June 30, 2004, the priority distribution amount was $148.6 million which equals the principal amount of NEG's 10.75% Senior Notes that the Company owns. The guaranteed payments will be made on a semi-annual basis. The priority distribution amount is to be paid to NEG by November 6, 2006.

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

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

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

6. EQUITY INTEREST IN GB HOLDINGS, INC. (SANDS HOTEL AND CASINO)

The Company reflects its equity interest in GB Holdings, Inc. ("GBH") under this caption in the Consolidated Balance Sheets. The Company owns approximately 3.6 million shares, or 36.3%, of GBH. GBH is the holding company for the Sands Hotel and Casino (the "Sands") located in Atlantic City, New Jersey. The Sands currently consists of a casino and simulcasting facility with approximately 79,000 square feet of gaming space, a hotel with 637 rooms and related amenities.

"Equity in earnings (losses) of GB Holdings, Inc." of ($0.2 million) and ($0.6 million) respectively, have been recorded in the Consolidated Statements of Earnings for the three and six months ended June 30, 2004, respectively. Equity in earnings (losses) of GB Holdings, Inc. were $0.6 million and ($0.2 million) for the three and six months ended June 30, 2003, respectively.

On June 30, 2004, GBH announced that its stockholders approved the transfer of the Sands to its wholly owned indirect subsidiary Atlantic Coast Entertainment Holdings, Inc. ("Atlantic Holdings") in connection with the restructuring of its debt.

On July 22, 2004, Atlantic Holdings announced that its Consent Solicitation and Offer to Exchange, in which it offered to exchange its 3% Notes due 2008 for the 11% Notes due 2005, expired and approximately $66 million principal amount of the 11% notes (approximately 60% of the outstanding 11% notes) were tendered to Atlantic Holdings for exchange. On July 23, 2004, 10 million warrants were distributed on a pro rata basis to stockholders. The warrants, under certain conditions, will allow the holders to purchase common stock of Atlantic Holdings at a purchase price of $.01 per share, representing 27.5% of the outstanding common stock of Atlantic Holdings on a fully diluted basis. Mr. Icahn and his affiliated companies, including the Company, held approximately 58.2% of the debt; the Company held approximately 24.5% of the debt. The Company and Mr. Icahn tendered in the exchange all of the 11% notes due 2005 owned by them.

The Company received:

- $26,914,500 principal amount of the new notes due September 2008, which bear interest at 3% per annum, payable at maturity. The original debt is included in "Marketable Equity and Debt Securities" in the Consolidated Balance Sheets. The carrying value of the debt at June 30, 2004 is approximately $25.3 million.

- $3,620,753 in cash; representing accrued interest on the 11% Notes and $100 per $1,000 in principal amount of the 11% Notes.

- Warrants, which, under certain conditions, will allow the Company to purchase 997,621 shares of common stock at $.01 per share of Atlantic Holdings representing approximately 10% of the outstanding common stock of Atlantic Holdings, at July 22, 2004, on a fully diluted basis.

After the exchange, Mr. Icahn and affiliates, including the Company, own approximately 77.5% of the stock of GBH, the sole shareholder of Atlantic Holdings, which owns and operates the Sands Hotel and Casino. Mr. Icahn and affiliates, including the Company, own approximately 96.5% of the debt of Atlantic Holdings. Mr. Icahn and his affiliates, other than the Company, own approximately 41.2% of the common stock of GBH and 55.9% of the debt of Atlantic Holdings. AREP owns approximately 36.3% of the common stock of GBH and 40.6% of the debt of Atlantic Holdings.

This transaction is not expected to have a significant impact on the Company's consolidated financial statements.

7. MARKETABLE EQUITY AND DEBT SECURITIES

In December 2003, the Company acquired approximately $86.9 million principal amount of corporate debt securities for approximately $45.1 million. These securities were classified as available for sale securities. In the six months ended June 30, 2004, the Company sold the debt securities for approximately $82.3 million recognizing a gain of $8.3 million and $37.2 million in the three and six months ended June 30, 2004, respectively.

8. OTHER INVESTMENTS

a. In April, 2004, the Company purchased approximately $63.5 million principal amount of secured bank debt of a bankrupt company for a purchase price of approximately $54.7 million. At June 30, 2004, the Company had entered into a trade confirmation to purchase an additional $21 million principal amount of secured bank debt of the same company for approximately $14.7 million and had entered into trade confirmations to purchase other secured bank debt in the principal amount of approximately $76 million for approximately $45.2 million. At June 30, 2004, the Company reflected its purchase liability of approximately $59.9 million in "Liability for purchased securities" on the Consolidated Balance Sheets.

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

On April 30, 2004, the Company received approximately $16.2 million for the prepayment of a mezzanine loan. The principal amount of the loan was $11 million. The prepayment included approximately $5.2 million of accrued interest which was recognized as interest income in the three and six months ended June 30, 2004.

At June 30, 2004, the Company had one outstanding mezzanine loan in the principal amount of $16.3 million. The Company has deferred recognition of approximately $11 million of accrued interest income for financial statement purposes in connection with this loan. The loan and accrued interest were repaid in the third quarter of 2004. In accordance with the Company's accounting policy, interest income on this loan will be recognized in the three and nine months ended September 30, 2004.

c. At June 30, 2004, the Company had one second mortgage loan in the principal amount of $7 million which bears interest at 20% per annum, payable monthly.

9. SENIOR SECURED NOTES PAYABLE

In January 2004, American Casino closed on its offering of Senior Secured Notes Due 2012. The Notes, in the aggregate principal amount of $215 million, bear interest at the rate of 7.85% per annum. The proceeds were held in escrow pending receipt of all approvals necessary under gaming laws and certain other conditions in connection with the acquisition of Arizona Charlie's Decatur and Boulder. Upon satisfaction of all closing conditions on May 26, 2004, the proceeds of the offering were released from escrow. American Casino used the proceeds of the offering for the acquisition of Arizona Charlie's Decatur and Boulder, to repay intercompany indebtedness and for distributions to AREH. The notes are recourse only to, and will be secured by a lien on the assets of, American Casino and certain of its subsidiaries. The notes restrict the ability of American Casino and its restricted subsidiaries subject to certain exceptions, to: incur additional debt; pay dividends and make distributions; make certain investments; repurchase stock; create liens; enter into transactions with affiliates; enter into sale and leaseback transactions; merge or consolidate; and transfer, lease or sell assets. The notes were issued in an offering not registered under the Securities Act of 1933. At the time American

Casino issued the notes, it entered into a registration rights agreement in which it agreed to exchange the notes for new notes which have been registered under the Securities Act of 1933. If the registration statement is not declared effective by the SEC on or prior to December 2, 2004 or if American Casino fails to consummate an exchange offer in which it issues notes registered under the Securities Act of 1933 for the privately issued notes within 30 business days after December 2, 2004, then American Casino will pay, as liquidated damages, $.05 per week per $1,000 principal amount for the first 90 day

period following such failure, increasing by an additional $.05 per week of $1,000 principal amount for each subsequent 90 period, until all failures are cured.

10. SENIOR UNSECURED NOTES PAYABLE

On May 12, 2004, AREP closed on its offering of senior notes due 2012. The notes, in the aggregate principal amount of $353 million, were priced at 99.266%. The notes will have a fixed annual interest rate of 8 1/8%, which will be paid every six months on June 1 and December 1, commencing December 1, 2004. The notes will mature on June 1, 2012. AREH is a guarantor of the debt; however, no other subsidiaries guarantee payment on the notes. AREP intends to use the proceeds of this offering for general business purposes, including to pursue our primary business strategy of acquiring undervalued assets in our existing lines of business or other businesses and to provide additional capital to grow our existing businesses. The notes restrict the ability of AREP and AREH, subject to certain exceptions, to, among other things; incur additional debt; pay dividends or make distributions; repurchase stock; create liens; and enter into transactions with affiliates. The notes were issued in an offering not registered under the Securities Act of 1933. At the time we issued the notes, we entered into a registration rights agreement in which we agreed to exchange the notes for new notes which have been registered under the Securities Act of 1933. If the registration statement is not declared effective by the SEC on or prior to November 18, 2004 or if we fail to consummate an exchange offer in which we issue notes registered under the Securities Act of 1933 for the privately issued notes within 30 business days after November 18, 2004, then we will pay, as liquidated damages, $.05 per week per $1,000 principal amount for the first 90 day period following such failure, increasing by an additional $.05 per week of $1,000 principal amount for each subsequent 90 period, until all failures are cured.

11. PREFERRED UNITS

Pursuant to the terms of the Preferred Units, on February 25, 2004, the Company declared its scheduled annual preferred unit distribution payable in additional Preferred Units at the rate of 5% of the liquidation preference of $10. The distribution was payable March 31, 2004 to holders of record as of March 12, 2004. A total of 489,657 additional Preferred Units were issued. At June 30, 2004, 10,286,264 Preferred Units are issued and outstanding. In February 2004, the number of authorized Preferred Units were increased to 10,400,000.

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

On July 1, 2003, the Company adopted Statement of Financial Accounting Standards No. 150 (SFAS 150) "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". SFAS 150 requires that a financial instrument, which is an unconditional obligation, be classified as a liability. Previous guidance required an entity to include in equity financial instruments that the entity could redeem in either cash or stock. Pursuant to SFAS 150 the Company's Preferred Units, which are an unconditional obligation,

have been reclassified from "Partners' equity" to a liability account in the Consolidated Balance Sheets and from July 1, 2003, the preferred pay-in-kind distribution has been recorded as "Interest expense" in the Consolidated Statements of Earnings.

12. EARNINGS PER SHARE

Basic earnings per share are based on earnings which is net of the preferred pay-in-kind distribution to Preferred Unitholders. The resulting net earnings available for limited partners are divided by the weighted average number of shares of limited partnership units outstanding.

Diluted earnings per share is based on earnings before the preferred pay-in-kind distribution as the numerator with the denominator based on the weighted average number of units and equivalent units outstanding. The Preferred Units are considered to be equivalent units. The number of limited partnership units used in the

calculation of diluted income per limited partnership unit increased by 5,839,749 and 6,120,384 in the three and six months ended June 30, 2004, respectively, to reflect the potential conversion of preferred units. There was no increase in the number of limited partnership units used in the calculation of diluted income per limited partnership unit for the three and six months ended June 30, 2003 as such increase would be anti-dilutive.

Net Income Per Unit

Basic net income per American Real Estate Partners, L.P. Unit is derived by dividing net income by the basic weighted average number of American Real Estate Partners, L.P. Units outstanding for each period. Diluted earnings per American Real Estate Partners, L.P. Unit is derived by adjusting net income for the assumed dilutive effect of the redemption of the Preferred LP Units ("Diluted Earnings") and dividing diluted earnings by the diluted weighted average number of American Real Estate Partners, L.P. Units outstanding for each period.

In $000's (Except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Attributable to Limited Partners:		(Restated)		(Restated)
Basic-income(loss) from continuing operations	$ 29,112	$ (8,682)	$ 77,520	$ (344)
Add Preferred LP Unit dividend	1,225	--	2,450	--
Income before discontinued operations	30,337	(8,682)	79,970	(344)
Income from discontinued operations	49,942	3,831	59,142	5,768
Diluted earnings per LP Unit	$ 80,279	$ (4,851)	$ 139,112	$ 5,424
Weighted average limited partnership units outstanding	46,098,284	46,098,284	46,098,284	46,098,284
Dilutive effect of redemption of Preferred LP Units	5,839,749	--	6,120,384	--
Weighted average limited partnership units and equivalent partnership units outstanding	51,938,033	46,098,284	52,218,668	46,098,284

Basic earnings(loss):				
Income(loss) from continuing operations	$ 0.63	$ (0.21)	$ 1.68	$ (0.06)
Income(loss) from discontinued operations	1.08	0.08	1.28	0.13
Basic earnings(loss) per LP unit	$1.71	(0.13)	$ 2.96	$ 0.07
Diluted earnings(loss):				
Income(loss) from continuing operations	$ 0.58	$ (0.21)	$ 1.53	$ (0.06)
Income(loss) from discontinued operations	0.96	0.08	1.13	0.13
Basic earnings(loss) per LP unit	$ 1.54	(0.13)	$ 2.66	$ 0.07

13. COMPREHENSIVE INCOME

The components of comprehensive income include net income and certain other amounts reported directly in equity.

Comprehensive income for the three and six months ended June 30, 2004 and 2003 is as follows (in $000's):

	THREE MONTHS ENDED JUNE 30,	
	2004	2003 (RESTATED)
Net income	$ 81,786	$ (2,787)
Net unrealized gains on securities available for sale	(7,084)	1,177
Reversal of unrealized (losses) gains on marketable securities sold	(1,525)	--
Comprehensive income	$ 73,177	$ (1,610)

	SIX MONTHS ENDED JUNE 30,	
	2004	2003 (RESTATED)
Net income	$144,806	$ 11,605
Net unrealized gains on securities available for sale	349	2,342
Reversal of unrealized (losses) gains on marketable securities sold	(6,425)	761
Comprehensive income	$138,730	$ 14,708

14. SEGMENT REPORTING

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

The Company assesses and measures segment operating results based on segment earnings from operations as disclosed below. Segment earnings from

operations are not necessarily indicative of cash available to fund cash requirements nor synonymous with cash flow from operations.

The revenues and net earnings for each of the reportable segments are summarized as follows for the three and six months ended June 30, 2004 and 2003 (in $000's):

	THREE MONTHS ENDED JUNE 30,	
	2004	2003
		(RESTATED)
Revenues:		
Hotel and casino operating income	$ 73,145	$ 65,467
Land, house and condominium sales	12,443	1,551
Rental real estate	4,452	5,751
Hotel and resort operating income	3,439	4,525
Oil and gas operating properties	11,079	8,707
Other investments	11,453	1,407
Subtotal	116,011	87,408
Reconciling items--primarily interest income on U.S. Government obligations	1,890	3,237
Total revenues	$117,901	$ 90,645
Net earnings (loss):		
Segment earnings:		
Hotel and casino operating properties	$ 17,261	$ 10,907
Land, house and condominium development	4,738	653
Rental real estate	3,101	4,609
Hotel and resort operating properties	567	1,448
Oil and gas operating properties	11,079	8,707
Other investments	11,453	1,407
Total segment earnings	48,199	27,731
Gain on sale of marketable equity securities	8,310	--
Income from discontinued operations	50,956	3,909
Other expenses, net	(25,679)	(34,427)
General partner's share of net income	(2,732)	(2,064)
Net earnings limited partner unitholders	$ 79,054	$ (4,851)

	SIX MONTHS ENDED JUNE 30,	
	2004	2003
		(RESTATED)
Revenues:		
Hotel and casino operating income	$147,806	$ 130,340
Land, house and condominium sales	17,457	6,411
Rental real estate	10,549	11,462
Hotel and resort operating income	5,543	6,597
Oil and gas operating properties	21,602	19,330
Other investments	16,013	3,305
Subtotal	218,970	177,445
Reconciling items--primarily interest income on U.S. Government obligations	3,053	6,800
Total revenues	$222,023	$ 184,245
Net earnings (loss):		
Segment earnings:		
Hotel and casino operating properties	$ 37,675	$ 22,289
Land, house and condominium development	6,394	1,410
Rental real estate	8,014	9,326
Hotel and resort operating properties	574	1,255
Oil and gas operating properties	21,602	19,330
Other investments	16,013	3,305
Total segment earnings	90,272	56,915
Gain on sale of marketable equity securities	37,167	--
Gains on sales and disposition of real estate	5,821	866
Income from discontinued operations	60,343	5,885
Other expenses, net	(48,797)	(52,061)
General partner's share of net income	(8,144)	(6,181)
Net earnings limited partner unitholders	$136,662	$ 5,424

	June 30, 2004	December 31, 2003 (Restated)
Assets:		
Rental real estate	$ 214,946	$ 340,062
Hotel and casino operating property	295,080	298,703
Land and construction-in-progress	40,797	43,459
Hotel and resort operating properties	34,689	41,526
Other investments	275,006	231,050
	860,518	954,800
Reconciling items	1,340,506	697,220
Total	$2,201,024	$1,652,020

15. INCOME TAXES (in $000's)

Corporate income taxes

(i) The Company's corporations recorded the following income tax (expense) benefit attributable to continuing operations for American Casino and NEG for the three and six months ended June 30, 2004 and 2003 (in $000's):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003 (Restated)	2004	2003 (Restated)
Current	$(1,085)	$ (216)	$(3,225)	$(2,318)
Deferred	(2,003)	(2,951)	(6,032)	(4,741)
	$(3,088)	$(3,167)	$(9,257)	$(7,059)

(ii) The tax effect of significant differences representing net deferred tax assets (the difference between financial statement carrying values and the tax basis of assets and liabilities) for the Company is as follows at June 30, 2004 and December 31, 2003 (in $000's):

	June 30, 2004	December 31, 2003 (Restated)
Deferred tax assets:		
Depreciation	$ 50,897	$ 40,191
Net operating loss carryforwards	26,824	30,942
Investment in NEG Holding LLC	17,792	18,845
Other	7,116	8,504
	102,629	98,482
Valuation allowance	(15,875)	(15,875)
Net deferred tax assets	$ 86,754	$ 82,607

16. SIGNIFICANT PROPERTY TRANSACTIONS

Due to favorable real estate market conditions and the mature nature of the Company's real estate portfolio, AREP has solicited offers of its rental real estate portfolio. AREP intends to utilize proceeds from any asset sales to continue to invest in our core businesses, including real estate, gaming and entertainment and oil and gas. We may also seek opportunities in other sectors including industrial, manufacturing and insurance and asset management. In total, the Company is marketing for sale properties with a book value of approximately $198 million at June 30, 2004, including financing lease property ($98 million), operating lease property ($51 million) and property held for sale ($49 million), which are individually encumbered by mortgage debt which in the aggregate is approximately $84 million. There can be no assurance that offers satisfactory to AREP will be received and, if received, that the properties will ultimately be sold at prices acceptable to AREP.

In the six months ended June 30, 2004, the Company sold seven financing lease properties for approximately $43.4 million. The properties were encumbered by mortgage debt of approximately $26.8 million which was repaid from the sales proceeds. The carrying value of these properties was approximately $37.6 million; therefore, the Company recognized a gain on sale of approximately $5.8 million in the six months ended June 30, 2004, which is included in income from continuing operations.

In the six months ended June 30, 2004, the Company sold 25 operating properties for approximately $168 million. The properties were encumbered by mortgage debt of approximately $67 million which was repaid from the sales proceeds. The carrying value of these properties was approximately $113 million. The Company recognized a gain on sale of approximately $55 million in the six months ended June 30, 2004, which is included in income from discontinued operations.

At June 30, 2004, the Company had 29 properties under contract or as to which letters of intent had been executed by potential purchasers, all of which contracts or letters of intent are subject to purchaser's due diligence and other closing conditions. Selling prices for the properties covered by the contracts or letters of intent would

total approximately $87.3 million but the properties are encumbered by aggregate mortgage debt of approximately $15.3 million which would have to be repaid out of the proceeds of the sales or assumed by the purchaser. At June 30, 2004, the carrying value of these properties is approximately $44 million. In 2003, net income from these properties totaled approximately $4.2 million; interest expense was approximately $1.2 million; and depreciation and amortization expense was approximately $1.1 million. In accordance with generally accepted accounting principles, only the real estate operating properties under contract or letter of intent, but not the financing lease properties, were reclassified to "Properties Held for Sale" and the related income and expense reclassified to "Income from Discontinued Operations."

In conjunction with AREP's reinvestment program, in January 2004, the Company purchased a 34,422 square foot commercial condominium unit located in New York City for approximately $14.5 million. The unit contains a Citibank branch, a furniture store and a restaurant. AREP obtained mortgage financing of $10 million for this property in April 2004.

17. SUBSEQUENT EVENTS

a. In July 2004, AREP purchased two Vero Beach, Florida waterfront communities, Grand Harbor and Oak Harbor, including their respective golf courses, tennis complex, fitness center, beach club and clubhouses. The acquisition also included properties in various stages of development including land for future residential development, improved lots and finished residential units ready for sale. The purchase price was approximately $75 million. AREP plans to invest in the further development of these properties and the enhancement of the existing infrastructure.

b. In July 2004, the Company sold eight properties for approximately $9.7 million. The carrying value of the properties was approximately $3.9 million; therefore, the Company will recognize a gain with respect to these properties of approximately $5.8 million in discontinued operations in the three and nine months ended September 30, 2004.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Statements included in Management's Discussion and Analysis of Financial Condition and Results of Operations which are not historical in nature are intended to be, and are hereby identified as, "forward looking statements" for purposes of the safe harbor provided by Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended by Public Law 104-67.

Forward-looking statements regarding management's present plans or expectations involve risks and uncertainties and changing economic or competitive conditions, as well as the negotiation of agreements with third parties, which could cause actual results to differ from present plans or expectations, and such differences could be material. Readers should consider that such statements speak only as of the date hereof.

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

In accordance with generally accepted accounting principles, assets transferred between entities under common control are accounted for at historical costs similar to a pooling of interests and the financial statements of previously separate companies for periods prior to the acquisition are restated on a combined basis.

In October 2003, the Company acquired certain debt and equity securities of National Energy Group, Inc. ("NEG") from entities affiliated with Mr. Icahn and purchased additional NEG common stock in the open market. As a result of the foregoing acquisitions, AREP beneficially owns in excess of 50% of the outstanding common stock of NEG. AREP consolidates NEG in its financial statements and prior period financial statements have been restated to include the accounts of NEG. Earnings prior to the acquisition have been allocated to the General Partner.

In May 2004, American Casino, an indirect wholly-owned subsidiary of AREP, acquired Arizona Charlie's Decatur and Arizona Charlie's Boulder, two Las Vegas hotel/casinos, from Mr. Icahn and an affiliate. The Company's June 30, 2004, Consolidated Financial Statements include the accounts of Arizona Charlie's Decatur and Arizona Charlie's Boulder and prior period financial statements have been restated to include the accounts of Arizona Charlie's Decatur and Arizona Charlie's Boulder. Earnings prior to the acquisition have been allocated to the General Partner.

RESULTS OF OPERATIONS

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

Gross revenues increased by $27.3 million, or 30.1%, during the three months ended June 30, 2004 as compared to the same period in 2003. This increase reflects increases of $10.9 million in land, house and condominium sales, $8.5 million in hotel and casino operating income, $7.3 million in interest income on U.S. government and agency obligations and other investments, $1.5 million in accretion of investment in NEG Holding LLC, $1.4 million in dividend and other income and $0.9 million in NEG management fees partially offset by decreases of $1.1 million in hotel and resort operating income, $.9 million in equity in earnings of GB Holdings, $0.8 million in interest income on financing leases and $0.4 million in rental income. The increase in land, house and condominium sales is primarily due to an increase in the number of units sold. The increase in hotel and casino

operating income is primarily due to an increase in casino, hotel and food and beverage revenues. The increase in interest income on U.S. government and agency obligations and other investments is primarily due to the repayment of a

mezzanine loan and increased interest income from other investments. Hotel and resort operating income decreased primarily due to the deferral of certain membership initiation fees.

Expenses increased by $17.0 million, or 22.6%, during the three months ended June 30, 2004 as compared to the same period in 2003. This increase reflects increases of $6.8 million in cost of land, house and condominium sales, $5.9 million in interest expense, $1.7 million in depreciation and amortization, $1.3 million in hotel and casino operating expenses, $1.2 million in general and administrative expenses, and $0.2 million in property expenses partially offset by a decrease of $0.1 million in hotel and resort operating expenses. The increase in the cost of land, house and condominium sales is primarily attributable to increased sales as discussed above. The increase in interest expense is primarily attributable to the increased interest expense on the senior notes issued by American Casino in January 2004 and by the Company in May 2004 and the preferred limited partnership units. The increase in depreciation and amortization is primarily due to increased depreciation and amortization of American Casino. The increase in hotel and casino operating expenses is primarily attributable to increased costs associated with increased revenues. The increase in general and administrative expenses is primarily attributable to expenses incurred in connection with the increase in NEG management fees.

Operating income increased during the three months ended June 30, 2004 by $10.3 million as compared to the same period in 2003 as detailed above.

Earnings from land, house and condominium operations increased in the three months ended June 30, 2004 compared to the same period in 2003 due to an increase in the number of units sold. Based on current information, sales are expected to increase moderately during the remainder of 2004 as compared to 2003. However, municipal approval of land inventory or the purchase of approved land is required to continue this upward trend into 2005 and beyond.

Earnings from hotel, casino and resort properties increased during the three months ended June 30, 2004 due to increased revenues throughout the property.

There were no significant gains or losses on property transactions from continuing operations in the three months ended June 30, 2004 or 2003.

A gain on sale of marketable equity securities of $8.3 million was recorded in the three months ended June 30, 2004. There were no such gains in the comparable period of 2003.

A write-down of other investments of $18.8 million was recorded in the three months ended June 30, 2003. There was no such write-down in 2004.

Income from continuing operations before income taxes increased by $37.4 million in the three months ended June 30, 2004 as compared to the same period in 2003 as detailed above.

Income tax expense of $3.1 million was recorded in the three months ended June 30, 2004 as compared to $3.2 million in 2003. Income tax expense was recorded by our corporate subsidiaries NEG and American Casino.

Income from continuing operations increased by $37.5 million in the three months ended June 30, 2004 as compared to the same period in 2003 as detailed above.

Income from discontinued operations increased by $47.0 million in the three months ended June 30, 2004 as compared to the same period in 2003 due to gains on property dispositions.

Net earnings for the three months ended June 30, 2004 increased by $84.5 million as compared to the three months ended June 30, 2003, primarily due to increased income from discontinued operations ($47.1 million), a write-down of other investments in 2003 ($18.8 million), a gain on sale of marketable debt securities ($8.3 million), increased net hotel and casino operating income ($7.2 million), and increased net income from land, house and condominium operations ($4.1 million).

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

Gross revenues increased by $37.8 million, or 20.5%, during the six months ended June 30, 2004 as compared to the same period in 2003. This increase reflects increases of $17.8 million on hotel and casino operating revenues,

$11.0 million in land, house and condominium sales, $7.6 million in interest income on U.S. government and agency obligations, $1.6 million in NEG management fees, $1.4 million in dividend and other income, $.7 million in accretion of investment in NEG Holding LLC and $.4 million in rental income partially offset by decreases of $1.3 million in interest income on financing leases, $1.1 million in hotel and resort operating income and $.3 million in equity in earnings of GB Holdings. The increase in hotel and casino operating income is primarily due to an increase in casino, hotel, and food and beverage revenues. The increase in land, house and condominium sales is primarily due to sales of higher priced units. The increase in interest income on U.S. government and agency obligations is primarily due to the repayment of a mezzanine loan and increased interest income from other investments. The increase in NEG management fees is primarily due to management fees received from the Trans Texas Gas Corporation.

Expenses increased by $18.9 million, or 12.4%, during the six months ended June 30, 2004, as compared to the same period in 2003. This increase reflects increases of $6.1 million in cost of land, house and condominium sales, $5.6 million in interest expense, $2.9 million in depreciation and amortization, $2.2 million in general and administrative expenses, $2.1 million hotel and casino operating expenses and $.4 million in property expenses partially offset by a decrease of $.4 million in hotel and resort operating expenses. The increase in the cost of land, house and condominium sales is primarily attributable to increased sales, as discussed above. The increase in interest expense is primarily attributable to the increased interest expense on the senior notes payable and preferred limited partnership units. The increase in depreciation and amortization is primarily due to increased depreciation and amortization with respect to American Casino. The increase in general and administrative expenses is primarily attributable to expenses incurred in connection with the increase in NEG management fees. The increase in hotel and casino operating expenses is primarily attributable to increased costs associated with increased revenues.

Operating income increased during the six months ended June 30, 2004 by $18.9 million as compared to the same period in 2003, as detailed above.

Earnings from land, house and condominium operations increased in the six months ended June 30, 2004 compared to the same period in 2003 due to sales of higher priced units. Based on current information, sales are expected to increase moderately during the remainder of 2004 as compared to 2003. However, municipal approval of land inventory or the purchase of approved land is required to continue this upward trend into 2005 and beyond.

Earnings from hotel, casino and resort properties increased during the six months ended June 30, 2004 due to increased revenues throughout the property.

Gain on property transactions from continuing operations increased by $4.9 million during the six months ended June 30, 2004 as compared to the same period in 2003.

A provision for loss on real estate of $0.2 million was recorded in the six months ended June 30, 2003. No such provision was recorded in 2004.

A gain on sale of marketable equity securities of $37.2 million was recorded in the six months ended June 30, 2004. There were no such gains in the comparable period of 2003.

A write-down of other investments of $18.8 million was recorded in the six months ended June 30, 2003. There was no such write-down in 2004.

A write-down of equity securities available for sale of $0.9 million was recorded in the six months ended June 30, 2003. There was no such write-down in 2004.

Income from continuing operations before income taxes increased by $80.9 million in the six months ended June 30, 2004 as compared to the same period in 2003, as detailed above.

Income tax expense of $9.3 million was recorded in the six months ended June 30, 2004 as compared to $7.1 million in 2003. Income tax expense was recorded by our corporate subsidiaries NEG and American Casino.

Income from continuing operations increased by $78.7 million in the six months ended June 30, 2004 as compared to the same period in 2003, as detailed above.

Income from discontinued operations increased by $54.5 million in the six months ended June 30, 2004 as compared to the same period in 2003 due to gains on property dispositions.

Net earnings for the six months ended June 30, 2004 increased by $133.2 million as compared to the six months ended June 30, 2003, primarily due to increased income from discontinued operations ($54.5 million), gain on marketable equity securities ($37.2 million), a write-down of other investments in 2003 ($18.8 million), increased net hotel and casino operating income ($15.4 million) and increased gain on property dispositions from continuing operations ($4.9 million).

CAPITAL RESOURCES AND LIQUIDITY

Net cash provided by operating activities was $52.2 million for the six months ended June 30, 2004 as compared to $5.0 million used in operating activities in the comparable period of 2003. This increase was primarily due to a repayment of accounts payable and accrued expenses in 2003, ($34.4 million), an increase in hotel and casino operations ($15.4 million), increased interest income ($7.6 million), an increase in land, house and condominium operations ($5.0 million) partially offset by an increase in interest expense ($5.6 million), an increase in receivables and other assets ($3.6 million), and an increase in cash flow from other operations ($1.0 million).

The following table reflects our contractual cash obligations, subject to certain conditions, due over the indicated periods and when they come due (in $ millions):

	LESS THAN 1 YEAR	1-3 YEARS	4-5 YEARS	AFTER 5 YEARS	TOTAL(1)
Mortgages payable	$ 4.4	$ 10.1	$ 34.5	$ 45.2	$ 94.2
Purchase of debt securities	59.9	--	--	--	59.9
Property acquisition	75.0	--	--	--	75.0
Senior secured notes payable	--	--	--	215.0	215.0
Senior unsecured notes payable	--	--	--	353.0	353.0
Construction and development obligations	30.0	--	--	--	30.0
Total	$ 169.3	$ 10.1	$ 34.5	$ 613.2	$ 827.1

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(1) In addition, see Note 11 for preferred limited partnership redemption.

On May 26, 2004, American Casino, an indirect wholly-owned subsidiary of the Company, completed the acquisition of two Las Vegas casino/hotels, Arizona Charlie's Decatur and Arizona Charlie's Boulder, from Carl C. Icahn and an entity affiliated with Icahn, for aggregate consideration of $125.9 million. The terms of the transaction were approved by the Audit Committee. AREH transferred 100% of the common stock of Stratosphere to American Casino. As a result, American Casino owns and operates three gaming and entertainment properties in the Las Vegas metropolitan area.

In January 2004, American Casino closed on its offering of senior secured notes due 2012. The notes, in the aggregate principal amount of $215 million, bear interest at the rate of 7.85% per annum. The proceeds were held in escrow pending receipt of all approvals necessary under gaming laws and certain other conditions in connection with the acquisition of Arizona Charlie's Decatur and Boulder. Upon satisfaction of all closing conditions, the proceeds of the offering were released from escrow. American Casino used the proceeds for the acquisition and to repay intercompany indebtedness and for distributions to AREH.

On May 12, 2004, AREP closed on its offering of senior notes due 2012. The notes in the aggregate of $353 million bear interest at the rate of 8.125% per annum. AREP intends to use the proceeds for general business purposes, including to pursue our primary business strategy of acquiring undervalued assets in our existing lines of business or other businesses and to provide additional capital to grow our existing businesses.

At June 30, 2004, we had 29 properties under contract or as to which letters of intent had been executed by the potential purchaser, all of which contracts or letters of intent are subject to purchaser's due diligence and other closing conditions. Selling prices for the properties covered by the contracts or letters of intent would total approximately $87.3 million but the properties are encumbered by aggregate mortgage debt of approximately $15.3 million which would have to be repaid out of the proceeds of the sales or would be assumed by purchasers.

On March 15, 2004, we announced that no distributions on our depositary units are expected to be made in 2004. We continue to believe that we should continue to hold and invest, rather than distribute, cash. We intend to

continue to apply available cash flow toward our operations, repayment of maturing indebtedness, tenant requirements, investments, acquisitions and other capital expenditures.

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

Net proceeds from the sale or disposal of portfolio properties totaled approximately $118.1 million in the six months ended June 30, 2004. During the comparable period of 2003, sales proceeds totaled approximately $6.8 million. The Company intends to use asset sales, financing and refinancing proceeds for new investments.

Capital expenditures for real estate, and hotel, casino and resort operations were approximately $11.6 million and $4.8 million during the six months ended June 30, 2004 and 2003, respectively. In 2004, capital expenditures are currently expected to be approximately $20 million. In the six months ended June 30, 2004, we acquired a property for approximately $14.6 million.

During the six months ended June 30, 2004 and 2003, approximately $3.0 million and $7.3 million, respectively, of mortgage principal payments were repaid. These amounts do not include mortgage debt repaid in connection with sales of real estate.

Our cash and cash equivalents and investment in U.S. government and agency obligations increased by $631.2 million during the six months ended June 30, 2004 primarily due to proceeds from the issuance of our 8.125% senior notes due 2012 and by American Casino's 7.85% senior secured notes due 2012 ($565.4 million), property sales proceeds ($118.1 million), proceeds from the sale of marketable equity and debt securities ($86.5 million), cash provided by operations ($52.2 million), repayment of mezzanine loans ($25.9 million), proceeds from mortgages payable ($10.0 million), and guaranteed payment from NEG Holdings ($8.0 million) partially offset by the purchase of Arizona Charlies ($125.9 million), purchase of debt securities ($54.8 million), repayment of affiliate debt ($25.0 million), rental real estate acquisitions ($14.6 million), capital expenditures ($11.6 million) and miscellaneous other items ($3.0 million).

OFF BALANCE SHEET ARRANGEMENTS

We do not maintain any off-balance sheet transactions, arrangements, obligations or other relationships with unconsolidated entities or others that are reasonably likely to have a material current or future effect on our condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources which are not disclosed in the notes to the consolidated financial statements.

CERTAIN TRENDS AND UNCERTAINTIES

In addition to certain trends and uncertainties described elsewhere in this report, we are subject to the trends and uncertainties set forth below.

RISKS RELATING TO OUR BUSINESS

REAL ESTATE

OUR INVESTMENT IN PROPERTY DEVELOPMENT MAY BE MORE COSTLY THAN ANTICIPATED.

We have invested and expect to continue to invest in unentitled land, undeveloped land and distressed development properties. These properties involve more risk than properties on which development has been completed. Unentitled land may not be approved for development. Undeveloped land and distressed development properties do not generate any operating revenue, while costs are incurred to develop the properties. In addition, undeveloped land and development properties incur expenditures prior to completion, including property taxes and development costs. Also, construction may not be completed within budget or as scheduled and projected rental levels or sales prices may not be achieved and other unpredictable contingencies beyond our control could occur. We will not be able to recoup any of such costs until such time as these properties, or parcels thereof, are either disposed of or developed into income-producing assets.

COMPETITION FOR ACQUISITIONS COULD ADVERSELY AFFECT US AND NEW ACQUISITIONS MAY FAIL TO PERFORM AS EXPECTED.

We seek to acquire investments that are undervalued. Acquisition opportunities in the real estate market for value-added investors have become competitive to source and the increased competition may negatively affect the spreads and the ability to find quality assets that provide returns that we seek. These investments may not be readily financeable and may not generate immediate positive cash flow for us. There can be no assurance that any asset we acquire, whether in the real estate sector or otherwise, will increase in value or generate positive cash flow.

WE MAY NOT BE ABLE TO SELL OUR RENTAL PROPERTIES, WHICH WOULD REDUCE CASH AVAILABLE FOR OTHER PURPOSES.

We are currently marketing for sale properties with a book value aggregating approximately $198 million at June 30, 2004, which are encumbered by mortgage debt which, in the aggregate, totals approximately $84 million. We may not be successful in obtaining purchase offers at acceptable prices and sales may not be consummated. If we do not sell this real estate, we will not pay off the mortgages associated with these properties which would reduce the amount we could borrow for other purposes. Many of our properties are net-leased to single corporate tenants, it may be difficult to sell those properties that existing tenants decline to re-let. Our attempt to market the real estate portfolio may not be successful. Even if our efforts are successful, we cannot be certain that the proceeds from the sales can be used to acquire businesses and investments at prices or at projected returns which are deemed favorable.

WE FACE POTENTIAL ADVERSE EFFECTS FROM TENANT BANKRUPTCIES OR INSOLVENCIES.

The bankruptcy or insolvency of our tenants may adversely affect the income produced by our properties. If a tenant defaults, we may experience delays and incur substantial costs in enforcing our rights as landlord. If a tenant files for bankruptcy, we cannot evict the tenant solely because of such bankruptcy. A court, however, may authorize a tenant to reject or terminate its lease with us.

THE DEVELOPMENT OF OUR NEW SEABURY PROPERTY MAY BE LIMITED BY GOVERNMENT AUTHORITIES.

We continue to pursue the approval and development of our New Seabury property in Cape Cod, Massachusetts. The development plans have been opposed by the Cape Cod Commission. We have appealed its administrative decision asserting jurisdiction over the development and a Massachusetts Superior Court ruled that a development proposal for up to 278 residential units was exempt from the Commission's jurisdiction. However, the Court has not ruled with respect to our initial proposal to build up to 675 residential/hotel units. We cannot predict

the effect on our development of the property if we lose any appeal from the Court's decision or if the Commission is ultimately successful in asserting jurisdiction over any of the development proposals.

WE MAY BE SUBJECT TO ENVIRONMENTAL LIABILITY.

Under various federal, state and local laws, ordinances and regulations, an owner or operator of real property may become liable for the costs of removal or remediation of certain hazardous substances, pollutants and contaminants released on, under or in its property. These laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release of such substances. To the extent any such substances are found in or on any property invested in by us, we could be exposed to liability and be required to incur substantial remediation costs. The presence of such substances or the failure to undertake proper remediation may adversely affect the ability to finance, refinance or dispose of such property. We generally conduct a Phase I environmental site assessment on properties in which we are considering investing. A Phase I environmental site assessment involves record review, visual site assessment and personnel interviews, but does not typically include invasive testing procedures such as air, soil or groundwater sampling or other tests performed as part of a Phase II environmental site assessment. Accordingly, there can be no assurance that these assessments will disclose all potential liabilities or that future property uses or conditions or changes in applicable environmental laws and regulations or activities at nearby properties will not result in the creation of environmental liabilities with respect to a property.

HOTEL AND CASINO OPERATIONS

THE GAMING INDUSTRY IS HIGHLY REGULATED. THE GAMING AUTHORITIES AND STATE AND MUNICIPAL LICENSING AUTHORITIES HAVE SIGNIFICANT CONTROL OVER OUR OPERATIONS.

Our properties currently conduct licensed gaming operations in Nevada and New Jersey. Various regulatory authorities, including the Nevada State Gaming Control Board, Nevada Gaming Commission and the New Jersey Casino Control Commission, require our properties to hold various licenses and registrations, findings of suitability, permits and approvals to engage in gaming operations and to meet requirements of suitability. These gaming authorities also control approval of ownership interests in gaming operations. These gaming authorities may deny, limit, condition, suspend or revoke our gaming licenses, registrations, findings of suitability or the approval of any of our ownership interests in any of the licensed gaming operations conducted in Nevada and New Jersey, any of which could have a significant adverse effect on our business, financial condition and results of operations, for any cause they may deem reasonable. If we violate gaming laws or regulations that are applicable to us, we may have to pay substantial fines or forfeit assets. If, in the future, we operate or have an ownership interest in casino gaming facilities located outside of Nevada or New Jersey, we may also be subject to the gaming laws and regulations of those other jurisdictions.

The sale of alcoholic beverages at our Nevada properties is subject to licensing and regulation by the City of Las Vegas and Clark County, Nevada. The City of Las Vegas and Clark County have full power to limit, condition, suspend or revoke any such license, and any such disciplinary action may, and revocation would, reduce the number of visitors to our Nevada casinos to the extent the availability of alcoholic beverages is important to them. Changes in ownership arising from the acquisition by American Casino of the Arizona Charlie's casinos will require the approval of the City of Las Vegas and Clark County, Nevada in order for the applicable alcoholic beverage license to remain in effect. The acquisition may not receive the required approvals. If our alcohol licenses become in any way impaired, it would reduce the number of visitors. Any reduction in our number of visitors will reduce our revenue and cash flow.

RISING OPERATING COSTS FOR OUR GAMING AND ENTERTAINMENT PROPERTIES COULD HAVE A NEGATIVE IMPACT ON OUR PROFITABILITY.

The operating expenses associated with our gaming and entertainment properties could increase due to some of the following factors:

- Potential changes in the tax or regulatory environment which impose

additional restrictions or increase operating costs;

- Our properties use significant amounts of electricity, natural gas and other forms of energy, and energy price increases may reduce our working capital;

- Our properties use significant amounts of water and a water shortage may adversely affect our operations;

- An increase in the cost of health care benefits for our employees could have a negative impact on our profitability;

- Some of our employees are covered by collective bargaining agreements and we may incur higher costs or work slow-downs or stoppages due to union activities;

- Our reliance on slot machine revenues and the concentration of manufacturing of slot machines in certain companies could impose additional costs on us; and

- Our insurance coverage may not be adequate to cover all possible losses and our insurance costs may increase.

WE FACE SUBSTANTIAL COMPETITION IN THE HOTEL AND CASINO INDUSTRY.

The hotel and casino industry in general, and the markets in which we compete in particular, are highly competitive.

- We compete with many world class destination resorts with greater name recognition, different attractions, amenities and entertainment options.

- We compete with the continued growth of gaming on Native American tribal lands, particularly in California.

- The existence of legalized gambling in other jurisdictions may reduce the number of visitors to our properties.

- Certain states have legalized, and others may legalize, casino gaming in specific venues, including race tracks and/or in specific areas, including metropolitan areas from which we traditionally attract customers, including Los Angeles, San Francisco and New York.

- Our properties also compete and will in the future compete with all forms of legalized gambling.

Many of our competitors have greater financial, selling and marketing, technical and other resources than we do. We may not be able to compete effectively with our competitors and we may lose market share, which could reduce our revenue and cash flow.

ECONOMIC DOWNTURNS, TERRORISM AND THE UNCERTAINTY OF WAR, AS WELL AS OTHER FACTORS AFFECTING DISCRETIONARY CONSUMER SPENDING, COULD REDUCE THE NUMBER OF OUR VISITORS OR THE AMOUNT OF MONEY VISITORS SPEND AT OUR CASINOS.

The strength and profitability of our hotel and casino business depends on consumer demand for hotel-casino resorts and gaming in general and for the type of amenities we offer. Changes in consumer preferences or discretionary consumer spending could harm our business.

During periods of economic contraction, our hotel and casino revenues may decrease while some of our costs remain fixed, resulting in decreased earnings. This is because the gaming and other leisure activities we offer at our properties are discretionary expenditures, and participation in these activities may decline during economic downturns because consumers have less disposable income. Even an uncertain economic outlook may adversely affect consumer spending in our gaming operations and related facilities, as consumers spend less in anticipation of a potential economic downturn. Additionally, rising gas prices could deter non-local visitors from traveling to our properties.

The terrorist attacks which occurred on September 11, 2001, the potential

for future terrorist attacks and wars in Afghanistan and Iraq have had a negative impact on travel and leisure expenditures, including lodging, gaming and tourism. Leisure and business travel, especially travel by air, remain particularly susceptible to global geopolitical events. Many of the customers of our properties travel by air, and the cost and availability of air service can affect our business. Furthermore, insurance coverage against loss or business interruption resulting from war and some forms of terrorism may be unavailable or not available on terms that we consider reasonable. We cannot predict the extent to which war, future security alerts or additional terrorist attacks may interfere with our operations.

INVESTMENTS

WE MAY NOT BE ABLE TO IDENTIFY SUITABLE INVESTMENTS.

Our partnership agreement allows us to take advantage of investment opportunities we believe exist outside of the real estate market. The equity securities in which we may invest may include common stocks, preferred stocks and securities convertible into common stocks, as well as warrants to purchase these securities. The debt securities

in which we may invest may include bonds, debentures, notes, or non-rated mortgage-related securities, municipal obligations, bank debt and mezzanine loans. Certain of these securities may include lower rated or non-rated securities which may provide the potential for higher yields and therefore may entail higher risk and may include the securities of bankrupt or distressed companies. In addition, we may engage in various investment techniques, including derivatives, options and futures transactions, foreign currency transactions, "short" sales and leveraging for either hedging or other purposes. We may concentrate our activities by owning one or a few businesses or holdings, which would increase our risk. We may not be successful in finding suitable opportunities to invest our cash and our strategy of investing in undervalued assets may expose us to numerous risks.

OUR INVESTMENTS MAY BE SUBJECT TO SIGNIFICANT UNCERTAINTIES.

Our investments may not be successful for many reasons including, but not limited to:

- Fluctuation of interest rates;
- Lack of control in minority investments;
- Worsening of general economic and market conditions;
- Lack of diversification;
- Inexperience with non-real estate areas;
- Fluctuation of U.S. dollar exchange rates; and
- Adverse legal and regulatory developments that may affect particular businesses.

OIL AND GAS

WE FACE SUBSTANTIAL RISKS IN THE OIL AND GAS INDUSTRY.

The exploration for and production of oil and gas involves numerous risks. The cost of drilling, completing and operating wells for oil or gas is often uncertain, and a number of factors can delay or prevent drilling operations or production, including:

- unexpected drilling conditions;
- pressure or irregularities in formation;
- equipment failures or repairs;
- fires or other accidents;

- adverse weather conditions;

- pipeline ruptures or spills; and

- shortages or delays in the availability of drilling rigs and the delivery of equipment.

THE OIL AND GAS INDUSTRY IS HIGHLY REGULATED AND FEDERAL, STATE AND MUNICIPAL LICENSING AUTHORITIES HAVE SIGNIFICANT CONTROL OVER OUR OPERATIONS.

The oil and gas industry is subject to extensive legislation and regulation, which is under constant review for amendment or expansion. Any changes may affect, among other things, the pricing or marketing of oil and gas production. State and local authorities regulate various aspects of oil and gas exploration and production activities, including the drilling of wells, the spacing of wells, the unitization or pooling of oil and gas properties, environmental matters, safety standards, market sharing and well site restoration.

The oil and gas industry is subject to laws, regulations and other legal requirements enacted or adopted by federal, state and local, as well as foreign, authorities relating to protection of the environment and health and safety matters, including those legal requirements that govern discharges of substances into the air and water, the management and disposal of hazardous substances and wastes, the cleanup of contaminated sites, groundwater quality and availability, and plant and wildlife protection.

RISKS RELATING TO OUR STRUCTURE

OUR GENERAL PARTNER AND ITS CONTROL PERSON COULD EXERCISE THEIR INFLUENCE OVER US TO YOUR DETRIMENT.

Mr. Icahn, through affiliates, currently owns 100% of API, our general partner, and approximately 86.5% of our outstanding depositary units and preferred units and, as a result, has and will have the ability to influence many aspects of our operations and affairs. API also is the general partner of AREH. In addition, an affiliate of Mr. Icahn owns a 50% interest and is the managing member of NEG Holding LLC. The other 50% interest is owned by National Energy Group, Inc., of which we own a majority of the common stock. Mr. Icahn and affiliates, including AREP, own approximately 77.5% of the stock of GB Holdings, Inc., the sole shareholder of Atlantic Coast Entertainment Holdings, Inc., or Atlantic Holdings, which owns and operates the Sands Hotel and Casino. Mr. Icahn and affiliates, including AREP, own approximately 96.5% of the debt of Atlantic Holdings. Mr. Icahn and his affiliates, other than AREP, own approximately 41.2% of the common stock of GB Holdings and 55.9% of the debt of Atlantic Holdings. AREP owns approximately 36.3% of the common stock of GB Holdings and 40.6% of the debt of Atlantic Holdings. We may invest in entities in which Mr. Icahn also invests or purchase investments from him or his affiliates. Although API has never received fees in connection with our investments, our partnership agreement allows for the payment of these fees. Mr. Icahn may pursue other business opportunities in the real estate or other industries in which we compete and there is no requirement that any additional business opportunities be presented to us.

The interests of Mr. Icahn, including his interests in entities in which he and we have invested or may invest in the future, may differ from AREP's interests or its security holders interests and, as such, he may take actions that may not be in AREP's interest.

CERTAIN OF OUR MANAGEMENT ARE COMMITTED TO THE MANAGEMENT OF OTHER BUSINESSES.

Certain of the individuals who conduct the affairs of API are and will in the future be committed to the management of other businesses owned by Mr. Icahn and his affiliates. Accordingly, these individuals will not be devoting all of their professional time to our management, and conflicts may arise between our interests and the other entities or business activities in which such individuals are involved. Conflicts of interest may arise in the future as such affiliates and we may compete for the same assets, purchasers and sellers of assets, lessees or financings.

WE MAY BE SUBJECT TO THE PENSION LIABILITIES OF OUR AFFILIATES.

Mr. Icahn, through certain affiliates, currently owns 100% of API and approximately 86.5% of our outstanding depositary units and preferred units. Applicable pension and tax laws make each member of a "controlled group" of entities, generally defined as entities in which there is at least an 80% common ownership interest, jointly and severally liable for certain pension plan obligations of any member of the controlled group. These pension obligations include ongoing contributions to fund the plan, as well as liability for any unfunded liabilities that may exist at the time the plan is terminated. In addition, the failure to pay these pension obligations

when due may result in the creation of liens in favor of the pension plan or the Pension Benefit Guaranty Corporation, or the PBGC, against the assets of each member of the controlled group.

As a result of the more than 80% ownership interest in us by Mr. Icahn's affiliates, we and our subsidiaries, are subject to the pension liabilities of all entities in which Mr. Icahn has a direct or indirect ownership interest of at least 80%. One such entity, ACF Industries LLC, or ACF, is the sponsor of several pension plans which are underfunded by a total of approximately $28 million on an ongoing actuarial basis and $131 million if those plans were terminated, as most recently reported for the 2003 plan year by the plans' actuaries. These liabilities could increase or decrease, depending on a number of factors, including future changes in promised benefits, investment returns, and the assumptions used to calculate the liability. As members of the ACF controlled group, we would be liable for any failure of ACF to make ongoing pension contributions or to pay the unfunded liabilities upon a termination of the ACF pension plans. In addition, other entities now or in the future within the controlled group that includes us may have pension plan obligations that are, or may become, underfunded and we would be liable for any failure of such entities to make ongoing pension contributions or to pay the unfunded liabilities upon a termination of such plans.

The current underfunded status of the ACF pension plans requires ACF to notify the PBGC of certain "reportable events," such as if we cease to be a member of the ACF controlled group, or if we make certain extraordinary dividends or stock redemptions. The obligation to report could cause us to seek to delay or reconsider the occurrence of such reportable events.

Starfire Holding Corporation, which is 100% owned by Mr. Icahn, has undertaken to indemnify us and our subsidiaries from losses resulting from any imposition of pension funding or termination liabilities that may be imposed on us and our subsidiaries or our assets as a result of being a member of the Icahn controlled group. The Starfire indemnity provides, among other things, that so long as such contingent liabilities exist and could be imposed on us, Starfire will not make any distributions to its stockholders that would reduce its net worth to below $250 million. Nonetheless, Starfire may not be able to fund its indemnification obligations to us.

WE ARE SUBJECT TO THE RISK OF POSSIBLY BECOMING AN INVESTMENT COMPANY.

Because we are a holding company and a significant portion of our assets consists of investments in companies in which we own less than a 50% interest, we run the risk of inadvertently becoming an investment company that is required to register under the Investment Company Act of 1940. Registered investment companies are subject to extensive, restrictive and potentially adverse regulation relating to, among other things, operating methods, management, capital structure, dividends and transactions with affiliates. Registered investment companies are not permitted to operate their business in the manner in which we operate our business, nor are registered investment companies permitted to have many of the relationships that we have with our affiliated companies.

To avoid becoming an investment company, we monitor the value of our investments and structure transactions with an eye toward the Investment Company Act. As a result, we may structure transactions in a less advantageous manner than if we did not have Investment Company Act concerns, or we may avoid otherwise economically desirable transactions due to those concerns. In addition, events beyond our control, including significant appreciation or depreciation in the market value of certain of our publicly traded holdings,

could result in our inadvertently becoming an investment company.

If it were established that we were an investment company, there would be a risk, among other material adverse consequences, that we could become subject to monetary penalties or injunctive relief, or both, in an action brought by the SEC, that we would be unable to enforce contracts with third parties or that third parties could seek to obtain rescission of transactions with us undertaken during the period it was established that we were an unregistered investment company.

WE MAY BECOME TAXABLE AS A CORPORATION.

We operate as a partnership for federal income tax purposes. This allows us to pass through our income and deductions to our partners. We believe that we have been and are properly treated as a partnership for federal income tax purposes. However, the Internal Revenue Service, or IRS, could challenge our partnership status and we

could fail to qualify as a partnership for past years as well as future years. Qualification as a partnership involves the application of highly technical and complex provisions of the Internal Revenue Code of 1986, as amended. For example, a publicly traded partnership is generally taxable as a corporation unless 90% or more of its gross income is "qualifying" income, which includes interest, dividends, real property rents, gains from the sale or other disposition of real property, gain from the sale or other disposition of capital assets held for the production of interest or dividends, and certain other items. We believe that in all prior years of our existence at least 90% of our gross income was qualifying income and we intend to structure our business in a manner such that at least 90% of our gross income will constitute qualifying income this year and in the future. However, there can be no assurance that such structuring will be effective in all events to avoid the receipt of more than 10% of non-qualifying income. If less than 90% of our gross income constitutes qualifying income, we may be subject to corporate tax on our net income at regular corporate tax rates. Further, if less than 90% of our gross income constituted qualifying income for past years, we may be subject to corporate level tax plus interest and possibly penalties. In addition, if we register under the Investment Company Act of 1940, it is likely that we would be treated as a corporation for U.S. federal income tax purposes and subject to corporate tax on our net income at regular corporate tax rates. The cost of paying federal and possibly state income tax, either for past years or going forward, would be a significant liability.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The United States Securities and Exchange Commission requires that registrants include information about primary market risk exposures relating to financial instruments. Through its operating and investment activities, we are exposed to market, credit and related risks, including those described elsewhere herein. As we may invest in debt or equity securities of companies undergoing restructuring or undervalued by the market, these securities are subject to inherent risks due to price fluctuations, and risks relating to the issuer and its industry, and the market for these securities may be less liquid and more volatile than that of higher rated or more widely followed securities.

Other related risks include liquidity risks, which arise in the course of our general funding activities and the management of our balance sheet. This includes both risks relating to the raising of funding with appropriate maturity and interest rate characteristics and the risk of being unable to liquidate an asset in a timely manner at an acceptable price. Real estate investments by their nature are often difficult or time-consuming to liquidate. Also, buyers of minority interests may be difficult to secure, while transfers of large block positions may be subject to legal, contractual or market restrictions. Our other operating risks include lease terminations, whether scheduled terminations or due to tenant defaults or bankruptcies, development risks, and environmental and capital expenditure matters, as described elsewhere herein.

We invest in U.S. government and agency obligations which are subject to interest rate risk. As interest rates fluctuate, we will experience changes in the fair value of these investments with maturities greater than one year. If interest rates increased 100 basis points, the fair value of these investments at June 30, 2004, would decline by approximately $200,000.

We employ internal strategies intended to mitigate exposure to these and other risks. We, on a case by case basis with respect to new investments, perform internal analyses of risk identification, assessment and control. We review credit exposures, and seeks to mitigate counterparty credit exposure through various techniques, including obtaining and maintaining collateral, and assessing the creditworthiness of counterparties and issuers. Where appropriate, an analysis is made of political, economic and financial conditions, including those of foreign countries. Operating risk is managed through the use of experienced personnel. We seek to achieve adequate returns commensurate with the risk it assumes. We utilize qualitative as well as quantitative information in managing risk.

ITEM 4. CONTROLS AND PROCEDURES

a. As of June 30, 2004, our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation and our subsidiaries' disclosure controls and procedures pursuant to the Exchange Act Rule 13a-15(e) and 15d-15(e). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by us in such reports is accumulated and communicated to our management, including our principal

executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

b. During the three months ended June 30, 2004, no change in our internal control over financial reporting occurred that has materially affected, or is reasonably likely to materially affect, such internal control over financial reporting, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II. OTHER INFORMATION

ITEM 6.

(a) Exhibits filed as part of this Report

3.6 Certificate of Incorporation of American Real Estate Finance Corp. (incorporated by reference to American Real Estate Partners, L.P.'s Exhibit 3.6 to Form S-4 (SEC File No. 333-118021), filed on August 6, 2004).

3.7 By-Laws of American Real Estate Finance Corp. (incorporated by reference to American Real Estate Partners, L.P.'s Exhibit 3.7 to Form S-4 (SEC File No. 333-118021), filed on August 6, 2004).

4.8 Indenture, dated as of May 12, 2004, among American Real Estate Partners, L.P., American Real Estate Finance Corp., American Real Estate Holdings Limited Partnership, the guarantors from time to time party thereto and Wilmington Trust Company, as Trustee ("Trustee"). (incorporated by reference to American Real Estate Partners, L.P.'s Exhibit 4.1 to Form S-4 (SEC File No. 333-118021), filed on August 6, 2004).

4.9 Form of 8 1/8% Senior Notes due 2012 of American Real Estate Partners, L.P. and American Real Estate Finance Corp. (incorporated by reference to American Real Estate Partners, L.P.'s Exhibit 4.2 to Form S-4 (SEC File No. 333-118021), filed on August 6, 2004).

4.10 Form of 7.85% Senior Secured Note due 2012 of American Casino & Entertainment Properties LLC and American Casino & Entertainment Properties Finance Corp.

4.11 Registration Rights Agreement, dated as of May 12, 2004, by and among American Real Estate Partners, L.P., American Real Estate Finance Corp., American Real Estate Holdings Limited Partnership and Bear, Stearns & Co. Inc. (incorporated by reference to American Real Estate Partners, L.P.'s Exhibit 4.3 to Form S-4 (SEC File No. 333-118021), filed on August 6, 2004).

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

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

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

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

(b) Reports on Form 8-K

We filed the following Current Reports on Form 8-K during the quarter ended June 30, 2004:

(1) A report filed April 6, 2004, which included, under Item 4 and Item 7, a letter from KPMG, dated April 6, 2004, in accordance with Item 304(a)(3) of Regulation S-K.

(2) A report filed April 27, 2004, which included, under Item 5 and Item 7, our press release announcing an offering of senior notes.

(3) A report filed April 28, 2004, which included, under Item 4, a change in our certifying accountant.

(4) A report filed May 7, 2004, which included, under Item 5 and Item 7, our press release announcing the pricing of debt offering.

(5) A report filed May 27, 2004, which included, under Item 5 and Item 7, a press release announcing American Casino & Entertainment Properties closing on acquisition of Arizona Charlie's Casinos in Las Vegas.

We did furnish the following information required to be furnished under Item 9 or Item 12 during the quarter ended June 30, 2004:

(1) A report filed April 23, 2004, which included, under Item 9 and Item 12, (a) a press release issued by American Casino & Entertainment Properties, LLP announcing its 2003 fall year and estimated 2004 first quarter results, (b) ACEP's 2003 audited combined financial statements, and (c) ACEP's 2003 Management Discussion and Analysis of Results of Operations and Financial Condition.

(2) A report filed May 11, 2004, which included, under Item 12, a press release announcing our first quarter results.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMERICAN REAL ESTATE PARTNERS, L.P.

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

/s/ JOHN P. SALDARELLI

JOHN P. SALDARELLI
TREASURER, CHIEF FINANCIAL OFFICER
AND PRINCIPAL ACCOUNTING OFFICER

Date: August 9, 2004

EXHIBIT INDEX

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EXHIBIT 4.10

EXHIBIT A1

[Face of Note]

CUSIP/CINS _____

7.85% Senior Secured Notes due 2012

No. ___ $_____

AMERICAN CASINO & ENTERTAINMENT PROPERTIES LLC
AMERICAN CASINO & ENTERTAINMENT PROPERTIES FINANCE CORP.

each promise to pay to _____ or registered assigns,

the principal sum of _____ DOLLARS on February 1, 2012.

Interest Payment Dates: February 1 and August 1

Record Dates: January 15 and July 15

Dated:

AMERICAN CASINO & ENTERTAINMENT PROPERTIES LLC

By: _____
Name:
Title:

AMERICAN CASINO & ENTERTAINMENT PROPERTIES FINANCE CORP.

By: _____
Name:
Title:

This is one of the Notes referred to in the within-mentioned Indenture:

WILMINGTON TRUST COMPANY,
as Trustee

By: _____
Authorized Signatory

[Back of Note]
7.85% Senior Secured Notes due 2012

[Insert the Global Note Legend, if ap`plicable pursuant to the provisions of the Indenture]

[Insert the Private Placement Legend, if applicable pursuant to the provisions of the Indenture]

Capitalized terms used herein have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

(1) INTEREST. American Casino & Entertainment Properties LLC, a Delaware limited liability company ("ACEP") and American Casino & Entertainment Properties Finance Corp., a Delaware corporation ("ACEP Finance", together with ACEP, the "Company"), promises to pay interest on the principal amount of this Note at 7.85% per annum from _____, 20__ until maturity and shall pay the Liquidated Damages, if any, payable pursuant to Section 5 of the Registration Rights Agreement referred to below. The Company will pay interest and Liquidated Damages, if any, semi-annually in arrears on February 1 and August 1 of each year, or if any such day is not a Business Day, on the next

succeeding Business Day (each, an "Interest Payment Date"). Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of issuance; provided that if there is no existing Default in the payment of interest, and if this Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date; provided further that the first Interest Payment Date shall be _____, 20__. The Company will pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, from time to time on demand at a rate that is 1% per annum in excess of the rate then in effect; it will pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest and Liquidated Damages, if any, (without regard to any applicable grace periods) from time to time on demand at the same rate to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

(2) METHOD OF PAYMENT. The Company will pay interest on the Notes (except defaulted interest) and Liquidated Damages, if any, to the Persons who are registered Holders of Notes at the close of business on the January 15 or July 15 next preceding the Interest Payment Date, even if such Notes are canceled after such record date and on or before such Interest Payment Date, except as provided in Section 2.12 of the Indenture with respect to defaulted interest. The Notes will be payable as to principal, premium and Liquidated Damages, if any, and interest at the office or agency of the Company maintained for such purpose within or without the City and State of New York, or, at the option of the Company, payment of interest and Liquidated Damages, if any, may be made by check mailed to the Holders at their addresses set forth in the register of Holders; provided that payment by wire transfer of immediately available funds will be required with respect to principal of and interest, premium and Liquidated Damages, if any, on, all Global Notes and all other Notes the Holders of which hold at least $2.0 million aggregate principal amount of Notes and shall have provided wire transfer instructions to the Company or the Paying Agent. Such payment will be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

(3) PAYING AGENT AND REGISTRAR. Initially, Wilmington Trust Company, the Trustee under the Indenture, will act as Paying Agent and Registrar. The Company may change

any Paying Agent or Registrar without notice to any Holder. The Company or any of its Subsidiaries may act in any such capacity.

(4) INDENTURE AND COLLATERAL DOCUMENTS. The Company issued the Notes under an Indenture dated as of January 29, 2004 (the "Indenture") among the Company and the Trustee. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the TIA (15 U.S. Code Sections 77aaa-77bbbb). The Notes are subject to all such terms, and Holders are referred to the Indenture and such Act for a statement of such terms. To the extent any provision of this Note conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling. The Notes are secured obligations of the Company. The Notes are secured by a pledge of Note Collateral pursuant to the Collateral Documents referred to in the Indenture.

(5) OPTIONAL REDEMPTION.

(a) Except as set forth in subparagraph (b) of this Paragraph 5, the Company will not have the option to redeem the Notes prior to February 1, 2008. On or after February 1, 2008, the Company will have the option to redeem the Notes, in whole or in part, upon not less than 15 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and Liquidated Damages, if any, thereon to the applicable redemption date, if redeemed during the twelve-month period beginning on February 1 of the years indicated below:

Year	Percentage
2008	103.925%
2009	101.963%
2010 and thereafter	100.000%

(b) Notwithstanding the provisions of subparagraph (a) of this Paragraph 5, at any time prior to February 1, 2007, the Company may on one or more occasions redeem up to 35% of the aggregate principal amount of Notes (including Additional Notes) issued under the Indenture with the net cash proceeds of one or more Equity Offerings of from the proceeds of Permitted Affiliate Subordinated Debt of ACEP at a redemption price equal to 107.850% of the aggregate principal amount thereof plus accrued and unpaid interest and Liquidated Damages, if any, to the redemption date; provided that at least 65% in aggregate principal amount of the Notes issued under the Indenture remains outstanding immediately after the occurrence of such redemption (excluding Notes held by ACEP and its Subsidiaries) and that such redemption occurs within 60 days of the date of the closing of such Equity Offering or the issuance of Permitted Affiliate Subordinated Debt.

(6) REDEMPTION PURSUANT TO GAMING LAWS.

If any Gaming Authority requires that a Holder or Beneficial Owner of Notes be licensed, qualified or found suitable under any applicable Gaming Law and such Holder or Beneficial Owner:

(a) fails to apply for a license, qualification or a finding of suitability within 30 days (or such shorter period as may be required by the applicable Gaming Authority) after being requested to do so by the Gaming Authority; or

(b) is denied such license or qualification or not found suitable;

ACEP shall then have the right, at its option:

(c) to require each such Holder or Beneficial Owner to dispose of its Notes within 30 days (or such earlier date as may be required by the applicable Gaming Authority) of the occurrence of the event described in clause (1) or (2) above, or

(d) to redeem the Notes of each such Holder or Beneficial Owner, in accordance with Rule 14e-1 of the Exchange Act, if applicable, at a redemption price equal to the lowest of:

(1) the principal amount thereof, together with accrued and unpaid interest and Liquidated Damages, if any, to the earlier of the date of redemption, the date 30 days' after such Holder or Beneficial Owner is required to apply for a license, qualification or finding of suitability (or such shorter period that may be required by any applicable Gaming Authority) if such Holder or Beneficial Owner fails to do so ("Application Date") or of the date of denial of license or qualification or of the finding of unsuitability by such Gaming Authority;

(2) the price at which such Holder or Beneficial Owner acquired the Notes, together with accrued and unpaid interest and Liquidated Damages, if any, to the earlier of the date of redemption, the Application Date or the date of the denial of license or qualification or of the finding of unsuitability by such Gaming Authority; and

(3) such other lesser amount as may be required by any Gaming Authority.

Immediately upon a determination by a Gaming Authority that a Holder or Beneficial Owner of the Notes will not be licensed, qualified or found suitable and must dispose of the Notes, the Holder or Beneficial Owner will, to the extent required by applicable Gaming Laws, have no further right:

(a) to exercise, directly or indirectly, through any trustee or nominee or any other Person or entity, any right conferred by the Notes, the Note

Guarantees or the Indenture; or

(b) to receive any interest, Liquidated Damages, dividend, economic interests or any other distributions or payments with respect to the Notes and the Note Guarantees or any remuneration in any form with respect to the Notes and the Note Guarantees from the Company, the Guarantors or the Trustee, except the redemption price referred to above.

(7) SPECIAL MANDATORY REDEMPTION. In the event each of the Release Conditions shall not have been satisfied on or prior to the earlier of (A) August 31, 2004 and (B) an Interest Top-Off Failure (the earlier of (A) and (B) being the "Escrow Break Date"), ACEP shall redeem all of the Notes, on the second Business Day immediately following the Escrow Break Date, at a redemption price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest to the date of redemption.

(8) MANDATORY REDEMPTION. Other than in connection with redemption pursuant to Gaming Laws or a Special Mandatory Redemption, the Company is not required to make mandatory redemption or sinking fund payments with respect to the Notes.

(9) REPURCHASE AT THE OPTION OF HOLDER.

(a) If there is a Change of Control, the Company will be required to make an offer (a "Change of Control Offer") to repurchase all or any part (equal to $1,000 or an integral multiple thereof) of each Holder's Notes at a purchase price equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest and Liquidated Damages thereon, if any, to the date of purchase (the "Change of Control Payment"). Within 30 days following any

Change of Control, the Company will mail a notice to each Holder setting forth the procedures governing the Change of Control Offer as required by the Indenture.

(b) If the Company or a Restricted Subsidiary of the Company consummates any Asset Sales, within five days of each date on which the aggregate amount of Excess Proceeds exceeds $5.0 million, the Company will commence an offer to all Holders of Notes and all holders of other Indebtedness that is pari passu with the Notes containing provisions similar to those set forth in the Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets (an "Asset Sale Offer") pursuant to Section 3.11 of the Indenture to purchase the maximum principal amount of Notes (including any Additional Notes) and other pari passu Indebtedness that may be purchased out of the Excess Proceeds at an offer price in cash in an amount equal to 100% of the principal amount thereof plus accrued and unpaid interest and Liquidated Damages thereon, if any, to the date fixed for the closing of such offer, in accordance with the procedures set forth in the Indenture. To the extent that the aggregate amount of Notes (including any Additional Notes) and other pari passu Indebtedness tendered pursuant to an Asset Sale Offer is less than the Excess Proceeds, the Company may use such deficiency for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and other pari passu Indebtedness surrendered by holders thereof exceeds the amount of Excess Proceeds, the Trustee shall select the Notes and other pari passu Indebtedness to be purchased on a pro rata basis. Holders of Notes that are the subject of an offer to purchase will receive an Asset Sale Offer from the Company prior to any related purchase date and may elect to have such Notes purchased by completing the form entitled "Option of Holder to Elect Purchase" attached to this Note.

(c) If the Company or a Restricted Subsidiary of the Company receives Excess Loss Proceeds, within five days of each date on which the aggregate amount of Excess Loss Proceeds exceeds $5.0 million, the Company will commence an offer to all Holders of Notes and all holders of other Indebtedness that is pari passu with the Notes containing provisions similar to those set forth in the Indenture that require the Company to make an Event of Loss Offer pursuant to Section 3.12 of the Indenture to purchase the maximum principal amount of Notes (including any Additional Notes) and other pari passu Indebtedness that may be purchased out of the Excess Loss Proceeds at an offer price in cash in an amount equal to 100% of the principal amount thereof plus accrued and unpaid interest and

Liquidated Damages thereon, if any, to the date fixed for the closing of such offer, in accordance with the procedures set forth in the Indenture. To the extent that the aggregate amount of Notes (including any Additional Notes) and other pari passu Indebtedness tendered pursuant to an Event of Loss Offer is less than the Excess Loss Proceeds, the Company may use such deficiency for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and other pari passu Indebtedness surrendered by holders thereof exceeds the amount of Excess Loss Proceeds, the Trustee shall select the Notes and other pari passu Indebtedness to be purchased on a pro rata basis. Holders of Notes that are the subject of an offer to purchase will receive an Excess Loss Offer from the Company prior to any related purchase date and may elect to have such Notes purchased by completing the form entitled "Option of Holder to Elect Purchase" attached to this Note.

(10) NOTICE OF REDEMPTION. Notice of redemption will be mailed at least 15 days but not more than 60 days before the redemption date to each Holder whose Notes are to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction or discharge of the Indenture. Notes in denominations larger than $1,000 may be redeemed in part but only in whole multiples of $1,000, unless all of the Notes held by a

Holder are to be redeemed. On and after the redemption date interest ceases to accrue on Notes or portions thereof called for redemption.

(11) DENOMINATIONS, TRANSFER, EXCHANGE. The Notes are in registered form without coupons in denominations of $1,000 and integral multiples of $1,000. The transfer of Notes may be registered and Notes may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Company may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Company need not exchange or register the transfer of any Note or portion of a Note selected for redemption, except for the unredeemed portion of any Note being redeemed in part. Also, the Company need not exchange or register the transfer of any Notes for a period of 15 days before a selection of Notes to be redeemed or during the period between a record date and the corresponding Interest Payment Date.

(12) PERSONS DEEMED OWNERS. The registered Holder of a Note may be treated as its owner for all purposes.

(13) AMENDMENT, SUPPLEMENT AND WAIVER. Subject to certain exceptions, the Indenture, the Note Guarantees or the Notes may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the then outstanding Notes and Additional Notes, if any, voting as a single class, and any existing Default or Event of Default compliance with any provision of the Indenture, the Note Guarantees or the Notes may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Notes and Additional Notes, if any, voting as a single class. Without the consent of any Holder of a Note, the Indenture, the Note Guarantees or the Notes may be amended or supplemented to cure any ambiguity, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes, to provide for the assumption of the Company's or any Guarantor's obligations to Holders of the Notes in case of a merger or consolidation, to make any change that would provide any additional rights or benefits to the Holders of the Notes or that does not adversely affect the legal rights under the Indenture of any such Holder, to comply with the requirements of the SEC in order to effect or maintain the qualification of the Indenture under the TIA, to conform the text of the Indenture, the Collateral Documents or the Notes to any provision of the "Description of Notes" section of the Offering Memorandum, to the extent that such provision in that "Description of Notes" was intended to be a verbatim recitation of a provision of the Indenture, the Note Guarantees, the Collateral Documents or the Notes, to provide for the Issuance of Additional Notes in accordance with the limitations set forth in the Indenture, or to allow any Guarantor to execute a supplemental indenture to the Indenture and/or a Note Guarantee with respect to the Notes.

(14) DEFAULTS AND REMEDIES. Events of Default include: (i) default for 30 days in the payment when due of interest or Liquidated Damages on the Notes; (ii) default in payment when due of principal of or premium, if any, on the Notes when the same becomes due and payable at maturity, upon redemption (including in connection with an offer to purchase) or otherwise, (iii) failure by the Company to comply with Section 3.08, 3.09, 4.07, 4.09, 4.10, 4.15, 4.16 or 5.01 of the Indenture; (iv) failure by the Company for 60 days after notice to the Company by the Trustee or the Holders of at least 25% in principal amount of the Notes then outstanding voting as a single class to comply with certain other agreements in the Indenture, the Notes or the Collateral Documents; (v) default under certain other agreements relating to Indebtedness of the Company which default results in the acceleration of such Indebtedness prior to its express maturity; (vi) certain final judgments for the payment of money that remain

undischarged for a period of 60 days; (vii) certain events of bankruptcy or insolvency with respect to the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries that, when taken together, would constitute a Significant Subsidiary; (viii) the breach of certain covenants in the Collateral Documents or the Collateral Documents shall be held in any judicial proceeding to be unenforceable or invalid or shall cease for any reason to be in full force and effect; (ix) certain cessations or suspensions of the Company's Gaming Licenses; and (x) except as permitted by the Indenture, any Note Guarantee shall be held in any judicial proceeding to be unenforceable or invalid or shall cease for any reason to be in full force and effect or any Guarantor or any Person acting on its behalf shall deny or disaffirm its obligations under such Guarantor's Note Guarantee. If any Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Notes may declare all the Notes to be due and payable. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency, all outstanding Notes will become due and payable without further action or notice. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders of the Notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest) if it determines that withholding notice is in their interest. The Holders of a majority in aggregate principal amount of the Notes then outstanding by notice to the Trustee may on behalf of the Holders of all of the Notes waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest on, or the principal of, the Notes. The Company is required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Company is required upon becoming aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

(15) TRUSTEE DEALINGS WITH COMPANY. The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company or its Affiliates, and may otherwise deal with the Company or its Affiliates, as if it were not the Trustee.

(16) NO RECOURSE AGAINST OTHERS. A director, officer, manager (or managing member) direct or indirect member, partner, employee, incorporator or stockholder, of the Company or any of the Guarantors, as such, will not have any liability for any obligations of the Company or such Guarantor under the Notes, the Note Guarantees, the Collateral Documents or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes.

(17) AUTHENTICATION. This Note will not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

(18) ABBREVIATIONS. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN

ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

(19) ADDITIONAL RIGHTS OF HOLDERS OF RESTRICTED GLOBAL NOTES AND RESTRICTED DEFINITIVE NOTES. In addition to the rights provided to Holders of Notes under the

Indenture, Holders of Restricted Global Notes and Restricted Definitive Notes will have all the rights set forth in the Registration Rights Agreement dated as of January 29, 2004, among the Company and the other parties named on the signature pages thereof or, in the case of Additional Notes, Holders of Restricted Global Notes and Restricted Definitive Notes will have the rights set forth in one or more registration rights agreements, if any, among the Company , the Guarantors and the other parties thereto, relating to rights given by the Company and the Guarantors to the purchasers of any Additional Notes (collectively, the "Registration Rights Agreement").

(20) CUSIP NUMBERS. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on the Notes and the Trustee may use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

The Company will furnish to any Holder upon written request and without charge a copy of the Indenture and/or the Registration Rights Agreement. Requests may be made to:

American Casino & Entertainment Properties LLC
American Casino & Entertainment Properties Finance Corp.
2000 Las Vegas Boulevard South
Las Vegas, Nevada 89104
Attention: Denise Barton

ASSIGNMENT FORM

To assign this Note, fill in the form below:

(I) or (we) assign and transfer this Note to: _____
(Insert assignee's legal name)

_____
(Insert assignee's soc. sec. or tax I.D. no.)

_____
_____
_____
_____
(Print or type assignee's name, address and zip code)

and irrevocably appoint _____
to transfer this Note on the books of the Company. The agent may substitute another to act for him.

Date: _____

Your Signature: _____
(Sign exactly as your name appears on the face of this Note)

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Note purchased by the Company pursuant to Section 4.10, 4.15 or 4.16 of the Indenture, check the appropriate box below:

[ ] Section 4.10 [ ] Section 4.15 [ ] Section 4.16

If you want to elect to have only part of the Note purchased by the Company pursuant to Section 4.10, Section 4.15 or Section 4.16 of the Indenture, state the amount you elect to have purchased:

$_____

Date: _____

Your Signature: _____
(Sign exactly as your name appears on the face of this Note)

Tax Identification No.:_____

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

SCHEDULE OF EXCHANGES OF INTERESTS IN THE GLOBAL NOTE*

The following exchanges of a part of this Global Note for an interest in another Global Note or for a Definitive Note, or exchanges of a part of another Global Note or Definitive Note for an interest in this Global Note, have been made:

Date of Exchange	Amount of decrease in Principal Amount at maturity of this Global Note	Amount of increase in Principal Amount at maturity of this Global Note	Principal Amount at maturity of this Global Note following such decrease (or increase)	Signature of authorized officer of Trustee or Custodian

* This schedule should be included only if the Note is issued in global form.

EXHIBIT A2

FORM OF AFFILIATE SUBORDINATED NOTE

Dated as of [ ]

American Casino & Entertainment Properties LLC
2000 Las Vegas Boulevard South
Las Vegas, Nevada 89104

FOR VALUE RECEIVED, the undersigned, American Casino & Entertainment Properties LLC, a Delaware limited liability company (the "Maker"), hereby promises to pay to [ ] (the "Holder"), its successors or its assigns, at the offices of the Holder, or at such other place as the holder of this Affiliate Subordinated Note (this "PASI Note") shall specify, on [ ]* (the "Repayment Date") (or on such later date as the parties shall mutually agree), in such coin or currency of the United States of America as at the time shall be legal tender for the payment of public and private debts, the aggregate unpaid principal amount of all Advances (as defined below), plus all interest added to the outstanding principal amount of this PASI Note pursuant to the terms hereof.

The Maker promises to pay interest on the outstanding principal amount of

this PASI Note in accordance with Section 2 of this PASI Note.

1. Definitions. Except as provided herein below, capitalized terms used herein shall have the meanings ascribed to such terms in the Indenture, dated as of January 29, 2004 (as amended, supplemented or restated, the "Indenture"), by and among the Maker, American Casino & Entertainment Properties Finance Corp. ("ACEP Finance"), certain Guarantors named therein and Wilmington Trust Company, as trustee (including any successor trustees, the "Trustee"), whether or not such Indenture is still in effect. The terms defined in this Section 1 shall have the following meanings for all purposes in this PASI Note:

1.1 "Advance" means loans or advances made or deemed to be made (including, for purposes of clarification, pursuant to Section 2.3) by the Holder to or on behalf of the Maker.

1.2 "Advance Date" means any date upon which Advances are made or deemed to be made (including, for purposes of clarification, pursuant to Section 2.3) by the Holder to or on behalf of the Maker.

1.3 "Advance Schedule" has the meaning set forth in Section 3.

1.4 "Capitalized Interest Date" has the meaning ascribed to such term in Section 2.3.

1.5 "Event of Default" means an Event of Default under the Indenture.

1.6 "Holder" has the meaning set forth in the first paragraph of this PASI Note.

1.7 "Indenture Debt" means the aggregate principal amount of the 8.85% Senior Secured Notes due 2012 (the "Notes"), including any Additional Notes issued under the Indenture, together in

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* No earlier than three months after the final maturity date of the Notes.

each case with interest thereon (including, without limitation, any interest subsequent to the filing by or against the Maker or ACEP Finance of any bankruptcy, reorganization or similar proceeding, whether or not such interest would constitute an allowed claim in any such proceeding, calculated at the rate set forth for overdue payments on the Notes set forth in the Indenture) and all fees, expenses and other amounts owing from time to time by the Maker, ACEP Finance and the Guarantors under the Indenture.

1.8 "Maker" has the meaning set forth in the first paragraph of this PASI Note.

1.9 "Proceeding" has the meaning set forth in Section 6.5.

1.10 "Repayment Date" has the meaning set forth in the first paragraph of this PASI Note.

1.11 "Senior Bank Debt" means the principal amount of all loans from time to time outstanding or owing under the Bank Credit Facility, together with interest thereon (including, without limitation, any interest subsequent to the filing by or against the Maker or ACEP Finance of any bankruptcy, reorganization or similar proceeding, whether or not such interest would constitute an allowed claim in any such proceeding, calculated at the rate set forth for overdue loans in the Bank Credit Facility) and all fees, expenses and other amounts owing from time to time by the Maker or ACEP Finance under the Bank Credit Facility.

1.12 "Senior Debt" means (i) the Indenture Debt, (ii) the Senior Bank Debt, (iii) all fees, expenses and other amounts owed to the Collateral Agent by the Maker and ACEP Finance under any collateral or other agreement relating to the Indenture Debt and/or the Senior Bank Debt, and (iv) any other indebtedness or other obligations of the Maker designated in writing by the Maker and Holder as Senior Debt.

The provisions of this Section 1 to the contrary notwithstanding, to the extent any term defined in this PASI Note by cross reference to the Indenture is amended, such term shall be deemed likewise amended herein. Such terms shall continue to have the meanings set forth in the Indenture whether or not the

Indenture remains in effect.

2. Interest Rates; Interest Repayment and Accrual.

2.1 Interest on the outstanding principal amount, if any, of each Advance shall accrue from and after the Advance Date with respect to each Advance, calculated on the basis of a 360-day year for the actual number of days elapsed, at the rate per annum of:

[ ]

2.2 Until the principal amount of this PASI Note and any other amounts due hereunder are paid in full in cash, all accrued and unpaid interest on the outstanding principal amount of this PASI Note shall be payable quarterly in arrears on [ ], [ ], [ ], and [ ] of each year, commencing [ ], to the extent such payment is permitted under the Indenture and the Bank Credit Facility, provided that no such payments shall be made if a Default or an Event of Default shall have occurred and be continuing. All payments of principal of and interest on this PASI Note shall be payable in lawful currency of the United States of America. All such cash payments shall be made by the Maker to an account set forth on Schedule A or such other account designated in writing by the Holder to the Maker, and shall be recorded on the books and records of the Maker and the Holder. Subject to the provisions in Section 6 hereof, all accrued and unpaid interest shall be payable in cash upon maturity of this PASI Note (whether at stated maturity, by acceleration or otherwise) and from time to time thereafter upon demand of the Holder until this PASI Note is paid in full in cash.

2.3 On the date any accrued interest on the unpaid principal amount of this PASI Note is payable pursuant to Section 2.2 above, to the extent all or part of such payment is not permitted pursuant to Section 2.2 above, then on such date (the "Capitalized Interest Date") all or such portion of such interest shall be deemed to be an Advance to the Maker and shall be added to the outstanding principal amount of this PASI Note on such Capitalized Interest Date.

3. Notation of Advances, Repayments and Prepayments. At the time of the making of each Advance (including, for purposes of clarification, pursuant to Section 2.3) or of any repayment or prepayment, if any, the Holder shall make a notation on Schedule I of this PASI Note or on a continuation thereof (the "Advance Schedule"), specifying the date of such Advance, repayment or prepayment and the amount of such Advance, repayment or prepayment; provided, however, that a failure to make a notation with respect to any Advance shall not limit or otherwise affect the obligation of the Maker hereunder and recognition of payment of principal (including pursuant to Section 2.3 above) or interest on this PASI Note shall not be affected by the failure to make a notation on said Advance Schedule. If necessary to evidence an extension of the payment date or any other change in the provisions of this PASI Note agreed to in writing by the Maker and the Holder, the Maker shall furnish a new note in substitution for this PASI Note. The first notation made by the Holder on the Advance Schedule attached to the replacement PASI Note shall be the most recent aggregate outstanding principal balance appearing on the Advance Schedule attached to the replaced note.

4. Prepayments. To the extent permitted under the Indenture and the Bank Credit Facility, the Maker shall have the right from time to time to prepay this PASI Note, in whole or in part, together with accrued interest on the amount of principal prepaid to the date of prepayment without penalty or premium.

5. Unconditional Obligations; Fees; Waivers, Etc.

5.1 The obligations to make the payments provided for in this PASI Note are absolute and unconditional and not subject to any defense, set-off, counterclaim, rescission, recoupment or adjustment whatsoever.

5.2 The Holder agrees that, until the Senior Debt has been paid in full in cash, (i) it will not accelerate payment of all or any part of the principal, interest and other amounts owing under this PASI Note, unless the obligations under the Indenture or the Bank Credit Facility have been accelerated and (ii) it will not file or join in any petition or proceeding commencing the bankruptcy of the Maker or commencing any other Proceeding, but may join in any Proceeding after it has commenced. In the event of any Proceeding, if all Senior Debt has not been paid in full in cash at such time, Holder agrees to use its good faith,

commercially reasonable efforts to enforce claims comprising obligations under this PASI Note in the name of Holder in any such Proceeding by proof of debt, proof of claim, suit or otherwise.

5.3 Subject to Sections 5.2, 6 and 8, if the holder of this PASI Note shall institute any action to enforce the collection of principal of and/or interest on this PASI Note, there shall be immediately due and payable from the Maker, in addition to the then unpaid principal amount of and interest on this PASI Note, all reasonable costs and expenses incurred by the Holder in connection therewith, including reasonable attorneys' fees and disbursements.

5.4 No forbearance, indulgence, delay or failure to exercise any right or remedy with respect to this PASI Note shall operate as a waiver, nor as an acquiescence in any default. No single or partial exercise of any right or remedy shall preclude any other or further exercise thereof or the exercise of any other right or remedy.

5.5 This PASI Note may not be modified or discharged orally, but only in writing duly executed by the holder hereof.

5.6 The Maker hereby waives presentment, demand, notice of dishonor, protest and notice of protest.

6. Subordination.

6.1 Subordination Agreement. The Holder and the Maker agree that the payment of principal of and interest on this PASI Note, and any other amounts payable with respect thereto, is subordinated to the prior payment in full in cash (whether at maturity, by prepayment, by acceleration or otherwise) of any and all Senior Debt, and agree that, except as permitted under the Indenture and the Bank Credit Facility, no payment of, on, or on account of the indebtedness so subordinated shall be made unless and until all payments of principal, interest or amounts otherwise payable with respect to all Senior Debt have been paid in full in cash. Except as permitted under the Indenture and the Bank Credit Facility, the Holder further agrees not to receive or accept any such payment until all Senior Debt has been paid in full in cash.

In the event that, notwithstanding the foregoing provisions, any payment shall be received by the Holder on account of principal of or interest on or other amounts payable with respect to this PASI Note in contravention of the foregoing provisions, such payment shall be held in trust for the benefit of and shall, to the extent that at such time all Senior Debt has not been paid in full in cash, be paid over to the Collateral Agent, as agent for the holders of the Senior Debt, for application to the payment of the Senior Debt until all such Senior Debt shall have been paid in full in cash.

6.2 Dissolution, Etc. In the event of any dissolution, winding-up, liquidation or reorganization of the Maker or ACEP Finance (whether voluntary or involuntary and whether in bankruptcy, insolvency or receivership proceedings or upon an assignment for the benefit of creditors or any other marshaling of the assets and liabilities of the Maker or ACEP Finance or otherwise):

6.2.1 the holders of the Senior Debt shall be entitled to receive payments in full in cash of all such Senior Debt (including, as applicable, interest accruing on, or original issue discount accreting with respect to, such Senior Debt after the commencement of a bankruptcy case or proceeding at the contract rate whether or not such interest is an allowed claim in such case or proceeding and any additional interest that would have accrued thereon but for the commencement of any such case or proceeding) before the Holder is entitled to receive any payment on account of the principal of or interest on or any other amounts payable in respect of this PASI Note;

6.2.2 any payment or distribution of assets of the Maker in the form of cash or property, to which the Holder would, except for the subordination provisions set forth herein, be entitled shall be paid by the Maker, or any receiver, trustee in bankruptcy, liquidating trustee or agent or other person making such payment or distribution directly to the Collateral Agent, as agent for the holders of the Senior Debt, to the extent necessary to make payment in full in cash of all Senior Debt remaining unpaid; and

6.2.3 in the event that, notwithstanding the foregoing provisions, any payment or distribution of assets of the Maker in the form of cash or property

shall be received by the Holder on account of principal of or interest on or other amounts payable in respect of this PASI Note before all Senior Debt (including, as applicable, interest accruing on, or original issue discount accreting with respect to, such Senior Debt after the commencement of a bankruptcy case or proceeding at the contract rate whether or not such interest is an allowed claim in such case or proceeding and any additional interest that would have accrued thereon but for the commencement of any such case or proceeding) is paid in full in cash, or

effective provision is made for their payment, such payment or distribution shall be received in trust and shall, to the extent that at such time all Senior Debt has not been paid in full in cash, be paid over to the Collateral Agent, as agent for the holders of the Senior Debt, for application to the payment of such Senior Debt until all such Senior Debt shall have been paid in full in cash.

The consolidation of the Maker with, or the merger of the Maker into, another entity in accordance with the provisions of Article 5 of the Indenture shall not be deemed a dissolution, winding-up, liquidation or reorganization for purpose of these subordination provisions.

6.3 Subrogation. Subject to the payment in full in cash of all Senior Debt, the Holder shall be subrogated to the rights of the holders of the Senior Debt or their respective representatives (except that the Holder shall not be subrogated to the position of a secured creditor until the payment in full in cash of all Senior Debt), to receive payments or distributions of assets of the Maker applicable to the Senior Debt until all amounts owing on this PASI Note shall be paid in full in cash, and for the purpose of such subrogation, no payments or distributions to the holders of the Senior Debt, or their respective representatives, as the case may be, by or on behalf of the Maker or by or on behalf of the Holder, which otherwise would have been made to the Holder shall, as between the Maker and its creditors, be deemed to be payment by the Maker to or on account of the holders of the Senior Debt, or their respective representatives, as the case may be, it being understood that the subordination provisions in this Section 6 are intended solely for the purpose of defining the relative rights of the Holder, on the one hand, and the holders of the Senior Debt and their respective representatives, on the other hand.

6.4 Obligation to Pay Unconditional. Except as expressly provided herein, nothing is intended to or shall impair, as between the Maker and the Holder, the obligation of the Maker, which is absolute and unconditional, to pay to the Holder the principal of and interest on this PASI Note as and when the same shall become due and payable in accordance with its terms.

6.5 Proceedings. This PASI Note shall remain in full force and effect as between the Holder, the Trustee and Collateral Agent, the Maker and/or Administrative Agent notwithstanding the occurrence of any (a) insolvency, bankruptcy, receivership, liquidation, reorganization, readjustment, composition or other similar proceeding of or against the Maker or ACEP Finance, its property or its creditors as such, (b) proceeding for any liquidation, dissolution or other winding-up of the Maker or ACEP Finance, voluntary or involuntary, whether or not involving insolvency or bankruptcy proceedings, (c) general assignment for the benefit of creditors of the Maker or ACEP Finance or (d) other marshalling of the assets of the Maker or ACEP Finance (each of (a) through (d) above, a "Proceeding").

7. Events of Default.

7.1 Subject to the provisions of Sections 5.2 and 7.2 hereof, upon the happening of an Event of Default, and while such Event of Default is continuing, the Holder may, by written notice to the Maker and subject to applicable cures and waivers, declare this PASI Note immediately due and payable, whereupon the principal of, the interest on, and any other amount owing under, this PASI Note shall immediately become due and payable; provided, that the Holder may not accelerate the obligations under this PASI Note unless the obligations under the Indenture and the Bank Credit Facility have been accelerated. Notwithstanding the foregoing, if an Event of Default specified in Sections 6.01(9) or 6.01(10) of the Indenture occurs, the principal of, the interest on, and any other amount owing under, this PASI Note shall be due and payable immediately without further action or notice.

7.2 The provisions of Section 7.1 to the contrary notwithstanding, in the event an Event of Default under the Indenture shall be waived or cured, then the

related Event of Default under this PASI Note shall be deemed waived or cured, as the case may be, for all purposes of this PASI Note. To the

extent the maturity of and payments due under this PASI Note shall have been accelerated as a result of any Event of Default that is deemed waived or cured, such indebtedness shall cease to be accelerated and all terms of this PASI Note shall continue to be in effect as if no acceleration occurred.

8. Suits for Enforcement and Remedies. Subject to the provisions of Sections 5.2, 6 and 7 hereof, if any one or more Events of Default shall occur and be continuing, the Holder may proceed to protect and enforce the Holder's rights either by suit in equity or by action at law, or both, or proceed to enforce the payment of this PASI Note or to enforce any other legal or equitable right of the Holder. No right or remedy herein or in any other agreement or instrument conferred upon the Holder is intended to be exclusive of any other right or remedy, and each and every such right or remedy shall be cumulative and shall be in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise.

9. Miscellaneous.

9.1 If any payment hereunder falls due on a Saturday, Sunday or any other day on which commercial banks in New York City are authorized or required by law to close, the maturity thereof shall be extended to the next succeeding business day.

9.2 The headings of the various Sections of this PASI Note are for convenience of reference only and shall in no way modify any of the terms or provisions of this PASI Note.

9.3 The Trustee, for the benefit of the holders of the Notes, and the Administrative Agent, for the benefit of the lenders of the Bank Credit Facility shall be express third party beneficiaries of the provisions of this PASI Note relating to subordination and the deferral or accrual of interest payments and the maturity date of the PASI Notes (including without limitation Sections 5.2, 6, 7 and 9.3 of this PASI Note). No such provisions may be amended without the consent of the requisite holders of each class of Senior Debt.

10. CHOICE OF LAW. THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS PASI NOTE WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

11. Consent to Jurisdiction. Each of the Maker and the Holder (a) irrevocably agrees that any suit, action or proceeding arising out of or based upon this PASI Note shall be instituted in any United States Federal or New York State court located in the Borough of Manhattan, The City of New York, (b) irrevocably waives, to the fullest extent it may effectively do so, any objection which it may now or hereafter have to the laying of venue of any such proceeding, and (c) irrevocably submits to the non-exclusive jurisdiction of any United States Federal or New York State court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to this PASI Note. Each of the Maker and the Holder expressly consents to the jurisdiction of such courts in respect of any such action and waives any other requirements of or objections to personal jurisdiction with respect thereto.

[Remainder of page intentionally left blank]

AMERICAN CASINO & ENTERTAINMENT
PROPERTIES LLC
By:_____
Name:
Title:

Agreed to and Acknowledged:

[HOLDER]

By: _____
Name:
Title:

Schedule A

ACCOUNT INFORMATION

Schedule I

ADVANCES, REPAYMENTS AND PREPAYMENTS

DATE	AMOUNT OF ADVANCE	AMOUNT OF REPAYMENT OR PREPAYMENT	UNPAID PRINCIPAL BALANCE	NOTATION MADE BY

EXHIBIT A3

[Face of Regulation S Temporary Global Note]

CUSIP/CINS _____

7.85% Senior Secured Notes due 2012

No. ___ $_____

AMERICAN CASINO & ENTERTAINMENT PROPERTIES LLC
AMERICAN CASINO & ENTERTAINMENT PROPERTIES FINANCE CORP.

promises to pay to _____ or registered assigns,

the principal sum of _____ DOLLARS
on February 1, 2012.

Interest Payment Dates: February 1 and August 1

Record Dates: January 15 and July 15

Dated:

AMERICAN CASINO & ENTERTAINMENT
PROPERTIES LLC

By: _____
Name:
Title:

AMERICAN CASINO & ENTERTAINMENT
PROPERTIES FINANCE CORP.

By: _____
Name:
Title:

This is one of the Notes referred to
in the within-mentioned Indenture:

WILMINGTON TRUST COMPANY,
as Trustee

By: _____
Authorized Signatory

[Back of Regulation S Temporary Global Note]
7.85% Senior Secured Notes due 2012

THE RIGHTS ATTACHING TO THIS REGULATION S TEMPORARY GLOBAL NOTE, AND THE CONDITIONS AND PROCEDURES GOVERNING ITS EXCHANGE FOR CERTIFICATED NOTES, ARE AS SPECIFIED IN THE INDENTURE (AS DEFINED HEREIN). NEITHER THE HOLDER NOR THE BENEFICIAL OWNERS OF THIS REGULATION S TEMPORARY GLOBAL NOTE SHALL BE ENTITLED TO RECEIVE PAYMENT OF INTEREST HEREON.

THIS GLOBAL NOTE IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (1) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.06 OF THE INDENTURE, (2) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.06(a) OF THE INDENTURE, (3) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.12 OF THE INDENTURE AND (4) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF AMERICAN CASINO & ENTERTAINMENT PROPERTIES LLC.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN DEFINITIVE FORM, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THE SECURITY (OR ITS PREDECESSOR) EVIDENCED HEREBY WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 5 OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE SECURITY EVIDENCED HEREBY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THE SECURITY EVIDENCED HEREBY IS HEREBY NOTIFIED THAT THE SELLER MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT. THE HOLDER OF THE SECURITY EVIDENCED HEREBY AGREES FOR THE BENEFIT OF American Casino & Entertainment Properties LLC THAT (A) SUCH SECURITY MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) (a) IN THE UNITED STATES TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (b) OUTSIDE THE UNITED STATES

IN AN

OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES ACT, (c) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT, (d) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501 (a) (1), (2), (3) OR (7) OF THE SECURITIES ACT) THAT, PRIOR TO SUCH TRANSFER, FURNISHES THE TRUSTEE A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS (THE FORM OF WHICH CAN BE OBTAINED FROM THE TRUSTEE) AND, IF SUCH TRANSFER IS IN RESPECT OF AN AGGREGATE PRINCIPAL AMOUNT OF NOTES LESS THAN $250,000, AN OPINION OF COUNSEL ACCEPTABLE TO AMERICAN CASINO & ENTERTAINMENT PROPERTIES LLC THAT SUCH TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT OR (e) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL IF AMERICAN CASINO & ENTERTAINMENT PROPERTIES LLC SO REQUESTS), (2) TO AMERICAN CASINO & ENTERTAINMENT PROPERTIES LLC OR (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE SECURITY EVIDENCED HEREBY OF THE RESALE RESTRICTIONS SET FORTH IN (A) ABOVE. IF AT ANY TIME THE NEVADA GAMING COMMISSION FINDS THAT A HOLDER OF THIS SECURITY IS UNSUITABLE TO CONTINUE TO OWN THE SECURITY, AMERICAN CASINO & ENTERTAINMENT PROPERTIES LLC SHALL HAVE THE RIGHT TO REQUIRE SUCH HOLDER TO DISPOSE OF SUCH SECURITY AS PROVIDED BY THE GAMING LAWS OF THE STATE OF NEVADA AND THE REGULATIONS PROMULGATED THEREUNDER. ALTERNATIVELY, AMERICAN CASINO & ENTERTAINMENT PROPERTIES LLC SHALL HAVE THE RIGHT TO REDEEM THE SECURITY FROM THE HOLDER AT A PRICE SPECIFIED IN THE INDENTURE GOVERNING THE SECURITY. NEVADA GAMING LAWS AND REGULATIONS RESTRICT THE RIGHT UNDER CERTAIN CIRCUMSTANCES: (A) TO PAY OR RECEIVE ANY INTEREST UPON SUCH SECURITY; (B) TO EXERCISE, DIRECTLY OR THROUGH ANY TRUSTEE OR NOMINEE, ANY VOTING RIGHT CONFERRED BY SUCH SECURITY; OR (C) TO RECEIVE ANY REMUNERATION IN ANY FORM FROM AMERICAN CASINO & ENTERTAINMENT PROPERTIES LLC, FOR SERVICES RENDERED OR OTHERWISE.

Capitalized terms used herein have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

(1) INTEREST. American Casino & Entertainment Properties LLC, a Delaware limited liability company ("ACEP") and American Casino & Entertainment Properties Finance Corp., a Delaware corporation ("ACEP Finance", together with ACEP, the "Company"), promises to pay interest on the principal amount of this Note at 7.85% per annum from _____, 20__ until maturity and shall pay the Liquidated Damages, if any, payable pursuant to Section 5 of the Registration Rights Agreement referred to below. The Company will pay interest and Liquidated Damages, if any, semi-annually in arrears on February 1 and August 1 of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each, an "Interest Payment Date"). Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of issuance; provided that if there is no existing Default in the payment of interest, and if this Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date; provided further that the first Interest Payment Date shall be _____, 20__. The Company will pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, from time to time on demand at a

rate that is 1% per annum in excess of the rate then in effect; it will pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest and Liquidated Damages, if any, (without regard to any applicable grace periods) from time to time on demand at the same rate to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

Until this Regulation S Temporary Global Note is exchanged for one or more Regulation S Permanent Global Note, the Holder hereof shall not be entitled to receive payments of interest hereon; until so exchanged in full, this Regulation S Temporary Global Note shall in all other respects be entitled to the same benefits as other Notes under the Indenture.

(2) METHOD OF PAYMENT. The Company will pay interest on the Notes (except defaulted interest) and Liquidated Damages, if any, to the Persons who are registered Holders of Notes at the close of business on the January 15 or July 15 next preceding the Interest Payment Date, even if such Notes are canceled after such record date and on or before such Interest Payment Date, except as provided in Section 2.12 of the Indenture with respect to defaulted interest. The Notes will be payable as to principal, premium and Liquidated Damages, if any, and interest at the office or agency of the Company maintained for such purpose within or without the City and State of New York, or, at the option of the Company, payment of interest and Liquidated Damages, if any, may be made by check mailed to the Holders at their addresses set forth in the register of Holders; provided that payment by wire transfer of immediately available funds will be required with respect to principal of and interest, premium and Liquidated Damages, if any, on, all Global Notes and all other Notes the Holders of which hold at least $2.0 million aggregate principal amount of Notes and shall have provided wire transfer instructions to the Company or the Paying Agent. Such payment will be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

(3) PAYING AGENT AND REGISTRAR. Initially, Wilmington Trust Company, the Trustee under the Indenture, will act as Paying Agent and Registrar. The Company may change any Paying Agent or Registrar without notice to any Holder. The Company or any of its Subsidiaries may act in any such capacity.

(4) INDENTURE AND COLLATERAL DOCUMENTS. The Company issued the Notes under an Indenture dated as of January 29, 2004 (the "Indenture") among the Company and the Trustee. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the TIA (15 U.S. Code Sections 77aaa-77bbbb). The Notes are subject to all such terms, and Holders are referred to the Indenture and such Act for a statement of such terms. To the extent any provision of this Note conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling. The Notes are secured obligations of the Company. The Notes are secured by a pledge of Note Collateral pursuant to the Collateral Documents referred to in the Indenture.

(5) OPTIONAL REDEMPTION.

(a) Except as set forth in subparagraph (b) of this Paragraph 5, the Company will not have the option to redeem the Notes prior to February 1, 2008. On or after February 1, 2008, the Company will have the option to redeem the Notes, in whole or in part, upon not less than 15 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and Liquidated Damages, if any, thereon to the applicable redemption date, if redeemed during the twelve-month period beginning on February 1 of the years indicated below:

Year	Percentage
2008.....	103.925%
2009.....	101.963%
2010 and thereafter.....	100.000%

(b) Notwithstanding the provisions of subparagraph (a) of this Paragraph 5, at any time prior to February 1, 2007, the Company may on one or more occasions redeem up to 35% of the aggregate principal amount of Notes (including Additional Notes) issued under the Indenture with the net cash proceeds of one or more Equity Offerings of from the proceeds of Permitted Affiliate Subordinated Debt of ACEP at a redemption price equal to 107.850% of the aggregate principal amount thereof plus accrued and unpaid interest and Liquidated Damages, if any, to the redemption date; provided that at least 65% in aggregate principal amount of the Notes

issued under the Indenture remains outstanding immediately after the occurrence of such redemption (excluding Notes held by ACEP and its Subsidiaries) and that such redemption occurs within 60 days of the date of the closing of such Equity Offering or the issuance of Permitted Affiliate Subordinated Debt.

(6) REDEMPTION PURSUANT TO GAMING LAWS.

If any Gaming Authority requires that a Holder or Beneficial Owner of Notes be licensed, qualified or found suitable under any applicable Gaming Law and such Holder or Beneficial Owner:

(a) fails to apply for a license, qualification or a finding of suitability within 30 days (or such shorter period as may be required by the applicable Gaming Authority) after being requested to do so by the Gaming Authority; or

(b) is denied such license or qualification or not found suitable;

ACEP shall then have the right, at its option:

(a) to require each such Holder or Beneficial Owner to dispose of its Notes within 30 days (or such earlier date as may be required by the applicable Gaming Authority) of the occurrence of the event described in clause (1) or (2) above, or

(b) to redeem the Notes of each such Holder or Beneficial Owner, in accordance with Rule 14e-1 of the Exchange Act, if applicable, at a redemption price equal to the lowest of:

(1) the principal amount thereof, together with accrued and unpaid interest and Liquidated Damages, if any, to the earlier of the date of redemption, the date 30 days' after such Holder or Beneficial Owner is required to apply for a license, qualification or finding of suitability (or such shorter period that may be required by any applicable Gaming Authority) if such Holder or Beneficial Owner fails to do so ("Application Date") or of the date of denial of license or qualification or of the finding of unsuitability by such Gaming Authority;

(2) the price at which such Holder or Beneficial Owner acquired the Notes, together with accrued and unpaid interest and Liquidated Damages, if any, to the earlier of the date of redemption, the Application Date or the date of the denial of license or qualification or of the finding of unsuitability by such Gaming Authority; and

(3) such other lesser amount as may be required by any Gaming Authority.

Immediately upon a determination by a Gaming Authority that a Holder or Beneficial Owner of the Notes will not be licensed, qualified or found suitable and must dispose of the Notes, the Holder or Beneficial Owner will, to the extent required by applicable Gaming Laws, have no further right:

(c) to exercise, directly or indirectly, through any trustee or nominee or any other Person or entity, any right conferred by the Notes, the Note Guarantees or the Indenture; or

(d) to receive any interest, Liquidated Damages, dividend, economic interests or any other distributions or payments with respect to the Notes and the Note Guarantees or any remuneration in any form with respect to the Notes and the Note Guarantees from the Company, the Guarantors or the Trustee, except the redemption price referred to above.

(7) SPECIAL MANDATORY REDEMPTION. In the event each of the Release Conditions shall not have been satisfied on or prior to the earlier of (A) August 31, 2004 and (B) an Interest Top-Off Failure (the earlier of (A) and (B) being the "Escrow Break Date"), ACEP shall redeem all of the Notes, on the second Business Day immediately following the Escrow Break Date, at a redemption price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest to the date of redemption.

(8) MANDATORY REDEMPTION. Other than in connection with redemption

pursuant to Gaming Laws or a Special Mandatory Redemption, the Company is not required to make mandatory redemption or sinking fund payments with respect to the Notes.

(9) REPURCHASE AT THE OPTION OF HOLDER.

(a) If there is a Change of Control, the Company will be required to make an offer (a "Change of Control Offer") to repurchase all or any part (equal to $1,000 or an integral multiple thereof) of each Holder's Notes at a purchase price equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest and Liquidated Damages thereon, if any, to the date of purchase (the "Change of Control Payment"). Within 30 days following any Change of Control, the Company will mail a notice to each Holder setting forth the procedures governing the Change of Control Offer as required by the Indenture.

(b) If the Company or a Restricted Subsidiary of the Company consummates any Asset Sales, within five days of each date on which the aggregate amount of Excess Proceeds exceeds $5.0 million, the Company will commence an offer to all Holders of Notes and all holders of other Indebtedness that is pari passu with the Notes containing provisions similar to those set forth in the Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets (an "Asset Sale Offer") pursuant to Section 3.11 of the Indenture to purchase the maximum principal amount of Notes (including any Additional Notes) and other pari passu Indebtedness that may be purchased out of the Excess Proceeds at an offer price in cash in an amount equal to 100% of the principal amount thereof plus accrued and unpaid interest and Liquidated Damages thereon, if any, to the date fixed for the closing of such offer, in accordance with the procedures set forth in the Indenture. To the extent that the aggregate amount of Notes (including any Additional Notes) and other pari passu Indebtedness tendered pursuant to an Asset Sale Offer is less than the Excess Proceeds, the Company may use such deficiency for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and other pari passu Indebtedness surrendered by holders thereof exceeds the amount of Excess Proceeds, the Trustee shall select the Notes and other pari passu Indebtedness to be purchased on a pro rata basis. Holders of Notes that are the subject of an offer to purchase will receive an Asset Sale Offer from the Company prior to any related purchase date and may elect to have such

Notes purchased by completing the form entitled "Option of Holder to Elect Purchase" attached to this Note.

(c) If the Company or a Restricted Subsidiary of the Company receives Excess Loss Proceeds, within five days of each date on which the aggregate amount of Excess Loss Proceeds exceeds $5.0 million, the Company will commence an offer to all Holders of Notes and all holders of other Indebtedness that is pari passu with the Notes containing provisions similar to those set forth in the Indenture that require the Company to make an Event of Loss Offer pursuant to Section 3.12 of the Indenture to purchase the maximum principal amount of Notes (including any Additional Notes) and other pari passu Indebtedness that may be purchased out of the Excess Loss Proceeds at an offer price in cash in an amount equal to 100% of the principal amount thereof plus accrued and unpaid interest and Liquidated Damages thereon, if any, to the date fixed for the closing of such offer, in accordance with the procedures set forth in the Indenture. To the extent that the aggregate amount of Notes (including any Additional Notes) and other pari passu Indebtedness tendered pursuant to an Event of Loss Offer is less than the Excess Loss Proceeds, the Company may use such deficiency for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and other pari passu Indebtedness surrendered by holders thereof exceeds the amount of Excess Loss Proceeds, the Trustee shall select the Notes and other pari passu Indebtedness to be purchased on a pro rata basis. Holders of Notes that are the subject of an offer to purchase will receive an Excess Loss Offer from the Company prior to any related purchase date and may elect to have such Notes purchased by completing the form entitled "Option of Holder to Elect Purchase" attached to this Note.

(10) NOTICE OF REDEMPTION. Notice of redemption will be mailed at least 15 days but not more than 60 days before the redemption date to each

Holder whose Notes are to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction or discharge of the Indenture. Notes in denominations larger than $1,000 may be redeemed in part but only in whole multiples of $1,000, unless all of the Notes held by a Holder are to be redeemed. On and after the redemption date interest ceases to accrue on Notes or portions thereof called for redemption.

(11) DENOMINATIONS, TRANSFER, EXCHANGE. The Notes are in registered form without coupons in denominations of $1,000 and integral multiples of $1,000. The transfer of Notes may be registered and Notes may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Company may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Company need not exchange or register the transfer of any Note or portion of a Note selected for redemption, except for the unredeemed portion of any Note being redeemed in part. Also, the Company need not exchange or register the transfer of any Notes for a period of 15 days before a selection of Notes to be redeemed or during the period between a record date and the corresponding Interest Payment Date.

This Regulation S Temporary Global Note is exchangeable in whole or in part for one or more Global Notes only (i) on or after the termination of the 40-day restricted period (as defined in Regulation S) and (ii) upon presentation of certificates (accompanied by an Opinion of Counsel, if applicable) required by Article 2 of the Indenture. Upon exchange of this Regulation S Temporary Global Note for one or more Global Notes, the Trustee shall cancel this Regulation S Temporary Global Note.

(12) PERSONS DEEMED OWNERS. The registered Holder of a Note may be treated as its owner for all purposes.

(13) AMENDMENT, SUPPLEMENT AND WAIVER. Subject to certain exceptions, the Indenture, the Note Guarantees or the Notes may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the then outstanding Notes and Additional Notes, if any, voting as a single class, and any existing Default or Event of Default compliance with any provision of the Indenture, the Note Guarantees or the Notes may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Notes and Additional Notes, if any, voting as a single class. Without the consent of any Holder of a Note, the Indenture, the Note Guarantees or the Notes may be amended or supplemented to cure any ambiguity, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes, to provide for the assumption of the Company's or any Guarantor's obligations to Holders of the Notes in case of a merger or consolidation, to make any change that would provide any additional rights or benefits to the Holders of the Notes or that does not adversely affect the legal rights under the Indenture of any such Holder, to comply with the requirements of the SEC in order to effect or maintain the qualification of the Indenture under the TIA, to conform the text of the Indenture, the Collateral Documents or the Notes to any provision of the "Description of Notes" section of the Offering Memorandum, to the extent that such provision in that "Description of Notes" was intended to be a verbatim recitation of a provision of the Indenture, the Note Guarantees, the Collateral Documents or the Notes, to provide for the Issuance of Additional Notes in accordance with the limitations set forth in the Indenture, or to allow any Guarantor to execute a supplemental indenture to the Indenture and/or a Note Guarantee with respect to the Notes.

(14) DEFAULTS AND REMEDIES. Events of Default include: (i) default for 30 days in the payment when due of interest or Liquidated Damages on the Notes; (ii) default in payment when due of principal of or premium, if any, on the Notes when the same becomes due and payable at maturity, upon redemption (including in connection with an offer to purchase) or otherwise, (iii) failure by the Company to comply with Section 3.08, 3.09, 4.07, 4.09, 4.10, 4.15, 4.16 or 5.01 of the Indenture; (iv) failure by the Company for 60 days after notice to the Company by the Trustee or the Holders of at least 25% in principal amount of the Notes including Additional Notes, if any, then outstanding voting a single class to comply

with certain other agreements in the Indenture, the Notes or the Collateral Documents; (v) default under certain other agreements relating to Indebtedness of the Company which default results in the acceleration of such Indebtedness prior to its express maturity; (vi) certain final judgments for the payment of money that remain undischarged for a period of 60 days; (vii) certain events of bankruptcy or insolvency with respect to the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries that, when taken together, would constitute a Significant Subsidiary; (viii) the breach of certain covenants in the Collateral Documents or the Collateral Documents shall be held in any judicial proceeding to be unenforceable or invalid or shall cease for any reason to be in full force and effect; (ix) certain cessations and suspensions of the Company's Gaming Licenses; and (x) except as permitted by the Indenture, any Note Guarantee shall be held in any judicial proceeding to be unenforceable or invalid or shall cease for any reason to be in full force and effect or any Guarantor or any Person acting on its behalf shall deny or disaffirm its obligations under such Guarantor's Note Guarantee. If any Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Notes may declare all the Notes to be due and payable. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency, all outstanding Notes will become due and payable without further action or notice. Holders may not enforce the Indenture or the Notes except as provided

in the Indenture. Subject to certain limitations, Holders of a majority in principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders of the Notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest) if it determines that withholding notice is in their interest. The Holders of a majority in aggregate principal amount of the Notes then outstanding by notice to the Trustee may on behalf of the Holders of all of the Notes waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest or premium or Liquidated Damages, if any, on, or the principal of, the Notes. The Company is required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Company is required upon becoming aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

(15) TRUSTEE DEALINGS WITH COMPANY. The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company or its Affiliates, and may otherwise deal with the Company or its Affiliates, as if it were not the Trustee.

(16) NO RECOURSE AGAINST OTHERS. A director, officer, manager (or managing member) direct or indirect member, partner, employee, incorporator or stockholder, of the Company or any of the Guarantors, as such, will not have any liability for any obligations of the Company or such Guarantor under the Notes, the Note Guarantees, the Collateral Documents or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes.

(17) AUTHENTICATION. This Note will not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

(18) ABBREVIATIONS. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

(19) ADDITIONAL RIGHTS OF HOLDERS. In addition to the rights provided to Holders of Notes under the Indenture, Holders of Restricted Global Notes and Restricted Definitive Notes will have all the rights set forth in the Registration Rights Agreement dated as of January 29, 2004, among the Company and the other parties named on the signature pages thereof or, in the case of Additional Notes, Holders of Restricted Global

Notes and Restricted Definitive Notes will have the rights set forth in one or more registration rights agreements, if any, among the Company , the Guarantors and the other parties thereto, relating to rights given by the Company and the Guarantors to the purchasers of any Additional Notes (collectively, the "Registration Rights Agreement").

(20) CUSIP NUMBERS. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on the Notes and the Trustee may use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

The Company will furnish to any Holder upon written request and without charge a copy of the Indenture and/or the Registration Rights Agreement. Requests may be made to:

American Casino & Entertainment Properties LLC
American Casino & Entertainment Properties Finance Corp.
2000 Las Vegas Boulevard South
Las Vegas, Nevada 89104
Attention: Denise Barton

ASSIGNMENT FORM

To assign this Note, fill in the form below:

(I) or (we) assign and transfer this Note to: _____
(Insert assignee's legal name)

_____
(Insert assignee's soc. sec. or tax I.D. no.)

_____
_____
_____
_____
(Print or type assignee's name, address and zip code)

and irrevocably appoint_____
to transfer this Note on the books of the Company. The agent may substitute another to act for him.

Date: _____

Your Signature: _____
(Sign exactly as your name appears on the face of this Note)

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Note purchased by the Company pursuant to Section 4.10, 4.15 or 4.16 of the Indenture, check the appropriate box below:

[ ] Section 4.10 [ ] Section 4.15 [ ] Section 4.16

If you want to elect to have only part of the Note purchased by the Company pursuant to Section 4.10, Section 4.15 or Section 4.16 of the Indenture, state the amount you elect to have purchased:

$_____

Date: _____

Your Signature: _____
(Sign exactly as your name appears on the face of this Note)

Tax Identification No.: _____

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

SCHEDULE OF EXCHANGES OF REGULATION S TEMPORARY GLOBAL NOTE

The following exchanges of a part of this Regulation S Temporary Global Note for an interest in another Global Note, or exchanges in part of another other Restricted Global Note for an interest in this Regulation S Temporary Global Note, have been made:

Date of Exchange	Amount of decrease in Principal Amount at maturity of this Global Note	Amount of increase in Principal Amount at maturity of this Global Note	Principal Amount at maturity of this Global Note following such decrease (or increase)	Signature of authorized officer of Trustee or Custodian

EXHIBIT B

FORM OF CERTIFICATE OF TRANSFER

AMERICAN CASINO & ENTERTAINMENT PROPERTIES LLC
AMERICAN CASINO & ENTERTAINMENT PROPERTIES FINANCE CORP.
2000 Las Vegas Boulevard South
Las Vegas, Nevada 89104
Attention: Denise Barton

Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890

Re: 7.85% Senior Secured Notes due 2012

Reference is hereby made to the Indenture, dated as of January 29, 2004 (the "Indenture"), among American Casino & Entertainment Properties LLC, a Delaware limited liability company, as issuer ("ACEP"), American Casino & Entertainment Properties Finance Corp., a Delaware corporation, as co-issuer ("ACEP Finance", together with ACEP, the "Company"), the Guarantors party thereto and Wilmington Trust Company, as trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

_____, (the "Transferor") owns and proposes to transfer the Note[s] or interest in such Note[s] specified in Annex A hereto, in the principal amount of $_____ in such Note[s] or interests (the "Transfer"), to _____ (the "Transferee"), as further specified in Annex A hereto. In connection with the Transfer, the Transferor hereby certifies that:

[CHECK ALL THAT APPLY]

1. [ ] CHECK IF TRANSFEREE WILL TAKE DELIVERY OF A BENEFICIAL INTEREST IN THE 144A GLOBAL NOTE OR A RESTRICTED DEFINITIVE NOTE PURSUANT TO RULE 144A. The Transfer is being effected pursuant to and in accordance with Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and, accordingly, the Transferor hereby further certifies that the beneficial interest or

Definitive Note is being transferred to a Person that the Transferor reasonably believes is purchasing the beneficial interest or Definitive Note for its own account, or for one or more accounts with respect to which such Person exercises sole investment discretion, and such Person and each such account is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A, and such Transfer is in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the 144A Global Note and/or the Restricted Definitive Note and in the Indenture and the Securities Act.

2. [ ] CHECK IF TRANSFEREE WILL TAKE DELIVERY OF A BENEFICIAL INTEREST IN THE REGULATION S TEMPORARY GLOBAL NOTE, THE REGULATION S PERMANENT GLOBAL NOTE OR A RESTRICTED DEFINITIVE NOTE PURSUANT TO REGULATION S. The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the Securities Act and, accordingly, the Transferor hereby further certifies that (i) the Transfer is not being made to a Person in the United States and (x) at the time the buy order was originated, the Transferee was outside the United States or such Transferor and any Person acting on its behalf reasonably believed and believes that the Transferee was outside the United States or (y) the transaction was executed in, on or through the facilities of a designated offshore securities market and

neither such Transferor nor any Person acting on its behalf knows that the transaction was prearranged with a buyer in the United States, (ii) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or Rule 904(b) of Regulation S under the Securities Act, (iii) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act and (iv) if the proposed transfer is being made prior to the expiration of the Restricted Period, the transfer is not being made to a U.S. Person or for the account or benefit of a U.S. Person (other than an Initial Purchaser). Upon consummation of the proposed transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will be subject to the restrictions on Transfer enumerated in the Private Placement Legend printed on the Regulation S Permanent Global Note, the Regulation S Temporary Global Note and/or the Restricted Definitive Note and in the Indenture and the Securities Act.

3. [ ] CHECK AND COMPLETE IF TRANSFEREE WILL TAKE DELIVERY OF A BENEFICIAL INTEREST IN THE IAI GLOBAL NOTE OR A RESTRICTED DEFINITIVE NOTE PURSUANT TO ANY PROVISION OF THE SECURITIES ACT OTHER THAN RULE 144A OR REGULATION S. The Transfer is being effected in compliance with the transfer restrictions applicable to beneficial interests in Restricted Global Notes and Restricted Definitive Notes and pursuant to and in accordance with the Securities Act and any applicable blue sky securities laws of any state of the United States, and accordingly the Transferor hereby further certifies that (check one):

(a) [ ] such Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act;

or

(b) [ ] such Transfer is being effected to the Company or a subsidiary thereof;

or

(c) [ ] such Transfer is being effected pursuant to an effective registration statement under the Securities Act and in compliance with the prospectus delivery requirements of the Securities Act;

or

(d) [ ] such Transfer is being effected to an Institutional Accredited Investor and pursuant to an exemption from the registration requirements of the Securities Act other than Rule 144A, Rule 144, Rule 903 or Rule 904, and the Transferor hereby further certifies that it has not engaged in any general solicitation within the meaning of Regulation D under the Securities Act and the Transfer complies with the transfer restrictions applicable to beneficial interests in a Restricted Global

Note or Restricted Definitive Notes and the requirements of the exemption claimed, which certification is supported by (1) a certificate executed by the Transferee in the form of Exhibit D to the Indenture and (2) if such Transfer is in respect of a principal amount of Notes at the time of transfer of less than $250,000, an Opinion of Counsel provided by the Transferor or the Transferee (a copy of which the Transferor has attached to this certification), to the effect that such Transfer is in compliance with the Securities Act. Upon consummation of the proposed transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the IAI Global Note and/or the Restricted Definitive Notes and in the Indenture and the Securities Act.

4. [ ] CHECK IF TRANSFEREE WILL TAKE DELIVERY OF A BENEFICIAL INTEREST IN AN UNRESTRICTED GLOBAL NOTE OR OF AN UNRESTRICTED DEFINITIVE NOTE.

(a) [ ] CHECK IF TRANSFER IS PURSUANT TO RULE 144. (i) The Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will no longer be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes, on Restricted Definitive Notes and in the Indenture.

(b) [ ] CHECK IF TRANSFER IS PURSUANT TO REGULATION S. (i) The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will no longer be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes, on Restricted Definitive Notes and in the Indenture.

(c) [ ] CHECK IF TRANSFER IS PURSUANT TO OTHER EXEMPTION. (i) The Transfer is being effected pursuant to and in compliance with an exemption from the registration requirements of the Securities Act other than Rule 144, Rule 903 or Rule 904 and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any State of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will not be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes or Restricted Definitive Notes and in the Indenture.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company.

_____
[Insert Name of Transferor]

By:_____
Name:
Title:

Dated: _____

ANNEX A TO CERTIFICATE OF TRANSFER

1. The Transferor owns and proposes to transfer the following:

[CHECK ONE OF (a) OR (b)]

(a) [ ] a beneficial interest in the:

(i) [ ] 144A Global Note (CUSIP _____), or

(ii) [ ] Regulation S Global Note (CUSIP _____), or

(iii) [ ] IAI Global Note (CUSIP _____); or

(b) [ ] a Restricted Definitive Note.

2. After the Transfer the Transferee will hold:

[CHECK ONE]

(a) [ ] a beneficial interest in the:

(i) [ ] 144A Global Note (CUSIP _____), or

(ii) [ ] Regulation S Global Note (CUSIP _____), or

(iii) [ ] IAI Global Note (CUSIP _____); or

(iv) [ ] Unrestricted Global Note (CUSIP _____); or

(b) [ ] a Restricted Definitive Note; or

(c) [ ] an Unrestricted Definitive Note,

in accordance with the terms of the Indenture.

EXHIBIT C

FORM OF CERTIFICATE OF EXCHANGE

AMERICAN CASINO & ENTERTAINMENT PROPERTIES LLC
AMERICAN CASINO & ENTERTAINMENT PROPERTIES FINANCE CORP.
2000 Las Vegas Boulevard South
Las Vegas, Nevada 89104
Attention: Denise Barton

Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890

Re: 7.85% Senior Secured Notes due 2012 (CUSIP _____)

Reference is hereby made to the Indenture, dated as of January 29, 2004 (the "Indenture"), among American Casino & Entertainment Properties LLC, a Delaware limited liability company, as issuer ("ACEP"), American Casino & Entertainment Properties Finance Corp., a Delaware corporation, as co-issuer ("ACEP Finance", together with ACEP, the "Company"), the Guarantors party thereto and Wilmington Trust Company, as trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

_____, (the "Owner") owns and proposes to exchange the Note[s] or interest in such Note[s] specified herein, in the principal amount of $_____ in such Note[s] or interests (the "Exchange"). In connection with the Exchange, the Owner hereby certifies that:

1. EXCHANGE OF RESTRICTED DEFINITIVE NOTES OR BENEFICIAL INTERESTS IN A RESTRICTED GLOBAL NOTE FOR UNRESTRICTED DEFINITIVE NOTES OR BENEFICIAL INTERESTS IN AN UNRESTRICTED GLOBAL NOTE

(a) [ ] CHECK IF EXCHANGE IS FROM BENEFICIAL INTEREST IN A RESTRICTED GLOBAL NOTE TO BENEFICIAL INTEREST IN AN UNRESTRICTED GLOBAL NOTE. In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note

for a beneficial interest in an Unrestricted Global Note in an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Global Notes and pursuant to and in accordance with the Securities Act of 1933, as amended (the "Securities Act"), (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest in an Unrestricted Global Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(b) [ ] CHECK IF EXCHANGE IS FROM BENEFICIAL INTEREST IN A RESTRICTED GLOBAL NOTE TO UNRESTRICTED DEFINITIVE NOTE. In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for an Unrestricted Definitive Note, the Owner hereby certifies (i) the Definitive Note is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the

Securities Act and (iv) the Definitive Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(c) [ ] CHECK IF EXCHANGE IS FROM RESTRICTED DEFINITIVE NOTE TO BENEFICIAL INTEREST IN AN UNRESTRICTED GLOBAL NOTE. In connection with the Owner's Exchange of a Restricted Definitive Note for a beneficial interest in an Unrestricted Global Note, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(d) [ ] CHECK IF EXCHANGE IS FROM RESTRICTED DEFINITIVE NOTE TO UNRESTRICTED DEFINITIVE NOTE. In connection with the Owner's Exchange of a Restricted Definitive Note for an Unrestricted Definitive Note, the Owner hereby certifies (i) the Unrestricted Definitive Note is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Unrestricted Definitive Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

2. EXCHANGE OF RESTRICTED DEFINITIVE NOTES OR BENEFICIAL INTERESTS IN RESTRICTED GLOBAL NOTES FOR RESTRICTED DEFINITIVE NOTES OR BENEFICIAL INTERESTS IN RESTRICTED GLOBAL NOTES

(a) [ ] CHECK IF EXCHANGE IS FROM BENEFICIAL INTEREST IN A RESTRICTED GLOBAL NOTE TO RESTRICTED DEFINITIVE NOTE. In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for a Restricted Definitive Note with an equal principal amount, the Owner hereby certifies that the Restricted Definitive Note is being acquired for the Owner's own account without transfer. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the Restricted Definitive Note issued will continue to be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Definitive Note and in the Indenture and the Securities Act.

(b) [ ] CHECK IF EXCHANGE IS FROM RESTRICTED DEFINITIVE NOTE TO BENEFICIAL INTEREST IN A RESTRICTED GLOBAL NOTE. In connection with the Exchange of the Owner's Restricted Definitive Note for a beneficial interest in the [CHECK ONE] [ ] 144A Global Note, [ ] Regulation S Global Note, [ ] IAI Global Note with an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer and (ii) such Exchange has been effected in compliance with the transfer restrictions

applicable to the Restricted Global Notes and pursuant to and in accordance with the Securities Act, and in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the beneficial interest issued will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the relevant Restricted Global Note and in the Indenture and the Securities Act.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company.

_____
[Insert Name of Transferor]

By:_____
Name:
Title:

Dated: _____

EXHIBIT D

FORM OF CERTIFICATE FROM
ACQUIRING INSTITUTIONAL ACCREDITED INVESTOR

AMERICAN CASINO & ENTERTAINMENT PROPERTIES LLC
AMERICAN CASINO & ENTERTAINMENT PROPERTIES FINANCE CORP.
2000 Las Vegas Boulevard South
Las Vegas, Nevada 89104
Attention: Denise Barton

Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890

Re: 7.85% Senior Secured Notes due 2012

Reference is hereby made to the Indenture, dated as of January 29, 2004 (the "Indenture"), among American Casino & Entertainment Properties LLC, a Delaware limited liability company, as issuer ("ACEP"), American Casino & Entertainment Properties Finance Corp., a Delaware corporation, as co-issuer ("ACEP Finance", together with ACEP, the "Company"), the Guarantors party thereto and Wilmington Trust Company, as trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

In connection with our proposed purchase of $_____ aggregate principal amount of:

(a) [ ] a beneficial interest in a Global Note, or

(b) [ ] a Definitive Note,

we confirm that:

1. We understand that any subsequent transfer of the Notes or any interest therein is subject to certain restrictions and conditions set forth in the Indenture and the undersigned agrees to be bound by, and not to resell, pledge or otherwise transfer the Notes or any interest therein except in compliance with, such restrictions and conditions and the Securities Act of 1933, as amended (the "Securities Act").

2. We understand that the offer and sale of the Notes have not been registered under the Securities Act, and that the Notes and any interest therein may not be offered or sold except as permitted in the following sentence. We agree, on our own behalf and on behalf of any accounts for which we are acting as hereinafter stated, that if we should sell the Notes or any interest therein, we will do so only (A) to the Company or any subsidiary thereof, (B) in accordance with Rule 144A under the Securities Act to a "qualified institutional

buyer" (as defined therein), (C) to an institutional "accredited investor" (as defined below) that, prior to such transfer, furnishes (or has furnished on its behalf by a U.S. broker-dealer) to you and to the Company a signed letter substantially in the form of this letter and, if such transfer is in respect of a principal amount of Notes, at the time of transfer of less than $250,000, an Opinion of Counsel in form reasonably acceptable to the Company to the effect that such transfer is in compliance with the Securities Act, (D) outside the United States in accordance with Rule 904 of Regulation S under the Securities Act, (E) pursuant to the provisions of Rule 144(k) under the Securities Act or (F) pursuant to an effective registration statement under the Securities Act, and we further agree to provide to any Person

purchasing the Definitive Note or beneficial interest in a Global Note from us in a transaction meeting the requirements of clauses (A) through (E) of this paragraph a notice advising such purchaser that resales thereof are restricted as stated herein.

3. We understand that, on any proposed resale of the Notes or beneficial interest therein, we will be required to furnish to you and the Company such certifications, legal opinions and other information as you and the Company may reasonably require to confirm that the proposed sale complies with the foregoing restrictions. We further understand that the Notes purchased by us will bear a legend to the foregoing effect.

4. We are an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act) and have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of our investment in the Notes, and we and any accounts for which we are acting are each able to bear the economic risk of our or its investment.

5. We are acquiring the Notes or beneficial interest therein purchased by us for our own account or for one or more accounts (each of which is an institutional "accredited investor") as to each of which we exercise sole investment discretion.

You and the Company are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby.

_____
[Insert Name of Accredited Investor]

By:_____
Name:
Title:

Dated: _____

FORM OF NOTATION OF GUARANTEE

For value received, each Guarantor (which term includes any successor Person under the Indenture) has, jointly and severally, unconditionally guaranteed, to the extent set forth in the Indenture and subject to the provisions in the Indenture, dated as of January 29, 2004 (the "Indenture"), among American Casino & Entertainment Properties LLC, a Delaware limited liability company, as issuer ("ACEP"), American Casino & Entertainment Properties Finance Corp., a Delaware corporation, as co-issuer ("ACEP Finance", together with ACEP, the "Company"), the Guarantors party thereto and Wilmington Trust Company, as trustee (the "Trustee"), (a) the due and punctual payment of the principal of, premium and Liquidated Damages, if any, and interest on, the Notes, whether at maturity, by acceleration, redemption or otherwise, the due

and punctual payment of interest on overdue principal of and interest on the Notes, if any, if lawful, and the due and punctual performance of all other obligations of the Company to the Holders or the Trustee all in accordance with the terms of the Indenture and (b) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise. The obligations of the Guarantors to the Holders of Notes and to the Trustee pursuant to the Note Guarantee and the Indenture are expressly set forth in Article 11 of the Indenture and reference is hereby made to the Indenture for the precise terms of the Note Guarantee. Each Holder of a Note, by accepting the same, (a) agrees to and shall be bound by such provisions and (b) appoints the Trustee attorney-in-fact of such Holder for all purposes.

Capitalized terms used but not defined herein have the meanings given to them in the Indenture.

[NAME OF GUARANTOR(S)]

By:_____
Name:
Title:

EXHIBIT F

FORM OF SUPPLEMENTAL INDENTURE
TO BE DELIVERED BY SUBSEQUENT GUARANTORS

SUPPLEMENTAL INDENTURE (this "Supplemental Indenture"), dated as of _____, 200__, among _____ (the "Guaranteeing Subsidiary"), a subsidiary of American Casino & Entertainment Properties LLC, a Delaware limited liability company, as issuer ("ACEP") (or its permitted successor), American Casino & Entertainment Properties Finance Corp., a Delaware corporation, as co-issuer ("ACEP Finance", together with ACEP, the "Company"), the other Guarantors (as defined in the Indenture referred to herein) and Wilmington Trust Company, as trustee under the Indenture referred to below (the "Trustee").

W I T N E S S E T H

WHEREAS, the Company has heretofore executed and delivered to the Trustee an indenture (the "Indenture"), dated as of January 29, 2004 providing for the issuance of 7.85% Senior Secured Notes due 2012 (the "Notes");

WHEREAS, the Indenture provides that under certain circumstances the Guaranteeing Subsidiary shall execute and deliver to the Trustee a supplemental indenture pursuant to which the Guaranteeing Subsidiary shall unconditionally guarantee all of the Company's Obligations under the Notes and the Indenture on the terms and conditions set forth herein (the "Note Guarantee"); and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Guaranteeing Subsidiary and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

1. CAPITALIZED TERMS. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. AGREEMENT TO GUARANTEE. The Guaranteeing Subsidiary hereby agrees to provide an unconditional Guarantee on the terms and subject to the conditions set forth in the Note Guarantee and in the indenture including but not limited to Article 11 thereof.

4. NO RECOURSE AGAINST OTHERS. No past, present or future director, officer, employee, incorporator, stockholder or agent of the Guaranteeing Subsidiary, as such, shall have any liability for any obligations of the Company or any Guaranteeing Subsidiary under the Notes, any Note Guarantees, the Collateral Documents, the Indenture or this Supplemental Indenture or for any claim based on, in respect of, or by reason of, such obligations or their

creation. Each Holder of the Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the federal securities laws and it is the view of the SEC that such a waiver is against public policy.

5. NEW YORK LAW TO GOVERN. THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SUPPLEMENTAL INDENTURE BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

6. COUNTERPARTS. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

7. EFFECT OF HEADINGS. The Section headings herein are for convenience only and shall not affect the construction hereof.

8. THE TRUSTEE. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Guaranteeing Subsidiary and the Company.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the date first above written.

Dated: _____, 20___

[GUARANTEEING SUBSIDIARY]

By: _____
Name:
Title:

AMERICAN CASINO & ENTERTAINMENT PROPERTIES LLC

By: _____
Name:
Title:

AMERICAN CASINO & ENTERTAINMENT PROPERTIES FINANCE CORP.

By: _____
Name:
Title:

[EXISTING GUARANTORS]

By: _____
Name:
Title:

[TRUSTEE],
as Trustee

By: _____
Authorized Signatory

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

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

I, Keith A. Meister certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Real Estate Partners, L.P. for the period ended June 30, 2004, (the "Report");

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

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

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

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

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

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

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

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

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

/s/ KEITH A. MEISTER

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

Date: August 9, 2004

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

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

I, John P. Saldarelli, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Real Estate Partners, L.P. for the period ended June 30, 2004, (the "Report");

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

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

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

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

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

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

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

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

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

/s/ JOHN P. SALDARELLI

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

Date: August 9, 2004

EXHIBIT 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

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

I, Keith A. Meister, President and Chief Executive Officer (Principal Executive Officer) of American Property Investors, Inc., the General Partner of American Real Estate Partners, L.P. (the "Registrant"), certify that to the best of my knowledge, based upon a review of the American Real Estate Partners, L.P., quarterly report on Form 10-Q for the period ended June 30, 2004 of the Registrant (the "Report"):

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

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

/s/ KEITH A. MEISTER

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

Date: August 9, 2004

EXHIBIT 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

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

I, John P. Saldarelli, Treasurer and Chief Financial Officer (Principal Financial Officer) of American Property Investors, Inc., the General Partner of American Real Estate Partners, L.P. (the "Registrant"), certify that to the best of my knowledge, based upon a review of the American Real Estate Partners, L.P. quarterly report on Form 10-Q for the period ended June 30, 2004 of the Registrant (the "Report"):

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

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

/s/ JOHN P. SALDARELLI

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

Date: August 9, 2004