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 September 30, 2000

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	10549
(Address of principal executive offices)	(Zip Code)
(Registrant's telephone number, including area code)	(914) 242-7700

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

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PART I. FINANCIAL INFORMATION

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The financial information contained herein is unaudited; however, in the opinion of management, all adjustments necessary for a fair presentation of such financial information have been included. All such adjustments are of a normal recurring nature.

CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(IN $000'S)

	SEPTEMBER 30, 2000	DECEMBER 31, 1999 (RESTATED)
ASSETS		
Real estate leased to others:		
Accounted for under the financing method	$ 206,329	$ 223,391
Accounted for under the operating method, net of accumulated depreciation	179,822	152,086
Investment in treasury bills	467,692	468,529
Marketable equity and debt securities	56,969	67,397
Equity interest in GB Holdings, Inc.	40,463	-
Cash and cash equivalents	158,907	142,697
Land and construction-in-progress	77,934	99,043
Hotel, casino and resort operating properties, net of accumulated depreciation:		
Stratosphere Corporation hotel and casino	115,697	111,151
Hotel and resort	33,322	30,678
Mortgages and notes receivable	7,604	10,955
Receivables and other assets	53,157	58,934
Total	$ 1,397,896	$ 1,364,861

Continued.......

CONSOLIDATED BALANCE SHEETS - CONTINUED
(UNAUDITED)
(IN $000'S)

	SEPTEMBER 30, 2000	DECEMBER 31, 1999 (RESTATED)
LIABILITIES		
Mortgages payable	$ 183,704	$ 179,387
Due to affiliates	76,547	32,876
Accounts payable, accrued expenses and other liabilities	49,738	56,983
Total liabilities	309,989	269,246
Minority interest in Stratosphere Corporation hotel and casino	64,347	66,307
Commitments and Contingencies (Notes 3 and 4)		
PARTNERS' EQUITY		
Limited partners:		
Preferred units, $10 liquidation preference, 5% cumulative pay-in-kind redeemable; 9,400,000 authorized; 8,463,459 and 8,060,437 issued and outstanding as of Sept. 30, 2000 and Dec. 31, 1999	86,750	83,627
Depositary units; 47,850,000 authorized; 47,235,484 outstanding	926,613	876,760
General partner	22,118	80,842
Treasury units at cost: 1,137,200 depositary units	(11,921)	(11,921)
Total partners' equity	1,023,560	1,029,308
Total	$ 1,397,896	$ 1,364,861

See notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF EARNINGS
(UNAUDITED)
(IN $000'S EXCEPT PER UNIT DATA)

	THREE MONTHS ENDED SEPTEMBER 30, 2000	1999

		(RESTATED)
Revenues:		
Stratosphere Corporation hotel and casino operating income	$ 31,623	$ 30,712
Land, house and condominium sales	18,132	21,894
Hotel and resort operating income	7,984	8,922
Interest income on financing leases	4,871	5,491
Interest income on treasury bills and other investments	9,069	7,834
Rental income	5,989	5,391
Dividend and other income	936	766
	78,604	81,010
Expenses:		
Stratosphere Corporation hotel and casino operating expenses	28,897	28,610
Cost of land, house and condominium sales	14,387	16,153
Hotel and resort operating expenses	5,697	5,661
Interest expense	4,597	5,013
Depreciation and amortization	3,489	3,229
General and administrative expenses	1,582	1,855
Rental property expenses	1,020	650
	59,669	61,171
Earnings before property transactions and minority interest in subsidiary	18,935	19,839
Provision for loss on real estate	(259)	(1,137)
Gain on sales and disposition of real estate	357	4,902
Minority interest in net earnings of Stratosphere Corporation hotel and casino	(564)	(51)
NET EARNINGS	$ 18,469	$ 23,553

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CONSOLIDATED STATEMENTS OF EARNINGS
(UNAUDITED)
(IN $000'S EXCEPT PER UNIT DATA)

	THREE MONTHS ENDED SEPTEMBER 30, 2000	1999 (RESTATED)
Net earnings attributable to: (Note 11)		
Limited partners	$ 18,101	$ 18,558
General partner	368	4,995
	$ 18,469	$ 23,553
Net earnings per limited partnership unit:		
Basic earnings	$ .37	$ .38
Weighted average limited partnership units outstanding	46,098,284	46,098,284
Diluted earnings	$ .33	$ .33
Weighted average limited partnership units		

and equivalent partnership units outstanding	55,624,078	56,359,662

See notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF EARNINGS
(UNAUDITED)
(IN $000'S EXCEPT PER UNIT DATA)

	NINE MONTHS ENDED SEPTEMBER 30, 2000	1999 (RESTATED)
Revenues:		
Stratosphere Corporation hotel and casino operating income	$ 97,715	$ 94,398
Land, house and condominium sales	59,168	55,675
Hotel and resort operating income	17,511	17,033
Interest income on financing leases	15,142	16,997
Interest income on treasury bills and other investments	25,938	17,732
Rental income	17,470	15,395
Dividend and other income	3,342	8,616
	236,286	225,846
Expenses:		
Stratosphere Corporation hotel and casino operating expenses	87,719	85,773
Cost of land, house and condominium sales	45,087	42,514
Hotel and resort operating expenses	14,958	12,445
Interest expense	13,054	15,113
Depreciation and amortization	11,087	10,393
General and administrative expenses	5,729	5,697
Rental property expenses	3,097	2,172
Bayswater acquisition costs	1,650	-
	182,381	174,107
Earnings before property and securities transactions and minority interest in subsidiary	53,905	51,739
Provision for loss on real estate	(491)	(1,364)
Gain on sales and disposition of real estate	2,463	7,757
Gain on sale of marketable equity securities	-	28,590
Minority interest in net earnings of Stratosphere Corporation hotel and casino	(2,103)	(1,204)
NET EARNINGS	$ 53,774	$ 85,518

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CONSOLIDATED STATEMENTS OF EARNINGS
(UNAUDITED)
(IN $000'S EXCEPT PER UNIT DATA)

	NINE MONTHS ENDED SEPTEMBER 30, 2000	1999 (RESTATED)
Net earnings attributable to: (Note 11)		
Limited partners	$ 51,273	$ 74,642
General partner	2,501	10,876
	$ 53,774	$ 85,518
Net earnings per limited partnership unit:		
Basic earnings	$ 1.04	$ 1.55
Weighted average limited partnership units outstanding	46,098,284	46,098,284
Diluted earnings	$ .91	$ 1.34
Weighted average limited partnership units and equivalent partnership units outstanding	56,247,699	55,831,750

See notes to consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN PARTNERS' EQUITY
AND COMPREHENSIVE INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2000
(UNAUDITED)
(IN $000'S)

	General Partner's Equity	Limited Partners' Equity Depositary Units	Limited Partners' Equity Preferred Units	Held in Treasury	Total Partners' Equity
Balance Dec. 31, 1999 as previously reported	$ 19,500	$ 876,760	$ 83,627	$ (11,921)	$ 967,966
Bayswater acquisition (Note 8)	61,342	-	-	-	61,342
Balance Dec. 31, 1999 as restated	80,842	876,760	83,627	(11,921)	1,029,308
Comprehensive income:					
Net earnings	2,501	51,273	-	-	53,774
Unrealized gains on securities available for sale	35	1,703	-	-	1,738
Comprehensive income	2,536	52,976	-	-	55,512
Net adjustment for Bayswater acquisition (Note 8)	(62,801)	-	-	-	(62,801)
Capital contribution (Note 8)	1,541	-	-	-	1,541
Pay-in-kind distribution	-	(3,123)	3,123	-	-
Balance Sept.30, 2000	$ 22,118	$ 926,613	$ 86,750	$ (11,921)	$ 1,023,560

Accumulated other comprehensive loss at September 30, 2000 was $5,337.

See notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(IN $000'S)

	NINE MONTHS ENDED SEPTEMBER 30, 2000	1999 (RESTATED)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 53,774	$ 85,518
Adjustments to reconcile earnings to net cash provided by operating activities:		
Depreciation and amortization	11,087	10,393
Gain on sales and disposition of real estate	(2,463)	(7,686)
Gain on sale of marketable equity securities	-	(28,590)
Minority interest in net earnings of Stratosphere Corporation hotel and casino	2,103	1,204
Provision for loss on real estate	491	1,364
Changes in:		
Decrease (increase) in land and construction-in-progress	4,554	(6,236)
(Increase) decrease in receivables and other assets	(2,021)	958
(Decrease) increase in accounts payable, accrued expenses and other liabilities	(3,946)	8,475
Net cash provided by operating activities	63,579	65,400
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease (increase) in mortgages and notes receivable	2,845	(7,457)
Net proceeds from the sale and disposition of real estate	14,036	18,534
Principal payments received on leases accounted for under the financing method	5,699	5,958
Acquisition of Bayswater's net assets	(84,350)	-
Acquisition of rental real estate	(27,308)	(23,923)
Additions to rental real estate	(2,032)	(2,227)
Additions to hotel casino and resort operating properties	(4,441)	(7,257)
Decrease (increase) in investment in treasury bills	837	(88,311)
Investment in Stratosphere Corp. hotel and casino	(1,970)	-
Increase in equity interest in GB Holdings, Inc.	(32,500)	-
Decrease in marketable equity and debt securities	4,165	202,446
Investment in Northstar Capital Investment Corp.	-	(6,888)
Increase in due to affiliate	76,341	15,674
Net disposition of limited partnership interests	455	1,270
Net cash (used in) provided by investing activities	(48,223)	107,819
CASH FLOWS FROM FINANCING ACTIVITIES:		
Partners' equity:		
Distributions to partners	(10)	-
Distributions to General Partner (Note 7)	(4,100)	(4,050)
Debt:		
Increase in mortgages payable	19,600	22,400
Periodic principal payments	(7,278)	(7,048)
Balloon payments	(7,358)	-
Net cash provided by financing activities	854	11,302

Continued.............

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED))
(IN $000'S

	NINE MONTHS ENDED SEPTEMBER 30, 2000	1999 (RESTATED)
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,210	184,521
CASH AND CASH EQUIVALENTS, beginning of period	142,697	34,014
CASH AND CASH EQUIVALENTS, end of period	$ 158,907	$ 218,535
SUPPLEMENTAL INFORMATION:		
Cash payments for interest-net of amount capitalized	$ 10,332	$ 16,027
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES:		
Reclassifications:		
From mortgages and notes receivable	$ (62,338)	$ -
To marketable equity and debt securities	56,107	-
To equity interest in GB Holdings, Inc.	6,231	-
To property held for sale	2,916	1,333
From financing lease	(8,016)	(384)
To operating lease	6,730	-
From operating lease	(1,630)	(949)
From receivables and other assets	-	(2,169)
To hotel and resort operating properties	-	180
To due to affiliate	-	3,221
From accounts payable, accrued expenses and other liabilities	-	(1,232)
From hotel and resort operating property	-	(763)
To development property	-	763
	$ -	$ -

See notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. GENERAL

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, 1999. The Company's prior period consolidated financial statements have been restated as described in Notes 2 b. and 2 c. below.

The results of operations for the three and nine months ended September 30, 2000 are not necessarily indicative of the results to be expected for the full year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

b. In March 2000, the Company acquired from affiliates of the General Partner the assets of Bayswater Realty & Capital Corp. and the ownership interests of its affiliated entities ("Bayswater"). In accordance with generally accepted accounting principles, assets and liabilities 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. Therefore, the accounts of Bayswater are included in these consolidated financial statements for the three and nine months ended September 30, 2000 and prior period financial statements have been restated to include Bayswater.

c. Also in March 2000, the Company purchased an additional 50,000 shares of the Stratosphere Corporation ("Stratosphere") from an affiliate of the General Partner. The Company now owns approximately 51% of Stratosphere and has included its accounts on a consolidated basis for the three and nine months ended September 30, 2000. Prior period financial statements have been restated to include Stratosphere on a consolidated basis.

d. Revenue recognition - Revenue from real estate sales and related costs are recognized at the time of closing, when title passes to the buyer. The Company follows the guidelines for profit recognition set forth by Financial Accounting Standards Board (FASB) Statement No. 66, "Accounting for Sales of Real Estate."

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

f. Stratosphere Hotel and Casino:

1. The third quarter ended on September 24, 2000. There were no intercompany transactions during the period September 24 to September 30, 2000.

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

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

3. CONFLICTS OF INTEREST AND TRANSACTIONS WITH RELATED PARTIES

a. The Company entered into a license agreement with an affiliate of the General Partner for a portion of office space at an annual rental of approximately $205,000, plus its share of certain additional rent. Such agreement was approved by the Audit Committee of the Board of Directors of the General Partner (the "Audit Committee"). For the three and nine months ended September 30, 2000, the Company paid rent of approximately $52,000 and $156,000, respectively, in accordance with the agreement.

b. Stratosphere billed affiliates of the General Partner approximately $60,000 and $180,000 for administrative services performed by Stratosphere personnel during the three and nine months ended September 30, 2000, respectively.

Stratosphere also received hotel revenue of approximately $100,000 and $500,000 during the three and nine months ended September 30, 2000, respectively, in connection with a tour and travel agreement entered into with an affiliate of the General Partner.

c. As of November 11, 2000, affiliates of Carl C. Icahn ("Icahn"), the Chairman of the Board of the General Partner, own 7,322,873 Preferred Units and 39,359,836 Depositary Units.

4. COMMITMENTS AND CONTINGENCIES

a. On April 7, 2000, Skyway Freight Systems ("Skyway"), a tenant in a multi-tenanted industrial complex located in Hebron, Kentucky owned by the Company, filed a voluntary petition for reorganization under Chapter 11 of the Federal Bankruptcy Code. Skyways annual rental is approximately $774,000. On August 12, 2000, the tenant rejected the lease pursuant to an order of the Bankruptcy Court. The Company has re-let the space, effective December 15, 2000, for approximately $650,000 per annum.

b. In October, 2000 Stratosphere Corp. settled the litigation regarding rental of its retail space and acquired the leasehold interest to the shopping center located on its premises for approximately $12.5 million.

c. As previously reported by the Company in its annual report on Form 10-K for the year ended December 31, 1999, on November 18, 1998, Ruth Ellen Miller filed a Class Action Complaint. On September 21, 2000, Ruth Ellen Miller, Charles and Lydia Hoffman, and Joy Lazarus, claiming as plaintiffs on behalf of themselves and all others similarly situated, filed an amended complaint (the "Complaint") and a motion for class certification and have sought to make service of the Complaint on the defendants. Management believes that the plaintiffs' claims are without merit and intends to vigorously defend against them.

5. HOTEL, CASINO AND RESORT OPERATING PROPERTIES

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a. Stratosphere Hotel and Casino

Stratosphere Corp. ("Stratosphere") owns and operates the Stratosphere Tower Casino & Hotel, a resort complex located in Las Vegas, Nevada.

On March 24, 2000, the Company purchased from an affiliate of the General Partner an additional 50,000 shares of the common stock of Stratosphere for approximately $2 million. The Company now owns approximately 51% of the issued and outstanding shares of the common stock of Stratosphere. In September 2000, Stratosphere's Board of Directors approved a going private transaction proposed by the Company. The Company, subject to certain conditions, will pay approximately $44.3 million for the outstanding shares of Stratosphere not currently owned. Stratosphere stockholders not affiliated with Icahn will receive a cash price of $45.32 per share and Icahn related stockholders will receive a cash price of $44.33 per share. Stratosphere will invest up to $100 million for construction of an additional 1,000 rooms to the hotel, related amenities and purchase of the leasehold interest to the shopping center located on its premises. The Company advanced

approximately $7 million to Stratosphere in September 2000. The advances and related interest expense have been eliminated in consolidation. In October 2000, the Company advanced an additional $ 17.3 million to Stratosphere.

For accounting purposes, the Company has consolidated Stratosphere in the accompanying financial statements and prior period financial statements have been restated to include Stratosphere on a consolidated basis.

Stratosphere's operations for the three and nine months ended September 30, 2000 and 1999 have been included in "Stratosphere Hotel and Casino operating income and expenses" in the Consolidated Statements of Earnings. Stratosphere Hotel and Casino operating expenses include all expenses except for approximately $2,048,000 and $6,262,000 of depreciation and amortization for the three and nine months ended September 30, 2000, respectively and $2,001,000 and $6,283,000 for the three and nine months ended September 30, 1999, respectively. Such amounts have been included in "Depreciation and amortization expense" in the Consolidated Statements of Earnings.

b. Hotel and Resort Operating Properties

On August 1, 1998, the Company acquired the New Seabury resort located in Cape Cod, Massachusetts.

Since August 1992, the Company has operated a Holiday Inn located in Miami, Florida, subject to a ground lease. In April 1999, the Company acquired the underlying land for approximately $1.9 million.

Hotel and resort operations for the three and nine months ended September 30, 2000 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 $180,000 and $1,154,000 of depreciation and amortization for the three and nine months ended September 30, 2000, respectively, and $176,000 and $528,000 for the three and nine months ended September 30, 1999, respectively. Such amounts have been included in "Depreciation and amortization expense" in the Consolidated Statements of Earnings.

Hotel, casino and resort operations are highly seasonal in nature and are not necessarily indicative of results expected for the full year.

6. MARKETABLE EQUITY AND DEBT SECURITIES

a. In March 2000, in accordance with a prior agreement, the Company transferred its First Mortgage Notes ("Notes") in the Sands Hotel and Casino ("Sands") and the Claridge Hotel and Casino ("Claridge")to an affiliate of the General Partner in order to facilitate the bankruptcy reorganizations of the two Atlantic City casinos. The Company was paid approximately $40.5 million, its cost for such notes. However, the affiliate of the General Partner is obligated to sell back to the Company and the Company is obligated to repurchase its interest in the Sands and/or Claridge, as the case may be, at the same price increased by Icahn advances, decreased by distributions and/or interest payments received (together with a commercially reasonable interest factor) when the appropriate licenses are obtained by the Company.

Regarding the Sands, in July 2000, the U.S. Bankruptcy Court ruled in favor of the reorganization plan proposed by affiliates of Icahn which provides for an additional investment of $65 million by the Icahn affiliates in exchange for a 46% equity interest, with bondholders (which also includes Icahn affiliates) to receive $110 million in new notes and a 54% ownership position. The plan, which became effective September 29, 2000, provides the Icahn affiliates with a controlling interest. For accounting purposes, the Company reflects its interest in the new Sands notes as held to maturity and has recorded its corresponding liability to repurchase such interests from the affiliate of the General Partner. At September 30, 2000 this investment is carried at cost of $17.3 million in the Consolidated Balance Sheets.

The Company reflects its pro rata equity interest in the Sands as "Equity interest in GB Holdings, Inc." in the Consolidated Balance Sheets (see note 7).

In July 2000, the Claridge's proposed reorganization plan was not accepted by the required number of bondholders. The plan would have provided for the holders of $85 million of First Mortgage Notes to receive 100% of the equity in the reorganized entity. In August 2000, the U.S. Bankruptcy Court approved a proposal by the bondholders to market for sale the hotel-casino. It is possible that the Sand's may participate in the auction process.

Subsequent to the transfer of interests, pursuant to the prior agreement, the affiliate of the General Partner has purchased approximately $1,709,000 face value of additional Claridge Notes for approximately $942,000 on the

Company's behalf. The cost of these notes has been added to the Company's investment and "Due to affiliate" in the Consolidated Balance Sheets.

For accounting purposes, the Company continues to reflect its interest in the Claridge notes as available for sale and has recorded its corresponding liability to repurchase such interest from the affiliate of the General Partner.

This investment is carried at fair market value on the Balance Sheet. At September 30, 2000, unrealized holding losses of $3,525,000 have been recorded in Partners' Equity and the carrying value of the investment was approximately $12,616,000.

Interest expense due to the affiliate for the three and nine months ended September 30, 2000 of $1,147,000 and $2,446,000, respectively, has been included in "Interest expense" in the Consolidated Statements of Earnings.

b. In 1998 and 1999, the Company purchased approximately $88 million of senior debt of Philips Services Corp. and Philip Services (Delaware), Inc. (collectively "Philips") for approximately $39.6 million and received approximately $5.6 million as a return of capital.

In June 1999, Philips filed a voluntary application to reorganize under the Companies Creditors Arrangement Act with the Ontario Superior Court of Justice in Toronto, Canada and voluntary petitions under Chapter 11 of the U.S. Bankruptcy Code in the District of Delaware.

On April 7, 2000, Philip Services Corporation ("New Philips"), the newly restructured company incorporated in Delaware, emerged from Chapter 11 of the U.S. Bankruptcy Code and the Companies Creditors' Arrangement Act in Canada.

As a result of the reorganization, the Company received approximately 1.8 million common shares of New Philips, approximately $15.9 million in secured term debt, $8.3 million in secured convertible payment-in-kind debt and approximately $5.1 million in cash. The Company presently has an approximate 8% interest in New Philips and an Icahn affiliate has an approximate interest of 26%.

The secured term debt matures March 31, 2005 and bears interest at 9% per annum.

Interest is payable quarterly, in arrears, beginning July 1, 2000. Interest due the Company for the three and nine months ended September 30, 2000 in the amounts of approximately $364,000 and $757,000, respectively has been received and is included in "Interest income" in the Consolidated Statements of Earnings in the three and nine months ended September 30, 2000.

The secured convertible payment-in-kind debt matures March 31, 2005 and bears interest at 10% per annum. Interest is accreted quarterly with interest on the accreted interest also calculated at the rate of 10% per annum. Interest accrued and accreted for the three and nine months ended September 30, 2000 in the amounts of approximately $163,000 and $311,000, respectively, is included in "Interest income" in the Consolidated Statements of Earnings in the three and nine months ended September 30, 2000.

For accounting purposes, the Company reflects its interest in New Philips stock and debt securities as available for sale. These investments are carried at fair market value on the Balance Sheet. At September 30, 2000, unrealized holding losses of $1,812,000 have been recorded in Partners' Equity and the carrying value of the investments was approximately $27,021,000.

7. EQUITY INTEREST IN GB HOLDINGS, INC.

The Company reflects it pro rata equity interest in the Sands under this caption in the Consolidated Balance Sheets. The Company's corresponding obligation to repurchase its interest of approximately $40.4 million is included in "Due to affiliates" in the Consolidated Balance Sheets. The Company accounts for its investment under the equity method of accounting.

8. BAYSWATER ACQUISITION

On March 23, 2000, the Company purchased from affiliates of the General Partner, the net assets of Bayswater Realty & Capital Corp. and the ownership interests of its affiliated entities ("Bayswater") for approximately $84.35 million. Bayswater, a real estate investment, management and development company has focused primarily on the construction and sale of single family homes. The assets acquired included interests in ten residential subdivisions in New York and Florida.

The accounts of Bayswater are included in these Consolidated Financial Statements for the three and nine months ended September 30, 2000 and prior period financial statements have been restated to include Bayswater. For accounting purposes, earnings and distributions/dividends prior to the acquisition have been allocated to the General Partner and therefore excluded from the computation of basic and diluted earnings per limited partnership unit.

The Bayswater assets acquired and the liabilities assumed have been accounted for at historical cost. The excess of the historical cost of the net assets over the amount of cash disbursed, which amounted to $1,541,000, has been accounted for as a capital contribution by the General Partner. The Company's costs of $1.65 million related to the Bayswater transaction have been included as "Bayswater acquisition costs" in the Consolidated Statements of Earnings in the nine months ended September 30, 2000. A reduction of $62,801,000 has been made to the General Partner's equity as an adjustment for the restatement at December 31, 1999. See Consolidated Statement of Changes in Partners' Equity and Comprehensive Income.

9. SIGNIFICANT PROPERTY TRANSACTIONS

a. On March 30, 2000, the Company acquired a five story multi-tenant office building located in Alexandria, VA for approximately $27.5 million cash. The building, which was recently renovated, has approximately 140,000 square feet of rentable space and is 96% occupied. Lease terms range from 5-12 years with lease expirations ranging from December 2004 to March 2011. Annual net operating income is anticipated to be approximately $2.7 million.

b. On March 31, 2000, the Company entered into a lease cancellation and termination agreement with the Grand Union Company, a tenant in a Mt. Kisco, N.Y. distribution center owned by the Company. In accordance with the agreement, the Company paid $1.15 million to the tenant to cancel the lease (which had an annual rental of approximately $900,000) to obtain control of the property. The lease cancellation payment has been capitalized in "Real estate leases accounted for under the operating method" in the Consolidated Balance Sheet.

At September 30, 2000, the property had a carrying value of approximately $7,880,000. The mortgage balance of approximately $4,137,000 was repaid in August 2000.

10. PREFERRED UNITS

Pursuant to the terms of the Preferred Units, on February 23, 2000, 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, 2000 to holders of record as of March 15, 2000. A total of 403,022 additional Preferred Units were issued. As of September 30, 2000, 8,463,459 Preferred Units are issued and outstanding.

11. EARNINGS PER SHARE

Basic earnings per share are based on earnings after the preferred pay-in-kind distribution to Preferred Unitholders. Diluted earnings per share uses net earnings attributable to limited partner interests as the numerator with the denominator based on the weighted average number of units and equivalent units outstanding. The Preferred Units are considered to be unit equivalents. The weighted average number of depositary units outstanding for basic earnings per share purposes for the three and nine months ended September 30, 2000 and 1999 were 46,098,284. The weighted average number of depositary units and equivalent units assumed outstanding for diluted earnings per share purposes were (i) for the three months ended September 30, 2000 and 1999 55,624,078 and 56,359,662, respectively, and (ii) for the nine months ended September 30, 2000 and 1999 56,247,699 and 55,831,750, respectively. The number of limited partnership units used in the calculation of diluted income per limited partnership unit increased by (i) 9,525,794 and 10,261,378 limited partnership units for the three months ended

September 30, 2000 and 1999, respectively, and (ii) 10,149,415 and 9,733,466 limited partnership units for the nine months ended September 30, 2000 and 1999, respectively, to reflect the effects of the conversion of Preferred Units.

For the three and nine months ended September 30, 2000 and 1999, basic and diluted earnings per weighted average limited partnership unit are detailed as follows:

	Three Months Ended		Nine Months Ended	
	9/30/00	9/30/99	9/30/00	9/30/99
Basic:				
Earnings before property				

and securities transactions	$ .37	$ .30	$ 1.00	$ .81
Net gain from property				
and securities transactions	-	.08	.04	.74
Net earnings	$ .37	$ .38	$ 1.04	$ 1.55
Diluted:				
Earnings before property				
and securities transactions	$ .32	$ .26	$ .88	$ .72
Net gain from property				

and securities transactions	.01	.07	.03	.62
Net earnings	$ .33	$ .33	$ .91	$ 1.34

12. COMPREHENSIVE INCOME

The Company follows SFAS No. 130 "Reporting Comprehensive Income" which establishes standards for the reporting and display of comprehensive income and its components. The components of comprehensive income include net income and certain amounts previously reported directly in equity.

Comprehensive income for the three months ended September 30, 2000 and 1999 is as follows (in $000's):

	2000	1999 (Restated)
Net income	$ 18,469	$ 23,553
Unrealized gains on securities available for sale	3,037	1,558
Comprehensive income	$ 21,506	$ 25,111

Comprehensive income for the nine months ended September 30, 2000 and 1999 is as follows (in $000's):

	2000	1999 (Restated)
Net income	$ 53,774	$ 85,518
Realized gains previously reported in partner's equity	-	(16,058)
Unrealized gains (losses) on securities available for sale	1,738	(475)
Comprehensive income	$ 55,512	$ 68,985

13. SEGMENT REPORTING

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

Non-segment revenue to reconcile to total revenue consists primarily of interest income on treasury bills and other investments. There have been no material changes in segment assets since December 31, 1999, after giving effect to the restatement as described in notes 2b. and c.

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 nine months ended September 30, 2000 and 1999 (in $000's).

	Three Months Ended	
	9/30/00	9/30/99
		(Restated)
Revenues:		
Rental real estate	$ 10,860	$ 10,882
Hotel & resort operating properties	7,984	8,922
Hotel & casino operating properties	31,623	30,712

Land, house and condominium sales	18,132	21,894
Other investments	979	789
Sub-total	69,578	73,199
Reconciling items	9,026 (1)	7,811 (1)
Total revenues	$ 78,604	$ 81,010

(1) Primarily interest income on T-bills and other short-term investments and other income.

	Three Months Ended	
	9/30/00	9/30/99

		(Restated)
Net earnings:		
Segment earnings:		
Rental real estate	$ 9,840	$ 10,232
Land, house and condominium development	3,745	5,741

Hotel and resort operating properties	2,287	3,261
Hotel and casino operating properties	2,726	2,102
Other investments	979	789
Total segment earnings	19,577	22,125
Other (expenses)/income net	(1,108)	1,428
General partner's share	(368)	(4,995)
Net earnings-limited partner unitholders	$ 18,101	$ 18,558

	Nine Months Ended	
	9/30/00	9/30/99
		(Restated)
Revenues:		
Rental real estate	$ 32,612	$ 32,392
Hotel & resort operating properties	17,511	17,033
Hotel & casino operating properties	97,715	94,398
Land, house and condominium sales	59,168	55,675
Other investments	4,957	9,531

Sub-total	211,963		209,029	
Reconciling items	24,323	(1)	16,817	(1)
Total revenues	$ 236,286		$ 225,846	

(1) Primarily interest income on T-bills and other short-term investments and other income.

	Nine Months Ended	
	9/30/00	9/30/99
		(Restated)
Net earnings:		
Segment earnings:		
Rental real estate	$ 29,515	$ 30,220

Land, house and condominium development	14,081	13,161
Hotel and resort operating properties	2,553	4,588
Hotel and casino operating properties	9,996	8,625
Other investments	4,957	9,531
Total segment earnings	61,102	66,125

Other expenses, net	(7,328)	(9,197)
Gain on sale of marketable equity securities	-	28,590
General partner's share	(2,501)	(10,876)
Net earnings-limited partner unitholders	$ 51,273	$ 74,642

14. SUBSEQUENT EVENTS

On October 12, 2000 the Company sold its limited partnership interests in the High Equity Partners Series 85, 86 and 88 limited partnerships to an unaffiliated third party. The selling price was $7,500,000. A gain of approximately $3,380,000 will be recognized in the fourth quarter.

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 to the date hereof.

GENERAL

The Company believes that it will benefit from the diversification of its portfolio of assets. In selecting future real estate investments, the Company intends to focus on assets that it believes are undervalued in the real estate market, which investments may require substantial liquidity to maintain a competitive advantage. To further its investment objectives, the Company may consider the acquisition or seek effective control of land development companies and other real estate operating companies which may have a significant inventory of quality assets under development. The Company believes that there are still opportunities available to acquire investments that are undervalued. These may include commercial properties, residential and commercial development projects, land, assets in the gaming industry, non-performing loans, the securities of entities which own, manage or develop significant real estate assets, including limited partnership units and securities issued by real estate investment trusts and the acquisition of debt or equity securities of companies which may be undergoing restructuring and sub-performing properties that may require active asset management and significant capital improvements. As discussed elsewhere herein, the Company has made investments in the gaming industry, and may consider additional gaming industry investments and investments related to the entertainment industry including interests in additional casino properties and those in the entertainment field such as movie theater interests and the financing and investment in the movie production and distribution industry. Such investments may include acquisitions from, or in joint venture or co-management with, Icahn, the General Partner or their affiliates, provided that the terms thereof are fair and reasonable to the Company. The Company notes that while there are still opportunities available to acquire investments that are undervalued, acquisition opportunities in the real estate market for value-added investors have become more competitive to source and the increased competition may have some impact on the spreads and the ability to find quality assets that provide returns that are sought. These investments may not be readily financeable and may not generate immediate positive cash flow for the Company. As such, they require the Company to maintain a strong capital base in order to react quickly to these market opportunities as well as to allow the Company the financial strength to develop or reposition these assets. While this may impact cash flow in the near term and there can be no assurance that any asset acquired by the Company will increase in value or generate positive cash flow, the Company intends to focus on assets that it believes may provide opportunities for long-term growth and further its objective to diversify its portfolio. Historically, substantially all of the Company's real estate assets have been net leased to single corporate tenants under long-term leases. With certain exceptions, these tenants are required to pay all expenses relating to the leased property and therefore the Company is not typically responsible for payment of expenses, such as maintenance, utilities, taxes and insurance associated with such properties.

By the end of the year 2003, net leases representing approximately 14.0% of the Company's net annual rentals from its portfolio will be due for renewal, and by the end of the year 2005, net leases representing approximately 32% of the Company's net annual rentals will be due for renewal. Since most of the Company's properties are net-leased to single, corporate tenants, it may be difficult and time-consuming to re-lease or sell those properties that existing tenants decline to re-let or purchase and the Company may be required to incur expenditures to renovate such properties for new tenants. In addition, the Company may become responsible for the payment of certain operating expenses, including maintenance, utilities, taxes, insurance and environmental compliance costs associated with such properties, which are presently the responsibility of the tenant. As a result, the Company could experience an adverse impact on net cash flow in the future from such properties.

An amendment to the Partnership Agreement (the "Amendment") became effective in August, 1996 which permits the Company to invest in securities issued by companies that are not necessarily engaged as one of their primary activities in the ownership, development or management of real estate while remaining in the real estate business and continuing to pursue suitable investments for the Company in the real estate market.

In September 1997, the Company completed its Rights Offering (the "1997 Offering") to holders of its Depositary Units to increase its assets available for investment, take advantage of investment opportunities, further diversify its portfolio of assets and mitigate against the impact of potential lease expirations. Net proceeds of approximately $267 million were raised for investment purposes.

Expenses relating to environmental clean-up have not had a material effect on the earnings, capital expenditures, or competitive position of the Company. Management believes that substantially all such costs would be the responsibility of the tenants pursuant to lease terms. While most tenants have assumed responsibility for the environmental conditions existing on their leased property, there can be no assurance that the Company will not be deemed to be a responsible party or that the tenant will bear the costs of remediation. Also, as the Company acquires more operating properties, its exposure to environmental clean-up costs may increase. The Company completed Phase I Environmental Site Assessments on most of its properties by third-party consultants. Based on the results of these Phase I Environmental Site Assessments, the environmental consultant has recommended that certain sites may have environmental conditions that should be further reviewed.

The Company has notified each of the responsible tenants to attempt to ensure that they cause any required investigation and/or remediation to be performed and most tenants continue to take appropriate action. However, if the tenants fail to perform responsibilities under their leases referred to above, based solely upon the consultant's estimates resulting from its Phase I Environmental Site Assessments referred to above, it is presently estimated that the Company's exposure could amount to $2-3 million, however, as no Phase II Environmental Site Assessments have been conducted by the consultants, there can be no accurate estimation of the need for or extent of any required remediation, or the costs thereof. In addition, the Company has notified all tenants of the Resource Conservation and Recovery Act's ("RCRA") December 22, 1998 requirements for regulated

underground storage tanks. The Company may, at its own cost, have to cause compliance with RCRA's requirements in connection with vacated properties, bankrupt tenants and new acquisitions. Phase I Environmental Site Assessments will also be performed in connection with new acquisitions and with such property refinancings as the Company may deem necessary and appropriate.

The Company is in the process of updating its Phase I Site Assessments for certain of its environmentally sensitive properties including properties with open RCRA requirements. Approximately forty updates are expected to be completed in 2000 with another forty scheduled for the year 2001.

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2000 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 1999

Gross revenues decreased by $2,406,000, or 3.0%, during the three months ended September 30, 2000 as compared to the same period in 1999. This decrease reflects decreases of $3,762,000 in land, house and condominium sales, $938,000 in hotel and resort operating income and $620,000 in financing lease income partially offset by increases of $1,235,000 in interest income on treasury bills and other investments, $911,000 in Stratosphere Corporation hotel and casino operating income, $598,000 in rental income and $170,000 in dividend and other income. The decrease in land, house and condominium sales is primarily due to differences in the size and number of transactions. The decrease in hotel and resort operating income is primarily attributable

to the New Seabury resort. The increase in interest income on treasury bills and other investments is primarily attributable to an increase in short-term investments and an increase in interest rates. The increase in Stratosphere Corporation hotel and casino operating income is primarily attributable to gaming operations.

Expenses decreased by $1,502,000, or 2.5%, during the three months ended September 30, 2000 as compared to the same period in 1999. This decrease reflects decreases of $1,766,000 in the cost of land, house and condominium sales, $416,000 in interest expense and $273,000 in general and administrative expenses partially offset by increases of $370,000 in rental property expenses $287,000 in Stratosphere Corporation hotel and casino operating expenses, $260,000 in depreciation and amortization and $36,000 in hotel and resort operating expenses. The decrease in cost of land, house and condominium sales is due to differences in the size and number of transactions. The decrease in interest expense is primarily attributable to decreased interest due affiliates in connection with repurchase obligations. The increase in rental property expenses is primarily attributable to newly acquired and off-lease properties. The increase in Stratosphere Corporation hotel and casino operating expenses is primarily attributable to gaming operations.

Earnings before property transactions and minority interest in subsidiary decreased during the three months ended September 30, 2000 by $904,000 as compared to the same period in 1999.

Gain on property transactions decreased by $4,545,000 during the three months ended September 30, 2000 as compared to the same period in 1999 due to differences in the size and number of transactions.

During the three months ended September 30, 2000, the Company recorded a provision for loss on real estate of $259,000 as compared to $1,137,000 in the same period in 1999.

Minority interest in the net earnings of Stratosphere Corporation increased by $513,000 during the three months ended September 30, 2000 as compared to the same period in 1999.

Net earnings for the three months ended September 30, 2000 decreased by $5,084,000 as compared to the three months ended September 30, 1999 primarily due to the decrease in gain on property transactions and decrease in earnings before property transactions and minority interest in subsidiary.

Diluted earnings per weighted average limited partnership unit outstanding before property transactions were $.32 in the three months ended September 30, 2000 compared to $.26 in the comparable period of 1999, and net gain from property and securities transactions was $.01 in the three months ended September 30, 2000 compared to $.07 in the comparable period of 1999. Diluted net earnings per weighted average limited partnership unit outstanding totalled $.33 in the three months ended September 30, 2000 compared to $.33 in the comparable period of 1999.

NINE MONTHS ENDED SEPTEMBER 30, 2000 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 1999

Gross revenues increased by $10,440,000, or 4.6%, during the nine months ended September 30, 2000 as compared to the same period in 1999. This increase reflects increases of $8,206,000 in interest income on treasury bills and other investments, $3,493,000 in land, house and condominium sales, $3,317,000 in Stratosphere Corporation hotel and casino operating income, $2,075,000 in rental income, and $478,000 in hotel and resort operating income, partially offset by decreases of $5,274,000 in dividend and other income and $1,855,000 in financing lease income. The increase in interest income on treasury bills and other investments is primarily attributable to an increase in short-term investments as well as an increase in interest rates. The increase in land, house and condominium sales is primarily due to differences in the size and number of transactions. The increase in Stratosphere Corporation hotel and casino operating income is primarily attributable to gaming operations. The increase in rental income is primarily attributable to newly acquired properties. The decrease in dividend and other income is primarily due to the disposition of the RJR common stock in June of 1999.

Expenses increased by $8,274,000, or 4.8%, during the nine months ended September 30, 2000 as compared to the same period in 1999. This increase reflects increases of $2,573,000 in the cost of land, house and condominium sales, $2,513,000 in hotel and resort operating expenses, $1,946,000 in Stratosphere Corporation hotel and casino operating expenses, $1,650,000 in Bayswater acquisition costs, $925,000 in rental property expenses, $694,000 in depreciation and amortization and $32,000 in general and administrative expenses partially offset by a decrease of $2,059,000 in interest expense. The increase in the cost of land, house and condominium sales is due to the differences in size and number of transactions. The increase in hotel and resort operating expenses is primarily attributable to the Bayswater and New Seabury resort operations. The increase in Stratosphere Corporation hotel and casino operating expenses is primarily due to gaming operations. The increase in rental property expenses is primarily attributable to newly acquired and off-lease properties. The decrease in interest expense is primarily due to decreased interest due affiliates in connection with repurchase obligations.

Earnings before property and securities transactions and minority interest in subsidiary increased during the nine months ended September 30, 2000 by $2,166,000 as compared to the same period in 1999.

Gain on property transactions decreased by $5,294,000 during the nine months ended September 30, 2000 as compared to the same period in 1999 due to differences in the size and number of transactions.

During the nine months ended September 30, 2000, the Company recorded a provision for loss on real estate of $491,000 as compared to $1,364,000 in the same period in 1999.

In the nine months ended September 30, 1999, the Company recorded a non-recurring gain on sale of marketable equity securities of $28,590,000 related to the sale of its RJR common stock. There was no such income in 2000.

Minority interest in the net earnings of Stratosphere Corporation increased by $899,000 during the nine months ended September 30, 2000 as compared to the same period in 1999.

Net earnings for the nine months ended September 30, 2000 decreased by $31,744,000 as compared to the nine months ended September 30, 1999 primarily due to the non-recurring gain on the sale of the Company's RJR common stock in 1999 and the decrease in gain on property transactions partially offset by increased earnings before property and securities transactions and minority interest in subsidiary.

Diluted earnings per weighted average limited partnership unit outstanding before property and securities transactions were $.88 in the nine months ended September 30, 2000 compared to $.72 in the comparable period of 1999, and net gain from property and securities transactions was $.03 in the nine months ended September 30, 2000 compared to $.62 in the comparable period of 1999. Diluted net earnings per weighted average limited partnership unit outstanding totalled $.91 in the nine months ended September 30, 2000 compared to $1.34 in the comparable period of 1999.

CAPITAL RESOURCES AND LIQUIDITY

Generally, the cash needs of the Company for day-to-day operations have been satisfied from cash flow generated from current operations. Cash flow from day-to-day operations represents net cash provided by operating activities (excluding working capital changes, non-recurring other income and the cash flow from the operations of Bayswater and Stratosphere retained for their operations) plus principal payments received on financing leases as well as principal receipts on certain mortgages receivable reduced by periodic principal payments on mortgage debt.

In 2000, thirty-nine leases covering thirty nine properties and representing approximately $5.7 million in annual rentals are scheduled to expire. Twenty-nine of these leases originally representing approximately $3.7 million in annual rental income have been or will be re-let or renewed for approximately $3.7 million in annual rentals. Such renewals are generally for a term of five years. Seven properties, with an approximate annual rental income of $.6 million have not been renewed and will be marketed for sale or lease when the current lease terms expire. Three properties whose annual rentals were $1.4 million have been sold.

The Board of Directors of the General Partner announced that no distributions on its Depositary Units are expected to be made in 2000. The Company believes that it should continue to hold and invest rather than distribute cash. In making its announcement, the Company noted it plans to continue to apply available operating cash flow toward its operations, repayment of maturing indebtedness, tenant requirements and other capital expenditures and creation of cash reserves for contingencies including environmental matters and scheduled lease expirations.

During the nine months ended September 30, 2000, the Company generated approximately $36.7 million in cash flow from day-to-day operations which excludes approximately $29 million in cash flow from the operations of Bayswater and Stratosphere which are being retained for their operations and excludes approximately $6.1 million in interest earned on the 1997 Offering proceeds which is being retained for future acquisitions.

Capital expenditures for real estate were approximately $3.9 million during the nine months ended September 30, 2000.

In 2000, the Company had approximately $3.2 million of maturing debt obligations, which it repaid in the second quarter 2000, and repaid a higher interest rate mortgage in the third quarter of approximately $4.1 million secured by a property formerly tenanted by Grand Union Company. The Company may seek to refinance a portion of these maturing mortgages, although it does not expect to refinance all of them, and may repay them from cash flow and increase reserves from time to time, thereby reducing cash flow otherwise available for other uses.

During the nine months ended September 30, 2000, net cash flow after payment of maturing debt obligations and capital expenditures was approximately $25.5 million which was added to the Company's operating cash reserves. This excludes cash flow from Bayswater and Stratosphere which is being retained for their operations. The Company's operating cash reserves are approximately $134 million at September 30, 2000 (not including the cash

from capital transactions or from the 1997 Offering which is being retained for investment), which are being retained to meet maturing debt obligations, capital expenditures and certain contingencies.

Sales proceeds from the sale or disposal of portfolio properties totalled approximately $11.8 million in the nine months ended September 30, 2000. The Company intends to use asset sales, financing and refinancing proceeds for new investments.

In March, 2000 the Company transferred its interests in the Sands and Claridge to an affiliate of the General Partner and received approximately $40.5 million therefor, however, as noted above, the transfer is subject to the Company's right and obligation to repurchase such interests (at the same price, increased by advances, decreased by distributions or interest payments received), upon obtaining the proper gaming license in New Jersey. At September 2000, affiliates of the General Partner paid $65 million for a 46% equity interest in the Sands.

The Company's pro rata share of this advance is $32.5 million, representing an equity interest of approximately 23% in the Sands, which the Company will be required to pay when it receives its gaming license and reacquires its interest in the Sands.

In March, 2000, the Company acquired the assets of Bayswater and all of the ownership interests of its affiliated entities for approximately $84.35 million. In addition the Company purchased a multi-tenant office building for approximately $27.5 million.

Also in March, 2000, the Company acquired approximately an additional 2% interest in Stratosphere from affiliates of the General Partner for approximately $2 million, thereby providing the Company with an aggregate interest in Stratosphere of approximately 51%. In September 2000, Stratosphere's Board of Directors approved a going private transaction proposed by the Company. The Company, subject to certain conditions, will pay approximately $44.3 million for the outstanding shares of Stratosphere not currently owned. Stratosphere will invest up to $100 million for expansion of its hotel and casino facility, related amenities and the purchase of the leasehold interest in the shopping center located on the premises. Stratosphere estimates that this expansion is expected to be completed by the latter part of 2001. As of September 30, 2000, the Company has advanced Stratosphere $7 million and subsequently advanced an additional $17.3 million.

The Company anticipates that golf course and clubhouse improvements in New Seabury, Massachusetts will require the expenditure by the Company of an aggregate of approximately $12 million in years 2000 and 2001.

To further its investment objectives, the Company may consider the acquisition or seek effective control of land development companies and other real estate operating companies which may have a significant inventory of quality assets under development. This may enhance its ability to further diversify its portfolio of properties and gain access to additional operating and development capabilities.

Pursuant to the 1997 Offering, which closed in September 1997, the Company raised approximately $267 million to increase its available liquidity so that it will be in a better position to take advantage of investment opportunities and to further diversity its portfolio.

The Company's cash and cash equivalents and investment in treasury bills increased by $15.3 million during the nine months ended September 30, 2000, primarily due to the transfer of the Claridge and Sands interests ($40.5 million), net cash flow from operations ($25.5), net cash flow from Bayswater and Stratosphere operations ($29 million), mortgage proceeds ($19.6 million), sales proceeds from the disposition of real estate ($11.8 million), and miscellaneous other items ($.6 million) partially offset by the acquisition of Bayswater's net assets ($84.4 million), and one property acquisition ($27.3 million).

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, the Company is exposed to market, credit and related risks, including those described elsewhere herein. As the Company 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 the Company's general funding activities and the management of its 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. Other operating risks for the Company 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.

Whenever practical, the Company employs internal strategies to mitigate exposure to these and other risks. The Company, on a case by case basis with respect to new investments, performs internal analyses of risk identification, assessment and control. The Company reviews credit exposures, and seeks to mitigate counter party 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. The Company seeks to achieve adequate returns commensurate with the risk it assumes. The Company utilizes qualitative as well as quantitative information in managing risk.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS

Response to this item is included in Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" above.

PART II. Other information

ITEM 1. LEGAL PROCEEDINGS

As previously reported by the Company in its annual report on Form 10-K for the year ended December 31, 1999, on November 18, 1998, Ruth Ellen Miller filed a Class Action Complaint bearing the caption Ruth Ellen Miller, on behalf of herself and all others similarly situated v. American Real Estate Partners, L.P., High Coast Limited Partnership, American Property Investors, Inc., Carl C. Icahn, Alfred Kingsley, Mark H. Rachesky, William A. Leidesdorf, Jack G. Wasserman and John P. Saldarelli in the Delaware Chancery Court in New Castle County (Civil Action No. 16788NC). On September 21, 2000, Ruth Ellen Miller, Charles and Lydia Hoffman, and Joy Lazarus, claiming as plaintiffs on behalf of themselves and all others similarly situated, filed an amended complaint (the "Complaint") and a motion for class certification and have sought to make service of the Complaint on the defendants. Management believes that the plaintiffs' claims are without merit and intends to vigorously defend against them.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Financial Data Schedule is attached hereto as Exhibit EX-27

EXHIBIT INDEX

Exhibit	Description
EX-27	Financial Data Schedule

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 thereto duly authorized.

AMERICAN REAL ESTATE PARTNERS, L.P.
By: American Property Investors, Inc.
General Partner

/s/ John P. Saldarell

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

Date: November 14, 2000

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