SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

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

Date of Report (Date of Earliest Event Reported): APRIL 23, 2004

AMERICAN REAL ESTATE PARTNERS, L.P.
(Exact Name of Registrant as Specified in its Charter)

DELAWARE	1-9516	13-3398766
(State of Organization)	(Commission File Number)	(IRS Employer Identification No.)

100 South Bedford Road, Mt. Kisco, NY	10549
(Address of Principal Executive Offices)	(Zip Code)

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

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

ITEM 9. REGULATION FD DISCLOSURE.

ITEM 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

The following information is furnished pursuant to Item 9, "Regulation FD Disclosure" and Item 12, "Results of Operations and Financial Condition."

On April 23, 2004, American Real Estate Partners, L.P. ("AREP") issued a press release setting forth the full year 2003 earnings and an estimate of the 2004 first quarter earnings of its indirect wholly-owned subsidiary, American Casino & Entertainment Properties LLC ("ACEP"). A copy of AREP's press release is attached hereto as Exhibit 99.1 and is incorporated by reference herein.

AREP has also attached hereto as Exhibit 99.2 and Exhibit 99.3 and incorporated by reference hereto ACEP's 2003 audited combined financial statements and ACEP's 2003 Management's Discussion and Analysis of Results of Operations and Financial Condition, respectively.

EXHIBIT INDEX

99.1 Press Release, dated April 23, 2004, issued by AREP.

99.2 ACEP's 2003 audited combined financial statements.

99.3 ACEP's 2003 Management's Discussion and Analysis of Results of Operations and Financial Condition.

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SIGNATURES

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

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

By: American Property Investors, Inc.
General Partner

By: /s/ John P. Saldarelli

John P. Saldarelli
Chief Financial Officer,
Secretary and Treasurer

Dated: April 23, 2004

Exhibit 99.1

CONTACT: John P. Saldarelli
Secretary and Treasurer
(914) 242-7700

FOR IMMEDIATE RELEASE

AMERICAN CASINO & ENTERTAINMENT PROPERTIES LLC REPORTS 2003 FULL YEAR AND ESTIMATED 2004 FIRST QUARTER FINANCIAL RESULTS

MOUNT KISCO, N.Y., April 23, 2004--American Real Estate Partners, L.P. (NYSE:ACP) ("AREP") announced today the 2003 full year and estimated 2004 first quarter financial results for American Casino & Entertainment Properties LLC ("ACEP"), an indirect wholly-owned subsidiary.

As previously announced, on January 5, 2004, ACEP 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 aggregate consideration of $125.9 million. The closing of the acquisition is subject to certain conditions, including among other things, obtaining all approvals necessary under the Nevada gaming laws. The terms of the transaction were approved by AREP's audit committee. Upon receiving all approvals necessary under gaming laws and upon closing of the acquisition, AREP's subsidiary, American Real Estate Holdings Limited Partnership, will transfer 100% of the common stock of Stratosphere Corporation to ACEP. As a result, following the acquisition and contribution, ACEP will own and operate three casino/hotels in the Las Vegas metropolitan area.

Also, as previously announced, in January 2004, ACEP 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 are being 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 and the contribution of the Stratosphere. ACEP intends to use the proceeds of the notes offering to finance the acquisitions and to repay intercompany indebtedness and for a distribution to AREP.

The following financial results reflect the combined operating results of the Stratosphere, Arizona Charlie's Decatur and Arizona Charlie's Boulder properties. Combined net revenues for the year ended December 31, 2003 amounted to $262.8 million, an increase of $12.8 million, or 5.1%, over the year ended December 31, 2002. Combined EBITDA for the year ended December 31, 2003 was $45.5 million as compared to combined EBITDA of $31.7 million for the year ended December 31, 2002.

"Our year end results exceeded our expectations. We attribute this to enhanced customer flow at all three of the casino/hotels. Strong local and improved national economies, diligent expense controls, expanded and improved facilities and enhanced targeting of our respective markets were the key drivers of our results," said Richard Brown, ACEP's President and Chief Executive Officer. AREP has furnished ACEP's 2003 audited financial

statements and Management's Discussion and Analysis of Results of Operations and Financial Condition to the SEC on a Form 8-K filed on the date hereof.

AREP estimates that, for the three months ended March 31, 2004, ACEP's combined net revenues will be approximately $75.0 million compared to combined net revenues of $66.0 million for the three months ended March 31, 2003. For the three months ended March 31, 2004, ACEP's combined EBITDA is estimated to be approximately $20.8 million compared to combined EBITDA of $12.3 million for the three months ended March 31, 2003. AREP estimates that, for the twelve months ended March 31, 2004, ACEP's combined net revenues will be approximately $271.8 million compared to combined net revenues of $255.7 million for the twelve months ended March 31, 2003. For the twelve months ended March 31, 2004, ACEP's combined EBITDA is estimated to be approximately $54.0 million compared to combined EBITDA of $34.6 million for the twelve months ended March 31, 2003. "Our first quarter results easily surpassed our budgeted numbers and we are pleased with our performance to date, especially since all three casino/hotels are EBITDA positive," remarked Mr. Brown. "Our first quarter results easily surpassed our budgeted numbers and we are pleased with our performance to date, especially since all three casino/hotels are EBITDA positive," remarked Mr. Brown.

The following table reconciles for the periods indicated actual and estimated EBITDA to actual and estimated net income (computed in accordance with GAAP) for ACEP. These amounts do not include interest expense incurred to date on the senior secured notes or other expenses incurred with respect to their issuance.

	ACTUAL TWELVE MONTHS ENDED DECEMBER 31, 2002	ACTUAL TWELVE MONTHS ENDED DECEMBER 31, 2003	ACTUAL THREE MONTHS ENDED MARCH 31, 2003	ESTIMATED THREE MONTHS ENDED MARCH 31, 2004	ACTUAL TWELVE MONTHS ENDED MARCH 31, 2003	ESTIMATED TWELVE MONTHS ENDED MARCH 31, 2004
	(IN THOUSANDS)					
Net income	$ 863	$ 20,682	$ 3,392	$ 9,019	$ 2,457	$ 26,309
Other expenses, primarily interest	5,677	6,364	1,224	1,310	5,321	6,450
Provision for income tax	4,907	(1,798)	2,400	4,554	6,179	356
Depreciation and amortization	20,209	20,222	5,267	5,883	20,686	20,838
EBITDA(1)	$ 31,656	$ 45,470	$ 12,283	$ 20,766	$ 34,643	$ 53,953

(1) EBITDA consists of net income plus (i) other income (expense) which includes interest expense, interest income and gain (loss) on disposal of property and equipment, (ii) income tax provision and (iii) depreciation and amortization. EBITDA is presented as a measure of operating performance because we believe analysts, investors and others frequently use it in the evaluation of companies in the gaming industry, in particular as an indicator of the ability of a company to meet its debt service requirements. Other companies in the gaming industry may calculate EBITDA differently, particularly as it relates to non-recurring, unusual items. EBITDA is not a measurement of financial performance under generally accepted accounting principles and should not be considered as an alternative to cash flow from operating activities or as a measure of liquidity, or as an alternative to net income or as an indication of operating performance or any other measure of performance derived in accordance with generally accepted accounting principles.

The amounts above for each of the three and twelve months ended March 31, 2004 are based upon many estimates which may be subject to adjustment in connection with a review of the results of ACEP for this period. The inclusion of these estimates should not be regarded as an indication that AREP considers these estimates to be a reliable prediction of actual results. Actual results may differ materially from those expressed or implied. AREP does not intend to update or otherwise revise these estimates to reflect circumstances existing after the date when

made or to reflect the occurrence of future events even if any or all of the assumptions underlying these estimates are shown to be in error.

These estimates were not prepared with a view to compliance with published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants regarding projections or forecasts. These forward-looking statements (as that term is defined in the Private Securities Litigation Reform Act of 1995) are subject to significant contingencies and uncertainties that could cause actual results to differ materially from these estimates. There can be no assurance that the assumptions made in preparing these estimates will prove accurate, and actual results may be materially different from those contained in these estimates.

American Real Estate Partners, L.P. is a master limited partnership.

This release contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, many of which are beyond our ability to control or predict. Among these risks and uncertainties are changes in general economic conditions, the extent, duration and strength of any economic recovery, the extent of any tenant bankruptcies and insolvencies, our ability to maintain tenant occupancy at current levels, our ability to obtain, at reasonable costs, adequate insurance coverage, competition for investment properties and other risks and uncertainties detailed from time to time in our filings with the SEC, including our 2003 Form 10-K, Form 10-Qs and Form 8-Ks.

Exhibit 99.2

[KPMG LOGO]

INDEPENDENT AUDITORS' REPORT

The Members
American Casino & Entertainment Properties LLC:

We have audited the accompanying combined balance sheets of America Casino & Entertainment Properties LLC (the "Company") as of December 31, 2002 and 2003, and the related combined statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2003. These combined financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of American Casino & Entertainment Properties LLC as of December 31, 2002 and 2003, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Los Angeles, California
March 5, 2004

AMERICAN CASINO & ENTERTAINMENT PROPERTIES LLC
COMBINED BALANCE SHEETS

	DECEMBER 31,	
(In thousands)	2002	2003
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 59,343	$ 77,258
Cash and cash equivalents-restricted	1,926	-
Marketable securities	4,200	4,200
Investments-restricted	2,683	2,973
Accounts receivable, net (note 2)	4,298	4,051
Related party receivables	32	233
Deferred income taxes (note 8)	372	2,982
Other current assets (note 3)	7,993	9,213
Total Current Assets	80,847	100,910
Property and Equipment, Net (note 4)	313,210	324,548
Other Assets:		
Debt issuance and deferred financing costs, net	610	272
Lessee incentive	767	567
Other receivable	2,401	84
Deferred income taxes (note 8)	-	54,357
Total Other Assets	3,778	55,280
TOTAL ASSETS	$397,835	$480,738

LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable-trade	$ 3,674	$ 5,048
Accounts payable-construction	805	805
Accrued expenses (note 5)	17,338	17,801
Accrued payroll and related expenses	10,267	12,395
Current portion of capital lease obligation (note 6)	55	436
Current portion of notes payable to related party (note 9)	15,421	14,796
Total Current Liabilities	47,560	51,281
Long-Term Liabilities:		
Notes payable to related party (note 9)	85,230	86,456
Accrued lessee incentive	818	568
Capital lease obligations, less current portion (note 6)	949	3,555
Deferred income taxes (note 8)	3,325	5,134
Other	-	3,399
Total Long-Term Liabilities	90,322	99,112
TOTAL LIABILITIES	137,882	150,393
Commitments and Contingencies (notes 11 and 12)		
Stockholders' Equity (note 7):		
Common stock	10	10
Additional paid-in-capital	243,750	293,460
Retained earnings	16,193	36,875
Total Stockholders' Equity	259,953	330,345
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$397,835	$480,738

See Notes to Combined financial Statements.

AMERICAN CASINO & ENTERTAINMENT PROPERTIES LLC
COMBINED STATEMENTS OF INCOME

	YEARS ENDED DECEMBER 31,		
(In thousands)	2001	2002	2003
REVENUES:			
Casino	$ 142,919	$ 143,057	$ 147,888
Hotel	38,326	44,263	47,259
Food and beverage	55,453	56,349	59,583
Tower, retail and other income	29,512	28,247	30,336
Gross Revenues	266,210	271,916	285,066
Less promotional allowances	23,737	21,893	22,255
NET REVENUES	242,473	250,023	262,811
COSTS AND EXPENSES:			
Casino	60,026	59,879	61,284
Hotel	17,190	20,142	22,074
Food and beverage	42,806	43,393	44,990
Other operating expenses	15,640	14,934	14,008
Selling, general and administrative	78,692	80,019	74,985
Depreciation and amortization	17,209	20,209	20,222
Total Costs and Expenses	231,563	238,576	237,563
INCOME FROM OPERATIONS	10,910	11,447	25,248
OTHER INCOME (EXPENSE):			

	2001	2002	2003
Interest income	1,640	667	426
Interest expense	(5,971)	(5,990)	(5,389)
Gain (Loss) on sale of assets	23	(354)	(1,401)
Total Other Expense, net	(4,308)	(5,677)	(6,364)
INCOME BEFORE INCOME TAXES	6,602	5,770	18,884
Provision for Income Taxes (note 8)	4,908	4,907	(1,798)
NET INCOME	$ 1,694	$ 863	$ 20,682

See Notes to Combined financial Statements.

AMERICAN CASINO & ENTERTAINMENT PROPERTIES LLC
COMBINED STATEMENTS OF CASH FLOWS

(In thousands)	YEARS ENDED DECEMBER 31, 2001	2002	2003
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 1,694	$ 863	$ 20,682
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	17,209	20,209	20,222
(Gain) Loss on sale or disposal of assets	(23)	354	1,401
Provision for deferred income taxes	1,237	1,804	(5,448)
Changes in operating assets and liabilities:			
Restricted Cash	-	-	1,926
Accounts receivable, net	(1,119)	(108)	247
Other current assets	1,613	1,750	1,653
Accounts payable - trade	(277)	(403)	1,374
Accrued expenses	783	5,766	2,341
Other	-	-	3,399
NET CASH PROVIDED BY OPERATING ACTIVITIES	21,117	30,235	47,797
CASH FLOWS FROM INVESTING ACTIVITIES:			
Increase in investments - restricted	161	(1,623)	(290)
Purchase of marketable securities	259	-	-
Acquisition of property and equipment	(50,631)	(22,085)	(30,423)
Payments for CIP	(5,345)	(793)	-
Related party receivables	(411)	373	(201)
Cash proceeds from sale of property and equipment	-	1	521
NET CASH USED IN INVESTING ACTIVITIES	(55,967)	(24,127)	(30,393)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Debt issuance and deferred financing costs	-	(855)	(90)
Proceeds from related part note payable	45,750	17,220	7,780
Member contribution	5,150	598	-
Proceeds from capital lease obligations	1,004	-	-
Payments of related party notes payable	(10,696)	(9,277)	(7,179)
Payments of long term debt	(3,369)	(38)	-
Payments on capital lease obligation	(2,759)	(3,280)	-
Cash acquired from subsidiary contributed by parent	-	280	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	35,080	4,648	511
Net increase in cash and cash equivalents	230	10,756	17,915
Cash and cash equivalents - beginning of period	48,357	48,587	59,343
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 48,587	$ 59,343	$ 77,258
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the period for interest	$ 5,058	$ 5,790	$ 5,422
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Capitalized lease obligation incurred in the acquisition of property and equipment	$ -	$ -	$ 3,042
Net assets contributed by parent	$ -	$ 233	$ -
Change in deferred tax asset valuation allowance related to book-tax differences existing at time of bankruptcy	$ 628	$ 2,412	$ 49,710
Cancellation of common stock shares pursuant to the plan of merger	$ -	$ 20	$ -

See Notes to Combined financial Statements.

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

	COMMON STOCK	ADDITIONAL PAID-IN-CAPITAL	RETAINED EARNINGS	TOTAL EQUITY
BALANCES AT DECEMBER 31, 2000	$ 30	$234,709	$ 13,636	$248,375
CHANGE IN DEFERRED TAX ASSET VALUATION ALLOWANCE RELATED TO BOOK-TAX DIFFERENCES EXISTING AT TIME BANKRUPTCY	-	628	-	628
MEMBER CONTRIBUTIONS	-	5,150	-	5,150
NET INCOME	-	-	1,694	1,694
BALANCES AT DECEMBER 31, 2001	$ 30	$240,487	$ 15,330	$255,847
CHANGE IN DEFERRED TAX ASSET VALUATION ALLOWANCE RELATED TO BOOK-TAX DIFFERENCES EXISTING AT TIME BANKRUPTCY	-	2,412	-	2,412
NET ASSETS CONTRIBUTED BY PARENT	-	233	-	233
MEMBER CONTRIBUTIONS	-	598	-	598
CANCELLATION OF COMMON SHARES	(20)	20	-	-
NET INCOME	-	-	863	863
BALANCES AT DECEMBER 31, 2002	$ 10	$243,750	$ 16,193	$259,953
CHANGE IN DEFERRED TAX ASSET VALUATION ALLOWANCE RELATED TO BOOK-TAX DIFFERENCES EXISTING AT TIME BANKRUPTCY	-	49,710	-	49,710
NET INCOME	-	-	20,682	20,682
BALANCES AT DECEMBER 31, 2003	$ 10	$293,460	$ 36,875	$330,345

See Notes to Combined financial Statements

AMERICAN CASINO & ENTERTAINMENT PROPERTIES LLC

NOTES TO COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2001, 2002 AND 2003

(1) DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE COMPANY

The accompanying combined financial statements present the financial position, results of operations and cash flows of American Casino & Entertainment Properties LLC which is comprised of American Casino & Entertainment Properties LLC, Stratosphere Corporation and its wholly-owned subsidiaries, Stratosphere Gaming Corporation., Stratosphere Land Corporation, Stratosphere Advertising Agency, Stratosphere Leasing, LLC, 2000 Las Vegas Boulevard Retail Corporation and Stratosphere Development, LLC, an entity controlled by Stratosphere Corporation; Arizona Charlie's, Inc., and its wholly owned subsidiary Jetset Tours, LLC; and Fresca, LLC (collectively the "Company"). Stratosphere Corporation, Arizona Charlie's, Inc. and Fresca, LLC are under the common control of Carl C. Icahn. As discussed in note 13, American Casino & Entertainment Properties LLC is awaiting approval of the Nevada State Gaming Control Board to complete the acquisition of the casinos. The Company operates integrated casinos, hotels, retail and entertainment facility and a 1,149 foot, free-standing observation tower located in Las Vegas, Nevada. All significant intercompany balances and transactions have been eliminated in combination.

CASINO REVENUES AND PROMOTIONAL ALLOWANCES

During the first quarter, 2001, the Emerging Issues Task Force reached a consensus on the portion of Issue 00-22, "Accounting for `Points' and Certain Other Time-Based or Volume-Based Sales Incentive Offers, and Offers for Free Products or Services to be Delivered in the Future," which addressed the income statement classification of the value of the points redeemable for cash awarded under point programs similar to the Company's Player's Club and Guaranteed Refund programs. The consensus states the cost of these programs should be reported as a contra-revenue, rather than an expense and is retroactive to January 1, 2001, with prior year restatement required. The Company has adopted the current consensus recommendations on Issue 00-22. Prior to the release of the new consensus, the Company historically reported the costs of such points as an expense. In accordance with the consensus, the Company recorded these costs of $6.7 million, $5.0 million and $12.8 million for the fiscal years ended December 31, 2001, 2002 and 2003 respectively as a reduction of casino revenues in the combined Statements of Income.

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

	December 31,		
	2001	2002	2003
Food and Beverage	$7,367	$6,858	$7,035
Rooms	229	104	84
Other	66	53	31
	$7,662	$7,015	$7,150

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and in banks, interest bearing deposits, money market funds and debt instruments purchased with an original maturity of 90 days or less. Cash and cash equivalents-restricted at December 31, 2002 consist primarily of funds reserved for final settlement of unsecured claims pursuant to the Restated Second Amended Plan of Bankruptcy. In 2003, the unsecured claims were settled and the funds were disbursed.

MARKETABLE SECURITIES

The Company's marketable securities represent investments in Moody's AA2 rated Portland, Oregon and Moody's and Standard and Poor's AAA rated New York City bonds. These securities are currently reported at cost, which approximates fair market value, and are considered available-for-sale. The changes in fair values of these securities have historically been immaterial to the combined financial statements.

INVESTMENTS RESTRICTED

Investments-restricted consist primarily of funds pledged for Nevada sales and use tax, unpaid sports book tickets and workers' compensation benefits.

INVENTORIES

Inventories, consisting primarily of food and beverage, retail merchandise and operating supplies, are stated at the lower of cost or market and included in other current assets. Cost is determined using the first-in, first-out method.

PROPERTY AND EQUIPMENT

Property and equipment purchased are stated at cost. Capitalized lease assets are stated at the lower of the present value of the future minimum lease payments or fair value at the inception of the lease (see Notes 4 and 6). Expenditures for additions, renewals and improvements are capitalized and depreciated over their useful lives. Costs of repairs and maintenance are expensed when incurred. Leasehold acquisition costs are amortized over the shorter of their estimated useful lives or the term of the respective leases once the assets are placed in service.

Depreciation and amortization of property and equipment are computed using the straight-line method over the following useful lives:

Buildings and improvements..................................	36-39 years
Furniture, fixtures and equipment...........................	3-15 years
Land improvements...	15 years

The Company's policy is to capitalize interest incurred on debt during the course of qualifying construction projects. Such costs are added to the asset base and amortized over the related assets' estimated useful lives. The Company capitalized interest of $1,857,200 for 2001. There was no capitalized interest during fiscal year 2002 and 2003.

RECOVERABILITY OF LONG-LIVED ASSETS TO BE HELD AND USED IN THE BUSINESS

The Company adopted SFAS No. 144 on January 1, 2002. SFAS No. 144 requires the Company to review its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or a group of assets may not be recoverable. Assets are grouped and evaluated for impairment at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. The Company deems an asset to be impaired if a forecast of undiscounted future operating cash flows directly related to the asset, including disposal value if any, is less than its carrying amount. If an asset is determined to be impaired, the loss is measured as the amount by which the carrying amount of the asset exceeds fair value. The Company generally estimates fair value by discounting estimated cash flows. Considerable management judgment is necessary to estimate discounted future cash flows. Accordingly, actual results could vary significantly from such estimates. Prior to January 1, 2002, the Company utilized SFAS No. 121 to assess impairment of long-lived assets.

SALES, ADVERTISING AND PROMOTION

Sales, advertising and promotion costs are expensed as incurred and totaled $20.4 million, $18.1 million and $22.9 million for the years ended December 31, 2001, 2002 and 2003, respectively, and are included in selling, general and administrative expenses in the accompanying combined statements of income.

USE OF ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates and assumptions affect the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its estimates and assumptions based upon historical experience and various other factors and circumstances. Management believes its estimates and assumptions are reasonable in the circumstances; however, actual results may differ from these estimates under different future conditions.

NEW ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 143, Accounting for Asset Retirement Obligations. SFAS No. 143 requires the Company to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development, and/or normal use of the assets. The Company also records a corresponding asset that is depreciated over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation is to be adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The Company was required to adopt SFAS No. 143 on January 21, 2003. The adoption of SFAS No. 143 did not have a material effect on the Company's financial statements.

In April 2002, the FASB issued SFAS No. 145, Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections. SFAS No. 145 amends existing guidance on reporting gains and losses on the extinguishment of debt to prohibit classification of the gain or loss as extraordinary, as the use of such extinguishments have become part of the risk management strategy of many companies. SFAS No. 145 also amends SFAS No. 13 to require sale-leaseback accounting for certain least modifications that have economic effects similar to sale-leaseback transactions. The provision of the Statement related to the rescission of Statement No. 4 is applied in fiscal years beginning after May 15, 2002. Earlier application of these provisions is encouraged. The provisions of the Statement related to Statement No. 13

were effective for transactions occurring after May 15, 2002, with early application encouraged. The adoption of SFAS No. 145 did not have a material effect on the Company's financial statements.

In June 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity. The provisions of this Statement were effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. The adoption of SFAS No. 146 did not have a material effect on the Company's financial statements.

In November 2002, the FASB issued Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others, an interpretation of FASB Statements No. 5, 57 and 107 and a rescission of FASB Interpretation No. 34. This Interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees issued. The Interpretation also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken. The initial recognition and measurement provisions of the Interpretation were applicable to guarantees issued or modified after December 31, 2002 and did not have a material effect on the Company's financial statements. The disclosure requirements were effective for financial statements of interim and annual periods ending after December 31, 2002.

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of FASB Statement No. 123. This Statement amends FASB Statement No. 123, Accounting for Stock-Based Compensation to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement No. 123 to require prominent disclosures of the effect of the fair value method in both annual and interim financial statements. The Company adopted the disclosure provisions of this Statement on January 1, 2003 and included the disclosure modifications in these combined financial statements.

In January 2003, the FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities, an interpretation of ARB No. 51, which was then revised in December 2003. This Interpretation addresses the consolidation by business enterprises of variable interest entities as defined in the Interpretation. The Interpretation applies immediately to variable interests in variable interest entities created after January 31, 2003, and to variable interests in variable interest entities obtained after January 31, 2003. For nonpublic enterprises, such as the Company, with a variable interest in a variable interest entity created before February 1, 2003, the Interpretation is applied to the enterprise no later than the end of the first annual reporting period beginning after June 15, 2003. The application of this Interpretation is not expected to have a material effect on the Company's financial statements. The Interpretation requires certain disclosures in financial statements issued after January 31, 2003 if it is reasonably possible that the Company will consolidate or disclose information about variable interest entities when the

Interpretation becomes effective. The Company does not believe it has any variable interest entities.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity. SFAS No. 150 establishes standards for how a company classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that companies classify a financial instrument that is within its scope as a liability (or an asset in some circumstance). Many of those instruments were previously classified as equity. The provisions of this Statement are effective for financial instruments entered into or modified after May 31, 2003, and otherwise are effective at the beginning of the first interim period beginning after June 15, 2003. The impact of this Statement did not have a significant effect on the Company's financial statements.

RECLASSIFICATIONS

Certain reclassifications have been made to the prior years combined financial statements to conform to the current fiscal year presentation.

(2) ACCOUNTS RECEIVABLE

Accounts receivable consists of the following (in thousands):

	December 31,	
	2002	2003
Hotel and related	$2,535	$3,030
Gaming	575	523
Income taxes	0	0
Other	2,018	971
	5,128	4,524
Less allowance for doubtful accounts	830	473
	$4,298	$4,051

The Company recorded bad debt expense of $134, $524 and $395 for the years ended December 31, 2001, 2002 and 2003 respectively.

(3) OTHER CURRENT ASSETS

Other current assets consist of the following as of December 31, 2002 and 2003 (in thousands):

	December 31,	
	2002	2003
Inventories	$2,397	$2,683
Prepaid expenses	4,989	4,435
Other	607	2,095
	$7,993	$9,213

(4) PROPERTY AND EQUIPMENT - NET

Property and equipment consist of the following as of December 31, 2002 and 2003 (in thousands):

	December 31,	
	2002	2003
Land and improvements, including land held for development	$ 50,239	$ 50,299
Building and improvements	230,459	235,538
Furniture, fixtures and equipment	93,846	105,415
Construction in progress	361	7,724
	374,905	398,976
Less accumulated deprecation and amortization	61,695	74,428
	$313,210	$324,548

At December 31, 2002 and 2003, assets recorded under capital leases were $1.0 million and $4.0 million, respectively. Accumulated depreciation and amortization at December 31, 2002 and 2003 includes amounts recorded for capital leases of $0.1 million.

In mid-1996, Stratosphere Corporation suspended construction of the 1,000-room hotel tower (the "Hotel Expansion"), which had reached a height of approximately 14 stories. In April 2000, construction was resumed to complete the unfinished hotel tower with a total construction budget of $65.0 million. In June 2001, the Company completed construction of the new hotel tower that includes 1,000 new guestrooms and amenities including a 67,000-square foot pool and recreation area with a new snack and cocktail bar, private cabanas and a large spa. "Lucky's Cafe" a 350-seat coffee shop, a new porte-cochere and valet parking entrance, gift shop and new tour bus entrance and lobby have also been completed. The Company refurbished and expanded the "Stratosphere Courtyard Buffet" as well as remodeled "Montana's Steak House" and converted it into the "Crazy Armadillo" featuring Tex-Mex cuisine and an oysterbar.

(5) OTHER ACCRUED EXPENSES

Other accrued expenses consist of the following as of December 31, 2002 and 2003 (in thousands):

	December 31,	
	2002	2003
Vacation packages	$ 2,634	$ 2,478
Accrued liabilities	6,743	9,137
Accrued restructuring costs	341	-
Cash reserve for unpaid bankruptcy claims	1,926	-
Accrued taxes	1,411	1,885
Accrued/unclaimed sports tickets/prizes	820	981
Other	3,463	3,320
	$17,338	$17,801

(6) LEASES, INCOME AND CAPITAL LEASE OBLIGATIONS

In connection with the purchase of the Master Lease from Strato-Retail, the Company assumed lessor responsibilities for various non-cancelable operating leases for certain retail space. The future minimum lease payments to be received under these leases for years subsequent to December 31, 2003 are as follows (in thousands):

Years ending December 31,	
2004	$ 3,138
2005	2,644
2006	1,853
2007	1,488
2008	708
Thereafter	1,616
Total Payments	$ 11,447

The Company is reimbursed by lessees for certain operating expenses.

Future minimum lease payments under capital leases with initial or remaining terms of one year or more consist of the following at December 31, 2003 (in thousands):

Years ending December 31,	
2004	$ 665
2005	665
2006	665
2007	665
2008	1,288
Thereafter	7,488
Total minimum lease payments	11,436
Less: amount representing interest ranging from 5% to 10%	7,445
Present value of net minimum lease payments	3,991
Less: current portion	436
Long-term capital lease obligation	$ 3,555

The Company had no operating leases as of December 31, 2001, 2002 and 2003, respectively.

(7) STOCKHOLDERS' EQUITY

Common stock includes the capital stock issued and outstanding for Stratosphere Corporation and Arizona Charlie's, Inc. and is summarized as follows:

	Par Value	Amount Authorized	Amount Issued and Outstanding
Stratosphere Corporation			
December 31, 2002	$0.01	100	100
December 31, 2003	0.01	100	100
Arizona Charlie's, Inc			
December 31, 2002	$0.01	5,000,000	1,000,000
December 31, 2003	0.01	5,000,000	1,000,000

Included in additional paid-in capital at December 31, 2002 and 2003 is $64,677 in members' equity related to Fresca, LLC.

Fresca, LLC is a Nevada limited liability company that was formed on January 26,

2000. It was formed for the purpose of acquiring and operating certain property in Las Vegas, Nevada, including a casino, hotel, and recreational vehicle rental park, referred to as Arizona Charlie's Boulder. Hotel operations commenced on February 5, 2000 (date of inception) and gaming operations commenced on May 23, 2000. The members of Fresca, LLC are Mr. lcahn and Starfire Holding Corporation (a company controlled by Mr. Icahn). Earnings and losses are distributed based on the original capital contribution amounts. Members of an LLC are not personally liable for debts, obligations or liabilities of the Company beyond the amount of the member's capital contributions. The latest date on which Fresca, LLC is to dissolve is December 31, 2099.

On October 4, 1999, American Real Estate Holdings Limited Partnership, or ("AREH"), a common-ownership related party purchased 985,286 shares of the Stratosphere's common stock from entities owned or controlled by Mr. Icahn. On March 24, 2000, AREH purchased 50,000 shares of the Stratosphere's common stock from NYBOR, a company owned by Mr. Icahn. Upon completion of the transaction, Mr.

Icahn controlled approximately 89.6% of the Company's Common Stock. AREH is the subsidiary limited partnership of American Real Estate Partners, L.P. ("AREP") a master limited partnership whose units are traded on the New York Stock Exchange. Mr. Icahn currently owns over 86% of AREP's outstanding depository units and preferred units.

On February 1, 2002, the Stratosphere announced that it entered into a merger agreement under which AREP, through an affiliate, will acquire the remaining shares of Stratosphere that AREP does not currently own. AREP owned approximately 51% of Stratosphere and Mr. Icahn owned approximately 38.6%. The initial determination to engage in the transaction at the prices set forth below was previously announced by AREP in September 2000.

On December 19, 2002, the stockholders of Stratosphere Corporation approved the plan of merger dated February 1, 2002. Under the Merger Plan, AREP acquired the remaining 49% interest in the Company. Under the agreement, the stockholders who were unaffiliated with AREP and Mr. Icahn received a cash price of $45.32 per share, and the Icahn-related stockholders (other than AREP) received a cash price of $44.33 per share. AREP paid an aggregate of approximately $44.3 million for the 49% of the shares of Stratosphere that it did not already own. Subsequent to the merger, all but 100 shares of Stratosphere were cancelled, and the par value of the cancelled shares transferred to additional paid in capital.

The Company has not implemented a stock option plan.

(8) INCOME TAXES

The income tax provision attributable to income from operations for the fiscal years ended December 31, 2002 and 2003 (in thousands):

	December 31,		
	2001	2002	2003
Current	$3,176	$ 311	$ 3,650
Deferred	1,732	4,596	(5,448)
	$4,908	$4,907	($ 1,798)

DEFERRED TAX ASSETS AND LIABILITIES

The tax effect of significant temporary differences and carryforwards representing deferred tax assets and liabilities (the difference between financial statement carrying values and the tax basis of assets and liabilities) for the Company is as follows at December 31, 2001, 2002 and 2003 (in thousands):

	December 31, 2002	December 31, 2003
TEMPORARY DIFFERENCES		
Current:		
Allowance for doubtful accounts	$ 270	$ 126
Gaming related	567	661
Accrued vacation and employee related	2,326	2,005
Outstanding chip and token liability	112	112
Deferred income	55	46
Other	228	10
	3,558	2,960
Long-term:		
Excess of tax over book basis of assets due primarily to write down of assets	62,834	39,859
TOTAL TEMPORARY DIFFERENCES	66,392	42,819
Carryforwards:		
Net Operating Loss (including Section 382 limitation)	12,942	9,984
Alternative minimum tax credit	450	521
Other credits	1,048	739
Total Carryforwards	14,440	11,244
Total temporary differences and carryforwards	80,832	54,063
Valuation allowance	(83,785)	(1,858)
Total deferred tax assets (liabilities)	($ 2,953)	$ 52,205

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

SFAS 109 requires a "more likely than not" criterion be applied when evaluating the realizability of a deferred tax asset. As of December 31, 2002, given the Company's history of losses for income tax purposes, the volatility of the industry within which the Company operates, and certain other factors, the Company has established a valuation allowance principally for the deductible temporary differences, including the excess of the tax basis of the Company's assets over the basis of such assets for financial purposes. However, at December 31, 2003, based on various factors including the current earnings trend and future taxable income projections, the Company determined that it was more likely than not that some of the deferred tax assets will be realized. Accordingly, the valuation allowance for these assets was reversed.

In accordance with SFAS 109, the tax benefit of any deferred tax asset that existed on the effective date of a reorganization should be reported as a direct addition to contributed capital. The Company has deferred tax assets relating to both before and after the Company emerged from bankruptcy in September of 1998. The net decrease in the valuation allowance was $81,927,000, of which $49,710, 000 was credited directly to additional paid-in-capital in accordance with SFAS 109 and the requirements for recording tax benefits associated with emergence from bankruptcy.

The provision for income taxes differs from the amount computed at the federal statutory rate as a result of the following:

	December 31,		
	2001	2002	2003
Federal statutory rate	35.0%	35.0%	35.0%
Other	-0.4%	5.4%	1.8%
Permanent differences	1.6%	0.7%	0.5%
Federal income tax credits	-3.9%	-3.5%	-1.4%
Tax deduction not given book benefit	0.0%	0.0%	18.0%
Valuation allowance	2.1%	-7.4%	-74.3%
Income (loss) not subject to taxation	40.0%	54.8%	10.9%
	74.4%	85.0%	-9.5%

SECTION 382 LIMITATION

As of December 31, 2003 and 2002, the Company had a tax basis in its assets in excess of its basis for financial reporting purposes that will generate substantial tax deductions in future periods. As a result of a "change in ownership" under Internal Revenue Code Section 382, the Company's ability to utilize depreciation and other tax attributes was limited to approximately $6,400,000 per year commencing fiscal year 1998 and for the five subsequent years. This limitation is applied to all built-in losses which exist on the "change of ownership" date, including all items giving rise to a deferred tax asset.

For the year ended December 31, 2001, a portion of the Company's depreciation and other tax attributes in the amounts of $1.6 million that existed on the "change of ownership" date was limited under Section 382. Pursuant to Section 382, the limited depreciation and other tax attributes are treated as a net operating loss, which the Company may utilize in subsequent years.

(9) RELATED PARTY TRANSACTIONS

Long term debt consists of the following as of December 31, 2002 and 2003 (in thousands):

	December 31,	
	2002	2003
Construction loan note payable (A)	$ 68,757	$ 65,106
Lease purchase note payable (B)	11,770	11,146
Arnos loan note payable (C)	2,904	0
Starfire loan note payable (D)	17,220	25,000
	100,651	101,252
Less current portion	15,421	14,796
Long-term debt-less current portion	$ 85,230	$ 86,456

(A) On May 1, 2001, the Company delivered a $73.0 million promissory note for a construction loan to American Real Estate Holdings ("AREH"), a common-ownership related party, in order to finance the construction of the 1,000-room hotel tower, Lucky's Cafe and new pool area (the "Hotel Expansion"). The promissory note is secured by a deed of trust on certain real property. Demand notes bearing interest at 9.5% and totaling $48.0 million, as of April 18, 2001, were replaced by this note. During 2001 AREH provided additional advances of $25.0 million against the $73.0 million note. In November 2001 the Company began making principal payments on the loan in equal monthly installments based on a twenty (20) year amortization schedule, with the remaining balance due and payable June 2002. Interest accrues at a variable rate per annum equal to the sum of (i) three hundred (300) basis points plus

(ii) the 90 day London Interbank Offered Rate ("LIBOR"). This interest rate at December 31, 2002 was 4.66%. On July 3, 2002, the Company paid AREH one point or $730,000 to obtain a twenty-four (24) month extension of the loan term. The extension fee is being amortized over the remaining term of the loan. On September 1, 2003 the term was extended to September 6, 2005.

(B) On May 1, 2001, the Company delivered a $12.5 million promissory note to AREH to replace the $12.5 million demand note used to acquire the property under the Master Lease from Strato-Retail, LLC. The promissory note is secured by a deed of trust on certain real property. In November 2001 the Company began making principal payments on the loan in equal installments based on a twenty (20) year amortization schedule with the remaining balance due and payable July 2002. Interest accrues at a variable rate per annum equal to the sum of (i) three hundred fifty (350) basis points plus (ii) the 90 day LIBOR. This interest rate at December 31, 2002 was 5.16%. On July 4, 2002 the Company paid AREH one point or $125,000 to obtain a twelve (12) month extension of the loan term. The loan extension fee is being amortized over the remaining term of the loan. The term was extended to August 31, 2004.

(C) On September 24. 2001., Arizona Charlie's, Inc., refinanced the remaining principal balance of $7,904,000 on a prior note payable to Amos Corp., a company related through common ownership. The note bears interest at the prime rate plus 1.50% (5.75% at December 31, 2002), with a maturity of June 2004, and was collateralized by all assets of the Arizona Charlie's, Inc. The note was repaid during November 2003.

(D) During fiscal year 2002, Fresca, LLC, entered into an unsecured line of credit in the amount of $25,000,000 with Starfire Holding Corporation (Starfire), a common-ownership related party. The outstanding balance, including accrued interest, shall be due and payable on January 2, 2007. At December 31, 2003, Fresca, LLC, had $25,000,000 outstanding. The note bears interest on the unpaid principal balance from January 2, 2002 until maturity at the rate per annum equal to the prime rate, as established by Fleet Bank, from time to time, plus 2.75%. Interest is payable semi-annually in arrears on the first day of January and July, and at maturity. The note is guaranteed by Mr. Icahn.

The future aggregate annual maturities of notes payable to related party at December 31, 2003 are as follows (in thousands):

Years ending December 31,	
2004	$ 14,796
2005	61,456
2006	-
2007	25,000
Total	$101,252

(10) EMPLOYEE BENEFIT PLAN

Employees of the Company who are members of various unions are covered by union-sponsored, collectively bargained, multi-employer health and welfare and defined benefit pension plans. The Company recorded expenses for such plans of $4,921,851 and $6,517,487 and $7,619,495 for the years ended December 31, 2001, 2002 and 2003, respectively. Sufficient information is not available from the plans' sponsors to permit the Company to determine the adequacy of the plans' funding status.

The Company has a retirement savings plan under Section 401(k) of the Internal Revenue Code covering its non-union employees. The plan allows employees to defer, within prescribed limits, up to 15% of their income on a pre-tax basis through contributions to the plan. The Company currently matches, within prescribed limits, 50% of eligible employees' contributions up to 4% of their individual earnings. The Company recorded $813,000, $815,000 and $559,000 for matching contributions for the years ended December 31, 2001, 2002 and 2003, respectively.

(11) COMMITMENTS

The Company and Mr. Richard Brown, President and Chief Executive Officer of Stratosphere Corporation entered into a two-year employment agreement effective April 1, 2002 (the "Brown Agreement"). The Brown Agreement provides that Mr. Brown will be paid a base annual compensation of $300,000. The agreement also provides Mr. Brown receive an annual bonus of $20,000. The Brown Agreement further provides that if Mr. Brown is terminated without "Cause" (as defined in the Brown Agreement) or there is a "Change of

Control" (as defined in the Brown Agreement), then Mr. Brown will receive an immediate severance payment in the amount equal to the then current Base Salary. Mr. Brown was paid a $20,000 bonus in 2003 for the year ended December 31, 2002.

(12) CONTINGENCIES

The Company filed a complaint for the avoidance of preferential transfers made to Grand Casinos, Inc. ("Grand"). Included in the complaint are approximately $5.9 million of payments made to Grand prior to the Company beginning bankruptcy proceedings. On December 31, 2002, the Bankruptcy Court entered its Memorandum of Decision; Findings of Facts and Conclusions of Law; and Judgment awarding the Stratosphere approximately $2.3 million. This amount was collected during May 2003.

On January 31, 2001, the Company was named in an action styled Disabled Rights Action Committee v. Stratosphere Gaming Corp., Case No A430070, in the Eighth Judicial District Court of the State of Nevada. The complaint alleges a number of violations of the Americans with Disabilities Act ("ADA"), including inadequate room selection, door widths and other similar items. Simultaneously with the complaint, plaintiffs filed a Motion for Preliminary Injunction, seeking to have construction halted on the new hotel tower until the property fully complies with the ADA. The Company removed the action to the United States District Court in Nevada, and it is now styled Disabled Rights Action Committee v. Stratosphere Gaming Corp., Case No. CV-S-01-0162-RLH (PAL). The federal district court held a hearing on plaintiffs' Motion for Preliminary Injunction and denied the motion, focusing upon what the Court believed to be the plaintiffs' lack of irreparable injury. The federal district court also granted the Company's Motion to Dismiss the plaintiffs' state law claims, leaving in place only the ADA claims. The Company and the Plaintiffs then filed Motions for Summary Judgment. The District Court granted and denied in part each of the parties' respective motions. The Court ordered that the Company must make certain renovations to 532 rooms that were opened in 1996. The renovations were completed by July, 2002 and cost $765,000.

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

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

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

The Stratosphere Parties have evaluated the project and have determined that the amount of $1,004,059, of which $195,953 and $371,973 were disbursed on October 29, 2002 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 and is classified in Accounts Payable - Construction on the Consolidated Balance Sheet. As a result, the Great Western base claim has been reduced to $3,213,579, the Tiffiny base claim has been reduced to $327,434 and the escrow balance has been reduced to $443,579.

The Early Case Conference in the Tiffiny case has already been concluded and initial documents and witnesses have been exchanged which has been the discovery to date, however, it is not possible to give an opinion as to probably outcome of the action. The case will proceed with discovery from this point forward until such time as a resolution is reached or the matter is brought to trial. The matter was preliminarily set for trial on April 14, 2003 but has been continued to June 21, 2004. The Stratosphere Parties intend to vigorously defend the action for claims in excess of $1,004,059.

On May 3, 2001, the Company was named in an action brought by Harrah's Entertainment, Inc. and Harrah's Operating Company, Inc. (collectively "Harrah's") alleging infringement of a purported patent covering a business method allegedly developed by Harrah's. The use of an allegedly similar business method by the Company in its advertising and promotions is said by plaintiff to infringe upon its patent rights.

In January 2002, the parties entered into a sealed Consent Judgment resolving the dispute, which was the subject matter of this action. In December 2001, the Company paid Harrah's the settlement for this action.

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

(13) SUBSEQUENT EVENTS

On December 29, 2003, American Casino & Entertainment Properties LLC (ACEP) was formed in Delaware. The holding company will own and operate three gaming and entertainment properties in Las Vegas, Stratosphere, Arizona Charlie's Decatur and Arizona Charlie's Boulder. ACEP entered into a membership interest purchase agreement with Starfire Holding Corporation, which is wholly-owned by Mr. Icahn, in which ACEP agreed to purchase all of the membership interests in Charlie's Holding LLC, a newly-formed entity that will own Arizona Charlie's Decatur and Arizona Charlie's Boulder. The closing of this acquisition is subject to necessary approvals by the Nevada Gaming Commission upon the recommendation of the Nevada State Gaming Control Board and the other terms and conditions of the agreement. The purchase price is $125.9M, subject to reduction based on a post-closing working capital adjustment. Additionally, ACEP has entered into a contribution agreement with their direct parent, American Entertainment Properties Corp., and our indirect parent, American Real Estate Holdings Limited Partnership, or AREH, in which AREH agreed to contribute to us 100% of the outstanding capital stock of Stratosphere Corporation, subject to necessary approvals by the Nevada Gaming Commission upon the recommendation of the Nevada State Gaming Control Board and the closing of the transaction contemplated by the membership interest purchase agreement.

The Company has offered $215,000,000 in aggregate principal amount of 7.85% Senior Secured Notes due 2012. The net proceeds from the sale of the notes will be used in connection with the acquisition of three Las Vegas, Nevada gaming and entertainment properties from affiliated parties. The notes will have a fixed annual interest rate of 7.85%, which will be paid every six months on February 1 and August 1, commencing August 1, 2004. The transaction closed on January 29, 2004 and the proceeds will remain in an escrow account until the Nevada Gaming Authorities have approved the transaction.

Exhibit 99.3

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

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

The following table sets forth information derived from our combined statements of income expressed as a percentage of net revenues for the period indicated.

	For The Years Ended December 31, 2001	2002	2003
Revenues			
Casino	58.9%	57.2%	56.3%
Hotel	15.8%	17.7%	18.0%
Food and beverage	22.9%	22.6%	22.7%
Tower, retail and other	12.2%	11.3%	11.5%
Gross revenues	109.8%	108.8%	108.5%
Less promotional allowances	9.8%	8.8%	8.5%
Net revenues	100.0%	100.0%	100.0%
Costs and expenses			
Casino	24.7%	23.9%	23.3%
Hotel	7.1%	8.1%	8.4%
Food and beverage	17.7%	17.3%	17.1%
Tower, retail and other	6.5%	6.0%	5.3%
Selling, general and administrative	32.4%	32.0%	28.6%
Depreciation and amortization	7.1%	8.1%	7.7%
Total costs and expenses	95.5%	95.4%	90.4%
Income from operations	4.5%	4.6%	9.6%
Other income (expense)			
Interest income	0.7%	0.2%	0.2%
Interest expense	-2.5%	-2.4%	-2.1%
Gain (loss) on disposal of assets	0.0%	-0.1%	-0.5%
Total other expense, net	-1.8%	-2.3%	-2.4%
Income before income taxes	2.7%	2.3%	7.2%
Provision for income taxes	2.0%	2.0%	-0.7%
Net income	0.7%	0.3%	7.9%

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	FOR THE YEAR ENDED DECEMBER 31,		
	2001	2002	2003
OPERATING DATA:			
Stratosphere			
Average number of slot machines	1,476	1,505	1,459
Average win per slot machine per day ..	$ 85.37	$ 90.74	$ 91.73
Average number of table games	46	48	50
Average win per table game per day.....	$ 984.58	$1,022.50	$1,016.00
Average number of hotel rooms	1,994	2,444	2,444
Average daily room rate	$ 48.54	$ 48.28	$ 51.17
Average occupancy rate	93.2%	89.6%	89.8%
Arizona Charlie's Decatur			
Average number of slot machines	1,620	1,590	1,539
Average win per slot machine per day ..	$ 97.85	$ 92.93	$ 105.61
Average number of table games	19	18	14
Average win per table game per day.....	$ 595.32	$ 486.30	$ 547.78
Average number of hotel rooms	258	258	258
Average daily room rate	$ 45.29	$ 43.91	$ 43.17
Average occupancy rate	77.3%	74.4%	85.3%
Arizona Charlie's Boulder			
Average number of slot machines	797	812	838
Average win per slot machine per day ..	$ 61.96	$ 65.53	$ 79.16
Average number of table games	13	12	13
Average win per table game per day.....	$ 472.21	$ 468.20	$ 441.77
Average number of hotel rooms	303	303	303
Average daily room rate	$ 39.51	$ 42.97	$ 43.32
Average occupancy rate.................	59.3%	55.2%	55.7%

YEAR ENDED DECEMBER 31, 2003 COMPARED TO YEAR ENDED DECEMBER 31, 2002

Combined gross revenues for the year ended December 31, 2003 amounted to $285.1 million, an increase of $13.1 million, or 4.8%, over the year ended December 31, 2002. Gross revenues at the Stratosphere for the year ended December 31, 2003 were $176.4 million, or 61.9% of combined gross revenues, an increase of $5.7 million as compared to revenues for the year ended December 31, 2002. Gross revenues at Arizona Charlie's Decatur for the year ended December 31, 2003 were $73.9 million, or 25.9% of combined gross revenues, an increase of $2.7 million as compared to the year ended December 31, 2002. This increase of 3.7% in gross revenues at Arizona Charlie's Decatur was primarily attributable to an increase in casino revenues. Gross revenues at Arizona Charlie's Boulder for the year ended December 31, 2003 were $34.8 million, or 12.2% of combined gross revenues, an increase of $4.7 million as compared to the year ended December 31, 2002. This increase of 15.8% was primarily due to the increased slot coin in and increased hold percentage as compared to the year ended December 31, 2002.

Casino Revenues

Combined casino revenues during the year ended December 31, 2003 totaled $147.9 million, an increase of $4.8 million over the year ended December 31, 2002. Slot machine revenues were $119.6 million, or 80.9% of combined casino revenues, and table game revenues were $23.6 million, or 16.0% of the combined casino

revenues, for the year ended December 31, 2003 as compared to $115.6 million and $23.3 million, respectively, for the year ended December 31, 2002.

Casino revenues at the Stratosphere for the year ended December 31, 2003 were $66.5 million, a decrease of $.7 million, or 1.1%, over the year ended December 31, 2002, of which slot machine revenues were $46.6 million, or 70.0% of its casino revenues, and table game revenues were $18.6 million, or 27.9% of its casino revenues as compared to $48.7 million and $18.0 million, respectively, for the year ended December 31, 2002. Average win per slot machine per day at Stratosphere for the year ended December 31, 2003 was $91.73 which was an increase over the prior year of $90.74 due to a 3% decrease in the number of units compared to the prior year. Casino revenues at Arizona Charlie's Decatur for the year ended December 31, 2003 were $57.7 million, an increase of $1.6 million as compared to the year ended December 31, 2002, of which slot machine revenues were $52.4 million, or 90.7% of its casino revenues, and table game revenues were $2.9 million, or 5.0% of its casino revenues as compared to $49.6 million and $3.2 million, respectively, for the year ended December 31, 2002. Average win per slot machine per day at Arizona Charlie's Decatur for the year ended December 31, 2003 was $105.61, as compared to the average win per slot machine per day of $92.93 for 2002. Casino revenues at Arizona Charlie's Boulder for the year ended December 31, 2003 were $23.7 million, an increase of $4.0 million as compared to the year ended December 31, 2002. For the year ended December 31, 2003, slot machine revenues were $20.6 million, or 87.2% of its casino revenues, and table game revenues were $2.2 million, or 9.2% of its casino revenues as compared to $17.4 million and $2.1 million, respectively, for the year ended December 31, 2002. Average win per slot machine per day at Arizona Charlie's Boulder for the year ended December 31, 2003 was $79.16, as compared to the average win per slot machine per day of $65.53 for 2002.

Non-Casino Revenues

Combined hotel revenues totaled $47.3 million, or 16.6% of combined gross revenues, for the year ended December 31, 2003 as compared to $44.3 million, or 16.3% of combined gross revenues for the year ended December 31, 2002. Hotel revenues at the Stratosphere totaled $40.6 million for the year ended December 31, 2003 as compared to $38.1 million for the year ended December 31, 2002. Stratosphere hotel occupancy during the period was 89.8%, as compared to 89.6% for the year ended December 31, 2002. As a result of the increased room capacity, average daily room rate (ADR) increased from $48.28 for the year ended December 31, 2002 to $51.17 for the year ended December 31, 2003. Hotel revenues at Arizona Charlie's Decatur were $3.4 million for the year ended December 31, 2003, an increase of 15.6% from the previous year. This is a result of an increase in average occupancy rate from 74.4% to 85.3%. Hotel revenues at Arizona Charlie's Boulder were $3.3 million for the year ended December 31, 2003 as compared to $3.3 million for the year ended December 31, 2002. The occupancy rate for Arizona Charlie's Boulder increased from 55.2% for the year ended December 31, 2002 to 55.7% for the year ended December 31, 2003 and resulted in an increase in the ADR from $42.97 to $43.32.

Combined food and beverage revenues for the year ended December 31, 2003 totaled $59.6 million, or 20.9% of combined gross revenues, as compared to $56.3 million, or 20.7% of combined gross revenues, for the year ended December 31, 2002. Food and beverage revenues at the Stratosphere increased 6.5% from $39.7 million for the year ended December 31, 2002 to $42.3 million for the year ended December 31, 2003, due to an increase in food covers of 0.6%, while the average revenue per cover increased 5.9%. At Arizona Charlie's Decatur, food and beverage revenues were $10.4 million for both years ended December 31, 2003 and 2002. At Arizona Charlie's Boulder, food and beverage revenues were $7.0 million for the year ended December 31, 2003, an increase of $.7 million, or 10.7%, from the year ended December 31, 2002.

Combined tower, retail and other revenues increased $2.1 million to $30.3 million for the year ended December 31, 2003. Tower, retail and other revenues at Stratosphere increased 5.4%, from $25.7 million in the year ended December 31, 2002 to $27.1 million for the year ended December 31, 2003. The combined retail and other revenues increased at Arizona Charlie's Decatur to $2.4 million, or 34.2% and Arizona Charlie's Boulder increased $.1 million, or 10.1% of revenues.

Promotional Allowances

Promotional allowances provided to gaming patrons on a combined basis for the year ended December 31, 2003 and 2002, totaled $22.3 million and $21.9 million, respectively, and are recorded in our financial statements as a reduction of combined gross revenues. Promotional allowances represent the retail value of rooms, food and beverage, and other items that are provided to customers on a complimentary basis.

Promotional allowances at the Stratosphere were $12.7 million, or 7.2% of its gross revenues, for the year ended December 31, 2003, a decrease of 11.2% from $14.3 million, or 8.4% of its gross revenues for the year ended December 31, 2002. This decrease was due primarily to less aggressive promotional policies.

Promotional allowances at Arizona Charlie's Decatur were $6.0 million for the year ended December 31, 2003, or 8.2% of its gross revenues, compared to $5.0 million, or 7.0% of its gross revenues for the year ended December 31, 2002. This increase is primarily due to an increase in play due to our "Action Cash" program implemented in July, 2003.

Promotional allowances at Arizona Charlie's Boulder were $3.5 million for the year ended December 31, 2003, or 10.1% of its gross revenues, compared to $2.6 million, or 8.7% of its gross revenues for the year ended December 31, 2002. This increase is primarily due to an increase in play due to our "Action Cash" program implemented in July, 2003.

Operating Expenses

Combined casino operating expense for the year ended December 31, 2003 totaled $61.3 million, or 41.4% of combined casino revenues, as compared to $59.9

million, or 41.9% of combined casino revenues, for the year ended December 31, 2002. Combined casino operating expenses were primarily comprised of salaries, wages and benefits, and operating expenses of the casinos.

Casino operating expenses at the Stratosphere were $29.6 million, or 44.6% of its casino revenues, for the year ended December 31, 2003 as compared to $29.0 million, or 43.1% of its casino revenues, for the year ended December 31, 2002. This increase of $.6 million, or 2.2% in casino operating expenses is due primarily to increases in complimentaries. Casino operating expenses at Arizona Charlie's Decatur were $20.0 million, or 34.6% of its casino revenues, for the year ended December 31, 2003 as compared to $21.3 million, or 37.9% of its casino revenues, for the year ended December 31, 2002. This decrease was due primarily to cost reductions. Casino operating expenses at Arizona Charlie's Boulder were $11.7 million, or 49.3% of its casino revenues, for the year ended December 31, 2003 as compared to $9.6 million, or 48.9% of its casino revenues, for the year ended December 31, 2002.

Combined selling, general and administrative expenses for the year ended December 31, 2003 were $75.0 million, or 26.3% of combined gross revenues, as compared to $80.0 million, or 29.4% of combined gross revenues, for the year ended December 31, 2002. Selling, general and administrative expenses at the Stratosphere were $44.9 million, or 25.4% of its gross revenues, for the year ended December 31, 2003 as compared to $45.9 million, or 26.9% of its gross revenues, for the year ended December 31, 2002. Selling, general and administrative expenses at Arizona Charlie's Decatur were $18.4 million, or 24.9% of its gross revenues, for the year ended December 31, 2003, as compared to $19.5 million, or 27.3% of its gross revenues, for the year ended December 31, 2002. General and administrative expenses at Arizona Charlie's Boulder were $11.7 million, or 33.6% of its gross revenues, as compared to $14.6 million, or 48.7% of its gross revenues, for the prior year.

Income from Operations

Combined operating income for the year ended December 31, 2003 was $25.2 million as compared to combined operating income of $11.4 million for the year ended December 31, 2002. Operating income at the Stratosphere for the year ended December 31, 2003 was $15.5 million as compared to $11.3 million for the year ended December 31, 2002. This increase was primarily due to an increase in hotel revenues, increased building rents, lower promotions and lower depreciation. Operating income at Arizona Charlie's Decatur for the year ended December 31, 2003 was $14.0 million as compared to $8.8 million for the year ended December 31, 2002. This increase was due to an increase in casino revenues and reduced food and beverage expenses. For the years ended December 31, 2003 and December 31, 2002, Arizona Charlie's Boulder incurred operating losses of

$4.3 million and $8.6 million, respectively. The reduced loss was due to increased casino revenues and reduced selling, general, and administrative expenses.

YEAR ENDED DECEMBER 31, 2002 COMPARED TO YEAR ENDED DECEMBER 31, 2001

The Las Vegas market experienced a significant drop in visitor volume over the four months following the September 11, 2001 terrorist attacks as compared to the same period in 2000, with smaller decreases through the remaining months of 2002.

Combined gross revenues for the year ended December 31, 2002 amounted to $271.9 million, an increase of $5.7 million, or 2.1%, over the year ended December 31, 2001. Gross revenues at the Stratosphere for the year ended December 31, 2002 were $170.7 million, or 62.8% of combined gross revenues, an increase of $14.5 million as compared to the year ended December 31, 2001. This increase of 9.3% in gross revenues at the Stratosphere was primarily attributable to the hotel expansion of 1,000 rooms, which opened in June 2001. Gross revenues at Arizona Charlie's Decatur for the year ended December 31, 2002 were $71.2 million, or 26.2% of combined gross revenues, a decrease of $8.8 million as compared to the year ended December 31, 2001. This decrease of 11.0% in gross revenues at Arizona Charlie's Decatur was primarily attributable to a decrease in table game drop and slot coin in for the year ended December 31, 2002 as compared to the year ended December 31, 2001. These decreases resulted from a tightening of the complimentary policy. Gross revenues at Arizona Charlie's Boulder for the year ended December 31, 2002 were $30.0 million, or 11.0% of combined gross revenues, no change as compared to the year ended December 31, 2001. There were no significant changes in the composition of their revenues during these periods.

Casino Revenues

Combined casino revenues during the year ended December 31, 2002 totaled $143.1 million, an increase of $.1 million over the year ended December 31, 2001. Slot machine revenues were $118.2 million, or 82.6% of combined casino revenues, and table game revenues were $23.3 million, or 16.3% of the combined casino revenues, for the year ended December 31, 2002 as compared to $115.1 million and $22.9 million, respectively, for the year ended December 31, 2001.

Casino revenues at the Stratosphere for the year ended December 31, 2002 were $67.2 million, an increase of $5.7 million, or 9.3%, over the year ended December 31, 2001. For the year ended December 31, 2002, slot machine revenues were $48.7 million, or 72.4% of its casino revenues, and table game revenues were $18.0 million, or 26.8% of its casino revenues as compared to $43.7 million and $16.5 million, respectively, for the year ended December 31, 2001. Average win per slot machine per day at Stratosphere for the year ended December 31, 2002 was $90.74 which was an increase over the prior year of $85.37. Casino revenues at Arizona Charlie's Decatur for the year ended December 31, 2002 were $56.1 million, a decrease of $5.6 million as compared to the year ended December 31, 2001 due to reduced slot coin in and table games drop resulting from a tightening of our complimentary policies. For the year ended December 31, 2002, slot machine revenues were $51.2 million, or 91.3% of its casino revenues, and table game revenues were $3.2 million, or 5.7% of its casino revenues as compared to $54.3 million and $4.1 million, respectively, for the year ended December 31, 2001.

Average win per slot machine per day at Arizona Charlie's Decatur for the year ended December 31, 2002 was $92.93, as compared to the average win per slot machine per day of $97.85 for 2001. Casino revenues at Arizona Charlie's Boulder for the year ended December 31, 2002 were $19.7 million, which was flat as compared to the year ended December 31, 2001. For the year ended December 31, 2002, slot machine revenues were $18.3 million, or 92.9% of its casino revenues, and table game revenues were $2.1 million, or 10.4% of its casino revenues as compared to $17.1 million and $2.2 million, respectively, for the year ended December 31, 2001.

Non-Casino Revenues

Combined hotel revenues totaled $44.3 million, or 16.3% of combined gross revenues, for the year ended December 31, 2002 as compared to $38.3 million, or 14.4% of combined gross revenues for the year ended December 31, 2001. This increase was primarily due to the hotel expansion of 1,000 rooms at Stratosphere, which opened in June 2001. Hotel revenues at the Stratosphere totaled $38.1 million for the year ended December 31, 2002 as compared to $32.0 million for the year ended December 31, 2001. Stratosphere Hotel occupancy during the period was 89.6%, as compared to 93.2% for the year ended December 31, 2001. The decrease resulting from the increased room capacity overall, ADR decreased from $48.54 for the year ended December 31, 2001 to $48.28 for the year ended December 31, 2002. Hotel revenues at Arizona Charlie's Decatur were $2.9 million for the year ended December 31, 2002, a decrease of 4.8% from the previous year. Hotel revenues at Arizona Charlie's Boulder were $3.3 million for the year ended December 31, 2002 as compared to $3.2 million for the year ended December 31, 2001.

Combined food and beverage revenues for the year ended December 31, 2002 totaled $56.3 million, or 20.7% of combined gross revenues, as compared to $55.5 million, or 20.8% of combined gross revenues, for the year ended December 31, 2001. Food and beverage revenues at the Stratosphere increased 8.8% from $36.5 million for the year ended December 31, 2001 to $39.7 million for the year ended December 31, 2002, due to a decrease in food covers of 0.6%, while the average revenue per cover increased 8.6%.

At Arizona Charlie's Decatur, food and beverage revenues were $10.4 million for the year ended December 31, 2002, a decrease of $2.2 million, or 17.7%, from the year ended December 31, 2001 due to the tightening of our complimentary policies. At Arizona Charlie's Boulder, food and beverage revenues were $6.3 million for the year ended December 31, 2002, a decrease of $.1 million, or 1.4%, for the year ended December 31, 2001.

Combined tower, retail and other revenues decreased $1.3 million to $28.2 million for the year ended December 31, 2002. All other non-gaming revenues at Stratosphere decreased 1.7%, from $26.2 million in the year ended December 31, 2001 to $25.7 million for the year ended December 31, 2002.

Promotional Allowances

Promotional allowances provided to gaming patrons on a combined basis for the year ended December 31, 2002 and 2001, totaled $21.9 million and $23.7 million, respectively, and are recorded in our financial statements as a reduction of combined gross revenues.

Promotional allowances at the Stratosphere were $14.3 million, or 8.4% of its gross revenues, for the year ended December 31, 2002, a decrease of 1.5% from $14.6 million, or 9.3% of its gross revenues, for the year ended December 31, 2001. This decrease was due primarily to less aggressive promotional policies. The Las Vegas market experienced an approximate 9.2% drop in visitor volume over the four months following the September 11, 2001 terrorist attacks as compared to the same period in 2000, with smaller decreases through the remaining months of 2002. This decrease in visitor volume also resulted in the majority of the properties' competitors experiencing a decrease in occupancy and ADR.

Promotional allowances at Arizona Charlie's Decatur were $5.0 million for the year ended December 31, 2002, or 7.0% of its gross revenues, compared to $6.6 million, or 8.3% of its gross revenues, for the year ended December 31, 2001.

Promotional allowances at Arizona Charlie's Boulder were $2.6 million for the year ended December 31, 2002, or 8.7% of its gross revenues, compared to $2.5 million, or 8.4% of its gross revenues, for the year ended December 31, 2001.

Operating Expenses

Combined casino operating expense for the year ended December 31, 2002 totaled $59.9 million, or 41.9% of combined casino revenues, as compared to $60.0 million, or 42.0% of combined casino revenues, for the year ended December 31, 2001. Combined casino operating expenses were primarily comprised of salaries, wages and benefits, and operating expenses of the casinos.

Casino operating expenses at the Stratosphere were $29.0 million, or 43.1% of its casino revenues, for the year ended December 31, 2002 as compared to $27.0 million, or 43.8% of its casino revenues, for the year ended December 31, 2001. This increase of $2.0 million, or 7.5% in casino operating expenses is due primarily to increases in complimentary and promotional expenses related to increased promotional events many of which undertaken to increase traffic lost following September 11, 2001.

Casino operating expenses at Arizona Charlie's Decatur were $21.3 million, or 37.9% of its casino revenues, for the year ended December 31, 2002 as compared to $23.1 million, or 37.4% of its casino revenues, for the year ended December 31, 2001. This decrease was due primarily to cost reduction efforts as a result of less slot and table play.

Casino operating expenses at Arizona Charlie's Boulder were $9.6 million, or 48.9% of its casino revenues, for the year ended December 31, 2002 as compared to $10.0 million, or 50.7% of its casino revenues, for the year ended December 31, 2001.

Combined selling, general and administrative expenses for the year ended December 31, 2002 were $80.0 million, or 29.4% of combined gross revenues, as compared to $78.7 million, or 29.6% of combined gross revenues, for the year ended December 31, 2001. Selling, general and administrative expenses at the Stratosphere were $45.9 million, or 26.9% of its gross revenues, for the year ended December 31, 2002 as compared to $46.1 million, or 29.5% of its gross revenues, for the year ended December 31, 2001. Selling, general and administrative expenses at Arizona Charlie's Decatur were $19.5 million, or 27.3% of its gross revenues, for the year ended December 31, 2002, as compared to $19.5 million, or 24.3% of its gross revenues, for the year ended December 31, 2001. Selling, general and administrative expenses at Arizona Charlie's Boulder were $14.6 million, or 48.7% of its gross revenues, as compared to $13.2 million, or 43.8% of its gross revenues, for the prior year. Selling, general and administrative expenses at the Arizona Charlie's Boulder property increased year over year primarily due to an increase in healthcare costs of $.9 million. There were no other significant changes in general and administrative expenses noted during 2002 as compared to 2001.

Income from Operations

Combined operating income for the year ended December 31, 2002 was $11.4 million as compared to combined operating income of $10.9 million for the year ended December 31, 2001. Operating income at the Stratosphere for the year ended December 31, 2002 was $11.3 million as compared to $4.6 million for the year ended December 31, 2001. The increase was primarily due to the hotel expansion, which increased all revenue categories due to increased foot traffic. Operating income at Arizona Charlie's Decatur for the year ended December 31, 2002 was $8.8 million as compared to $13.7 million for the year ended December 31, 2002. This decrease was due to a decrease in total net revenues of $7.1 million and cost reductions of only $2.2 million. For the years ended December 31, 2002 and December 31, 2001, Arizona Charlie's Boulder incurred operating losses of $8.6 million and $7.3 million, respectively. The additional $1.3 million operating loss at Arizona Charlie's Boulder was primarily due to an increase employee health care benefits of $1.1 million.

LIQUIDITY AND CAPITAL RESOURCES

The acquisitions of three Las Vegas, Nevada gaming and entertainment properties from affiliated parties, repayment of intercompany indebtedness, distribution to our parent and payment of related fees and expenses, will require all of the gross proceeds from the $215 million offering of our senior secured notes.

Following the Acquisitions, we expect to fund our operating and capital needs, as currently contemplated, with operating cash flows and, if necessary, borrowings under our senior secured revolving credit facility entered into by

American Casino & Entertainment Properties LLC, as borrower, certain of its subsidiaries, as guarantors, and the lenders signatories thereto. The senior secured revolving credit facility consists of a $20.0 million senior secured revolving credit facility. Borrowings under the senior secured revolving credit facility will be available to us, subject to us complying with financial and other covenants, during the period commencing on the closing date of the Acquisitions and ending on the fourth anniversary of the closing date of the notes offering and of the senior secured facility, January 29, 2004.

At December 31, 2003, we had cash and cash equivalents of $77.3 million. Pro forma for certain transactions to occur prior to the Acquisitions, the Acquisitions and the notes offering, we would have had approximately $25 million in cash and cash equivalents at that date. Our capital expenditures for 2003 were $33.8 million. We currently anticipate capital expenditures for 2004 and 2005 to be approximately $15.0 million for each year.

We met our capital requirements in 2003 through net cash from operating activities. For the year ended December 31, 2003, net cash provided by operating activities totaled approximately $47.8 million and cash used for investing activities totaled $30.4 million, compared to approximately $30.2 million provided by operating activities and $24.1 million used in investing activities for the year ended December 31, 2002.

Management believes borrowings available under the senior secured revolving credit facility at the closing of the Acquisitions and operating cash flows will be adequate to meet our anticipated future requirements for working capital, capital expenditures and scheduled interest payments on the notes and under the senior secured revolving credit facility, lease payments and other permitted indebtedness at least through the next twelve months. Although no additional financing is currently contemplated, we will seek, if necessary and to the extent permitted under the indenture governing the notes and the terms of the senior secured revolving credit facility, additional financing through bank borrowings or debt or equity financings. We cannot assure you that additional financing, if needed, will be available to us, or that, if available, the financing will be on terms favorable to us. We also cannot assure you that our estimates of our reasonably anticipated liquidity needs are accurate or that new business developments or other unforeseen events will not occur, resulting in the need to raise additional funds.

The following table summarizes contractual obligations and commitments to make future payments under certain contracts, including long-term debt obligations,

and operating leases at December 31, 2003. Following the closing of the Acquisitions, we will have significant obligations under the notes and the senior secured revolving credit facility.

	PAYMENTS DUE BY PERIOD				
CONTRACTUAL OBLIGATIONS AND COMMITMENTS	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	4-5 YEARS	AFTER 5 YEARS
	(in thousands)				
Long-term debt	101,252	14,796	61,456	--	25,000
Capital Leases	11,436	665	1,995	1,288	7,488
Total Cash Obligations	$112,688	$ 15,461	$ 63,451	$ 1,288	$ 32,488