

SCHEDULE 14C

(Rule 14c-101)

INFORMATION REQUIRED IN INFORMATION STATEMENT
SCHEDULE 14C INFORMATION

Information Statement Pursuant to Section 14(c)
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American Real Estate Partners, L.P.
(Name of Registrant as Specified In its Charter)

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AMERICAN REAL ESTATE PARTNERS, L.P.
100 SOUTH BEDFORD ROAD
MT. KISCO, NY 10549

INFORMATION STATEMENT
July 23, 1996

We are writing to advise you of a proposed amendment to the Amended and Restated Limited Partnership Agreement (as amended, the "Partnership Agreement") of American Real Estate Partners, L.P., a Delaware limited partnership (the "Partnership"). The amendment discussed below (the "Amendment"), which is proposed by the General Partner (as hereinafter defined) pursuant to the terms of the Partnership Agreement, would permit the Partnership to make non-real estate related investments under circumstances described herein, and activities related thereto, while remaining in the real estate business.

This Information Statement has been mailed to all holders of record as of the close of business on July 23, 1996 (each, a "Unitholder" and collectively, the "Record Holders") of depository units representing limited partner interests in the Partnership (the "Depository Units"). No meeting of Record Holders will be held.

WE ARE NOT ASKING YOU FOR A PROXY OR WRITTEN CONSENT AND YOU ARE REQUESTED NOT TO SEND A PROXY OR WRITTEN CONSENT.

The general partner of the Partnership is American Property Investors, Inc. ("API" or the "General Partner"), a Delaware corporation wholly owned by Carl C. Icahn ("Icahn"). The principal executive offices of both the General Partner and the Partnership are located at 100 South Bedford Road, Mt. Kisco, New York 10549. The Partnership's business is conducted through a subsidiary limited partnership, American Real Estate Holdings Limited Partnership (the "Subsidiary"), in which the Partnership owns a 99% limited partner interest. The General Partner also acts as the general partner for the Subsidiary. The General Partner has a 1% general partner interest in each of the Partnership and the Subsidiary. References to the Partnership herein include the Subsidiary, unless the context otherwise requires.

As of July 23, 1996, there were 25,666,640 Depository Units outstanding. At that time, Icahn, through High Coast Limited Partnership, a Delaware limited partnership which he controls ("High Coast"), beneficially owned approximately 50.6% of the Partnership's outstanding Depository Units. For a list of individuals or "groups" (as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended) owning 5% or more of the Partnership's outstanding Depository Units, see "SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT".

Pursuant to Article XIV of the Partnership Agreement, the written consent to an amendment by Record Holders owning at least a majority of the outstanding Depository Units is sufficient for the adoption of an amendment to the Partnership Agreement, with certain limited exceptions (none of which is applicable to the subject amendment). Consequently, the written consent of Icahn, as beneficial holder of more than 50% of the outstanding Depository Units, is sufficient to assure the approval of the Amendment by the requisite percentage of Record

Holders. It is contemplated that the Amendment will be approved by written consent on or about August 12, 1996 (twenty (20) days from the date hereof).

Under applicable state law, no dissenter's rights (i.e., rights of non-consenting security holders to exchange interests in the Partnership for payment of their fair value) are available to any Unitholder of the Partnership, regardless of whether such Unitholder has consented to the adoption of the Amendment.

This Information Statement should be read carefully as it describes certain consequences of the Amendment, including the following:

- The Partnership is seeking to amend the Partnership Agreement to permit it to make investments under circumstances described herein in companies that are not necessarily engaged as one of their primary activities in the ownership, development or management of real estate. While the Partnership believes opportunistic real estate investments continue to remain available, such investments have become more competitive to source and the increased competition may have an adverse impact on the spreads and the ability to find quality assets that provide returns sought by the Partnership. Other than real estate related assets, the Partnership currently is only permitted to invest in items such as deposit accounts and money market funds. While the Partnership will continue to own, develop, manage and invest in real estate related assets, the General Partner believes that it is in the best interests of the Partnership and the Unitholders for the Partnership to be permitted to invest a portion of the Partnership's funds in assets outside the real estate market that may provide returns on its funds in excess of those available to the Partnership in the current real estate market or those currently received on investments in government securities. See "REASON FOR AMENDMENT."

- The Partnership will conduct its investment activities in such a manner so as not to be deemed an investment company under the Investment Company Act of 1940, as amended (the "1940 Act"). Generally, this means that the Partnership does not intend to enter the business of investing in securities and that no more than 40% of the Partnership's total assets will be invested in securities. While the Partnership intends to operate so as to not be treated as an investment company under the 1940 Act, if it did not meet the exclusions under the 1940 Act, the Partnership would be required to register as an investment company under the 1940 Act and would be subject to the reporting requirements and regulatory constraints of the 1940 Act. See "EFFECT OF AMENDMENT ON UNITHOLDERS AND PARTNERSHIP."

- Under applicable tax laws, the Partnership will structure its investments so as to continue to be taxed as a partnership rather than as a corporation under the publicly-traded partnership rules of Section 7704 of the Internal Revenue Code. While the General Partner intends to structure investments in non-real estate assets to satisfy these rules, it is possible that using the Partnership's cash for investments not related to real estate could result in income which would endanger the Partnership's classification as a partnership for tax purposes. See "EFFECT OF AMENDMENT ON UNITHOLDERS AND PARTNERSHIP."

- Investment in securities issued by companies that are not engaged as one of their primary activities in the ownership, development or management of real estate will entail somewhat different risks from those associated with investments in real estate assets. For

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example, equity securities fluctuate in value, often based on factors unrelated to the value of the issuer of the securities, and such fluctuations can be pronounced. In addition, even though interest-bearing debt securities are investments which may promise a stable stream of income, the prices of such securities generally are inversely affected by changes in interest rates and, therefore, are subject to the risk of market price fluctuations. Also, some securities which may provide the potential for higher yields may also entail a commensurate greater risk of loss. See "RISKS RELATED TO NON-REAL ESTATE INVESTMENTS."

THE ACTIONS CONTEMPLATED IN THIS INFORMATION STATEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE MERITS OF THE ACTIONS CONTEMPLATED HEREIN OR THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

SUMMARY INFORMATION

The following summary information is qualified in its entirety by the more detailed information appearing elsewhere in this Information Statement and the Appendices hereto. Unitholders are urged to read the entire Information Statement carefully, as it contains important information regarding certain consequences of the Amendment.

Item under Consideration..... Approval of an amendment to the Partnership Agreement which would permit the Partnership 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 Partnership in the real estate markets. See "PROPOSED AMENDMENT TO PARTNERSHIP AGREEMENT."

Reasons for the Amendment..... The Partnership intends to continue to invest its assets available for investment in undervalued assets in the real estate market, including residential development projects, land parcels for future residential and commercial development, non-performing loans, commercial properties and securities of entities which own, develop or manage significant real estate assets, including limited partnership units and securities issued by real estate investment trusts. While the Partnership believes opportunistic real estate investments continue to remain available, such investments have become more competitive to source and the increased competition may have an adverse impact on the spreads and the ability to find quality assets that provide returns sought by the Partnership. In addition, pending investment in real estate assets, the Partnership's investment funds have been invested primarily in short-term government obligations. Currently, the Partnership Agreement only permits the Partnership to invest in assets related to real estate unless such investments are of a short-term nature pending investment in real estate assets, such as deposit accounts and money market funds.

The General Partner believes that it is in the best interests of the Partnership and the Unitholders for the Partnership to be permitted to invest a portion of the Partnership's funds in assets outside the real estate market that may provide returns on its funds in excess of those available to the Partnership in the current real estate market or those currently received on investments in government securities. See "BACKGROUND," "DESCRIPTION OF INVESTMENTS" and "REASONS FOR AMENDMENT."

Effect of Amendment on Unitholders and the Partnership..... The General Partner expects that investments pursuant to the proposed expanded business purposes of the Partnership may result in increased Unitholder value and further diversification of its portfolio, although there can be no assurance thereof. Nevertheless, there are certain risks which may also attend

an expansion of the Partnership's business purposes. For a discussion of such risks, see "RISKS RELATED TO NON-REAL ESTATE INVESTMENTS" and "EFFECT OF AMENDMENT ON UNITHOLDERS AND PARTNERSHIP."

Consent Required..... Pursuant to the terms of the Partnership Agreement, the written consent to the proposed Amendment by Record Holders owning at least a majority of the outstanding Depositary Units is sufficient for the adoption of the Amendment. Thus, it is contemplated that the Amendment proposed by the General Partner will be adopted by the Partnership twenty (20) days from the date of this Information Statement upon the written consent of Icahn, as beneficial holder of more than 50% of the outstanding Depositary Units. See "PROPOSED AMENDMENT TO PARTNERSHIP AGREEMENT" and "SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT."

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Audit Committee Approval..... The adoption by the Partnership of the Amendment was unanimously approved by the members of the Audit Committee (the "Audit Committee") of the Board of Directors (the "Board") of the General Partner and the members of the Board. See "AUDIT COMMITTEE APPROVAL."

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BACKGROUND REGARDING PARTNERSHIP

The Partnership has been in the business of acquiring and managing real estate and activities related thereto. Such acquisitions may be accomplished by purchasing assets outright or by acquiring securities of entities which hold significant real estate related assets. Historically, the properties owned by the Partnership have been primarily office, retail, industrial, residential and hotel properties. Most of the real estate assets currently owned by the Partnership were acquired from thirteen limited partnerships pursuant to an exchange offer consummated on July 1, 1987 and such assets generally are net-leased to single, corporate tenants. As of July 23, 1996, the Partnership owned [235] separate real estate assets primarily consisting of fee and leasehold interests in [35] states.

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

As discussed below, the Partnership is seeking to amend the Partnership Agreement to permit investments which, while the Partnership continues to seek undervalued investment opportunities in the real estate market, will permit it to take advantage of investment opportunities it believes exist outside of the real estate market in order to maximize Unitholder value and further diversify its portfolio. Investments in non-real estate assets will consist of equity and debt securities of domestic and foreign issuers that are not necessarily engaged as one of their primary activities in the ownership, development or management of real estate, and may include, for example, lower rated securities which may provide the potential for higher yields and therefore may entail higher risk. See "DESCRIPTION OF INVESTMENTS."

REASONS FOR AMENDMENT

Currently, the Partnership Agreement permits the Partnership to invest

only in assets related to real estate, except for short-term cash-type investments such as deposit accounts and money market funds. In recent months, however, the opportunities for profitable investments of the types sought by the Partnership in real estate have diminished. While the Partnership believes opportunistic real estate acquisitions continue to remain available, such acquisition opportunities have become more competitive to source and the increased competition may have an adverse impact on the spreads and the ability to find quality assets that provide returns sought by the Partnership.

The General Partner continues to believe that the Partnership will benefit from diversification of its real estate portfolio and is actively pursuing opportunistic real estate investments. To that end, the Partnership intends to continue to invest its assets available for investment in undervalued assets in the real estate market, including land parcels for future residential and commercial development, non-performing loans, real estate securities and real estate operating and development companies, which acquisitions may include those from affiliates of the General Partner, provided the terms thereof are fair and reasonable to the

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Partnership and approved by the Audit Committee. However, there is significant competition for acquiring such assets including a number of investment funds that have raised additional capital for investment in opportunistic real estate transactions which may have a negative impact on the Partnership's investment returns. In addition, pending investment in real estate assets, the Partnership's investment funds, including those generated by property sales, refinancings and the exercise of tenant purchase options, have been invested primarily in short-term government obligations. The General Partner believes that it is in the best interests of the Partnership and Unitholders for the Partnership to be permitted to invest a portion of the Partnership's funds in assets outside of the real estate market that may provide returns on its funds in excess of those available to the Partnership in the current real estate market or those currently received on investments in government securities. The Amendment proposed by the General Partner will allow the Partnership to take advantage of such opportunities while remaining in the real estate business and continuing to pursue suitable investments for the Partnership in the real estate markets by permitting it to invest under circumstances described herein in debt and equity securities of issuers that are not necessarily engaged as one of their primary activities in the ownership, development or management of real estate.

DESCRIPTION OF INVESTMENTS

Following adoption of the Amendment by the Partnership by the written consent of Icahn on August 12, 1996, the Partnership intends, while remaining in the real estate business and continuing to pursue suitable investments for the Partnership in the real estate markets, to invest a portion of its funds available for investment in securities of issuers that are not necessarily engaged as one of their primary activities in the ownership, development or management of real estate. Such investments will include equity and debt securities of domestic and foreign issuers. The investment objective of the Partnership with respect to such investments will be to purchase undervalued securities, so as to maximize total returns consisting of current income and/or capital appreciation, consistent with reasonable investment risk. The Partnership will conduct its investment activities in such a manner so as not to be deemed an investment company under the 1940 Act. Generally, this means that the Partnership does not intend to enter the business of investing in securities and that no more than 40% of the Partnership's total assets will be invested in securities. The proportion of the Partnership's assets invested in each type of security or any single issuer or industry will not be limited. Investments may be made directly by the Partnership or indirectly through entities in which it has an interest.

The equity securities in which the Partnership may invest may include common stocks, preferred stocks and securities convertible into common stocks, as well as warrants to purchase such securities. The debt securities in which the Partnership may invest may include bonds, debentures, notes, mortgage-related securities and municipal obligations. Certain of such securities may include lower rated securities which may provide the potential for higher yields and therefore may entail higher risk. In addition, the Partnership may engage in various investment techniques, such as options and futures transactions, foreign currency transactions and leveraging for either hedging or other purposes. See also "RISKS RELATED TO NON- REAL ESTATE

RISKS RELATED TO NON-REAL ESTATE INVESTMENTS

General. Under the terms of the Partnership Agreement, the General Partner has full, exclusive and complete discretion to manage and control the business and affairs of the Partnership, to make all decisions affecting the business and affairs of the Partnership and to take all such actions as it deems necessary or appropriate to accomplish the purposes of the Partnership. Therefore, Unitholders will not be given an opportunity to approve or disapprove of decisions, including potential investments, made by the Partnership and the Partnership will be able to invest in non-real estate related assets without further consent of Unitholders.

Equity Securities. Equity securities fluctuate in value, often based on factors unrelated to the value of the issuer of the securities, and such fluctuations can be pronounced.

Fixed-Income Securities. Even though interest-bearing securities are investments which may promise a stable stream of income, the prices of such securities generally are inversely affected by changes in interest rates and, therefore, are subject to the risk of market price fluctuations. The values of fixed-income securities also may be affected by changes in the credit rating or financial condition of the issuer.

Lower Rated Securities. The Partnership may invest a portion of its funds in higher yielding (and, therefore, higher risk) securities (commonly known as junk bonds). Such investments generally may be subject to certain risks with respect to the issuing entity and to greater market fluctuations than certain lower yielding, higher rated convertible debt securities. The secondary market for these securities may be less liquid than that of higher rated securities; adverse conditions could make it difficult at times for the Partnership to sell certain securities or could result in lower prices.

Foreign Securities. Foreign securities markets generally are not as developed or efficient as those in the United States. Securities of some foreign issuers are less liquid and more volatile than securities of comparable U.S. issuers. Similarly, volume and liquidity in most foreign securities markets are less than in the United States and, at times, volatility of price can be greater than in the United States.

Since foreign securities often are purchased with and payable in currencies of foreign countries, the value of these assets measured in U.S. dollars may be affected favorably or unfavorably by changes in currency rates and exchange control regulations.

Use of Leverage. Use of borrowed funds to leverage acquisitions can exaggerate the effect of any increase or decrease in market value. Such borrowings would be subject to interest costs which may not be recovered by appreciation in value of the securities purchased.

Use of Derivatives. The Partnership may use derivatives ("Derivatives"), which are financial instruments which derive their performance, at least in part, from the performance of an underlying asset, index or interest rate, such as options and mortgage-related securities. While Derivatives can be used effectively in furtherance of the Partnership's investment objectives such as by providing a hedging technique, under certain market conditions they can increase the volatility or decrease the liquidity of the Partnership's assets.

MANAGEMENT OF THE PARTNERSHIP

Under the terms of the Partnership Agreement, the General Partner has full, exclusive and complete discretion to manage and control the business and affairs of the Partnership, to make all decisions affecting the business and affairs of the Partnership and to take all such actions as it deems necessary or appropriate to accomplish the purposes of the Partnership. Thus, Unitholders will not be given an opportunity to approve or disapprove of decisions, including potential investments, made by the General Partner.

The Partnership is in a unique position to utilize the expertise of Icahn, the Chairman of its General Partner, and its principal Unitholder, and Icahn's affiliates. The Partnership anticipates that under Icahn's guidance it will pursue appropriate opportunities in undervalued situations, for the purpose of maximizing returns, including for example, opportunities arising from market inefficiencies and opportunities from identifying economic and market trends. In addition, the General Partner will seek opportunities in which it may utilize the experience of Icahn and his affiliates in negotiations and restructurings in order to enhance performance, and may act as an activist shareholder, where considered appropriate to maximize Unitholder value. See "CONFLICTS OF INTEREST." It should be noted, however, that there can be no assurances of success in such transactions.

PROPOSED AMENDMENT TO PARTNERSHIP AGREEMENT

Attached as Appendix A to this Information Statement is a copy of the text of the proposed Amendment. The Amendment provides generally that the business purposes of the Partnership shall be:

(a) to directly or indirectly invest in, acquire, own, hold, manage, operate, sell, exchange and otherwise dispose of interests in real estate (including without limitation, a limited partner interest in the Operating Partnership) and securities of any type and description now or hereafter in existence, whether or not related to interests in real estate, and (b) to enter into any lawful transaction and engage in any lawful activities related or incidental thereto or in furtherance of the foregoing purposes (including, without limitation, any transaction or activity outside the normal scope of the Partnership's business), provided that the Partnership will conduct its activities so as not to be considered an investment company under the Investment Company Act of 1940, as amended. [emphasis reflects proposed additions to Section 3.01 of the Partnership Agreement]

A corresponding similar amendment will be made to the Amended and Restated Agreement of Limited Partnership of American Real Estate Holdings Limited Partnership, the Partnership's operating subsidiary.

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Article XIV of the Partnership Agreement provides that, subject to certain specified exceptions (none of which is applicable) and provided that certain conditions are satisfied,¹ an amendment to the Partnership Agreement requires the approval of a Majority Interest, defined in Article I as "Record Holders who are Record Holders with respect to more than fifty percent (50%) of the total number of all outstanding Units."² Article XIV of the Partnership Agreement further provides that the General Partner may obtain approval for an amendment to the Partnership Agreement by written consent of Record Holders in lieu of a meeting. Accordingly, Icahn, as beneficial holder of more than 50% of the outstanding Depositary Units through his interest in High Coast, can execute a written consent approving the proposed Amendment. See "SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT" for information relating to Icahn's security ownership. It is anticipated that on or about August 12, 1996, twenty (20) days following the date of this Information Statement, Icahn will execute a written consent and the proposed Amendment will be duly adopted by the Partnership.

EFFECT OF AMENDMENT ON UNITHOLDERS AND PARTNERSHIP

At present, the General Partner does not have under consideration any specific investments in securities of issuers that are not necessarily engaged as one of their primary activities in the ownership, development or management of real estate. However, it is contemplated that after the approval of the Amendment, the General Partner will, while continuing to pursue investments in real estate assets, pursue such investments described herein. As discussed above, these investments may result in increased Unitholder value and increased net income for the Partnership, although there can be no assurance thereof. Nevertheless, there are certain consequences which may also attend an expansion of the business purposes of the Partnership.

The Partnership will conduct its activities in such a manner so as not to be deemed an investment company under the 1940 Act. Generally, this means that the Partnership does not intend to enter the business of investing in

securities and that no more than 40% of the Partnership's total assets will be invested in securities. If it does not meet the exclusions from

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1 These conditions generally require that certain opinions be supplied to the effect that the exercise of voting rights in this case and the action proposed to be taken (i) would not cause the limited partners to be deemed to be taking part in the management of the Partnership and thereby threaten their limited liability, (ii) would not jeopardize the status of the Partnership as a partnership for tax purposes and (iii) is otherwise permissible under the governing statutes of the Partnership. Under the circumstances contemplated herein, such opinions will be rendered.

2 Amendment No. 1 to the Agreement states that all references in the Partnership Agreement to a Majority Interest are meant not to include holders of the 5% cumulative pay-in-kind redeemable preferred units representing limited partner interests in the Partnership (the "Preferred Units") issued in the rights offering conducted by the Partnership (the "Rights Offering"). Thus, the term "Record Holders," for purposes of approval of an amendment to the purpose clause, does not include holders of Preferred Units.

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the 1940 Act, the Partnership would be required to register as an investment company under the 1940 Act, and it would be subject to the reporting requirements and regulatory constraints of the 1940 Act. As a consequence, the General Partner intends to continue to limit the Partnership from engaging in transactions that would cause it to meet the definitions in Section 3(a) of the 1940 Act so that the Partnership will not be deemed to be an "investment company."

Under applicable tax laws, the Partnership will structure its investments so as to continue to be taxed as a partnership rather than a corporation under the publicly-traded partnership rules of Section 7704 of the Internal Revenue Code. While the General Partner intends to structure investments in non-real estate related assets to satisfy these rules, it is possible that investments not related to real estate could result in income which would endanger the Partnership's classification as a partnership for tax purposes. If the Partnership were treated as an association taxable as a corporation in any taxable year: (i) the Partnership's taxable income, gains, losses, deductions and credits would be subject to corporate income tax and would not be passed through to its partners; (ii) any distributions made to Unitholders would be treated as taxable dividend income to the extent of the Partnership's earnings and profits and the balance a non-taxable return of capital to the extent of the partner's basis in his or her Depositary Units; and (iii) the reclassification as an association taxable as a corporation would be deemed an incorporation of the entity upon which some gain could be recognized.

In order for a publicly-traded partnership such as the Partnership to avoid these consequences, for tax years beginning after 1997 at least 90% of the Partnership's gross income each year must be "qualifying income," i.e., inter alia, interest, dividends, real property rents, gain from the sale or other disposition of real property, income from oil, gas and mineral explorations, development, mining, refining and transportation and gain from the sale or disposition of assets held for the production of qualifying income. The 90% qualifying income test would apply immediately if the Partnership entered into a substantial new line of business before 1998 as described below.

Dividend and interest income from non-real estate corporations would constitute "qualifying income"; however, interest received from a non-real estate corporation the stock of which is controlled by Icahn and/or the Partnership may not be treated as qualifying income. If instead of securities the Partnership were to invest in the assets of a business, directly or through a partnership or limited liability company, its share of gross income of the business will be taken into account in testing for qualifying income. Investments through or in a corporation can permit business interests to be purchased. Thus, the Partnership will seek to ensure that under its investment policy, the level of "qualifying income" received by the Partnership remains at or above this 90% level in order for the Partnership to continue to be taxed as a partnership after 1997.

Expansion of the Partnership's business purposes might also endanger

the protection of a transition rule provided in the Revenue Act of 1987, which states that a partnership which was publicly traded on December 17, 1987, as the Partnership was, will continue to be classified as a partnership through December 31, 1997, so long as it does not acquire or commence a "substantial new line of business." The approval of the Amendment would not, in and of itself, constitute the commencement of a "substantial new line of business." A new line of business would be considered "substantial" in the first taxable year in which either (i) the Partnership

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derives more than 15% of its gross income from, or uses more than 15% of its gross assets in, a new line of business operated by the Partnership or (ii) the Partnership conducts an activity through a corporation controlled by the Partnership or Icahn which would be substantial if conducted by the Partnership, unless the Partnership does not hold significant debt of the corporation or receive other amounts from the corporation which were deductible by it. Except as described in clause (ii) above, ownership of corporate stock is not a new line of business for these purposes. Nevertheless, even if the protection of this transition rule were lost, the Partnership could avoid taxation as a corporation by meeting the 90% qualifying income test noted above.

Assuming the Partnership continues to be taxed as a partnership, asset dispositions or other gains made on investments of the Partnership, whether real estate related or not, may result in additional income which will be allocated to Unitholders and included in their income whether or not they receive cash distributions. In December 1995, the Partnership announced that it plans to continue to apply available Partnership operating cash flow to repayment of maturing indebtedness, tenant requirements and other capital expenditures and creation of cash reserves for contingencies facing the Partnership, including environmental matters and scheduled lease expirations. As a result, the Partnership does not expect to make any distributions in 1996 and, therefore, Unitholders may be required to recognize taxable income and gain even though they will not receive a cash distribution. The Partnership plans to reconsider the issue after the close of its 1996 fiscal year.

In addition, while the terms of the Prudential Loan do not directly prohibit the Partnership from amending the Partnership Agreement as proposed herein, investments in certain types of assets that may be considered non-income producing are restricted thereunder. Therefore, the Partnership will continue to structure investments, in the absence of a waiver or amendment to the Prudential Loan, such that the Partnership will continue to be in compliance with the restrictive covenants contained in the Prudential Loan. It should be noted that the Prudential Loan, as executed, generally does not take into account the possibility that the Partnership might invest in non-real estate related assets other than short-term cash-type investments, and does not specifically deal with the investments described herein. Following the scheduled payment in May 1996, approximately \$22,616,000 remains outstanding under the Prudential Loan. While the Partnership may prepay in full the Prudential Loan, to date, the Partnership has been unable to negotiate favorable terms for such prepayment.

In addition to the possible consequences discussed above, Unitholders should consider the risks related to non-real estate investments set forth under "RISKS RELATED TO NON- REAL ESTATE INVESTMENTS" above.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

As of July 23, 1996, High Coast owned [12,991,312] Depositary Units, or approximately 50.6% of the outstanding Depositary Units and [1,828,772] Preferred Units or approximately [88.2]% of the outstanding Preferred Units. Icahn may also be deemed to be the beneficial owner of the 147,390 Depositary Units owned of record by API Nominee Corp. ("Nominee") (the Units owned by Nominee are Depositary Units of holders who have not yet exchanged their

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limited partner interests) which, in accordance with state law, are in the process of being turned over to the relevant state authorities as unclaimed property; however, Icahn disclaims such beneficial ownership.

As of July 23, 1996, there were 25,666,640 Depositary Units outstanding. Each Unitholder is entitled to one vote per Depositary Unit held. As of July 23,

1996, to the best knowledge of the Partnership, Wellington Management Company, a Massachusetts corporation, which filed a Schedule 13-G on January 26, 1996, owns [1,526,546] Depository Units, or approximately [5.95]% of the outstanding Depository Units.

The following table provides information, as of July 23, 1996, as to the beneficial ownership of the Depository Units and Preferred Units of the Partnership for each director of the General Partner, and all directors and executive officers of the General Partner as a group.

Name of Beneficial Owner	Beneficial Ownership of Depository Units	Percent of Class	Beneficial Ownership of Preferred Units	Percent of Class
Carl C. Icahn(1)	12,991,312	50.6%	[1,828,772]	[88.2]%
All directors and executive officers as a group (5 persons)	12,991,312	50.6%	[1,828,772]	[88.2]%

(1) Icahn, through High Coast may also be deemed to be the beneficial owner of the 147,390 Depository Units owned of record by Nominee, which in accordance with state law are in the process of being turned over to the relevant state authorities as unclaimed property; however, Icahn disclaims such beneficial ownership. The foregoing is exclusive of a 1.99% ownership interest in the Partnership which the General Partner holds by virtue of its 1% General Partner interest in each of the Partnership and the Subsidiary, but inclusive of the Depository Units High Coast acquired through the Rights Offering.

The affirmative vote of Unitholders holding more than 75% of the total number of all Units then outstanding, including Depository Units held by the General Partner and its affiliates, is required to remove the General Partner. Thus, since Icahn, through High Coast, holds approximately 50.6% of the Depository Units outstanding, the General Partner will not be able to be removed pursuant to the terms of the Partnership Agreement without Icahn's consent. Moreover, under the Partnership Agreement, the affirmative vote of the General Partner and Unitholders owning more than 50% of the total number of all outstanding Depository Units then held by Unitholders, including High Coast, is required to approve, among other things, selling or otherwise disposing of all or substantially all of the Partnership's assets in a single sale or in a related series of multiple sales, dissolving the Partnership or electing to continue the Partnership in certain instances, electing a successor general partner, making certain amendments to the Partnership Agreement or causing the Partnership, in its capacity as sole limited partner of the Subsidiary, to consent to certain proposals submitted for the approval of the limited partners of the Subsidiary. Accordingly, as High Coast holds in excess of 50% of the Depository Units outstanding, Icahn, through High Coast, has effective control over such approval rights.

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Mark H. Rachesky, M.D., ended employment with Icahn and affiliates in June 1996, and resigned as an officer and director of the General Partner. Dr. Rachesky did not indicate to the Partnership any disagreement with the Partnership on any matter relating to its operations, policies or practices. As Dr. Rachesky's resignation was effective prior to the Board actions referred to below taken at its June 17th meeting, he did not participate therein.

CONFLICTS OF INTEREST

Icahn, in his capacity as majority Unitholder, will not receive any additional benefit with respect to distributions and allocations of profits and losses not shared on a pro rata basis by all other Unitholders as a result of the Amendment. In addition, Icahn has confirmed to the Partnership that neither he nor any of his affiliates will receive any fees from the Partnership in consideration for services rendered in connection with non-real estate related investments by the Partnership. However, Icahn's approval of the amendment to

the Partnership Agreement and selection of non-real estate investments may be influenced by factors other than the best interests of the Partnership and maximization of Unitholder value. Such factors may include, but are not limited to, whether Icahn or his affiliates have independent investments in such assets which may benefit from investments by the Partnership. In addition, the Partnership may enter into other transactions with the General Partner and its affiliates, including, without limitation, buying and selling assets from or to the General Partner or its affiliates and participating in joint venture investments in assets with the General Partner or its affiliates, whether real estate or non-real estate related, provided the terms of such transactions are fair and reasonable to the Partnership. Furthermore, it should be noted that the Partnership Agreement provides that the General Partner and its affiliates are permitted to have other business interests and may engage in other business ventures of any nature whatsoever, and may compete directly or indirectly with the business of the Partnership. Icahn and his affiliates currently invest in and perform investment management services with respect to assets that are similar to those the Partnership may invest in and intend to continue to do so; pursuant to the Partnership Agreement, however, the Partnership shall not have any right to participate therein or receive or share in any income or profits derived therefrom.

The Audit Committee meets on an annual basis, or more often if necessary, to review any conflicts of interest which may arise and will continue to be charged with reviewing and approving any conflicts of interest that may arise in connection with transactions entered into with Icahn and his affiliates, including the Partnership's participation in joint investments with Icahn and his affiliates.

EXPENSE OF PROPOSED AMENDMENT

The Partnership will bear the cost of preparing this Information Statement and all other costs incurred in connection with the proposed Amendment.

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NO DISSENTERS' RIGHTS OF APPRAISAL

Under Delaware law, no dissenter's rights (i.e., rights of non-consenting security holders to exchange interests in the Partnership for payment of their fair value) are available to any Unitholder of the Partnership, regardless of whether such Unitholder has consented to the adoption of the Amendment. Further, the Partnership Agreement does not provide appraisal rights for an amendment to the purpose clause of the Partnership Agreement, and therefore the Unitholders dissenting from an amendment passed by at least a Majority Interest would not be entitled to same.

AUDIT COMMITTEE APPROVAL

The Audit Committee, consisting of directors Messrs. Alfred D. Kingsley, William A. Leidesdorf and Jack G. Wasserman, acting independently of the Partnership's management, in March 1996 commissioned a report addressed to them from Coopers & Lybrand L.L.P. regarding the views of the Partnership's management that the Partnership's traditional business, net lease transactions, had become increasingly competitive with declining returns and that, with respect to the real estate markets, the Partnership should continue to explore other investment opportunities including those being pursued by the Partnership as described elsewhere herein. The report of Coopers & Lybrand L.L.P. to the Audit Committee confirmed this view. The report also confirmed management's view that real estate investment conditions are now different than they were 12 or 24 months ago, and that the availability of capital and competition has increased significantly, making it more difficult to earn higher yields sought by the Partnership.

In this context, the Audit Committee members had informal preliminary discussions among themselves regarding the possibility of the Partnership investing its funds in non-real estate assets in order to protect and further the best interests of the Partnership and its Unitholders and diversify its assets. Thereafter, at a meeting of the Audit Committee on May 21, 1996, the Audit Committee determined to discuss the matter with the other directors, and to hire independent counsel to advise the Audit Committee in this regard. The full Board met on May 30, 1996 and discussed the possibility of the Partnership investing its funds in non-real estate related assets. Thereafter, the Audit Committee requested and received additional information from Coopers & Lybrand L.L.P. and the Partnership's management relating to the difficulties facing the

Partnership in acquiring real estate assets on terms acceptable to management in the current real estate market and information from Mr. Icahn and affiliates regarding their investment performance and potential conflicts of interest. At the June 17, 1996 full Board meeting, the Audit Committee, upon further discussions with the Partnership's management, the Partnership's counsel, the Audit Committee's counsel and Coopers & Lybrand L.L.P., unanimously approved the Amendment and determined that the amendment of the Partnership Agreement to permit it, while remaining in the real estate business and continuing to pursue suitable investments for the Partnership in the real estate markets, to include non-real estate related investments by permitting the Partnership 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, was in the best interests of the Partnership and its Unitholders.

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Thereafter, the full Board unanimously approved the Amendment as well. While Mr. Icahn did not participate in the separate meetings and discussions of the Audit Committee, he did participate in the full Board meetings. The Board was fully informed of Mr. Icahn's interest in the Partnership and the Amendment, and Mr. Icahn answered questions from the other Board members with respect to his interest and potential conflicts.

In determining to authorize the Amendment as described above, the Board considered a number of factors. Those factors included the long-term strategic plans of the Partnership relating to the enhancement of Unitholder value, the current real estate market and the investment opportunities available in real estate, the changes in investment opportunities that have arisen over the recent months, the possibilities for comparable or higher returns on the Partnership's funds through non-real estate investments, the potential conflicts of interest and possibility of self-dealing as a result of Icahn or his affiliates performing services for the Partnership or investing in joint investment opportunities in respect of such assets, and the potential risks involved.

ADDITIONAL INFORMATION

Any questions regarding this Information Statement may be directed to John P. Saldarelli, Secretary of the General Partner, at the following telephone numbers: (914) 242-7700 or (800) 255-AREP.

/s/ JOHN P. SALDARELLI

By order of the Board of Directors,
John P. Saldarelli, Secretary

July 23, 1996

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APPENDIX A

AMENDMENT NO. 2

TO

AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT

OF

AMERICAN REAL ESTATE PARTNERS, L.P.
(A DELAWARE LIMITED PARTNERSHIP)

AMENDMENT NO. 2 ("Amendment No. 2") to the Amended and Restated Limited Partnership Agreement (the "Partnership Agreement") of American Real Estate Partners, L.P. (the "Partnership"), dated as of July 23, 1996, by and among American Property Investors, Inc., a Delaware corporation, as general partner (the "General Partner"), and all other persons and entities who are or shall in the future become limited partners (the "Limited Partners") of the Partnership. Except as otherwise indicated, all capitalized terms used herein have the meaning ascribed to such terms in the Partnership Agreement.

WITNESSETH:

WHEREAS, the Partnership desires to expand its business purposes to permit it to invest in securities not necessarily related to real estate; and

WHEREAS, the Partnership has obtained the written consent of High Coast Limited Partnership, as beneficial holder of more than 50% of the outstanding depositary units representing limited partner interests in the Partnership (the "Depositary Units").

NOW, THEREFORE, the parties hereby agree as follows:

1. Section 3.01 of the Partnership Agreement is hereby amended and restated in its entirety to read as follows:

"3.01. Purposes and Business.

The purposes of the Partnership shall be (a) to directly or indirectly invest in, acquire, own, hold, manage, operate, sell, exchange and otherwise dispose of interests in real estate (including without limitation, a limited partner interest in the Operating Partnership) and securities of any type and description now or hereafter in existence, whether or not related to interests in real estate, and (b) to enter into any lawful transaction and engage in any lawful activities related or incidental thereto or in furtherance of the foregoing purposes (including, without

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limitation, any transaction or activity outside the normal scope of the Partnership's business), provided that the Partnership will conduct its activities so as not to be considered an investment company under the Investment Company Act of 1940, as amended."

2. Except as expressly amended hereby, all other provisions of the Partnership Agreement shall continue in full force and effect.

3. This Amendment No. 2 shall become effective as of the date hereof upon its execution by all parties hereto.

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IN WITNESS WHEREOF, the undersigned have evidenced their adoption and ratification of the foregoing Amendment No. 2 to the Partnership Agreement of the Partnership and have duly executed this Amendment No. 2, or have caused this Amendment No. 2 to be duly executed on their behalf, as of the day and year first hereinabove set forth.

General Partner:

AMERICAN PROPERTY INVESTORS, INC.

By: _____

Name: John P. Saldarelli

Title: Vice President

Limited Partners:

By: American Property Investors, Inc.
(attorney-in-fact)

By: _____

Name: John P. Saldarelli

Title: Vice President

[Amendment No. 2 to Partnership Agreement of AREP]

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APPENDIX B

WRITTEN ACTION OF

THE MAJORITY UNITHOLDER OF

AMERICAN REAL ESTATE PARTNERS, L.P.

The undersigned, being the beneficial owner of 50.6% of the outstanding Depositary Units of American Real Estate Partners, L.P., a Delaware limited partnership (the "Partnership"), does hereby adopt, confirm and ratify the following resolution by written consent pursuant to the provisions of Section 14.13 of the Amended and Restated Limited Partnership Agreement (the "Partnership Agreement") of the Partnership:

RESOLVED, that the amendment to the Partnership Agreement set forth on Appendix A hereto and duly proposed by American Property Investors, Inc., as the general partner of the Partnership, be, and it hereby is, adopted, affirmed and approved in all respects; and

RESOLVED further, that the adoption of an amendment equivalent in substance to the amendment attached hereto as Appendix A, making conforming amendments to the "purposes" paragraph of the OLP Partnership Agreement (as defined in the Partnership Agreement), be, and it hereby is, approved.

This Written Action shall be effective when signed by the undersigned and filed in the minute book, whereupon it shall constitute the act of the majority Unitholder of the Partnership.

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IN WITNESS WHEREOF, the undersigned has executed this Written Action as of this ____ day of August, 1996.

HIGH COAST LIMITED PARTNERSHIP

By: American Property Investors, Inc.,
General Partner

By: _____
Name: John P. Saldarelli
Title: Vice President

[Written Action of majority Unitholder of AREP
authorizing purpose amendment to Partnership Agreement]

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