SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003

OR

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

FOR THE TRANSITION PERIOD FROM __________ TO __________

COMMISSION FILE NUMBER 1-9516

AMERICAN REAL ESTATE PARTNERS, L.P.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

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

(914) 242-7700
(AREP'S TELEPHONE NUMBER, INCLUDING AREA CODE)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Depositary Units Representing Limited Partner Interests	New York Stock Exchange
5% Cumulative Pay-in-Kind Redeemable Preferred Units Representing Limited Partner Interests	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:
None

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [x]

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

Based upon the closing price of Depositary Units on March 1, 2004, as reported on the New York Stock Exchange Composite Tape (as reported by The Wall Street Journal), the aggregate market value of AREP's Depositary Units held by nonaffiliates of AREP as of such date was $92,277,546.

Based upon the closing price of Preferred Units on March 1, 2004, as reported on the New York Stock Exchange Composite Tape (as reported by The Wall Street Journal), the aggregate market value of AREP's Preferred Units held by nonaffiliates of AREP as of such date was $11,545,345.

Number of Depositary Units outstanding as of March 1, 2004:	46,098,284
Number of Preferred Units outstanding as of March 1, 2004:	9,796,607

PART I

ITEM 1. BUSINESS.

INTRODUCTION

American Real Estate Partners, L.P. ('AREP' or the 'Company') is a master limited partnership formed in Delaware on February 17, 1987. Pursuant to an exchange offer (the 'Exchange Offer') which was consummated on July 1, 1987, AREP acquired the real estate and other assets, subject to the liabilities, of thirteen limited partnerships (the 'Predecessor Partnerships'). The Predecessor Partnerships acquired such assets between 1972 and 1985. A registration statement on Form S-4 relating to the Exchange Offer (Registration No. 33-13943) was filed with the Securities and Exchange Commission (the 'SEC') and declared effective May 18, 1987.

AREP's general partner is American Property Investors, Inc. (the 'General Partner'), a Delaware corporation, which is a wholly owned subsidiary of Becton Corp., a Delaware corporation. All of the outstanding capital stock of Becton Corp. is owned by Carl C. Icahn ('Icahn'). The General Partner's principal business address is 100 South Bedford Road, Mt. Kisco, New York 10549, and its telephone number is (914) 242-7700. AREP's business is conducted through a subsidiary limited partnership, American Real Estate Holdings Limited Partnership (the 'Subsidiary' or 'AREH'), in which AREP owns a 99% limited partnership interest. The General Partner also acts as the general partner for the Subsidiary. The General Partner has a 1% general partnership interest in each of AREP and the Subsidiary. References to AREP herein include the Subsidiary, unless the context otherwise requires. As of March 1, 2004, affiliates of Icahn owned 39,896,836 units representing AREP limited partner interests (the 'Depositary Units'), representing approximately 86.5% of the outstanding Depositary Units, and 8,477,139 cumulative pay in kind redeemable preferred units representing AREP limited partner interests (the 'Preferred Units'), representing approximately 86.5% of the outstanding Preferred Units. See Item 12 -- 'Security Ownership of Certain Beneficial Owners and Management.'

GENERAL DESCRIPTION OF BUSINESS

The Company and its consolidated subsidiaries are engaged in, rental real estate operations; hotel, casino and resort operations; land, house and condominium development; participation in and management of oil and gas properties; and investment in securities, including investment in equity and debt securities. As of March 1, 2004, AREP owned 121 separate real estate assets primarily consisting of fee and leasehold interests in 28 states. For additional information, see Item 2 -- 'Properties.' The Company intends to operate its business in such a manner that the Company will not be deemed to be an investment company under the Investment Company Act of 1940, as amended (the '1940 Act').

AREP's primary business strategy in recent years has been to seek to acquire undervalued assets, including land parcels for future residential and commercial development, commercial properties, assets in the gaming and entertainment industries, 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, debt or equity securities of companies which may be undergoing restructuring and sub-performing properties that may require active asset management and significant capital improvements. In addition to holding real property, AREP may consider the acquisition or seek effective control of land development companies and other real estate operating companies which may have a significant inventory of assets under development, as well as experienced personnel. As noted below, AREP is attempting to market its rental real estate portfolio. It intends to use the proceeds from real estate asset sales to attempt to further diversify its business operations outside of real estate, including but not limited to sectors such as insurance and oil and gas and gaming, as well as in real estate if opportunities to do so at favorable prices are found. No assurance can be given that either the attempt to market the real estate portfolio will be successful or that, if successful, the proceeds from such asset sales can be used to acquire businesses and investments at prices or at projected returns which are deemed favorable.

Historically, the properties owned by AREP have been primarily office, retail, industrial, residential and hotel properties. Many of the real estate assets currently owned by AREP were acquired from the Predecessor Partnerships and such assets generally are net-leased to single, corporate tenants.

Due to favorable real estate market conditions and the mature nature of the Company's real estate portfolio, AREP has engaged CB Richard Ellis, Inc., a national real estate brokerage company, to assist it in obtaining offers for its rental real estate portfolio. In total, the Company is currently marketing for sale properties with a book value aggregating approximately $340 million, which are individually encumbered by mortgage debt which in the aggregate totals approximately $180 million. There can be no assurances that the Company will be successful in obtaining purchase offers at acceptable prices or that sales will be concluded. By the end of the year 2006, net leases representing approximately 22% of AREP's net annual rentals from its real estate portfolio or approximately 2.1% of AREP's total revenues for 2003 will be due for renewal, and by the end of the year 2008, net leases representing approximately 31% of AREP's net annual rentals or approximately 3% of AREP's total revenues for 2003 will be due for renewal. Since many of AREP's properties are net-leased to single corporate tenants, it may be difficult to sell those properties that existing tenants decline to re-let.

Depending upon the tax basis of any properties being sold by the Company and their sales price, the Company may recognize substantial taxable gain in the year in which such properties are sold. Each Depositary Unitholder will be taxed on the Unitholder's allocable gain from such sales (as adjusted for such Unitholder's particular circumstances including the price paid and the purchase date of the units). AREP believes there will be favorable opportunities to utilize the proceeds from such sales. Therefore, it is AREP's intention not to distribute any portion of the sales proceeds to the Unitholder.

For each of the years ended December 31, 2003, 2002 and 2001, no single real estate asset or series of assets leased to the same lessee accounted for more than 10% of the gross revenues of AREP. However, at December 31, 2003, 2002 and 2001, Portland General Electric Company ('PGEC') occupied a property (the 'PGEC Property') which represented approximately 14% of the carrying value of AREP's total real estate assets leased to others. The PGEC property is currently under contract of sale. The sale is subject to purchaser being satisfied with its due diligence and to other conditions, and, as a result, may never be consummated. See Item 2 -- 'Properties.'

Management believes that while there are still opportunities available to acquire investments that are undervalued, acquisition opportunities in the real estate market for value-added investors have become competitive to source and the increased competition may have some impact on the spreads and the ability to find quality assets that provide returns that are sought. These investments may not be readily financeable and may not generate immediate positive cash flow for AREP. There can be no assurance that any asset acquired by AREP, whether in the real estate sector or otherwise, will increase in value or generate positive cash flow. AREP intends to focus on assets that it believes may provide opportunities for long-term growth and further its objective to diversify its portfolio.

AREP has in recent years made investments in the gaming industry through its ownership of Stratosphere Hotel and Casino in Las Vegas, Nevada and through its purchase of securities of the entity which owns the Sands Hotel in Atlantic City, New Jersey. A subsidiary of AREP, formed for this purpose, entered into an agreement in January 2004 to acquire two Las Vegas casino/hotels, Arizona Charlie's Decatur and Arizona Charlie's Boulder from Carl C. Icahn and an entity affiliated with Mr. Icahn, for an aggregate consideration of $125.9 million. The closing of the acquisition is subject to certain conditions, including among other things, obtaining all approvals necessary under the gaming laws. That subsidiary issued and sold debt securities aggregating $215 million in principal amount to finance the acquisition and the proceeds of such sale remain in escrow pending completion of such acquisition. The amount raised in excess of the acquisition cost and expenses will be used to repay intercompany debt and for general business purposes by AREP and its subsidiaries. AREP is considering additional gaming industry investments. Such investments may be made in the form of acquisitions from, or in joint venture or co-management with, Icahn, the General Partner or their affiliates, provided that the terms thereof are fair and reasonable to AREP.

The Company made an investment in the oil and gas industry and may consider additional energy related investments. In October 2003, AREP acquired and presently holds approximately 50.1% of the outstanding equity and all of the outstanding debt securities of National Energy Group. Inc. which it

acquired from an affiliate of Carl C. Icahn. (See Item 1 'Recent Acquisitions/Investments -- National Energy Group, Inc.').

In furtherance of its effort to diversify its holdings, AREP intends to seek other business opportunities which would include acquiring or starting businesses in sectors such, as insurance in which AREP has had no experience to date but which would be identified as potential growth areas.

Furthermore, AREP may continue to acquire real estate based assets and may continue to originate or purchase mortgage or mezzanine loans including non-performing loans. AREP may seek to acquire non-performing loans with a view to acquiring title to or control over the underlying properties. AREP also may retain purchase money mortgages in connection with its sale of portfolio properties, on such terms as the General Partner deems appropriate at the time of sale.

In August 1996, AREP amended the Partnership Agreement ('the Amendment') to permit non-real estate related acquisitions and investments which has allowed and continues to permit AREP to take advantage of investment opportunities it believes exist outside of the real estate market in order to seek to enhance Unitholder value and further diversify its assets. The equity securities in which AREP 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 AREP 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, AREP may engage in various investment techniques, such as options and futures transactions, foreign currency transactions and leveraging for either hedging or other purposes. AREP intends to conduct its activities in such a manner so as not to be deemed an investment company under the 1940 Act. Generally, this means that AREP does not intend to invest in securities as its primary business and that no more than 40% of AREP's total assets will be invested in investment securities as such term is defined in the 1940 Act. In addition, AREP intends to structure its investments so as to continue to be taxed as a partnership rather than as a corporation under the applicable publicly-traded partnership rules of the Internal Revenue Code.

All decisions with respect to the improvement, expansion, acquisition, disposition, development, management, financing or refinancing of properties or other investments are at the sole discretion of the General Partner.

PARTNERSHIP DISTRIBUTIONS

On March 15, 2004, AREP announced that no distributions on its Depositary Units are expected to be made in 2004. AREP continues to believe that it should hold and utilize in its business, rather than distribute, cash. No distributions were made in 2003, 2002 or 2001. AREP intends to continue to apply available cash flow toward its operations, repayment of maturing indebtedness, tenant requirements, investments, acquisitions and other capital expenditures. Proceeds from real estate asset sales will be utilized to attempt to further diversify its business operations outside of real estate, including but not limited to sectors such as insurance and oil and gas and gaming, as well as in real estate if opportunities to do so at favorable prices are found. AREP will seek investments that provide rates of return in excess of AREP's cost of capital. Obviously, making such acquisitions or achieving such returns cannot be assured. See Item 5 -- 'Market for AREP's Common Equity and Related Security Holder Matters -- Distributions' and Item 7 -- 'Management's Discussion and Analysis of the Financial Condition and Results of Operations -- Capital Resources and Liquidity.'

On March 31, 2003, AREP distributed to holders of record of its Preferred Units as of March 14, 2003, 466,548 additional Preferred Units. Pursuant to the terms of the Preferred Units, on February 23, 2004, AREP declared its scheduled annual preferred unit distribution payable in additional Preferred Units at the rate of 5% of the liquidation preference of $10.00. The distribution is payable March 31, 2004 to holders of record as of March 12, 2004. In February 2004, the number of authorized Preferred Units was increased to 10,400,000.

The Preferred Units are subject to redemption at the option of AREP on any payment date, and the Preferred Units must be redeemed by AREP on or before March 31, 2010. The redemption price is payable, at the option of AREP, either all in cash or by the issuance of Depositary Units, in either case,

in an amount equal to the liquidation preference of the Preferred Units plus any accrued but unpaid distributions thereon.

REAL ESTATE INVESTMENTS

As mentioned above, in selecting future real estate investments, AREP intends to focus on assets that it believes are undervalued in the real estate market, which investments may require substantial liquidity to maintain a competitive advantage. Despite the substantial capital pursuing real estate opportunities, management believes that there are still opportunities available to acquire investments that are undervalued. This may include commercial properties, land parcels for future residential and commercial development, non-performing loans and the securities of entities which own, manage or develop significant real estate assets, including limited partnership units and securities issued by real estate investment trusts ('REITS'), and debt or equity securities of companies which may be undergoing restructuring and underperforming properties that may require active asset management and significant capital improvements. Management believes that, in the current market, investments requiring some degree of active management or development activity have the greatest potential for growth, both in terms of capital appreciation and the generation of cash flow. In order to further these investment objectives, AREP may consider the acquisition, or seek the effective control, of land development companies and other real estate operating companies that may have a significant inventory of assets under development, as well as experienced personnel. This may enhance AREP's ability to further diversify its portfolio of properties and gain access to additional operating and development capabilities. Such acquisitions may include those from affiliates of the General Partner, provided the terms thereof are fair and reasonable and are approved by the Audit Committee of the Board of Directors of the General Partner, which is comprised of the General Partner's independent directors (the 'Audit Committee').

Other real estate investment opportunities AREP may pursue include entering into joint venture arrangements or providing financing to developers for the purpose of developing single-family homes, luxury garden apartments or commercial properties. Such financing may provide for a contractual rate of interest to be paid as well as providing for a participation in the profits of the development and/or an equity participation. Additionally, AREP will seek to acquire underperforming properties through outright purchase or the purchase of the debt or securities of such entities. For example, AREP may elect to establish an ownership position by first acquiring debt secured by targeted assets and then negotiate for the ownership or effective control of some or all of the underlying equity in such assets. AREP may also seek to establish a favorable economic and negotiating position through the acquisition of other rights or interests that provide it with leverage in negotiating the acquisition of targeted assets. AREP will also seek to acquire assets that are not in financial distress but due to the particular circumstances of their ownership, use or location, present substantial opportunities for development or long-term growth. AREP may also consider acquiring additional net-leased properties at appropriate yields or to effectuate tax-free exchanges.

AREP has invested and expects to continue to invest in undeveloped land and development properties. Undeveloped land and development properties involve more risk than properties on which development has been completed. Undeveloped land and development properties do not generate any operating revenue, while costs are incurred to develop the properties. In addition, undeveloped land and development properties incur expenditures prior to completion, including property taxes and development costs. Also, construction may not be completed within budget or as scheduled and projected rental levels or sales prices may not be achieved and other unpredictable contingencies beyond the control of AREP could occur. AREP will not be able to recoup any of such costs until such time as these properties, or parcels thereof, are either disposed of or developed into income-producing assets. Accordingly, the greater the length of time it takes to develop or dispose of these properties, or such parcels, the greater will be the costs incurred by AREP without the benefit of income from these properties, which may adversely affect the ability of AREP to successfully develop such properties. Furthermore, the ultimate disposition price of these properties may be less than the costs incurred by AREP with respect thereto.

AREP has made investments in assets related to the gaming industry and will consider additional investment opportunities in the gaming industry and investments in the entertainment industry. AREP, the General Partner, and the directors and officers of the General Partner have obtained licenses from the New Jersey Casino Control Commission and Nevada Gaming Commission with the exception of Keith A. Meister whose application is currently on file with the Nevada Gaming Commission. Investments in the gaming and entertainment industries involve significant risks, including those relating to competitive pressures and political and regulatory considerations. International tensions have decreased leisure travel which has negatively affected many casino properties. Also, in recent years there have been several new gaming establishments opened as well as facility expansions, providing increased supply of competitive products and properties in the industry, which may adversely affect the operating margins and investment returns. As new openings and expansion projects have been completed, supply has grown more quickly than demand in some areas, and competition has increased. Likewise, an increase in supply often leads to increases in complimentary and promotional expenses in the industry. AREP believes that these market conditions will lead some gaming and entertainment properties to become available for restructuring or purchase and will create potential investments for opportunistic buyers such as AREP, and AREP intends to pursue such additional investments in the gaming and entertainment industries.

While the increase in supply and competition in the gaming industry may provide additional investment opportunities for investors such as AREP, such investments may require additional capital expenditures and restructurings and there can be no assurance that such investments will not be adversely affected by such pressures or prove to be successful. Furthermore, federal, state and local jurisdictions from time to time consider legislation regarding the gaming industry which could adversely impact gaming operations. AREP believes, however, that investments in the gaming industry provide AREP with opportunities for long term appreciation.

While AREP believes opportunities in real estate related acquisitions continue to remain available, such acquisition opportunities for value-added investors are competitive to source and the increased competition may have some impact on the spreads and the ability to find quality assets that provide attractive returns. These investments may not be readily financeable and may not generate immediate positive cash flow for AREP. As such, they require AREP to maintain a strong capital base in order to react quickly to these market opportunities as well as to allow AREP the financial strength to develop or reposition these assets. While this may impact cash flow in the near term and there can be no assurance that any asset acquired by AREP will increase in value or generate positive cash flow, AREP intends to focus on assets that it believes may provide opportunities for long-term growth and further its objective to diversify its business.

NON-REAL ESTATE RELATED INVESTMENTS

In addition to real estate investments, AREP will also invest in securities of companies that are not necessarily engaged as one of their primary activities in the ownership, development or management of real estate. Such investments will further diversify AREP's assets and may include other business opportunities through majority owned subsidiaries. AREP will also seek to purchase undervalued securities, so as to maximize total returns consisting of current income and/or capital appreciation. Undervalued securities are those which AREP believes may have greater inherent value than indicated by their then current trading price and/or may lend themselves to 'activist' shareholder involvement. These securities may be undervalued due to market inefficiencies, may relate to opportunities wherein economic or market trends have not been identified and reflected in market value, or may include those in complex or not readily followed securities. Less favorable financial reports, lowered credit ratings, revised industry forecasts or sudden legal complications may result in market inefficiencies and undervalued situations. As is the case with real estate related investments, with regard to non-real estate related investments, AREP may determine to establish an ownership position through the purchase of debt or equity securities of such entities and then negotiate for the ownership or effective control of some or all of the underlying equity in such assets.

The equity securities in which AREP 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 AREP 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, AREP may engage in various investment techniques, such as options and futures transactions, foreign currency transactions and leveraging for either hedging or other purposes.

AREP 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 AREP does not intend to enter the business of investing in securities and that no more than 40% of AREP's total assets will be invested in securities. The portion of AREP's assets invested in each type of security or any single issuer or industry will not be limited. Investments may be made directly by AREP or indirectly through entities in which it has an interest.

RECENT ACQUISITIONS/INVESTMENTS

NOTE RECEIVABLE -- AFFILIATE

On October 17, 2003, Carl C. Icahn ('Icahn') Chairman of the Board of the General Partner, repaid the $250 million loan which had been made to him by AREP on December 27, 2001. AREP made the two-year $250 million loan to Mr. Icahn, secured by securities consisting of (i) approximately $250 million aggregate market value of AREP's units owned by Mr. Icahn and (ii) shares of a private company owned by Mr. Icahn, which shares have an aggregate book value of at least $250 million, together with an irrevocable proxy on sufficient additional shares of the private company so that the pledged shares and the shares covered by the proxy equal in excess of 50% of the private company's shares. AREP returned the collateral on October 17, 2003, the date the loan was repaid. The interest on the loan was payable semi-annually, at a per annum rate equal to the greater of (i) 3.9% and (ii) 200 basis points over 90 day LIBOR to be reset each calendar quarter. The applicable rate in 2003 was 3.9% and in 2002 ranged from 3.9% to 4.03%. Interest income of approximately $7.9 million and $9.9 million was earned by AREP on this loan in 2003 and 2002, respectively. AREP entered into this transaction to earn interest income on a secured investment. The terms of this transaction were reviewed and approved by the Audit Committee.

NATIONAL ENERGY GROUP, INC.

In October 2003, pursuant to a Purchase Agreement dated as of May 16, 2003, AREP acquired certain debt and equity securities of National Energy Group, Inc. ('NEG') from entities affiliated with Carl C. Icahn for an aggregate consideration of approximately $148.1 million plus approximately $6.7 million of accrued interest on the debt securities. The agreement was reviewed and approved by the Audit Committee which was advised by its independent financial advisor and legal counsel. The securities acquired were $148,637,000 in principal amount of outstanding 10 3/4% Senior Notes due 2006 of NEG (representing all of NEG's outstanding debt securities) and 5,584,044 shares of common stock of NEG. As a result of the foregoing transaction and the acquisition by AREP of additional securities of NEG prior to the closing, AREP beneficially owns in excess of 50% of the outstanding common stock of NEG.

NEG owns a 50% interest in NEG Holding LLC ('Holding LLC'). The other 50% interest in Holdings is held by an Icahn affiliate who is the managing member. Holdings owns NEG Operating LLC ('NEG Operating') which is engaged in the business of oil and gas exploration and production with properties located on-shore in Texas, Louisiana, Oklahoma and Arkansas. NEG Operating owns operating oil and gas properties managed by NEG. Under the Holdings operating agreement NEG is to receive guaranteed payments of approximately $47.9 million and a priority distribution of approximately $148.6 million before the Icahn affiliate receives any monies. Due to the substantial uncertainty that NEG will receive any distribution above the priority and guaranteed payments amounts, NEG accounts for its investment in Holdings as a preferred investment. AREP consolidates NEG in its financial statements. In accordance with generally accepted accounting principles assets transferred between entities under common control are accounted for at historical costs similar to a pooling of

interests. In August 2003, NEG entered into an agreement to manage Trans Texas Gas Corporation, an Icahn affiliate, for a fee of $312,500 per month.

HOTEL AND CASINO PROPERTIES

On January 5, 2004, American Casino & Entertainment Properties LLC ('American Casino'), an indirect wholly-owned subsidiary of the Company, entered into an agreement to acquire two Las Vegas casino/hotels, Arizona Charlie's Decatur and Arizona Charlie's Boulder from Carl C. Icahn and an entity affiliated with Mr. Icahn, for an 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 gaming laws. The terms of the transaction were approved by the Audit Committee. Upon receiving all approvals necessary under gaming laws and upon closing of the acquisition, AREH will transfer 100% of the common stock of Stratosphere Corporation ('Stratosphere') to American Casino. As a result, following the acquisition and contribution, American Casino will own and operate three gaming and entertainment properties in the Las Vegas metropolitan area.

Also, in January 2004, American Casino closed on its offering of Senior Secured Notes Due 2012. The Notes, in the aggregate principal amount of $215 million, bear interest at the rate of 7.85% per annum. The proceeds will be held in escrow pending receipt of all approvals necessary under gaming laws and certain other conditions in connection with the acquisition of Arizona Charlie's Decatur and Boulder. American Casino intends to use the proceeds of the offering for the acquisition and to repay intercompany indebtedness and for general business purposes by AREP and its subsidiaries. See Item 1. 'Financing Activities.'

a. Stratosphere Tower Casino and Hotel

The Stratosphere, which offers the tallest free-standing observation tower in the United States, is situated on approximately 31 acres of land located at the northern end of the Las Vegas Strip. The facility is a tourist-oriented gaming and entertainment destination property, which has approximately 80,000 square feet of gaming space, 2,444 hotel rooms, eight restaurants and approximately 110,000 square feet of developed retail space. The Stratosphere features three of the most visable amusement rides in Las Vegas. In 2003, Stratosphere's revenues were approximately $163.7 million.

b. Properties Under Contract

Arizona Charlie's Decatur

Arizona Charlie's Decatur is located on approximately 17 acres of land, four miles west of the Las Vegas strip. An estimated 500,000 people live within a five-mile radius of the property. The property is easily accessible from Route 95, a major highway in Las Vegas. Arizona Charlie's Decatur contains approximately 52,000 square feet of gaming space, 258 hotel rooms, four restaurants and three bars. The property targets repeat customers from the surrounding communities. In 2003, Arizona Charlie's Decatur's revenues were approximately $67.9 million.

Arizona Charlie's Boulder

Arizona Charlie's Boulder is located on approximately 24 acres of land, seven miles east of the Las Vegas strip, near an I-515 interchange. The I-515 is the most heavily traveled east/west highway in Las Vegas. An estimated 423,000 people live within a five-mile radius of the property. Arizona Charlie's Boulder contains approximately 41,000 square feet of gaming space, 303 hotel rooms, four restaurants and a 202-space recreational vehicle park. As with the Arizona Charlie's Decatur property, the property targets repeat customers from the surrounding communities. In 2003, Arizona Charlie's Boulder's revenues were approximately $31.2 million.

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

c. Sands Hotel and Casino

The Company owns approximately 3.6 million shares of GB Holdings, Inc. ('GBH'). GBH is the holding company for the Sands Hotel and Casino (the 'Sands').

The Sands is located in Atlantic City, New Jersey on approximately 6.1 acres of land one-half block from the Boardwalk at Brighton Park between Indiana Avenue and Dr. Martin Luther King, Jr. Boulevard. The Sands facility currently consists of a casino and simulcasting facility with approximately 79,000 square feet of gaming space, a hotel with 637 rooms, and related amenities.

In July 2003, GBH announced that its Board of Directors, acting through a special committee, approved an exchange offer for the Sands debt. A wholly owned subsidiary of GBH currently has outstanding $110 million in secured notes due in September 2005, which bear interest at 11% per annum. The proposed transaction is subject to the consent of the holders of a majority in principal amount of the existing notes, the approval of stockholders owning a majority of the common stock of GBH, the effectiveness of required filings under applicable securities laws and the receipt of all required governmental and third party approvals. Mr. Icahn and his affiliated companies hold in excess of 77% of the GBH stock and 58% of the existing debt, of which the Company owns approximately 36% of the common stock and 24% of the debt. The Company and Mr. Icahn intend to support the proposed transaction.

The proposed transaction would involve the following:

An amendment to the existing note indenture to remove certain provisions and covenants and release the liens on the Sands assets; thereby allowing the transfer of these assets and those now held at GBH to a wholly-owned indirect subsidiary of GBH, Atlantic Coast Entertainment Holdings, Inc. ('Atlantic Holdings').

The solicitation of an exchange of the existing notes for new notes due September 2008, which will bear interest at 3% per annum payable at maturity.

The payment of $100 per $1,000 in principal amount of the existing notes exchanged plus accrued interest on the existing notes.

The holders of a majority of the new notes will have an option to convert all such notes into 72.5% of the Atlantic Holdings stock if all of the existing notes participate in the exchange.

The distribution to the GBH common stockholders of warrants (following the occurrence of certain events) for 27.5% of the common stock of Atlantic Holdings (on a fully diluted basis).

In connection with the foregoing, Atlantic Holdings has filed with the Securities and Exchange Commission a Registration Statement on Form S-4 (which contains a preliminary prospectus), under the Securities Act of 1933, as amended (the 'Securities Act'), to transfer substantially all of the assets of GBH to Atlantic Holdings and the registration of certain securities to be issued to the stockholders of GBH; and, also on such date, Atlantic Holdings and ACE Gaming, LLC, a newly formed wholly owned subsidiary of Atlantic Holdings, filed with the SEC, a Registration Statement on Form S-4 under the Securities Act, with respect to a consent solicitation and exchange offer with respect to the existing notes. Neither of such Registration Statements has been declared effective. GBH, Atlantic Holdings, Carl Icahn, AREP and others also filed with the SEC a Schedule 13e-3, under the Securities and Exchange Act of 1934, with respect to such transactions.

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

DEVELOPMENT PROPERTIES

In March 2000, AREP acquired Bayswater from Icahn for approximately $84.35 million. Approximately $100 million of cash has been generated from this acquisition, which is being held for investment. Bayswater, a real estate investment, management and development company, focuses primarily on the construction and sale of single-family homes, multi-family homes and residential lots in subdivisions and in planned communities. Bayswater is a subsidiary of AREP. Bayswater is currently developing four residential subdivisions in New York and Florida. In New York, Bayswater has three residential subdivisions under development with approximately 60 high end units remaining to be constructed and sold. Bayswater also has one subdivision in New York that is in the approval process for 50 townhouse units. In Naples, Florida, Bayswater owns one property comprising land zoned for 191 residential condominium units. As previously discussed, earnings from this business segment have declined sharply in 2003 as land inventory is depleted and cannot be replenished cost effectively. In 2004 sales are expected to increase moderately, however, favorable economic conditions, municipal approvals of land inventory or the purchase of approved land are required to continue this upward trend into 2005 and beyond.

In addition, AREP expects to continue to pursue the approval and development of its New Seabury property in Cape Cod Massachusetts. It is the Company's position that the proposed residential, commercial and recreational development is in substantial compliance with a special permit issued for the property in 1964. However, a regional Massachusetts planning body created in 1989, the Cape Cod Commission, concluded in January 2002 that the New Seabury development is within its jurisdiction for review and approval (the 'Administrative Decision'). In February 2002, New Seabury Properties LLC, an AREP subsidiary and owner of the property, filed a civil complaint in Barnstable County Massachusetts Superior Court appealing the Administrative Decision by the Cape Cod Commission.

In November 2003, the Court ruled in New Seabury's favor on its July 2003 motion for partial summary judgment, finding that the special permit remains valid and that the modified development proposal is in substantial compliance with the Special Permit and therefore exempt from the Cape Cod Commission's jurisdiction (the Court did not yet rule on the initial proposal). Under the modified development proposal New Seabury could potentially develop up to 278 residential units and 145,000 square feet of commercial space. In March 2004, New Seabury moved for Summary Judgment to dispose of remaining claims under all three complaints and to obtain a final judgment from the Court. Under the initial proposal, New Seabury could potentially build up to 675 residential/hotel units and 80,000 square feet of commercial space. The Company cannot predict the effect on the development process if it loses any appeal or if the Cape Cod Commission is ultimately successful in asserting jurisdiction over any of the development proposals. See Item 3. 'Legal Proceedings.'

PROPERTY TRANSACTIONS

Due to favorable real estate market conditions and the mature nature of the Company's real estate portfolio, AREP has engaged C.B. Richard Ellis, Inc. to assist it in obtaining offers for its rental real estate portfolio. AREP intends to utilize proceeds from any asset sales to continue to diversify its operations through acquisition and investment in the casino and entertainment sectors and energy industry as well as other businesses possibly including insurance, and additional real estate opportunities seeking to achieve higher rates of return than the current portfolio. In total, the Company is marketing for sale properties with a book value of approximately $340 million individually encumbered by mortgage debt which in the aggregate is approximately $180 million. There can be no assurances that offers satisfactory to AREP will be received and if received that the properties will ultimately be sold at prices acceptable to AREP.

At March 1, 2004, the Company had 31 properties under contract or as to which letters of intent had been executed by the potential purchaser, all of which contracts or letters of intent are subject to purchaser's due diligence and other closing conditions. Selling prices for the properties covered by the contracts or letters of intent would total approximately $277 but the properties are encumbered by aggregate mortgage debt of approximately $144 million which would have to be repaid out of the proceeds of the sales. At December 31, 2003, the carrying value of these properties is approximately

$207 million. In 2003, net income from these properties totalled approximately $4.7 million; interest expense was approximately $11 million; and depreciation and amortization expense was approximately $3.4 million. In accordance with generally accepted accounting principles, only the real estate operating properties under contract or letter of intent, but not the financing lease properties were reclassified to 'Properties Held for Sale' and the related income and expense reclassified to 'Income from Discontinued Operations.'

In October 2003, AREP sold a property located in Columbia, Maryland to its tenant for approximately $11 million, recognizing a gain of approximately $5.8 million.

In January 2004, the Company sold five properties tenanted by Alabama Power to its tenant for approximately $10.9 million, recognizing a gain of approximately $6.0 million. Also in January 2004, AREP sold a grocery-anchored shopping center located in Audubon, New Jersey for approximately $7.3 million, recognizing a gain of approximately $6.8 million.

In conjunction with AREP's reinvestment program, in January 2004, the Company purchased a 34,422 square foot commercial condominium unit located in

New York City for approximately $14.5 million. The unit contains a Citibank branch, a furniture store and a restaurant. The annual net operating income is anticipated to be approximately $1 million. AREP is seeking financing for this property.

MEZZANINE LOANS

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

a. In the fourth quarter of 2003, the Company received approximately $19 million of condominium sales proceeds from a mezzanine loan on a Florida condominium property. The Company had advanced $12.2 million to the developer. The balance of the payment represents accrued interest of approximately $6.8 million which was recognized as interest income in the year ended December 31, 2003.

b. At December 31, 2003, AREP had funded two mezzanine loans for approximately $42 million and had commitments to fund, under certain conditions, additional advances of approximately $20 million. One loan in the amount of $31 million is for a Florida condominium development. The second loan in the amount of $11 million is for a New York City hotel with approximately 200 rooms which was completed in November, 2003. At December 31, 2003, accrued interest of approximately $11 million has been deferred for financial statement purposes, pending receipt of principal and interest payments. These loans are due in 2005.

OTHER INVESTMENTS

The Company owned equity and debt securities of Philip Services Corp. ('Philip'). In June 2003, Philip announced that it and most of its wholly owned U.S. subsidiaries filed voluntary petitions under Chapter 11 of the Federal Bankruptcy Code.

In 2003, prior to the bankruptcy filing, management of the Company determined that it was appropriate to write-off the balance of its investment in Philip common stock by a charge to earnings of approximately $961,000.

The Company also owned Philip Term and Payment-in-kind notes in the principal amount of approximately $32.7 million; the cost basis of the notes was approximately $22.1 million. For the second quarter of 2003, management of the Company reviewed Philip's financial statements, bankruptcy documents and the prices of recent purchases and sales of the notes and determined this investment to be impaired. Based upon this review, management concluded the fair value of the notes to be

approximately $3.3 million; therefore, the Company recorded a write-down of approximately $18.8 million by a charge to earnings in the second quarter of 2003. In December 2003, the Company sold to an unaffiliated third party, approximately $20 million in principal amount of the Notes for approximately $2.6 million recognizing a gain on sale of approximately $438,000. Philip emerged from bankruptcy on December 31, 2003 as a private company controlled by an Icahn affiliate. AREP's remaining interest in the notes will be delivered and exchanged for approximately 443,000 common shares representing a 4.4% equity interest in the new Philip valued at the carrying value of the debt at December 31, 2003 of approximately $1.1 million.

At December 31, 2003, AREP had investments of approximately $80.5 million in marketable equity and debt securities, including approximately $24.7 million of Sands notes and $51.6 million of corporate bonds. At March 3, 2004, approximately $23 million cost basis of the corporate bonds were sold for approximately $38 million representing a gain of approximately $15 million which will be recognized in the first quarter of 2004.

FINANCING ACTIVITIES

In January 2004, American Casino closed on its offering of Senior Secured Notes Due 2012. The Notes, in the aggregate principal amount of $215 million, bears interest at the rate of 7.85% per annum. The proceeds will be held in escrow pending receipt of all approvals necessary under gaming laws and certain other conditions in connection with the acquisition of Arizona Charlie's Decatur and Boulder. If the acquisition is not consummated by August 31, 2004, then the notes will be redeemed at a price equal to 100% of the aggregate principal amount of the notes, plus accrued interest to the date of redemption.

The notes will be recourse only to, and will be secured by a lien on the assets of, American Casino and its subsidiaries. The Notes will restrict the ability of those companies, subject to the exceptions set forth in the notes, to: incur additional debt; pay dividends and make distributions; make certain investments; repurchase stock; create liens; enter into transactions with affiliates; enter into sale and leaseback transactions; merge or consolidate; and transfer, lease or sell assets.

In May 2003, the Company executed a mortgage note secured by a distribution facility located in Windsor Locks, Connecticut and obtained funding in the principal amount of $20 million. The loan bears interest at 5.63% per annum and matures on June 1, 2013. Annual debt service is approximately $1,382,000 per annum based on a 30 year amortization schedule.

LEASING ACTIVITIES

In 2003, seventeen leases covering seventeen properties and representing approximately $2.2 million in annual rentals expired. Twelve leases originally representing $1.6 million in annual rental income were renewed for $1,388,000 in annual rentals. Such renewals are generally for a term of five years. Five properties with annual rental income of $613,000 were not renewed.

In 2004, eleven leases covering eleven properties representing approximately $1.8 million in annual rentals are scheduled to expire. Eight leases representing approximately 1.5 million in annual rentals were renewed for approximately $1,458,000. Such renewals are generally for a term of five years. Three properties with annual rentals of approximately $320,000 have not been renewed.

By the end of the year 2006, net leases representing approximately 22% of AREP's net annual rentals from its real estate portfolio or approximately 2.1% of AREP's total revenues for 2003 will be due for renewal, and by the end of the year 2008, net leases representing approximately 31% of AREP's net annual rentals or approximately 3% of AREP's total revenues for 2003 will be due for renewal. In many of these leases, the tenant has an option to renew at the same rents they are currently paying and in many of the leases the tenant also has an option to purchase the property. AREP believes that tenants acting in their best interests will renew those leases which are at below market rents, and permit leases for properties that are less marketable (either as a result of the condition of the property or its location) or are at above-market rents to expire. AREP expects that it may be difficult and time consuming to re-lease or sell those properties that existing tenants decline to re-let or purchase and that AREP may be required to incur expenditures to renovate such properties for new tenants. AREP also may become responsible for the payment of certain operating expenses, including maintenance, utilities,

taxes, insurance and environmental compliance costs associated with such properties which are presently the responsibility of the tenant.

BANKRUPTCIES AND DEFAULTS

AREP is aware that 19 of its present and former tenants have been or are currently involved in some type of bankruptcy or reorganization. Under the Bankruptcy Code, a tenant may assume or reject its unexpired lease. In the event a tenant rejects its lease, the Bankruptcy Code limits the amount of damages a landlord, such as AREP, is permitted to claim in the bankruptcy proceeding as a result of the lease termination. Generally, a claim resulting from a rejection of an unexpired lease is a general unsecured claim. When a tenant rejects a lease, there can be no assurance that AREP will be able to re-let the property at an equivalent rental. As a result of tenant bankruptcies, AREP has incurred and expects, at least in the near term, to continue to incur certain property expenses and other related costs. Thus far, these costs have consisted largely of legal fees, real estate taxes and property operating expenses. Of AREP's 19 present and former tenants known to be involved in bankruptcy proceedings or reorganization, 14 have rejected their leases, affecting 37 properties, all of which have been vacated. These rejections have had an adverse impact on annual net cash flow (including both the decrease in revenues from lost rents, as well as increased operating expenses).

INSURANCE

AREP carries customary insurance for its properties and business segments. However AREP does not insure net lease properties where the tenant provides appropriate amounts of insurance. AREP determines on a property by property basis whether or not to obtain terrorism insurance coverage.

ENVIRONMENTAL MATTERS

Under various federal, state and local laws, ordinances and regulations, an owner or operator of real property may become liable for the costs of removal or remediation of certain hazardous substances released on or in its property. Such laws often impose such liability without regard to whether the owner or operator knew of, or was responsible for, the release of such hazardous substances. If any such substances were found in or on any property invested in by AREP, AREP could be exposed to liability and be required to incur substantial remediation costs. The presence of such substances or the failure to undertake proper remediation may adversely affect the ability to finance, refinance or dispose of such property. AREP will generally require that properties in which AREP invests will be subject to a Phase I environmental site assessment, which involves record review, visual site assessment and personnel interviews, but does not involve invasive procedures such as air and soil sampling or groundwater analysis. There can be no assurance, however, that these evaluations will reveal all potential liabilities or that future property uses or conditions or changes in applicable environmental laws and regulations or activities at nearby properties will not result in the creation of environmental liabilities with respect to a property.

Additionally, pursuant to the Resource Conservation and Recovery Act 42 U.S.C. 'SS'SS' 9601, et seq. and the regulations promulgated thereunder ('RCRA') certain owners, operators and other parties in control of a property that has a non-exempt underground storage tank ('UST') were required to remove, replace, retrofit or take such tanks out of service by December 22, 1998. AREP notified its tenants of the RCRA requirements. AREP believes that under the terms of its net leases with its tenants, the cost of, and obligation to comply with, this RCRA requirement generally would be the responsibility of its tenant. Furthermore, with respect to vacated properties and prior lease terminations, there cannot be any assurance that AREP would not be deemed responsible for this RCRA requirement. However, there also can be no assurance that a tenant will bear the costs of, or undertake compliance with, this RCRA requirement.

Most of AREP's properties continue to be net-leased to single corporate tenants, and AREP believes these tenants would be responsible for any environmental conditions existing on the properties they lease. Normally, therefore, such conditions should not have a material adverse effect on the financial statements or competitive position of AREP. Many of the properties acquired by AREP in

connection with the Exchange Offer were not subjected to any type of environmental site assessment at the time of the acquisition. Consequently, AREP undertook to have Phase I Environmental Site Assessments completed on most of its properties. AREP believes that under the terms of its net leases with its tenants, the costs of any environmental problems would be the responsibility of such tenants. While most tenants have assumed responsibility for the environmental conditions existing on their leased property, there can be no assurance that AREP will not be deemed to be a responsible party or that the tenant will bear the cost of remediation. Also as AREP acquires more operating properties, its exposure to environmental cleanup costs may increase.

The Phase I Environmental Assessments received on these properties inconclusively indicate that certain sites may have environmental conditions that should be further reviewed. AREP has notified the responsible tenants to attempt to ensure that they cause any required investigation and/or remediation to be performed and most tenants continue to take appropriate action. However, if the tenants fail to perform responsibilities under their leases in respect of such sites, based solely upon the consultant's preliminary estimates resulting from its Phase I Environmental Site Assessments referred to above, it is presently estimated that AREP's exposure could amount to approximately $2-3 million. However, as no Phase II Environmental Site Investigations have been conducted by AREP, there can be no accurate estimation of the need for or extent of any required remediation. AREP is in the process of updating its Phase I Site Assessments for certain of its environmentally sensitive properties including properties with open RCRA requirements. Approximately 75 updates were completed in 2003. No additional environmental conditions were uncovered.

In addition to conducting such Phase I Environmental Site Assessments, AREP has developed a site inspection program. This program is being conducted by an AREP employee (an experienced construction manager and registered architect) who visits AREP's properties and visually inspects the premises to assess the physical condition of the properties in an effort to determine whether there are any obvious indications of environmental conditions which would potentially expose AREP to liability and to ensure that the physical condition of the property is being maintained properly. There is no assurance, however, that this program will in fact minimize any potential environmental or other cost exposure to AREP.

AREP could also become liable for environmental clean-up costs if a bankrupt or insolvent tenant were unable to pay such costs. Environmental problems may also delay or impair AREP's ability to sell, refinance or re-lease particular properties, resulting in decreased income and increased cost to AREP.

OTHER PROPERTY MATTERS

Under Title III of the Americans with Disabilities Act of 1990 and the rules promulgated thereunder (collectively, the 'ADA'), in order to protect individuals with disabilities, owners and certain tenants of public accommodations (such as hotels, casinos, resorts, offices and shopping centers) must remove architectural and communication barriers which are structural in nature from existing places of public accommodation to the extent 'readily achievable' (as defined in the ADA). In addition, under the ADA, alterations to a place of public accommodation or a commercial facility are to be made so that, to the maximum extent feasible, such altered portions are readily accessible to and usable by disabled individuals.

Except for certain properties operated by AREP, the General Partner believes that the existing net leases require the tenants of many of AREP's properties to comply with the ADA. If a tenant does not comply with the ADA or rejects its lease in bankruptcy without complying with the ADA, AREP may ultimately have to bear the expense of complying with the ADA.

As AREP acquires more operating properties, it may be required to make expenditures to bring such properties into compliance with the ADA and other applicable laws.

EMPLOYEES

AREP and its consolidated subsidiaries have approximately 3,000 full and part-time employees, which number of employees fluctuates due to the seasonal nature of certain of its businesses. Most of the employees are employed by AREP's consolidated subsidiaries. Approximately 1,300 employees of

Stratosphere are covered by three collective bargaining agreements. Management believes it currently has sufficient staffing to operate effectively the day-to-day business of AREP.

COMPETITION

Competition in leasing and buying and selling real property remains strong. As previously discussed, many of AREP's tenants have rights to renew at prior rental rates. AREP's experience is that tenants will renew below market leases and permit leases that are less marketable or at above market rents to expire, making it difficult for AREP to re-let or sell on favorable terms properties vacated by tenants.

Investments in the gaming and entertainment industries involve significant competitive pressures and political and regulatory considerations. In recent years, there have been many new gaming establishments opened as well as facility expansions, providing increased supply of competitive products and properties in the industry, which may adversely affect the Company's operating margins and investment returns. The casino/hotel industry is highly competitive. Hotels located on or near the Las Vegas Strip compete primarily with other Las Vegas strip hotels and with a few major hotels in downtown Las Vegas. Stratosphere also competes with a large number of hotels and motels located in and near Las Vegas. Stratosphere's Tower competes with all other forms of entertainment, recreational activities and other attractions in and near Las Vegas and elsewhere. Many of AREP's competitors offer more products than the Company and have greater name recognition and may have greater resources.

Competition for the acquisition of approved land for development has intensified and AREP has not been able to replenish its approved land inventory. Competition for the sale of developed land, houses and condominiums is also strong in certain areas of the country. AREP and its consolidated subsidiaries compete in these areas with national real estate developers, some of which have greater financial resources than AREP.

Competition for investments of the types AREP intends to pursue has been increasing in recent years, including that from a number of investment funds and REITS that have raised capital for such investments, resulting in, among other things, higher prices for such investments. Such investments have become competitive to source and the increased competition may have an adverse impact on the spreads and AREP's ability to find quality assets at appropriate yields. While AREP believes its capital base may enable it to gain a competitive advantage over certain other purchasers of real estate by allowing it to respond quickly and make all cash transactions without financing contingencies where appropriate, there can be no assurance that this will be the case.

ITEM 2. PROPERTIES.

As of December 31, 2003, AREP owned 128 separate real estate assets (excluding Stratosphere, Bayswater and the Sands). These primarily consist of fee and leasehold interests and, to a limited extent, interests in real estate mortgages in 28 states. Most of these properties are net-leased to single corporate tenants. Approximately 81% of these properties are currently net-leased, 9% are operating properties and 10% are vacant.

The following table summarizes the type, number per type and average net effective rent per square foot of such properties:

TYPE OF PROPERTY	NUMBER OF PROPERTIES	AVERAGE NET EFFECTIVE RENT PER SQUARE FOOT(1)
Retail	51	$4.34
Industrial	19	$2.08
Office	28	$7.71
Supermarkets	12	$2.67
Banks	5	$3.20
Other	13	N/A

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(1) Based on net-lease rentals.

The following table summarizes the number of such properties in each region specified below:

LOCATION OF PROPERTY	NUMBER OF PROPERTIES
United States:	
Southeast	55
Northeast	31
South Central	4
Southwest	4
North Central	30
Northwest	4

From January 1, 2004 through March 1, 2004, AREP sold or otherwise disposed of 7 properties. In connection with such sales and dispositions, AREP received an aggregate of approximately $18,242,000 in cash, net of closing costs and amounts utilized to satisfy mortgage indebtedness which encumbered such properties.

As previously discussed, AREP is marketing for sale its rental real estate portfolio. At March 1, 2004, the Company had 31 properties under contract or letter of intent which are subject to purchaser's due diligence and other closing conditions. Selling prices for these properties total approximately $277 million and the properties are individually encumbered by mortgage debt aggregating approximately $144 million which would have to be paid by AREP out of the sale proceeds. At December 31, 2003, the carrying value of these properties is approximately $207 million. In 2003, net income from these properties totalled approximately $4.7 million; interest expense was approximately $11 million; and depreciation and amortization expense was approximately $3.4 million. In accordance with generally accepted accounting principles, only the real estate operating properties under contract or letter of intent, but not the financing lease properties were reclassified to 'Properties Held for Sale' and the related income and expense reclassified to 'Income from Discontinued Operations.'

For each of the years ended December 31, 2003, 2002, and 2001, no single real estate asset or series of assets leased to the same lessee accounted for more than 10% of the gross revenues of AREP. However, at December 31, 2003, 2002, and 2001, Portland General Electric Company ('PGEC') occupied a property, which represented approximately 14% of the carrying value of AREP's total real estate assets leased to others. PGEC is an electric utility engaged in the generation, purchase, transmission, distribution and sale of electricity. All of PGEC's common stock is owned by Enron Corp. ('Enron') which has filed for bankruptcy under Chapter 11 of the Federal Bankruptcy Code. PGEC is not included in the filing. In November 2003, Enron agreed to sell PGEC to a newly created company called Oregon Electric Utility Company, LLC. In February 2004, the Bankruptcy Court approved the sale, which will require certain regulatory approvals. AREP is not aware of any conditions of the sale that will affect PGEC's lease obligation. At December 31, 2003 and February 28, 2004, PGEC was current in its rents.

The PGEC Property is an office complex consisting of three buildings containing an aggregate of approximately 803,000 square feet on an approximate 2.7 acre parcel of land located in Portland, Oregon. The PGEC Property is net-leased to a wholly owned subsidiary of PGEC through September 30, 2018, with two ten-year and one five-year renewal options. The annual rental is $5,137,309 until 2003, $4,973,098 until 2018 and $2,486,549 during each renewal option. PGEC has guaranteed the performance of its subsidiary's obligations under the lease. The lessee has an option to purchase the PGEC Property in September of 2008, 2013 and 2018 at a price equal to the fair market value of the PGEC Property determined in accordance with the lease and is required to make a rejectable offer to purchase the PGEC Property in September 2018 for a price of

$15,000,000. A rejection of such offer will have no effect on the lease obligations or the renewal and purchase options.

AREP has entered into a contract to sell the PGEC property which is subject to the purchaser's due diligence and other conditions. The PGEC property is encumbered by mortgage debt of approximately $33.6 million which will be due on sale.

AREP owns 100% of Stratosphere. Stratosphere owns and operates the Stratosphere Tower, Casino & Hotel, located in Las Vegas, Nevada, which is centered around the Stratosphere Tower, the

tallest free-standing observation tower in the United States. The hotel and entertainment facility has 2,444 rooms and suites, a 80,000 square foot casino and related amenities. See Item 1 -- 'Recent Acquisitions/Investments.'

AREP owns, primarily through its Bayswater subsidiary, residential development properties. Bayswater, a real estate investment, management and development company, focuses primarily on the construction and sale of single-family houses, multi-family homes and residential lots in subdivisions and in planned communities. See Item 1 -- 'Recent Acquisitions/Investments.'

AREP, owns a 36% equity interest in GB Holdings, the parent company of the Sands. The Sands owns and operates the Sands Hotel and Casino, located in Atlantic City, New Jersey, containing 637 rooms and suites, a 79,000 square foot casino and related amenities. See Item 1 -- 'Recent Acquisition/Investments').

AREP owns a resort property in New Seabury, Massachusetts. The New Seabury site is comprised of two golf courses, other recreational facilities, condominium and time share units and land for future residential and commercial development. See Item 3. 'Legal Proceedings.'

ITEM 3. LEGAL PROCEEDINGS.

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

In February 2002, New Seabury Properties LLC, an AREP subsidiary and owner of the property, filed in Barnstable County Massachusetts Superior Court, a civil complaint appealing the Administrative Decision by the Commission, and a separate civil complaint to find the Commission in contempt of the Settlement Agreement. The Court subsequently consolidated the two complaints into one proceeding. In July 2003, New Seabury and the Commission filed cross motions for summary judgment.

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

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

b. Tiffiny Decorating Company ('Tiffiny'), a subcontractor to Great Western Drywall ('Great Western'), filed a legal action against Stratosphere Corporation, Stratosphere Development, LLC, American Real Estate Holdings Limited Partnership (collectively referred to as the 'Stratosphere

Parties'), Great Western, Nevada Title and Safeco Insurance, Case No. A443926 in the Eighth Judicial District Court of the State of Nevada. The legal action asserts claims that include breach of contract, unjust enrichment and foreclosure of lien. The Stratosphere Parties have filed a cross-claim against Great Western in that action. Additionally, Great Western has filed a separate legal action against the Stratosphere Parties setting forth the same disputed issues. That separate action, Case No. A448299 in the Eighth Judicial Court of the State of Nevada, has been consolidated with the case brought by Tiffiny.

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

Great Western is alleging that it is owed payment from the Stratosphere Parties for work performed and for delay and disruption damages. Great Western is claiming damages in the sum of $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 to Tiffiny and Great Western, respectively) is properly due and payable to satisfy all claims for the work performed, including the claim by Tiffiny. The remaining amount has been segregated in a separate interest bearing account. The Stratosphere Parties intend to vigorously defend the action for claims in excess of $1,004,059.

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matters were submitted to a vote of Unitholders during 2003.

PART II

ITEM 5. MARKET FOR AREP'S COMMON EQUITY AND RELATED SECURITY HOLDER MATTERS.

MARKET INFORMATION

AREP's Depositary Units are traded on the New York Stock Exchange ('NYSE') under the symbol 'ACP.' Trading on the NYSE commenced July 23, 1987, and the range of high and low market prices for the Depositary Units on the New York Stock Exchange Composite Tape (as reported by The Wall Street Journal) from January 1, 2002 through December 31, 2003 is as follows:

QUARTER ENDED:	HIGH	LOW
March 31, 2002	$ 9.45	$ 8.75
June 30, 2002	10.35	8.95
September 30, 2002	9.75	8.77
December 31, 2002	9.50	8.40
March 31, 2003	$10.94	$ 9.26
June 30, 2003	12.45	10.15
September 30, 2003	12.80	10.65
December 31, 2003	17.20	11.55

On March 1, 2004, the last sales price of the Depositary Units, as reported by the New York Stock Exchange Composite Tape (as reported by The Wall Street Journal) was $14.88.

As of March 1, 2004, there were approximately 8,400 record holders of the Depositary Units.

Since January 1, 1994, AREP has made no cash distributions with respect to the Depositary Units.

DISTRIBUTIONS

On March 15, 2004, AREP announced that no distributions on its Depositary Units are expected to be made in 2004. AREP continues to believe that it should hold and utilize in its business, rather than distribute, cash. No distributions were made in 2003, 2002, or 2001. AREP intends to continue to apply available cash flow toward its operations, repayment of maturing indebtedness, tenant requirements, investments, acquisitions and other capital expenditures. Proceeds from real estate asset sales will be utilized to attempt to further diversify its business operations outside of real estate, including but not limited to sectors such as insurance and oil and gas and gaming as well as in real estate if opportunities to do so at favorable prices are found. AREP will seek investments that provides rates of return in excess of AREP's cost of capital. Obviously, making such acquisitions or achieving such returns cannot be assured. See Item 7 -- 'Management's Discussion and Analysis of the Financial Condition and Results of Operations -- Capital Resources and Liquidity.'

As of March 1, 2004, there were 46,098,284 Depositary Units and 9,796,607 Preferred Units outstanding. Trading in the Preferred Units commenced March 31, 1995 on the NYSE under the symbol 'ACP PR.' The Preferred Units represent limited partner interests in AREP and have certain rights and designations, generally as follows. Each Preferred Unit has a liquidation preference of $10.00 and entitles the holder thereof to receive distributions thereon, payable solely in additional Preferred Units, at a rate of 5% of the liquidation preference thereof, payable annually on March 31, or the next succeeding business day thereafter, of each year (each, a 'Payment Date'). On any Payment Date, AREP, with the approval of the Audit Committee, may opt to redeem all, but not less than all, of the Preferred Units for a price, payable either in all cash or by issuance of additional Depositary Units, equal to the liquidation preference of the Preferred Units, plus any accrued but unpaid distributions thereon. On or before March 31, 2010, AREP must redeem all, but not less than all, of the Preferred Units on the same terms as any optional redemption. Holders of Preferred Units will have no voting rights except as mentioned in Item 10 -- 'Directors and Executive Officers of AREP,' below.

On March 31, 2003, AREP distributed to holders of record of its Preferred Units as of March 14, 2003, 466,548 additional Preferred Units. Pursuant to the terms of the Preferred Units, on February 23, 2004, AREP declared its scheduled annual preferred unit distribution payable in additional Preferred Units at the rate of 5% of the liquidation preference of $10.00. The distribution is payable on March 31,

2004 to holders of record as of March 12, 2004. In February 2004, the number of authorized Preferred Units was increased to 10,400,000.

Each Depositary Unitholder will be taxed on the Unitholder's allocable share of AREP's taxable income and gains and, with respect to Preferred Unitholders, accrued guaranteed payments, whether or not any cash is distributed to the Unitholder.

REPURCHASE OF DEPOSITARY UNITS

AREP announced in 1987 its intention to purchase up to 1,000,000 Depositary Units. On June 16, 1993, AREP increased the number of units authorized to be repurchased to 1,250,000 Depositary Units. As of February 17, 2004, AREP had purchased 1,137,200 Depositary Units at an aggregate cost of approximately $11,921,000. AREP recently has not been acquiring Depositary Units, although AREP may from time to time acquire additional Depositary Units.

ITEM 6. SELECTED FINANCIAL DATA

	(IN $000'S EXCEPT PER UNIT AMOUNTS) YEAR ENDED DECEMBER 31,				
	2003	2002(1) (RESTATED)	2001(1) (RESTATED)	2000	1999
Total revenues.	283,773	353,202	329,527	301,371	287,350
Operating Income	$ 65,615	$ 86,205	$ 66,227	$ 67,916	$ 67,726
Other gains and (losses):					
Provision for loss on real estate	(750)	(3,212)	(3,184)	(1,351)	(1,946)
Gain on sale of marketable equity and debt securities	2,607	--	6,749	--	28,590
Write-down of equity securities available for sale	(961)	(8,476)	--	--	--
Write-down of mortgages and notes receivable	(18,798)	--	--	--	--
Gain on sales and disposition of real estate	7,121	8,990	1,737	6,763	13,971
(Loss) gain on limited partnership interests	--	(3,750)	--	3,461	--
Minority interest in net earnings of Stratosphere Corporation	--	(1,943)	(450)	(2,747)	(1,002)
Income from continuing operations before income taxes	54,834	77,814	71,079	74,042	107,339
Income tax benefit (expense)	6,495	(7,480)	30,077	(2,533)	(775)
Income from continuing operations	61,329	70,334	101,156	71,509	106,564
Discontinued operations:					
Income from discontinued operations	3,415	3,532	3,678	3,641	1,165

Gain on sales and disposition of real estate	3,353	--	--	--	--
Income from discontinued operations	6,768	3,532	3,678	3,641	1,165
Net Earnings	$ 68,097	$ 73,866	$ 104,834	$ 75,150	$ 107,729
Net Earnings Attributable to: (see note below)					
Limited partners	$ 59,360	$ 63,168	$ 66,190	$ 72,225	$ 93,909
General partner	8,737	10,698	38,644	2,925	13,820
Net Earnings	$ 68,097	$ 73,866	$ 104,834	$ 75,150	$ 107,729

(table continued on next page)

(table continued from previous page)

	(IN $000'S EXCEPT PER UNIT AMOUNTS) YEAR ENDED DECEMBER 31,				
	2003	2002(1) (RESTATED)	2001(1) (RESTATED)	2000	1999
Net earnings per limited partnership unit:					
Basic earnings:					
Income from continuing operations	$ 1.09	$ 1.20	$ 1.26	$ 1.40	$ 1.93
Income from discontinued operations	0.14	0.07	.08	.08	.02
Basic earnings per LP Unit	$ 1.23	$ 1.27	$ 1.34	$ 1.48	$ 1.95
Weighted average limited partnership units outstanding	46,098,284	46,098,284	46,098,284	46,098,284	46,098,284
Diluted earnings:					
Income from continuing operations	$ 1.01	$ 1.06	$ 1.13	$ 1.23	$ 1.65
Income from discontinued operations	0.12	0.06	0.06	.06	.02
Diluted earnings per LP Unit	$ 1.13	$ 1.12	$ 1.19	$ 1.29	$ 1.67
Weighted average limited partnership units and equivalent partnership units outstanding	54,489,943	56,466,698	55,599,112	56,157,079	56,078,394

Note: Earnings of National Energy Group, Inc. (October 2003) and Bayswater (March 2000), prior to their acquisitions by the Company have been allocated to the General Partner.

At year end:					
Real estate leased to others	$ 213,799	$ 359,700	$ 358,597	$ 379,396	$ 375,268
Properties held for sale	$ 128,813	$ 4,300	$ --	$ --	$ --
Hotel, casino and resort operating properties	$ 215,775	$ 215,776	$ 228,181	$ 185,253	$ 141,829

U.S. Government and agency obligations	$ 61,573	$ 336,051	$ 313,641	$ 475,267	$ 468,529
Cash and cash equivalents	$ 467,704	$ 54,871	$ 64,105	$ 147,705	$ 142,697
Note receivable due from affiliate	$ --	$ 250,000	$ 250,000	$ --	$ --
Marketable equity and debt securities	$ 80,522	$ 26,728	$ 35,253	$ 54,736	$ 67,397
Mortgages and notes receivable	$ 50,328	$ 56,216	$ 35,529	$ 19,946	$ 10,955
Investment in NEG Holdings LLC	$ 69,346	$ 108,880	$ 97,654	$ --	$ --
Equity interest in GB Holdings, Inc.	$ 30,854	$ 37,280	$ 39,936	$ 38,359	$ --
Land and construction in-progress	$ 43,459	$ 40,415	$ 69,429	$ 75,952	$ 99,252
Deferred tax asset	$ 82,450	$ 25,522	$ 30,589	$ --	$ --
Total assets	$ 1,489,930	$ 1,560,476	$ 1,584,351	$ 1,422,987	$ 1,364,861
Mortgages payable	$ 180,989	$ 171,848	$ 166,808	$ 182,049	$ 179,387
Due to affiliate	$ --	$ --	$ 68,805	$ 77,521	$ --
Senior notes-Due affiliate	$ --	$ 148,637	$ 148,637	$ --	$ --
Liability for Preferred Limited Partnership Units	$ 101,649	$ --	$ --	$ --	$ --
Minority interest	$ --	$ --	$ 67,433	$ 64,907	$ 66,307
Partners' equity	$ 1,153,448	$ 1,130,176	$ 1,018,224	$ 1,042,725	$ 1,029,308

(1) The Company's consolidated financial statements have been restated in connection with the acquisition of NEG, Inc.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

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

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

The Company and its consolidated subsidiaries are engaged in rental real estate operations; hotel, casino and resort operations; land, house and condominium development; participation in and management of oil and gas properties; and investment in securities, including investment in equity and debt securities. As of March 1, 2004, AREP owned 121 separate real estate assets primarily consisting of fee and leasehold interests in 28 states. For additional information, see Item 2 -- 'Properties.' The Company intends to operate its business in such a manner that the Company will not be deemed to be an investment company under the Investment Company Act of 1940, as amended (the '1940 Act').

AREP's primary business strategy in recent years has been to seek to acquire undervalued assets, including land parcels for future residential and commercial development, commercial properties, assets in the gaming and entertainment industries, 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, debt or equity securities of companies which may be undergoing restructuring and sub-performing properties that may require active asset management and significant capital improvements. In addition to holding real property, AREP may consider the acquisition or seek effective control of land development companies and other real estate operating companies which may have a significant inventory of assets under development, as well as experienced personnel. As noted below, AREP is currently attempting to market for sale its rental real estate portfolio. It intends to use the proceeds from real estate asset sales thereof to further diversify its business operations outside of real estate, including but not limited to areas such as insurance and oil and gas and gaming, as well as in real estate if opportunities to do so at favorable prices are found. No assurance can be given that either the attempt to market the real estate portfolio will be successful or that, if successful, the proceeds thereof can be used to acquire businesses and investments at prices or at projected returns which are deemed favorable.

Historically, the properties owned by AREP have been primarily office, retail, industrial, residential and hotel properties. Many of the real estate assets currently owned by AREP were acquired from the Predecessor Partnerships and such assets generally are net-leased to single, corporate tenants.

GENERAL

Due to favorable real estate market conditions and the mature nature of the Company's real estate portfolio, AREP has engaged CB Richard Ellis, Inc., a national real estate brokerage company, to assist it in obtaining offers for its rental real estate portfolio. In total, the Company is currently marketing for sale properties with a book value of approximately $340 million, individually encumbered by mortgage debt which, in the aggregate, is approximately $180 million. AREP intends to utilize proceeds from real estate asset sales to further diversify its business operations outside of real estate including but not limited to sectors such as insurance and oil and gas and gaming as well as in real estate if opportunities to do so at favorable prices are found. There can be no assurances that the Company will be successful in obtaining purchase offers at acceptable prices.

AREP believes that it will benefit from further diversification of its portfolio of assets. To accomplish its investment objectives, AREP will consider additional investment in the casino and entertainment sectors and the energy industry as well as other business and real estate opportunities. Additionally, in selecting future real estate investments, AREP intends to focus on assets that it believes are undervalued in the real estate market, which investments may require substantial liquidity to

maintain a competitive advantage. From time to time AREP has discussed and in the future may discuss and may make such acquisitions from Icahn, the General Partner or their affiliates, provided the terms thereof are fair and reasonable to AREP. Despite the substantial capital pursuing real estate opportunities, AREP believes that there are still opportunities available to acquire investments that are undervalued. These may include commercial properties, undeveloped land, assets in the gaming and entertainment industries, non-performing loans, the securities of entities which own, manage or develop significant real estate assets, including limited partnership units and securities issued by real estate investment trusts and the acquisition of debt or equity securities of companies which may be undergoing restructuring and underperforming properties that may require active asset management and significant capital improvements. As noted above, AREP has made investments in the gaming industry, and may consider additional gaming industry investments and investments related to the entertainment industry. Such investments may include additional casino properties and those in the entertainment field, such as movie theater interests and the financing of, and investment in, the movie production and distribution industries. With respect to gaming and entertainment industry investments, AREP believes that there may be synergies between production companies for movies and live entertainment and supplying entertainment content to hotels and casinos. Such investments may be made in the form of acquisitions from, or in joint venture or co-management with, Icahn, the General Partner or their affiliates, provided that the terms thereof are fair and reasonable to AREP.

AREP notes that while there are still opportunities available to acquire investments that are undervalued, acquisition opportunities in the real estate market for value-added investors have become competitive to source and the increased competition may have some impact on the spreads and the ability to find quality assets that provide returns that are sought. These investments may not be readily financeable and may not generate immediate positive cash flow for AREP. As such, they require AREP to maintain a strong capital base in order to react quickly to these market opportunities as well as to allow AREP the financial strength to develop or reposition these assets. While this may impact cash flow in the near term and there can be no assurance that any asset acquired by AREP will increase in value or generate positive cash flow, AREP intends to focus on assets that it believes may provide opportunities for long-term growth and further its objective to diversify its portfolio.

Historically, substantially all of AREP's real estate assets leased to others have been net-leased to single corporate tenants under long-term leases. With certain exceptions, these tenants are required to pay all expenses relating to the leased property and therefore AREP is not typically responsible for payment of expenses, such as maintenance, utilities, taxes and insurance associated with such properties.

By the end of the year 2006, net leases representing approximately 22% of AREP's net annual rentals from its real estate portfolio (or approximately 2.1% of AREP's total revenues for 2003) will be due for renewal, and by the end of the year 2008, net leases representing approximately 31% of AREP's net annual rentals (or approximately 3% of AREP's total revenues for 2003) will be due for renewal. Since most of AREP's properties are net-leased to single, corporate tenants, it may be difficult and time-consuming to sell those properties that existing tenants decline to re-let and AREP may be required to incur expenditures to renovate such properties for new tenants. In addition, AREP may become responsible for the payment of certain operating expenses, including maintenance, utilities, taxes, insurance and environmental compliance costs associated with such properties, which are presently the responsibility of the tenant. As a result, AREP could experience an adverse impact on net cash flow in the future from such properties.

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

AREP has notified each of the responsible tenants to attempt to ensure that they cause any required investigation and/or remediation to be performed and most tenants continue to take appropriate action. However, if the tenants fail to perform responsibilities under their leases referred to above, based solely upon the consultant's estimates resulting from its Phase I Environmental Site Assessments referred to above, it is presently estimated that AREP's exposure could amount to $2-3 million, however, as no Phase II Environmental Site Assessments have been conducted by the consultants, there can be no accurate estimation of the need for or extent of any required remediation, or the costs thereof. In addition, AREP notified all tenants of the Resource Conservation and Recovery Act's ('RCRA') December 22, 1998 requirements for regulated underground storage tanks. AREP may, at its own cost, have to cause compliance with RCRA's requirements in connection with vacated properties, bankrupt tenants and new acquisitions. Phase I Environmental Site Assessments will also be performed in connection with new acquisitions and with such property refinancings as AREP may deem necessary and appropriate. AREP is in the process of updating its Phase I Site Assessments for certain of its environmentally sensitive properties including properties with open RCRA requirements. Approximately 75 updates were completed in 2003; no additional environment conditions were discovered.

RESULTS OF OPERATIONS

CALENDAR YEAR 2003 COMPARED TO CALENDAR YEAR 2002

Gross revenues decreased by $69,729,000, or 19.7%, during the year ended December 31, 2003 as compared to the same period in 2002. This decrease reflects decreases of $62,759,000 in land, house and condominium sales, $7,801,000 in interest income on U.S. Government and Agency Obligations and other investments, $3,771,000 in equity in earnings of GB Holdings, Inc., $2,737,000 in accretion of investment in NEG Holding LLC, $1,607,000 in financing lease income and $93,000 in hotel and resort operating income partially offset by increases of $7,386,000 in hotel and casino operating income, $982,000 in rental income, $341,000 in dividend and other income and $330,000 in NEG management fee. The decrease in land, house and condominium sales is primarily due to a decrease in the number of units sold, as approved land inventory has been depleted by sales. The decrease in interest income on U.S. Government and Agency obligations and other investments is primarily attributable to the prepayment of the Icahn loan in 2003 and a decline in interest rates on U.S. Agency obligations as higher rate bonds were called in 2002. The decrease in equity in earnings of GB Holdings, Inc. is due to decreased casino revenue primarily attributable to a reduction in the number of table games as new slot machines were added in 2002. This business strategy had a negative effect on casino operations and was changed in 2003 to focus on the mid to high-end slot customer with a balanced table game business. The decrease in accretion of investment in NEG Holding LLC is primarily attributable to priority distributions received from NEG Holding LLC in 2003. The decrease in financing lease income is the result of lease expirations, reclassifications of financing leases and normal financing lease amortization. The increase in hotel and casino operating income is primarily attributable to an increase in hotel, food and beverage revenues and a decrease in promotional allowances. The average daily rate ('ADR') increased $3 to $51 and percentage occupancy increased approximately 0.2% to 89.8%. The increase in rental income is primarily attributable to a property acquisition and reclassifications of financing leases to operating leases.

Expenses decreased by $49,139,000 or 18.4%, during the year ended December 31, 2003 as compared to the same period in 2002. This decrease reflects decreases of $45,511,000 in the cost of land, house and condominium sales, $6,729,000 in interest expense, $1,284,000 in hotel and resort operating expenses and $53,000 in general and administrative expenses partially offset by increases of $3,770,000 in hotel and casino operating expenses, $566,000 in rental property expenses and $102,000 in depreciation and amortization. The decrease in the cost of land, house and condominium sales is due to decreased sales as discussed above. Costs as a percentage of sales decreased from 72% in 2002 to 69% in 2003. The decrease in interest expense is primarily due to repayment of debt by NEG and the purchase by AREP of the NEG notes in October 2003. The decrease in hotel and resort operating expenses is due to a decrease in payroll and related expenses. The increase in hotel and casino

operating expenses is primarily attributable to increased costs associated with increased revenues. Costs as a percentage of sales decreased from 84% in 2002 to 83% in 2003.

Operating income decreased during the year ended December 31, 2003 by $20,590,000 compared to the same period in 2002 as detailed above.

Earnings from land, house and condominium operations decreased significantly in the year ended December 31, 2003 compared to the same period in 2002 due to a decline in inventory of completed units available for sale. Based on current information, sales will increase moderately during 2004, however municipal approval of land inventory or the purchase of approved land is required to continue this upward trend into 2005 and beyond.

Earnings from hotel, casino and resort properties are expected to be constrained by recessionary pressures, international tensions and competition.

Gain on property transactions from continuing operations decreased by $1,869,000 during the year ended December 31, 2003 as compared to the same period in 2002 due to the size and number of transactions.

A provision for loss on real estate of $750,000 was recorded in the year ended December 31, 2003 as compared to $3,212,000 in 2002. In 2002, there were more properties vacated due to tenant bankruptcies than in 2003.

A write-down of marketable equity securities available for sale of $961,000 was recorded in the year ended December 31, 2003 as compared to a write-down of

$8,476,000 in 2002. These write-downs relate to the Company's investment in Philip which filed for bankruptcy protection in June 2003.

A write-down of mortgages and notes receivable of $18,798,000, pertaining to the Company's investment in the Philip Notes, was recorded in the year ended December 31, 2003. There was no such write-down in the comparable period of 2002. In 2003, management of the Company reviewed Philip's financial statements and other data and determined this investment to be impaired.

A write-down of a limited partnership investment in a biotechnology partnership of $3,750,000 was recorded in the year ended December 31, 2002. There was no such write-down in 2003.

A gain on sale of marketable equity securities of $2,607,000 was recorded in the year ended December 31, 2003. There was no such gain in the comparable period of 2002.

Minority interest in the net earnings of Stratosphere Corporation was $1,943,000 during the year ended December 31, 2002. As a result of the acquisition of the minority interest in December 2002, there was no minority interest in Stratosphere in 2003 and none thereafter.

Income from continuing operations before income taxes decreased by $22,980,000 in the year ended December 31, 2003 as compared to the same period in 2002 as detailed above.

An income tax benefit of $6,495,000 was recorded in the year ended December 31, 2003 as compared to an expense of $7,480,000 in the comparable period of 2002. The effective tax rate on earnings of taxable subsidiaries was positively affected in 2003 by a reduction in the valuation allowance in deferred tax assets. The Company expects its effective tax rate to increase significantly in 2004.

Income from continuing operations decreased by $9,005,000 in the year ended December 31, 2003 as compared to the same period in 2002 as detailed above.

Income from discontinued operations increased by $3,236,000 in the year ended December 31, 2003 as compared to the same period in 2002 due to gains on property dispositions.

Net earnings for the year ended December 31, 2003 decreased by $5,769,000 as compared to the year ended December 31, 2002 primarily due to a write-down of mortgages and notes receivable ($18.8 million), decreased earnings from land, house and condominium operations ($17.2 million), decreased interest income ($7.8 million) and decreased equity in earnings of GB Holdings ($3.5 million), partially offset by decreased income tax expense ($14.0 million), a decrease in write-down of equity securities available for sale ($7.5 million), decreased interest expense ($6.7 million), decreased write-down of limited partnership interests ($3.8 million), increased earnings from hotel and casino operations ($3.6 million), increased gain on the sale of marketable equity securities ($2.6 million) and an increase in income from discontinued operations ($3.2 million).

CALENDAR YEAR 2002 COMPARED TO CALENDAR YEAR 2001

Gross revenues increased by $23,975,000, or 7.3%, during the year ended December 31, 2002 as compared to the same period in 2001. This increase reflects increases of $23,045,000 in accretion of investment in NEG Holding LLC, $20,458,000 in land, house and condominium sales, $11,961,000 in hotel and casino operating income, $4,938,000 in NEG management fee, $2,179,000 in hotel and resort operating income and $465,000 in rental income partially offset by decreases of $33,176,000 in oil and gas operating income, $2,213,000 in financing lease income, $2,157,000 in dividend and other income, $1,502,000 in equity in earnings of GB Holdings, Inc. and $23,000 in interest income on U.S. Government and Agency obligations and other investments. The increase in accretion of investment in NEG Holding LLC and the management fee are due to the partial year of 2001 which began May 1 as a result of the bankruptcy reorganization. Prior to that time, NEG directly owned and operated oil and natural gas properties. The increase in land, house and condominium sales is primarily attributable to higher selling prices and an increase in the number of units sold, due to a strong residential housing market and low mortgage rates. The increase in hotel and casino operating income is primarily attributable to an increase in gaming and hotel revenues as a result of increased capacity brought about by the hotel expansion. The average daily rate ('ADR') remained at $48 during the years ended December 31, 2002 and 2001; however, percentage occupancy decreased 4% to 89.6%. The increase in hotel and resort operating income is primarily attributable to increased revenues at New Seabury as prior year's revenues were negatively impacted by construction activities. The decrease in financing lease income is the result of lease expirations, reclassification of financing leases and normal financing lease amortization. The decrease in dividend and other income is primarily due to lease termination and deferred maintenance payments received from tenants in 2001.The decrease in equity earnings of GB Holdings, Inc. is due to decreased casino revenue, primarily attributable to a reduction in the number of table games as new slot machines were added in 2002, which was partially offset by decreased promotional allowances and decreased casino expenses. In addition, GB Holdings recorded an impairment loss on certain property expansion costs determined to be unusable.

Expenses increased by $3,997,000, or 1.5%, during the year ended December 31, 2002 as compared to the same period in 2001. This increase reflects increases of $12,041,000 in the cost of land, house and condominium sales, $3,703,000 in hotel and casino operating expenses, $1,692,000 in rental property expenses, $1,574,000 in hotel and resort operating expenses and $1,123,000 in general and administrative expenses partially offset by decreases of $7,400,000 in interest expense, $5,569,000 in oil and gas operating expenses and $3,167,000 in depreciation and amortization. The increase in the cost of land, house and condominium sales is due to increased sales as explained above. Costs as a percentage of sales declined from 77% in 2001 to 72% in 2002 primarily due to higher margin sales in 2002. The increase in hotel and casino operating expenses is primarily attributable to increased costs associated with increased revenues. Costs as a percentage of sales declined from 89% in 2001 to 84% in 2002 as hotel and casino revenues increased at a greater rate than hotel and casino expenses due to the hotel expansion. The increase in property expenses is primarily due to an increase in expenses related to off-lease properties and expenses of the New Seabury development litigation of approximately $1 million. The increase in hotel and resort operating expenses is primarily attributable to increased costs associated with increased revenues at New Seabury. Costs as a percentage of sales decreased from 86% in 2001 to 85% in 2002. The decrease in interest expense is primarily due to the repayment of debt to affiliates in May 2002 in connection with the Sands repurchase obligation, as well as decreased interest rates prior to repayment of this debt. The decrease in oil and gas operating expenses is due to the partial year of 2001 as explained above. The decrease in depreciation and amortization expense is primarily attributable to NEG contributing its operating properties to NEG Holdings in May 2001.

Earnings from land, house and condominium operations increased in the year ended December 31, 2002 as compared to the same period in 2001. However, the decrease in land inventory in approved sub-divisions is expected to negatively impact earnings from this business segment.

As a result of the completion of Stratosphere's additional 1,000 rooms and related amenities in June 2001, hotel and casino operating revenues and expenses have increased. Increased room capacity provided more hotel guests thereby increasing revenues. Earnings from hotel, casino and resort

properties are expected to be constrained by recessionary pressures, international tensions and competition.

Operating income increased during the year ended December 31, 2002 by $19,978,000 as compared to the same period in 2001.

Gain on sale of real estate increased by $7,253,000 during the year ended December 31, 2002 as compared to the same period in 2001 due to the size and number of transactions.

During the year ended December 31, 2002, AREP recorded a provision for loss on real estate of $3,212,000 as compared to $3,184,000 in the same period in

2001. A substantial portion of the 2002 provision resulted from vacated properties where leases were not renewed or were rejected by tenants in bankruptcy.

A write-down of equity securities available for sale of $8,476,000 was recorded in the year ended December 31, 2002. The market value of Philips' common stock has declined steadily since it was acquired by the Company. In 2002, based on a review of Philips' financial statements, management of the Company deemed the decrease in value to be other than temporary. As a result, the Company wrote down its investment in Philips' common stock by a charge to earnings. There was no such write-down in 2001.

Gain on sale of marketable equity and debt securities was $6,749,000 in the year ended December 31, 2001. There was no such income in 2002.

A write-down of a limited partnership investment of $3,750,000 was recorded in the year ended December 31, 2002. AREP invested $6.0 million in an unaffiliated biotechnology partnership. Upon review of this investment in 2002, management of the Company determined that the investment was impaired and wrote down its value by a charge to earnings. There was no such write-down in 2001.

Minority interest in the net earnings of Stratosphere Corporation increased by $1,493,000 during the year ended December 31, 2002 as compared to the same period in 2001, due to an increase in Stratosphere's net hotel and casino operating income. As a result of the acquisition of the minority interest in December 2002, there will be no minority interest in net earnings of Stratosphere Corporation in 2003 and thereafter.

Income from operations before income taxes increased by $6,735,000 in the year ended December 31, 2002 as compared to the same period in 2001 as detailed above.

The income tax expense was $7,480,000 for the year ended December 31, 2002 as compared to an income tax benefit of $30,077,000 for the comparable period of 2001.

Income from continuing operations decreased by $30,822,000 in the year ended December 31, 2002 as compared to the same period of 2001.

Income from discontinued operations decreased by $146,000 for the year ended December 31, 2002 as compared to the same period of 2001.

Net earnings for the year ended December 31, 2002 decreased by $30,968,000 as compared to the year ended December 31, 2001 primarily due to increased income tax expense ($37.6 million), a write-down of equity securities available for sale ($8.5 million), decreased gain on sale of marketable equity securities ($6.7 million) and the write-down of a limited partnership investment ($3.8 million) partially offset by increased earnings from land house and condominium operations ($8.4 million) increased earnings from hotel and casino operations ($8.3 million) and increased gain on sale of real estate ($7.3 million).

CAPITAL RESOURCES AND LIQUIDITY

Net cash provided by operating activities was $18.5 million for the year ended December 31, 2003 as compared to $100.1 million in the comparable period of 2002. This decrease resulted primarily from a decrease in the land, house and condominium operations ($45.6 million) and the payment of accrued interest on senior notes ($41.7 million) and an increase in cash flow from other operations ($5.7 million).

The following table reflects the Company's contractual cash obligations, as of December 31, 2003, due during the indicated periods (in $millions):

	LESS THAN 1 YEAR	1 - 3 YEARS	4 - 5 YEARS	AFTER 5 YEARS	TOTAL

Mortgages payable............................	$ 6.5	$28.2	$68.0	$ 78.3	$181.0
Mezzanine loan commitments...................	20.0	--	--	--	20.0
Construction and development obligations.....	23.0	--	--	--	23.0
Total....................................	$49.5	$28.2	$68.0	$ 78.3	$224.0

In 2003, seventeen leases covering seventeen properties and representing approximately $2.2 million in annual rentals expired. Twelve leases originally representing $1.6 million in annual rental income were renewed for $1,388,000 in annual rentals. Such renewals are generally for a term of five years. Five properties with annual rental income of $613,000 were not renewed.

In 2004, eleven leases covering eleven properties and representing approximately $1.8 million in annual rentals are scheduled to expire. Eight leases representing $1.5 million in annual rental income were renewed for $1,458,000 in annual rentals. Such renewals are generally for a term of five years. Three properties with annual rentals of $320,000 were not renewed.

On March 15, 2004, AREP announced that no distributions on its Depositary Units are expected to be made in 2004. AREP continues to believe that it should continue to hold and invest, rather than distribute, cash. AREP intends to continue to apply available cash flow toward its operations, repayment of maturing indebtedness, tenant requirements, investments, acquisitions and other capital expenditures. Proceeds from real estate asset sales will be utilized to further diversify its business operations outside of real estate, including but not limited to sectors such as insurance and oil and gas and gaming as well as in real estate if opportunities to do so at favorable prices are found. AREP will seek investments that provide returns in excess of AREP's cost of capital. Obviously, achieving such returns can not be assured.

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

Sales proceeds from the sale or disposal of portfolio properties totaled approximately $20.6 million in 2003. During 2002, such sales proceeds totaled approximately $20.5 million. In May 2003, AREP obtained mortgage financing in the principal amount of $20 million on a distribution facility located in Windsor Locks, Connecticut. In 2002 mortgage financing proceeds were $12.7 million.

In October 2003, pursuant to a Purchase Agreement dated as of May 16, 2003, AREP acquired all of the debt and 50% of the equity securities of National Energy Group, Inc. from entities affiliated with Carl C. Icahn for an aggregate consideration of approximately $148.1 million plus approximately $6.7 million of accrued interest on the debt securities.

Capital expenditures for real estate and hotel, casino and resort operations were approximately $20.1 million during 2003. During 2002, such expenditures totaled approximately $4.8 million. In 2004, capital expenditures are estimated to be approximately $13 million.

During the year ended December 31, 2003, approximately $10.3 million of principal payments were repaid. During the year ended December 31, 2002, approximately $7.6 million of principal payments were repaid.

AREP's cash and cash equivalents and investment in U.S. Government and Agency obligations increased by $138.3 million during the year ended December 31, 2003, primarily due to affiliate loan repayment ($250 million), property sales and refinancing proceeds ($40.6 million), priority distribution from NEG Holding LLC ($40.5 million), net cash flow from operations ($18.5 million), guaranteed payment from NEG Holding LLC ($18.2 million) and other items ($14.9 million) partially offset by the purchase of NEG interests ($148.1 million), purchase of debt securities ($45.1 million), increase in mezzanine loans ($31.1 million) and capital expenditures for real estate and hotel, casino and resort operating properties ($20.1 million).

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

AREP's consolidated financial statements have been prepared in accordance with generally accepted accounting principals in the United States of America ('US GAAP'). The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Among others, estimates are used when accounting for valuation of investments, recognition of casino revenues and promotional allowances and estimated costs to complete its land, house and condominium developments. Estimates and assumptions are evaluated on an ongoing basis and are based on historical and other factors believed to be reasonable under the circumstances. The results of these estimates may form the basis of the carrying value of certain assets and liabilities and may not be readily apparent from other sources. Actual results, under conditions and circumstances different from those assumed, may differ from estimates.

AREP accounted for its acquisition of NEG as assets transferred between entities under common control which requires that they be accounted for at historical costs similar to a pooling of interests. NEG's investment in Holding LLC constitutes a variable interest entity. In accordance with generally accepted accounting principles, AREP has determined that NEG is not the primary beneficiary of Holding LLC and therefore does not consolidate Holding LLC in its Consolidated Financial Statements.

The Company believes the following accounting policies are critical to its business operations and the understanding of results of operations and affect the more significant judgments and estimates used in the preparation of its consolidated financial statements.

Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of -- Long-lived assets held and used by the Company and long-lived assets to be disposed of, are reviewed for impariment whenever events or changes in circumstances, such as vacancies and rejected leases, indicate that the carrying amount of an asset may not be recoverable.

In performing the review for recoverability, the Company estimates the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset an impairment loss is recognized. Measurement of an impairment loss for long-lived assets that the Company expects to hold and use is based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

Commitments and Contingencies -- Litigation -- On an ongoing basis, the Company assesses the potential liabilities related to any lawsuits or claims brought against the Company. While it is typically very difficult to determine the timing and ultimate outcome of such actions, the Company uses its best judgment to determine if it is probable that it will incur an expense related to the settlement or final adjudication of such matters and whether a reasonable estimation of such probable loss, if any, can be made. In assessing probable losses, the Company makes estimates of the amount of insurance recoveries, if any. The Company accrues a liability when it believes a loss is probable and the amount of loss can be reasonably estimated. Due to the inherent uncertainties related to the eventual outcome of litigation and potential insurance recovery, it is possible that certain matters may be resolved for amounts materially different from any provisions or disclosures that the Company has previously made.

Marketable Equity and Debt Securities and Investment in U.S. Government and Agency Obligations -- Investments in equity and debt securities are classified as either held-to-maturity or available for sale for accounting purposes. Investment in U.S. Government and Agency Obligations are classified as available for sale. Available for sale securities are carried at fair value on the balance sheet of the Company. Unrealized holding gains and losses are excluded from earnings and reported as a separate component of Partners' Equity. Held-to-maturity securities are recorded at amortized cost.

A decline in the market value of any held-to-maturity security below cost that is deemed to be other than temporary results in a reduction in carrying amount to fair value. The impairment is charged

to earnings and a new cost basis for the security is established. Dividend income is recorded when declared and interest income is recognized when earned.

Mortgages and Notes Receivable

a. The Company has generally not recognized any profit in connection with the property sales in which certain purchase money mortgages receivable were taken back. Such profits are being deferred and will be recognized when the principal balances on the purchase money mortgages are received.

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

Revenue Recognition

1. Revenue from real estate sales and related costs are recognized at the time of closing primarily by specific identification. The Company follows the guidelines for profit recognition set forth by Financial Accounting Standards Board (FASB) Statement No. 66, 'Accounting for Sales of Real Estate.'

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

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

Income Taxes -- No provision has been made for Federal, state or local income taxes on the results of operations generated by partnership activities as such taxes are the responsibility of the partners. Stratosphere and NEG, the Company's corporate subsidiaries, account for their income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assts and liabilities and their respective tax bases and operating loss and tax credit carry forwards.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Management periodically evaluates all evidence, both positive and negative, in determining whether a valuation allowance to reduce the carrying value of deferred tax assets is still needed. In 2003, it concluded, based on the projected allocations of taxable income, the Company's corporate subsidiaries, National Energy Group, Inc. and Stratosphere Corporation, more likely than not will realize a partial benefit from its deferred tax assets and loss carryforwards. Ultimate realization of the deferred tax asset is dependent upon, among other factors, the Company's Corporate Subsidiaries' ability to generate sufficient taxable income within the carryforward periods and is subject to change depending on the tax laws in effect in the years in which the carryforwards are used.

Properties -- Properties held for investment, other than those accounted for under the financing method, are carried at cost less accumulated depreciation unless declines in the value of the properties are considered other than temporary at which time the property is written down to net realizable value. A property is classified as held for sale at the time management determines that the criteria in SFAS 144 have been met. Properties held for sale are carried at the lower of cost or net realizable value. Such properties are no longer depreciated and their operations are included in discontinued operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS

The United States Securities and Exchange Commission requires that registrants include information about primary market risk exposures relating to financial instruments. Through its operating and investment activities, AREP is exposed to market, credit and related risks, including those described elsewhere herein. As AREP may invest in debt or equity securities of companies undergoing restructuring or undervalued by the market, these securities are subject to inherent risks

due to price fluctuations, and risks relating to the issuer and its industry, and the market for these securities may be less liquid and more volatile than that of higher rated or more widely followed securities.

Other related risks include liquidity risks, which arise in the course of AREP's general funding activities and the management of its balance sheet. This includes both risks relating to the raising of funding with appropriate maturity and interest rate characteristics and the risk of being unable to liquidate an asset in a timely manner at an acceptable price. Real estate investments by their nature are often difficult or time-consuming to liquidate. Also, buyers of minority interests may be difficult to secure, while transfers of large block positions may be subject to legal, contractual or market restrictions. Other operating risks for AREP include lease terminations, whether scheduled terminations or due to tenant defaults or bankruptcies, development risks, and environmental and capital expenditure matters, as described elsewhere herein. AREP's mortgages payable are primarily fixed-rate debt and, therefore, are not subject to market risk.

AREP invests in U.S. Government and Agency obligations which are subject to interest rate risk. As interest rates fluctuate, the Company will experience changes in the fair value of these investments with maturities greater than one year. If interest rates increased 100 basis points, the fair value of these investments at December 31, 2003, would decline by approximately $200,000.

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

ITEM 8. FINANCIAL STATEMENTS.

INDEPENDENT AUDITORS' REPORT

The Partners
AMERICAN REAL ESTATE PARTNERS, L.P.:

We have audited the accompanying consolidated balance sheets of American Real Estate Partners, L.P. and subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of earnings, changes in partners' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2003. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule as listed in the Index at Item 15(a)2. These consolidated financial statements and the financial statement schedule are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these consolidated financial statements and the financial statement schedule 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 disclosure 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Real Estate Partners, L.P. and subsidiaries as of December 31, 2003 and 2002 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. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

New York, New York
March 12, 2004

AMERICAN REAL ESTATE PARTNERS, L.P. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2003 AND 2002

	2003	2002 (RESTATED)
	(IN $000'S EXCEPT PER UNIT AMOUNTS)	
ASSETS		
Real estate leased to others:		
Accounted for under the financing method (Notes 4, 14 and 15)	$ 137,356	$ 155,458
Accounted for under the operating method, net of accumulated depreciation (Notes 5, 14 and 15)	76,443	204,242
Properties held for sale (Notes 5 and 14)	128,813	4,300
Investment in U.S. Government and Agency obligations (Note 6)	61,573	336,051
Note receivable due from affiliate (Note 12)	--	250,000
Cash and cash equivalents (Note 2)	467,704	54,871
Marketable equity and debt securities (Note 7)	80,522	26,728
Mortgages and notes receivable (Note 11)	50,328	56,216
Investment in NEG Holding LLC (Note 10)	69,346	108,880
Equity interest in GB Holdings, Inc. (Note 8)	30,854	37,280
Hotel, casino and resort operating properties net of accumulated depreciation:		
Stratosphere Corporation hotel and casino (Note 9)	174,249	171,430
Hotel and resort (Notes 5 and 13)	41,526	44,346

Land and construction-in-progress	43,459	40,415
Deferred tax asset (Note 19)	82,450	25,522
Receivables and other assets	45,307	44,737
Total	$1,489,930	$1,560,476
LIABILITIES AND PARTNERS' EQUITY		
Mortgages payable (Notes 4, 5 and 15):		
Real estate leased to others	$ 98,128	$ 171,848
Properties held for sale	82,861	--
	180,989	171,848
Credit facility due affiliates (Notes 10 and 16)	--	10,940
Senior notes due affiliates (Notes 10 and 16)	--	148,637
Interest payable-senior notes (Note 16)	--	44,360
Accounts payable, accrued expenses and other liabilities	53,844	54,515
Preferred limited partnership units:		
$10 liquidation preference, 5% cumulative pay-in-kind; 9,900,000 authorized; 9,796,607 issued and outstanding as of December 31, 2003 (Note 18)	101,649	--
	336,482	430,300
Commitments and contingencies (Notes 3 and 22)		
Limited partners:		
Preferred units, $10 liquidation preference, 5% cumulative pay-in-kind redeemable; 9,400,000 authorized; 9,330,963 issued and outstanding as of December 31, 2002 (Note 18)	--	96,808
Depositary units; 47,850,000 authorized; 47,235,484 outstanding	1,184,870	1,071,857
General partner	(19,501)	(26,568)
Treasury units at cost:		
1,137,200 depositary units (Note 25)	(11,921)	(11,921)
Partners' equity (Notes 2, 3 and 17)	1,153,448	1,130,176
Total	$1,489,930	$1,560,476

See notes to consolidated financial statements.

AMERICAN REAL ESTATE PARTNERS, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001 (IN $000'S EXCEPT PER UNIT AMOUNTS)

Revenues:			
Hotel and casino operating income (Note 9)	$163,701	$156,315	$144,354
Land, house and condominium sales	13,265	76,024	55,566
Interest income on financing leases	13,115	14,722	16,935
Interest income on U.S. Government and Agency obligations and other investments (Notes 11 and 12)	22,543	30,344	30,367
Rental income	14,941	13,959	13,494
Hotel and resort operating income (Note 13)	18,504	18,597	16,418
Accretion of investment in NEG Holding LLC (Note 10)	30,142	32,879	9,834
Oil and gas operating income	--	--	33,176
NEG management fee	7,967	7,637	2,699
Dividend and other income (Notes 7 and 11)	3,061	2,720	4,877
Equity in earnings (loss) of GB Holdings, Inc. (Note 8)	(3,466)	305	1,807
	283,773	353,502	329,527
Expenses:			
Hotel and casino operating expenses (Note 9)	135,429	131,659	127,956
Cost of land, house and condominium sales	9,129	54,640	42,599

Hotel and resort operating expenses (Note 13)	14,454	15,738	14,164
Interest expense (Notes 7, 14, 15 and 18)	20,640	27,369	34,769
Oil and gas operating expenses	--	--	5,569
Depreciation and amortization	18,598	18,496	21,663
General and administrative expenses (Note 3)	14,081	14,134	13,011
Property expenses	5,827	5,261	3,569
	218,158	267,297	263,300
Operating income	65,615	86,205	66,227
Other gains and (losses):			
Provision for loss on real estate	(750)	(3,212)	(3,184)
Gain on sale of marketable equity and debt securities	2,607	--	6,749
Write-down of equity securities available for sale (Note 7)	(961)	(8,476)	--
Write-down of mortgages and notes receivable (Note 7)	(18,798)	--	--
Gain on sales and disposition of real estate (Note 14)	7,121	8,990	1,737
Loss on limited partnership interests	--	(3,750)	--
Minority interest in net earnings of stratosphere corporation (Note 9)	--	(1,943)	(450)
Income from continuing operations before income taxes	54,834	77,814	71,079
Income tax benefit (expense) (Note 19)	6,495	(7,480)	30,077
Income from continuing operations	61,329	70,334	101,156
Discontinued operations:			
Income from discontinued operations	3,415	3,532	3,678
Gain on sales and disposition of real estate	3,353	--	--
Income from discontinued operations	6,768	3,532	3,678
Net earnings	$ 68,097	$ 73,866	$104,834
Net earnings attributable to (Note 3):			
Limited partners	$ 59,360	$ 63,168	$ 66,190
General partner	8,737	10,698	38,644
	$ 68,097	$ 73,866	$104,834
Net earnings per limited partnership unit (Note 2):			
Basic earnings:			
Income from continuing operations	$ 1.09	$ 1.20	$ 1.26
Income from discontinued operations	0.14	0.07	0.08
Basic earnings per LP unit	$ 1.23	$ 1.27	$ 1.34
Weighted average limited partnership units outstanding	46,098,284	46,098,284	46,098,284
Diluted earnings:			
Income from continuing operations	$ 1.01	$ 1.06	$ 1.13
Income from discontinued operations	0.12	0.06	0.06
Diluted earnings per LP unit	$ 1.13	$ 1.12	$ 1.19
Weighted average limited partnership units and equivalent partnership units outstanding	54,489,943	56,466,698	55,599,112

See notes to consolidated financial statements.

AMERICAN REAL ESTATE PARTNERS, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS'
EQUITY AND COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001 (IN $000'S)

	GENERAL PARTNER'S EQUITY (DEFICIT)	LIMITED PARTNERS' EQUITY DEPOSITARY UNITS	LIMITED PARTNERS' EQUITY PREFERRED UNITS	HELD IN TREASURY AMOUNTS	HELD IN TREASURY UNITS	TOTAL PARTNERS' EQUITY
Balance, December 31, 2000 (as previously reported)	$ 22,498	$ 944,340	$87,808	$(11,921)	1,137	$1,042,725
NEG, Inc. acquisition (Note 1)	(119,705)	--	--	--	--	(119,705)
Balance, December 31, 2000 (Restated)	(97,207)	944,340	87,808	(11,921)	1,137	923,020
Comprehensive income:						
Net earnings	38,644	66,190	--	--	--	104,834
Reversal of unrealized loss on sale of debt securities	78	3,818	--	--	--	3,896
Net unrealized losses on securities available for sale	(269)	(13,257)	--	--	--	(13,526)
Comprehensive income	38,453	56,751	--	--	--	95,204
Pay-in-kind distribution (Note 18)	--	(4,390)	4,390	--	--	--
Balance, December 31, 2001 (Restated)	(58,754)	996,701	92,198	(11,921)	1,137	1,018,224
Comprehensive income:						
Net earnings	10,698	63,168	--	--	--	73,866
Reversal of unrealized loss on sale of debt securities	211	10,384	--	--	--	10,595
Adjustment to reverse unrealized loss on investment securities reclassified to notes receivable	131	6,451	--	--	--	6,582
Net unrealized losses on securities available for sale	(5)	(237)	--	--	--	(242)
Comprehensive income	11,035	79,766	--	--	--	90,801
Net adjustment for acquisition of minority interest (Note 9)	21,151	--	--	--	--	21,151
Pay-in-kind distribution (Note 18)	--	(4,610)	4,610	--	--	--
Balance, December 31, 2002 (Restated)	(26,568)	1,071,857	96,808	(11,921)	1,137	1,130,176
Comprehensive income:						
Net earnings	8,737	59,360	--	--	--	68,097
Reversal of unrealized loss on sale of debt securities	15	746	--	--	--	761
Net unrealized gains on securities available for sale	183	8,991	--	--	--	9,174
Sale of marketable equity securities available for sale	(6)	(274)	--	--	--	(280)
Comprehensive income	8,929	68,823	--	--	--	77,752
Pay-in-kind distribution (Note 18)	--	(2,391)	2,391	--	--	--
Recognition of deferred tax asset at date of bankruptcy (Note 19)	946	46,581	--	--	--	47,527
Capital distribution (Note 1)	(2,808)	--	--	--	--	(2,808)
Reclassification of Preferred LP units to liabilities (Note 18)	--	--	(99,199)	--	--	(99,199)
Balance, December 31, 2003	$(19,501)	$1,184,870	$--	$(11,921)	1,137	$1,153,448

Accumulated other comprehensive gain (loss) at December 31, 2003, 2002 and 2001 was $9,174, ($242) and ($17,178), respectively.

See notes to consolidated financial statements.

AMERICAN REAL ESTATE PARTNERS, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001 (IN $000'S)

	2003	2002 (RESTATED)	2001 (RESTATED)
Cash flows from operating activities:			
Income from continuing operations	$ 61,329	$ 70,334	$ 101,156
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	18,598	18,496	21,663
Gain on sale of marketable equity securities	(2,607)	--	(6,749)
Gain on sales and disposition of real estate	(7,121)	(8,990)	(1,737)
Loss on limited partnership interests	--	3,750	--
Provision for loss on real estate	750	3,212	3,184
Write-down of equity securities available for sale	961	8,476	--
Write-down of mortgages and notes receivable	18,798	--	--
Minority interest in net earnings of Stratosphere Corporation	--	1,943	450
Equity in (earnings) losses of GB Holdings, Inc.	3,466	(305)	(1,807)
Deferred gain amortization	(2,038)	(2,038)	(849)
Accretion of investment in NEG HOLDING LLC	(30,142)	(32,879)	(9,834)
Deferred income tax (benefit) expense	(7,147)	7,480	(30,077)
Change in fair market value of derivative contracts	--	--	716
Changes in operating assets and liabilities:			
(Increase) decrease in receivables and other assets	(4,106)	24,215	7,753
(Decrease) increase in accounts payable, accrued expenses and other liabilities	(40,503)	(3,037)	(1,359)
Decrease in receivables and other assets	1,424	4,068	4,570
Net cash provided by continuing operations	11,662	94,725	87,080
Income from discontinued operations	6,768	3,532	3,678
Depreciation and amortization	3,387	2,733	2,534
Net gain from property transactions	(3,353)	--	--
Net cash provided by discontinued operations	6,802	6,265	6,212
Net cash provided by operating activities	18,464	100,990	93,292
Cash flows from investing activities:			
Increase in mortgages and notes receivable	(31,112)	(23,200)	(15,583)
Repayments of mortgages and notes receivable	12,200	23,000	--
Net proceeds from the sales and disposition of real estate	15,290	20,513	3,656
Principal payments received on leases accounted for under the financing method	5,310	5,941	6,858
Additions to hotel, casino and resort operating property	(19,734)	(4,577)	(62,662)
Acquisitions of rental real estate	--	(18,226)	--
Additions to rental real estate	(413)	(181)	(1,064)
Decrease (increase) in investment in U.S.Government and Agency Obligations (Note 2)	274,478	(22,410)	162,046
Disposition of marketable equity & debt securities	3,843	--	17,929
Disposition proceeds on sale mortgages and notes receivable	2,621		
Increase in marketable equity & debt securities	(45,140)	(4,415)	--
Decrease (increase) in note receivable from affiliate	250,000	--	(250,000)
Decrease in minority interest in Stratosphere Corp.	--	(44,744)	--
Decrease in investment in Stratosphere Corp.	788	--	--
Investment in NEG, INC.	(148,101)	--	--

YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001 (IN $000'S)

Investment in NEG Holding LLC	--	--	(4,379)
Guaranteed payment from NEG Holding LLC	18,229	21,653	3,625
Priority distribution from NEG Holding LLC	40,506	--	--
Oil and natural gas acquisition, exploration and development expenditures	--	--	(26,432)
Increase (decrease) in due to affiliate	--	(68,815)	(8,716)
Increase in investment in joint ventures	--	--	(5,856)
Other	589	197	(29)
Net cash provided by (used in) continuing operations	379,354	(115,264)	(180,607)
Cash flows from discontinued operations:			
Net proceeds from the sales and disposition of real estate	5,336	--	--
Net cash provided by (used in) investing activities	384,690	(115,264)	(180,607)

(table continued on next page)

See notes to consolidated financial statements.

(table continued from previous page)

	2003	2002 (RESTATED)	2001 (RESTATED)
Cash Flows From Financing Activities:			
Debt:			
Repayment of credit facility	--	--	(25,000)
Proceeds from credit facility	--	--	10,940
Repayment of senior notes	--	--	(10,500)
Proceeds from mortgages payable	20,000	12,700	--
Payments on mortgages payable	(3,837)	(462)	(6,457)
Periodic principal payments	(6,484)	(7,198)	(6,840)
Balloon payments	--	--	(1,756)
Net cash provided by (used in) financing activities	9,679	5,040	(39,613)
Net increase (decrease) in cash and cash equivalents	412,833	(9,234)	(126,928)
Cash and cash equivalents, beginning of year	54,871	64,105	191,033
Cash and cash equivalents at end of year	$ 467,704	$ 54,871	$ 64,105
Supplemental information:			
Cash payments for interest, net of amounts capitalized	$ 62,324	$ 36,646	$ 51,910
Cash payments for income taxes	$ --	$ --	$ 1,200
Supplemental schedule of noncash investing and financing activities:			
Reclassification of real estate to operating lease	$ 5,065	$ 13,403	$ 3,082
Reclassifications from hotel and resort operating properties	--	--	(1,167)
Reclassification of real estate from financing lease	(5,065)	(13,503)	(9,754)
Reclassification of real estate from operating lease	(126,263)	--	--
Reclassification of real estate to property held for sale	126,263	100	6,672
Decrease in mortgages and notes receivable	(3,453)	--	--

Decrease in deferred income	2,565	--	--
Increase in real estate accounted for under the operating method	888	--	--
Reclassification of real estate to (from) construction-in-progress	--	--	1,167
Reclassification from marketable equity and debt securities	--	(20,494)	--
Reclassification from receivable and other assets	(1,631)		
Reclassification to mortgages and notes receivable	1,631	20,494	--
	$ --	$ --	$ --
Net unrealized gains (losses) on securities available for sale	$ 9,174	$ (242)	$ (13,526)
Increase in equity and debt securities	$ 1,200	$ 2,890	$ 2,500
Contribution of note from NEG Holding LLC	$ 10,940	$ --	$ --
Transfer of assets and liabilities to NEG Holding LLC	$ --	$ --	$ 87,066

See notes to consolidated financial statements.

AMERICAN REAL ESTATE PARTNERS, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2003, 2002 AND 2001

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

On July 1, 1987, American Real Estate Holdings Limited Partnership (the 'Subsidiary'), in connection with an exchange offer (the 'Exchange'), entered into merger agreements with American Real Estate Partners, L.P. (the 'Company') and each of thirteen separate limited partnerships (collectively, the 'Predecessor Partnerships'), pursuant to which the Subsidiary acquired all the assets, subject to the liabilities of the Predecessor Partnerships.

By virtue of the Exchange, the Subsidiary owns the assets, subject to the liabilities, of the Predecessor Partnerships. The Company owns a 99% limited partner interest in the Subsidiary. American Property Investors, Inc. (the 'General Partner') owns a 1% general partner interest in both the Subsidiary and the Company representing an aggregate 1.99% general partner interest in the Company and the Subsidiary. The General Partner is owned and controlled by Mr. Carl C. Icahn ('Icahn').

On August 16, 1996 the Company amended its Partnership Agreement to permit non-real estate related acquisitions and investments which has allowed and continues to permit the Company to take advantage of investment opportunities it believes exist outside of the real estate market in order to seek to enhance unitholder value and further diversify its assets. The Amendment permits the Company to invest in securities issued by companies that are not necessarily engaged as one of their primary activities in the ownership, development or management of real estate to further diversify its investments while remaining in the real estate business and continuing to pursue suitable investments in the real estate markets. Under the Amendment, investments may include equity and debt securities of domestic and foreign issuers. The portion of the Company's assets invested in any one type of security or any single issuer will not be limited.

The Company will conduct its activities in such a manner so as not to be deemed an investment company under the Investment Company Act of 1940 (the '1940 Act'). Generally, this means that no more than 40% of the Company's total assets will be invested in investment securities as such is defined in the 1940 Act. In addition, the Company does not intend to invest in securities as its primary business and will structure its investments to continue to be taxed as a partnership rather than as a corporation under the applicable publicly traded partnership rules of the Internal Revenue Code.

The Company and its consolidated subsidiaries are engaged in the following operating businesses: (i) rental real estate, (ii) hotel, casino and resort operations, (iii) land, house and condominium development, (iv) participation and management of oil and gas operating properties and (v) investment in securities including investment in other entities and marketable equity and debt securities.

In March 2000, the Company purchased an additional 50,000 shares of the Stratosphere Corporation ('Stratosphere') from an affiliate of the General Partner resulting in the Company owning approximately 51% of Stratosphere and has included its accounts on a consolidated basis. In December 2002, the Company purchased the remaining 49% minority interest. See Note 9.

In October 2003, the Company acquired certain debt and equity securities of National Energy Group, Inc. ('NEG') from entities affiliated with Icahn for an aggregate consideration of $148.1 million. NEG owns a 50% interest in NEG Holding LLC ('Holding LLC') which owns oil and gas properties managed by NEG. The other 50% interest in Holding LLC is held by an Icahn affiliate and managing member. In connection with the acquisition of stock in NEG, the excess of cash disbursed over the historical cost which amounted to $2.8 million was charged to the General Partner's equity.

In accordance with generally accepted accounting principles, assets transferred between entities under common control are accounted for at historical costs similar to a pooling of interests, and the financial statements of previously separate companies for periods prior to the acquisition are restated on a combined basis. There is no minority interest allocated to the other NEG stockholders because of NEG's negative equity. See Note 10.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statements and Principles of Consolidation -- The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States and include only those assets, liabilities and results of operations, which relate to the Company and its wholly owned and majority owned subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation. The Company accounts for its investments in subsidiaries that are less than 50% owned under the equity method of accounting.

Net Earnings Per Limited Partnership Unit -- Basic earnings per share are based on earnings after the preferred pay-in-kind distribution to Preferred Unitholders. The resulting net earnings available for limited partners are divided by the weighted average number of shares of limited partnership units outstanding.

Diluted earnings per share uses net earnings attributable to limited partner interests as the numerator with the denominator based on the weighted average number of units and equivalent units outstanding. The Preferred units are considered to be unit equivalents. The number of limited partnership units used in the calculation of diluted income per limited partnership unit increased as follows: 8,391,659, 10,368,414 and 9,500,828 limited partnership units for the years ended December 31, 2003, 2002 and 2001, respectively, to reflect the effects of the conversion of preferred units.

For accounting purposes, NEG's earnings prior to the NEG acquisition in October 2003 have been allocated to the General Partner and therefore excluded from the computation of basic and diluted earnings per limited partnership unit.

Cash and Cash Equivalents -- The Company considers short-term investments, which are highly liquid with original maturities of three months or less at date of purchase, to be cash equivalents. Included in cash and cash equivalents at December 31, 2003 and 2002 are investments in government backed securities of approximately $378,000,000 and $5,467,000, respectively.

Marketable Equity and Debt Securities and Investment in U.S. Government and Agency Obligations -- Investments in equity and debt securities are classified as either held-to-maturity or available for sale for accounting purposes. Investments in U.S. Government and Agency Obligations are classified as available for sale. Available for sale securities are carried at fair value on the balance sheet of the Company. Unrealized holding gains and losses are excluded from earnings and reported as a separate component of Partners' Equity. Held-to-maturity securities are recorded at amortized cost.

A decline in the market value of any held-to-maturity or available for sale security below cost that is deemed to be other than temporary results in a reduction in carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established. Dividend income is recorded when declared and interest income is recognized when earned.

Mortgages and Notes Receivable --

a. The Company has generally not recognized any profit in connection with the property sales in which certain purchase money mortgages receivable were taken back. Such profits are being deferred and will be recognized when the principal balances on the purchase money mortgages are received.

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

Income Taxes -- No provision has been made for Federal, state or local income taxes on the results of operations generated by partnership activities as such taxes are the responsibility of the partners. Stratosphere and NEG, the Company's corporate subsidiaries, account for their income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The

effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Leases -- The Company leases to others substantially all its real property under long-term net leases and accounts for these leases in accordance with the provisions of Financial Accounting Standards Board Statement No. 13, 'Accounting for Leases,' as amended. This Statement sets forth specific criteria for determining whether a lease is to be accounted for as a financing lease or an operating lease.

a. Financing Method -- Under this method, minimum lease payments to be received plus the estimated value of the property at the end of the lease are considered the gross investment in the lease. Unearned income, representing the difference between gross investment and actual cost of the leased property, is amortized to income over the lease term so as to produce a constant periodic rate of return on the net investment in the lease.

b. Operating Method -- Under this method, revenue is recognized as rentals become due and expenses (including depreciation) are charged to operations as incurred.

Properties -- Properties held for investment, other than those accounted for under the financing method, are carried at cost less accumulated depreciation unless declines in the values of the properties are considered other than temporary at which time the property is written down to net realizable value. A property is classified as held for sale at the time management determines that the criteria in SFAS 144 have been met. Properties held for sale are carried at the lower of cost or net realizable value. Such properties are no longer depreciated and their operations are included in discontinued operations.

Depreciation -- Depreciation is computed using the straight-line method over the estimated useful life of the particular property or property components, which range from three to 45 years.

Use of Estimates -- Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities, revenues and expenses and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates. The more significant estimates include the valuation of (i) long-lived assets, (ii) mortgages and notes receivable (iii) marketable equity and debt securities, (iv) costs to complete for land, house and condominimum developments, (v) gaming-related liability and loyalty programs and (vi) deferred tax assets.

Revenue Recognition

1. Revenue from real estate sales and related costs are recognized at the time of closing primarily by specific identification. The Company follows the guidelines for profit recognition set forth by Financial Accounting Standards Board (FASB) Statement No. 66, 'Accounting for Sales of Real Estate.'

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

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

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

Investment in NEG Holding LLC -- Due to the substantial uncertainty that the Company will receive any distribution above the priority and guaranteed payment amounts, the Company accounts for its investment in Holding LLC as a preferred investment whereby guaranteed payment amounts received and receipts of the priority distribution amount are recorded as reductions in the investment and income is recognized from accretion of the investment up to the priority distribution amount, including the guaranteed payments (based on the interest method) (see Note 10). Following receipt of the guaranteed payments and priority distributions, the residual interest in the investment will be valued at zero.

The Company periodically evaluates the propriety of the carrying amount of its investment in Holding LLC to determine whether current events or circumstances warrant adjustments to the carrying value and/or revisions to accretion of income. The Company currently believes that no such impairment has occurred and that no revision to the accretion of income is warranted.

Accounting for Impairment of a Loan -- If it is probable that based upon current information the Company will be unable to collect all amounts due according to the contractual terms of a loan agreement, the Company considers the asset to be 'impaired'. Reserves are established against impaired loans in amounts equal to the difference between the recorded investment in the asset and either the present value of the cash flows expected to be received, or the fair value of the underlying collateral if foreclosure is deemed probable or if the loan is considered collateral dependent.

Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of -- Long-lived assets held and used by the Company and long-lived assets to be disposed of, are reviewed for impairment whenever events or changes in circumstances, such as vacancies and rejected leases, indicate that the carrying amount of an asset may not be recoverable.

In performing the review for recoverability, the Company estimates the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset an impairment loss is recognized. Measurement of an impairment loss for long-lived assets that the Company expects to hold and use is based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

Recent Accounting Standards:

1. In May 2003, the FASB issued SFAS 150 'Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity.' SFAS 150 is effective at the beginning of the first interim period beginning after June 15, 2003. The Company adopted SFAS 150 on July 1, 2003 and has reclassified its preferred units to a liability account. See Note 18.

2. In January 2003, the FASB issued FASB Interpretation 46 (revised December 2003), Consolidation of Variable Interest Entities, which addresses how a business enterprise should evaluate whether it has a controlling financial interest in an entity through means other than voting rights and accordingly should consolidate the entity. FIN 46R, issued in December 2003 as a revision to the original interpretation, clarifies the application of ARB 51, Consolidated Financial Statements, to certain entities in which the equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support.

The Company is required to apply FIN 46R to variable interests created after January 2003. For variable interest entities created prior to January 2003, for which FIN 46 has not been applied prior to December 24, 2003, the interpretation will be applied in reporting periods ending after March 15, 2004.

The Company has an investment in a variable interest entity, which owns oil and natural gas operating properties. The variable interest entity has net assets of $161 million. The Company has determined that it is not the primary beneficiary of the variable interest entity. The maximum exposure to losses as a result of its involvement with the variable interest entity is $69 million.

3. RELATED PARTY TRANSACTIONS

a. At December 31, 2002, the Company had a $250 million note receivable from Carl C. Icahn, Chairman of the General Partner, which was repaid in October 2003. (See Note 12).

b. In addition, in 1997 the Company entered into a license agreement for a portion of office space from an affiliate. The license agreement dated as of February 1, 1997 expires May 22, 2004 unless sooner terminated in accordance with the agreement. Pursuant to the license agreement, the Company has the non-exclusive use of 3,547 square feet of office space and common areas (of an aggregate 21,123 rentable square feet sublet by such affiliate) for which it paid $17,068 per month, together with 16.79% of certain 'additional rent'. In November 2000, the Company reduced its office size to approximately 2,275 square feet, which decreased its monthly rental to $11,185 plus 10.77% of certain additional rent. In 2003, 2002 and 2001, the Company paid such affiliate approximately $159,000, $153,000 and $147,000

of rent, respectively, in connection with this licensing agreement. The terms of such sublease were reviewed and approved by the Audit Committee.

c. Stratosphere received as reimbursement from affiliates of the General Partner approximately $2,993,000, $1,675,000 and $1,343,000 in the years ended

December 31, 2003, 2002 and 2001, respectively, for administrative services performed by Stratosphere personnel.

Stratosphere received hotel revenue of approximately $3,000, $123,000 and $600,000 in the years ended December 31, 2003, 2002 and 2001, respectively, in connection with a tour and travel agreement entered into with an affiliate of the General Partner. Stratosphere also received approximately $101,000 in hotel and food revenue from an affiliate of the General Partner in the year ended December 31, 2003 in connection with a conference held at Stratosphere.

d. The General Partner and its affiliates may realize substantial fees, commissions and other income from transactions involving the purchase, operation, management, financing and sale of the Company's properties, subject to certain limitations relating to properties acquired from the Predecessor Partnerships in the Exchange. Some of such amounts may be paid regardless of the overall profitability of the Company and whether any distributions have been made to Unitholders. As new properties are acquired, developed, constructed, operated, leased, financed and sold, the General Partner or its affiliates may perform acquisition functions, development and construction oversight and other land development services, property management and leasing services, either on a day-to-day basis or on an asset management basis, and other services and be entitled to fees and reimbursement of expenses relating thereto, including property management fees, real estate brokerage and leasing commissions, fees for financing either provided or arranged by the General Partner and its affiliates, development fees, general contracting fees and construction management fees. The terms of any transactions between the Company and the General Partner or its affiliates must be fair and reasonable to the Company and customary to the industry. There were no significant fees paid in the years ended December 31, 2003, 2002, and 2001.

e. NEG received management fees from an affiliate of approximately $7,967,000, $7,637,000 and $2,699,000 in the years ended December 31, 2003, 2002 and 2001, respectively.

f. NEG entered into an agreement to manage Trans Texas Gas Corporation, an Icahn affiliate, for a fee of $312,500 per month.

g. For the year ended December 31, 2003, the Company paid approximately $81,000 to an affiliate of the General Partner for telecommunication services.

h. See Note 26 in connection with the acquisition of Arizona Charlie's Decatur and Arizona Charlies Boulder from Icahn and an entity affiliated with Icahn.

4. REAL ESTATE LEASED TO OTHERS ACCOUNTED FOR UNDER THE FINANCING METHOD

Real estate leased to others accounted for under the financing method is summarized as follows (in $000's):

	DECEMBER 31, 2003	DECEMBER 31, 2002
Minimum lease payments receivable	$161,785	$180,943
Unguaranteed residual value	74,651	87,160
	236,436	268,103
Less unearned income	99,080	112,645
	$137,356	$155,458

The following is a summary of the anticipated future receipts of the minimum lease payments receivable at December 31, 2003 in ($000's):

YEAR ENDING DECEMBER 31,	AMOUNT
2004	$ 17,797
2005	15,686
2006	15,491
2007	14,577
2008	13,221
Thereafter	85,013
	$161,785

At December 31, 2003, approximately $107,543,000 of the net investment in financing leases was pledged to collateralize the payment of nonrecourse mortgages payable.

5. REAL ESTATE LEASED TO OTHERS ACCOUNTED FOR UNDER THE OPERATING METHOD

a. Real estate leased to others accounted for under the operating method is summarized as follows (in $000's):

	DECEMBER 31, 2003	DECEMBER 31, 2002
Land	$ 24,040	$ 55,034
Commercial buildings	83,252	194,521
	107,292	249,555
Less accumulated depreciation	30,849	45,313
	$ 76,443	$204,242

As of December 31, 2003 and 2002, accumulated depreciation on the hotel and resort operating properties (not included above) amounted to approximately $12,341,000 and $9,665,000, respectively (See Note 13).

The following is a summary of the anticipated future receipts of minimum lease payments under non-cancelable leases at December 31, 2003 (in $000's):

YEAR ENDING DECEMBER 31,	AMOUNT
2004	$ 9,967
2005	8,802
2006	5,443
2007	3,874
2008	2,810
Thereafter	5,799
	$36,695

At December 31, 2003, approximately $15,630,000 of net real estate leased to others was pledged to collateralize the payment of non-recourse mortgages payable.

b. Real estate held for sale (in $000's):

	DECEMBER 31, 2003	DECEMBER 31, 2002
Leased to others	$146,416	$ --
Vacant	2,550	4,300
	148,966	4,300
Less accumulated depreciation	20,153	--
	$128,813	$4,300

The following is a summary of income from discontinued operations:

	DECEMBER 31, 2003	DECEMBER 31, 2002	DECEMBER 31, 2001
Rent income	$15,243	$13,966	$13,393
Mortgage interest expense	6,247	5,691	5,595
Depreciation and amortization	3,387	2,733	2,534
Property expenses	2,194	2,010	1,586
	11,828	10,434	9,715
Net income from discontinued operations	$ 3,415	$ 3,532	$ 3,678

At December 31, 2003, approximately $105,984,000 of real estate held for sale was pledged to collateralize the payment of non-recourse mortgages payable.

6. INVESTMENT IN U.S. GOVERNMENT AND AGENCY OBLIGATIONS

The Company has investments in U.S. Government and Agency Obligations whose maturities range from 2004 to December 2008 as follows (in $millions):

	DECEMBER 31, 2003		DECEMBER 31, 2002	
	COST BASIS	CARRYING VALUE	COST BASIS	CARRYING VALUE
Available for Sale:				
Matures in:				
less than 1 year	$52.8	$52.8	$292.9	$292.9

2 - 5 years	9.0	8.8	39.7	39.7
Thereafter	--	--	3.4	3.4
	$61.8	$61.6	$336.0	$336.0

7. MARKETABLE EQUITY AND DEBT SECURITIES (IN $ MILLIONS)

	DECEMBER 31,			
	2003		2002	
	COST BASIS	CARRYING VALUE	COST BASIS	CARRYING VALUE
Available for Sale:				
Philip Service Corporation (b):				
Equity	$--	$--	$ 9.4	$ 0.2
Corporate bonds	45.1	51.6	--	--
Other	1.3	4.2	2.5	3.0
	46.4	55.8	11.9	3.2
Held-to-maturity:				
GB Notes (a)	21.3	24.7	21.3	23.5
Total	$67.7	$80.5	$33.2	$26.7

a. In 1998 and 1999, the Company acquired an interest in the Sands Hotel and Casino (the 'Sands') located in Atlantic City, New Jersey by purchasing the principal amount of approximately $31.4 million of First Mortgage Notes ('Notes') issued by GB Property Funding Corp. ('GB Property'). GB Property was organized as a special purpose entity for the borrowing of funds by Greate Bay Hotel and Casino, Inc. ('Greate Bay'). The purchase price for such notes was approximately $25.3 million. An affiliate of the General Partner also made an investment in the Notes of GB Property. A total of $185 million of such Notes were issued.

Greate Bay owned and operated the Sands, a destination resort complex, located in Atlantic City, New Jersey. On January 5, 1998, GB Property and Greate Bay filed for bankruptcy protection under Chapter 11 of the Bankruptcy Code to restructure its long term debt.

Furthermore, in 1998 and 1999, the Company acquired an interest in the Claridge Hotel and Casino (the 'Claridge Hotel') located in Atlantic City, New Jersey by purchasing the principal amount of $16.7 million of First Mortgage Notes of the Claridge Hotel and Casino Corporation (the 'Claridge Corporation'). The purchase price of such notes was approximately $15.1 million. A total of $85 million of such notes were issued. An affiliate of the General Partner also made an investment in the Notes of the Claridge Corporation. In August 1999, the Claridge Corporation announced that it had filed a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code to facilitate a financial restructuring.

The Company, the General Partner, and the directors and officers of the General Partner were in the process of pursuing gaming applications to obtain licenses from the New Jersey Casino Control Commission. In March 2000, in an effort to facilitate the consummation of the reorganization process of Greate Bay and Claridge Hotel, the Company entered into separate agreements to transfer its interests in such entities to an affiliate of the General Partner for $40.5 million, which was equal to the Company's cost for such Notes. The affiliate of the General Partner was obligated to sell back to the Company, and the Company was obligated to repurchase such interests at the same price (together with a commercially reasonable interest factor), when the appropriate licenses were obtained by the Company. The Company would also acquire its proportionate share of all sale proceeds, stock rights, acquired shares and other benefits, if any, that may have accreted to or obtained in connection with such interests while held by the affiliate of the General Partner. Subsequent to the transfer, the affiliate of the General Partner purchased $1.7 million of the Claridge Notes for approximately $.9 million on the Company's behalf.

In July 2000, the U.S. Bankruptcy Court ruled in favor of the reorganization plan proposed by affiliates of the General Partner which provided for an additional investment of $65 million by the Icahn affiliates in exchange for a 46% equity interest, with bondholders (which also includes the Icahn affiliates) to receive $110 million in new notes and a 54% ownership position. The plan, which became effective September 29, 2000, provided the Icahn affiliates with a controlling interest.

In February 2001, the Icahn affiliates sold their entire Claridge Corporation portfolio ($37.1 million face amount of Claridge Notes) for the following additional interest in GB Holdings, Inc. ('GB Holdings'): (i) 779,861 common shares of GB Holdings ('GBH') and (ii) $15.96 million face amount of GB Property First Mortgage Notes ('GB Notes'), plus $21.56 million in cash. The Company recognized a gain of approximately $1.3 million as a result of this sale in the year ended December 31, 2001. As a result, affiliates of the General Partner were, in effect, holding on behalf of the Company (i) approximately 3.6 million common shares of GBH and (ii) $26.9 million face amount of GB Notes, to which the Company would become entitled and obligated to purchase when it was fully licensed. As of February 2001, the Company no longer had any interests in the Claridge.

In May 2002, the Company was qualified as a holding company by the New Jersey Casino Control Commission (the 'Casino Control Commission') and in accordance with the prior agreement repurchased its interest in the Sands, located in Atlantic City, New Jersey, from affiliates of the General Partner. As a result, the Company acquired approximately 3.6 million common shares (36%) of GBH and $26.9 million face amount of GB Notes. The Company paid approximately $68.8 million to reacquire its interests representing the affiliates' advances plus accrued interest of approximately $11 million. In accordance with the agreement, interest was accrued from March 2000 to May 2002 at an annual rate of 1 1/2% over the prime rate. Interest expense of approximately $919,000, and $5,306,000 for the years ended December 31, 2002 and 2001, respectively, has been included in 'Interest expense' in the Consolidated Statements of Earnings. As required by the New Jersey Casino Control Act (the 'Casino Control Act'), the Partnership Agreement was amended to provide that securities of the Company are held subject to the condition that if a holder thereof is found to be disqualified by the Casino Control commission, pursuant to the provisions of the Casino Control Act, such holder shall dispose of his interest in the Company in accordance with the Casino Control Act.

In July 2003, GBH announced that its Board of Directors, acting through a special committee, approved an exchange offer for the GB Notes. The proposed transaction is subject to the consent of the holders of a majority in principal amount of the GB notes, the approval of stockholders owning a majority of the common stock of GBH, the effectiveness of required filings under applicable securities laws and the receipt of all required governmental and third party approvals. Mr. Icahn and his affiliated

companies hold in excess of 77% of the GBH stock and 58% of the existing debt, of which the Company owns approximately 36% of the common stock and 24% of the debt. The Company and Mr. Icahn intend to support the proposed transaction. The GB Notes in the face amount of $110 million are due in September 2005 and bear interest at 11% per annum.

The proposed transaction would involve the following:

An amendment to the existing note indenture to remove certain provisions and covenants and release the liens on the Sands assets; thereby allowing the transfer of these assets and those now held at GBH to a wholly-owned indirect subsidiary of GBH, Atlantic Coast Entertainment Holdings, Inc.

('Atlantic Holdings').

The solicitation of an exchange of the existing notes for new notes due September 2008, which will bear interest at 3% per annum payable at maturity.

The payment of $100 per $1,000 in principal amount of the existing notes exchanged.

The holders of a majority of the new notes will have an option to convert into 72.5% of the Atlantic Holdings stock if all of the existing notes participate in the exchange.

The distribution to the GBH common stockholders of warrants (following the occurrence of certain events) for 27.5% of the common stock of Atlantic Holdings (on a fully diluted basis).

As the exchange will be accounted for as a modification of debt for accounting purposes, this transaction is not expected to have a significant impact on the Company's consolidated financial statements.

For accounting purposes, the Company reflects its interest in the GB Notes as held to maturity.

The Company reflects it pro rata equity interest in Greate Bay as 'Equity interest in GB Holdings, Inc.' in the Consolidated Balance Sheets (See Note 8).

b. At December 31, 2002, the Company owned the following approximate interests in Philip Service Corporation ('Philip'): (i) 1.8 million common shares, (ii) $14.2 million in secured term debt, and (iii) $10.9 million in accreted secured convertible payment-in-kind debt. The Company had an approximate 7% equity interest in Philip and an Icahn affiliate had an approximate 38% equity interest. Icahn affiliates also owned term and payment-in-kind debt.

The secured term debt matures March 31, 2005 and bears interest at 9% per annum. Interest was payable quarterly, in arrears, beginning July 1, 2000. The secured convertible payment-in-kind debt matures March 31, 2005 and bears interest at 10% per annum. Interest was accreted quarterly with interest on the accreted interest also calculated at the rate of 10% per annum.

The market value of Philip's common stock declined steadily since it was acquired by the Company. In 2002, based on a review of Philip's financial statements, management of the Company deemed the decrease in value to be other than temporary. As a result, the Company wrote down its investment in Philip's common stock by charges to earnings of $8,476,000 and charges to other comprehensive income ('OCI') of $761,000 in the year ended December 31, 2002. This investment had been previously written down by approximately $6.8 million in charges to earnings. The Company's adjusted carrying value of Philip's common stock was approximately $200,000 at December 31, 2002.

In June 2003, Philip announced that it and most of its wholly owned U.S. subsidiaries filed voluntary petitions under Chapter 11 of the Federal Bankruptcy Code.

In the year ended December 31, 2003, management of the Company determined that it was appropriate to write-off the balance of its investment in the Philip's common stock by a charge to earnings of approximately $961,000; of this amount $761,000 was previously charged to other comprehensive income in 2002, which was reversed in 2003, and included in the $961,000 charge to earnings.

The Company also has a participation in Philip's debt with an original cost at the date of their acquisition of approximately $19.7 million. At December 31, 2001, such notes were classified as available-for-sale securities and were written down through charges to OCI, to an estimated fair market value of approximately $13.2 million. In 2002, upon concluding its review of these investments, management determined that such investments were more properly classified as notes receivable.

Approximately $6.6 million of charges to OCI were reversed and the investments were reclassified at their original cost to 'Mortgages and notes receivable' at December 31, 2002. These adjustments had no effect on the Company's reported earnings for the year ended December 31, 2002.

In 2003, the cost basis of the debt was approximately $22.1 million. As previously mentioned, Philip filed for bankruptcy protection in June 2003. Management of the Company reviewed Philip's financial statements, bankruptcy documents and the prices of recent purchases and sales of the debt and determined this investment to be impaired. Based upon this review, management concluded the fair value of the debt to be approximately $3.3 million; therefore, the Company recorded a write-down of approximately $18.8 million by a charge to earnings which was included in 'Write-down of mortgages and notes receivable' in the Consolidated Statements of Earnings in the year ended December 31, 2003. In December 2003, the Company sold two-thirds of its term and PIK debt with a basis of $2.2 million for $2.6 million generating a gain of $.4 million.

Philip emerged from bankruptcy on December 31, 2003 as a private company controlled by an Icahn affiliate. The Company's remaining interest in the notes will be delivered and exchanged for approximately 443,000 common shares representing a 4.4% equity interest in the new Philip valued at the carrying value of the debt at December 31, 2003 of $1.1 million.

8. EQUITY INTEREST IN GB HOLDINGS, INC.

The Company reflects its pro rata equity interest in GB Holdings, Inc., which is approximately 36%, under this caption in the Consolidated Balance Sheets. 'Equity in the earnings (losses) of GB Holdings, Inc.' of ($3.4 million), $.3 million and $1.8 million have been recorded in the Consolidated Statements of Earnings in the years ended December 31, 2003, 2002 and 2001, respectively (See Note 7).

9. HOTEL AND CASINO OPERATING PROPERTY

In September 2000, Stratosphere Corp.'s Board of Directors approved a going private transaction proposed by the Company and an affiliate of Icahn. On February 1, 2001 the Company entered into a merger agreement with Stratosphere Corp. ('Stratosphere') under which the Company would acquire the remaining shares of Stratosphere that it did not currently own. The Company owned approximately 51% of Stratosphere and Carl C. Icahn owned approximately 38.6%. The Company, subject to certain conditions, agreed to pay approximately $44.3 million for the outstanding shares of Stratosphere not currently owned by it. Stratosphere stockholders not affiliated with Icahn would receive a cash price of $45.32 per share and Icahn related stockholders would receive a cash price of $44.33 per share. This transaction was completed in December 2002 after shareholders' approval.

The acquisition by the Company of the minority shares not owned by an Icahn affiliate has been accounted for as a purchase in accordance with Financial Accounting Standards Board ('FASB') Statement No. 141, 'Business Combinations.' The acquisition by the Company of the common stock held by an Icahn affiliate has been recorded at historical cost. The excess of the historical cost over the amount of the cash disbursed, which amounted to $21,151,000, has been accounted for as a net addition to the General Partner's equity.

Stratosphere has invested approximately $95 million for the construction of an additional 1,000 hotel rooms and related amenities and to purchase the leasehold interest in the shopping center located on its premises. The improvements were substantially completed in June 2001.

Stratosphere's property and equipment consist of the following as of December 31, 2003 and 2002 (in $000's):

	2003	2002
Land and improvements, including land held for development	$ 20,625	$ 20,110
Building and improvements	140,922	135,989
Furniture, fixtures and equipment	58,577	57,158
Construction in progress	4,179	329
	224,303	213,586
Less accumulated depreciation and amortization	(50,054)	(42,156)
	$174,249	$171,430

Included in property and equipment at December 31, 2002 are assets recorded under capital leases of $1.9 million.

Stratosphere's operations for the years ended December 31, 2003, 2002 and 2001 have been included in 'Hotel and casino operating income and expenses' in the consolidated Statements of Earnings. Hotel and casino operating expenses include all expenses except for approximately $12,276,000, $13,328,000 and $11,257,000 of depreciation and amortization for the years ended December 31, 2003, 2002 and 2001, respectively and $2,259,000, $2,412,000 and $513,000 of income tax provision for the years ended December 31, 2003, 2002 and 2001 respectively. Such amounts have been included in 'Depreciation and amortization expense' and 'Income tax benefit (expense)' in the Consolidated Statements of Earnings.

10. NATIONAL ENERGY GROUP

a. National Energy Group, Inc.

In October 2003, pursuant to Purchase Agreement dated as of May 16, 2003, the Company acquired certain debt and equity securities of National Energy Group, Inc. ('NEG') from entities affiliated with Carl C. Icahn for an aggregate consideration of approximately $148.1 million plus approximately $6.7 million of accrued interest on the debt securities. The agreement was reviewed and approved by the Audit Committee who were advised by its independent financial advisor and legal counsel. The securities acquired were $148,637,000 in principal amount of outstanding 10 3/4% Senior Notes due 2006 of NEG and 5,584,044 shares of common stock of NEG. As a result of the foregoing transaction and the acquisition by the Company of additional securities of NEG prior to the closing, the Company beneficially owns in excess of 50% of the outstanding common stock of NEG.

NEG owns a 50% interest in NEG Holding LLC ('Holding LLC'), the other 50% interest in Holding LLC is held by Gascon Partners ('Gascon') an Icahn affiliate and managing member. Holding LLC owns NEG Operating LLC ('Operating LLC') which owns operating oil and gas properties managed by NEG. Under the Holding LLC operating agreement NEG is to receive guaranteed payments in addition to a priority distribution before the Icahn affiliate receives any monies. Due to the substantial uncertainty that NEG will receive any distribution above the priority and guaranteed payments amounts, NEG accounts for its investment in Holding LLC as a preferred investment. The Company consolidates NEG in its financial statements.

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

b. Investment in NEG Holding LLC

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

Summarized financial information for Holding LLC as of and for the years ended December 31, is as follows:

	2003	2002
	(IN $000'S)	
Current assets	$ 33,415	$ 42,126
Noncurrent assets(1)	189,988	180,611
Total assets	$223,403	$222,737
Current liabilities	$ 14,253	$ 20,927
Noncurrent liabilities	48,640	1,968
Total liabilities	62,893	22,895
Members' equity	160,510	199,842
Total liabilities and members' equity	$223,403	$222,737

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(1) Primarily oil and gas properties

	2003	2002	2001
		(IN $000'S)	
Total revenues	$ 80,475	$ 39,509	$12,637
Costs and expenses	(47,277)	(32,064)	(9,988)
Operating income	33,198	7,445	2,649
Other income (expense)	(2,855)	6,481	(3,940)
Net income (loss)	$ 30,343	$ 13,926	$(1,291)

Under Holding LLC Operating Agreement, NEG is to receive guaranteed payments in addition to a priority distribution amount of $202.2 million before Gascon receives any monies. The priority distribution is to be made on or before November 1, 2006. Guaranteed payments are to be paid, on a semi annual basis, based on an annual interest rate of 10.75% of the outstanding priority distribution amount. After the payments to NEG, Gascon is to receive distributions equivalent to the priority distribution amount and guaranteed payments plus other amounts as defined. Following the above distributions to NEG and Gascon, additional distributions, if any, are to be made in accordance with their respective capital accounts. The order of distributions is listed below. Because of the substantial uncertainty that NEG will receive any distributions above the priority and guaranteed payment amounts, NEG accounts for its investment in Holding LLC as a preferred investment.

Prior to September 2001, NEG owned and operated certain oil and gas properties. At inception (September 12, 2001), NEG recorded the investment in Holding LLC at the historical cost of the oil and gas properties that NEG contributed into the partnership (in exchange for Holding LLC obligation to pay NEG the priority distribution and guaranteed payments). Subsequently, NEG accretes its investment in Holding LLC from the initial investment recorded up to the priority distribution amount, including the guaranteed payments, at the implicit rate of interest, recognizing the accretion income in earnings. Accretion income is periodically adjusted for changes in the timing of cash flows, if necessary due to unscheduled cash distributions. Receipt of guaranteed payments and the priority distribution are recorded as reductions in the preferred investment. The preferred investment is evaluated quarterly for other than temporary impairment.

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

The following is a roll forward of the Investment in Holding LLC as of December 31, 2003:

	(IN $000S)
Investment in Holding LLC at December 31, 2002	$108,880
Priority distribution from Holding LLC	(51,446)
Guaranteed payment from Holding LLC	(18,230)
Accretion of investment in Holding LLC	30,142
Investment in Holding LLC at December 31, 2003	$ 69,346

NEG received a guaranteed payment of $10.9 million from Holding LLC in November 2001.

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

1. Guaranteed payments are to be paid to NEG, calculated on an annual interest rate of 10.75% on the outstanding priority distribution amount. The priority distribution amount includes all outstanding debt owed to entities owned or controlled by Carl C. Icahn, including the amount of NEG's 10.75% Senior Notes. As of December 31, 2003, the priority distribution amount was $148.6 million. The guaranteed payments will be made on a semi-annual basis.

2. The priority distribution amount is to be paid to NEG. Such payment is to occur by November 6, 2006.

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

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

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

In addition, the Holding LLC Operating Agreement contains a provision that allows Gascon at any time, in its sole discretion, to redeem the NEG membership interest in Holding LLC at a price equal to the fair market value of such interest determined as if Holding LLC had sold all of its assets for fair market value and liquidated. Since all of the NEG's operating assets and oil and natural gas properties have been contributed to Holding LLC, as noted above, following such a redemption, NEG's principal assets would consist solely of its cash balances.

11. MORTGAGES AND NOTES RECEIVABLE

COLLATERALIZED BY PROPERTY TENANTED BY OR DEBTOR	INTEREST RATE	MATURITY DATE	BALANCE AT MATURITY	MONTHLY PAYMENT AMOUNT	BALANCE AT DECEMBER 31, (IN $000'S) 2003	2002
Peninsula/Hampton & Alex Hotel (b)	Various	Various	--	--	$42,030	$23,200
Philip debt (c)	--	--	--	--	1,091	20,494
Other	--	--	--	--	7,207	12,522
					$50,328	$56,216

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

a. On November 30, 2000, the Company entered into a mezzanine loan agreement to fund $23 million in two tranches to an unaffiliated borrower. The funds were to be used for certain initial development costs associated with a 65 unit condominium property located at 931 1st Avenue in New York City. The first tranche of $10 million was funded on November 30, 2000 and provided for interest accruing at a rate of 25% per annum, with principal and interest due at maturity, May 29, 2003. Also, in November 2000, approximately $3.7 million of the second tranche of the loan was funded. The balance of approximately $9.3 million was funded in installments during 2001. The second tranche provided for interest accruing at a rate of 21.5% per annum with principal and interest due at maturity, November 29, 2002. The loans were payable at any time from the proceeds of unit sales after satisfaction of senior debt of approximately $45 million. The loans were secured by the pledge of membership interests in the entity that owns the real estate. In May 2002, the Company received approximately $31.3 million for prepayment of the mezzanine loans. The balance of the prepayment of $8.3 million represented accrued interest ($7.9 million) and exit fees ($.4 million) which amounts were recognized as 'Interest income on U.S. Government and Agency obligations and other investments' and 'Other income' respectively, in the Consolidated Statements of Earnings for the year ended December 31, 2002.

b. At December 31, 2002, the Company had funded two mezzanine loans for approximately $23.2 million and had commitments to fund, under certain conditions, additional advances of approximately $5 million. Both loans have an interest rate of 22% per annum compounded monthly. The Peninsula loan, for a Florida condominium development, which had a term of 24 months from the date of funding, February 2002, was repaid in full in 2003. Approximately $6.8 million of interest income was recorded and is included in 'interest income' in the Consolidated Statements of Earnings. The Alex Hotel loan, for a New York City hotel with approximately 200 rooms, has a term of 36 months from the closing date, April 2002. At December 31, 2003, accrued interest of approximately $4.4 million has been deferred for financial statement purposes pending receipt of principal and interest payments in connection with this loan. Origination fees of $3.0 million have been received in connection with one of the mezzanine loans and approximately $1.5 million and $1.1 million has been recognized as 'Other income' in the Consolidated Statements of Earnings in the years ended December 31, 2003 and 2002 respectively. In February 2003, the Company funded the Hampton mezzanine loan for approximately $30 million on a Florida condominium development. The loan is due in 18 months with one six month extension and has an interest rate of 22% per annum compounded monthly. The Company has committed to fund an additional $15 million if required by the borrower to complete the project. At December 31, 2003 accrued interest of approximately $6.7 million has been deferred for financial statement purposes pending receipt of principal and interest payments in connection with this loan.

c. See Note 7 with respect to Philip debt.

12. NOTE RECEIVABLE DUE FROM AFFILIATE

On October 17, 2003 Carl C. Icahn ('Icahn'), Chairman of the Board of the General Partner, repaid the $250 million loan which had been made to him by the Company on December 27, 2001. The Company made the two-year $250 million loan to Mr. Icahn, secured by securities consisting of (i) 21,136,044 and 8,073,466 of the Company's depositary units and preferred units, respectively, owned by Mr. Icahn, such units having an aggregate market value on that date of $250 million and (ii) shares of a private company owned by Mr. Icahn, which shares were represented to have an aggregate book value of at least $250 million, together with an irrevocable proxy on sufficient additional shares of the private company so that the pledged shares and the shares covered by the proxy equal in excess of 50% of the private company's shares. The interest on the loan was payable semi-annually, at a per annum rate equal to the greater of (i) 3.9% and (ii) 200 basis points over 90 day LIBOR to be reset each calendar quarter. The applicable rate in 2003 was 3.9% and in 2002 ranged from 3.9% to 4.03%. Interest income of approximately $7.9 million, $9.9 million and $.1 million was earned on this loan in the years ended December 31, 2003, 2002 and 2001, respectively, and is included in 'Interest income on U.S. Government and Agency obligations and other investments' in the Consolidated Statements of Earnings.

The Company entered into this transaction to earn interest income on a secured investment. The terms of this transaction were reviewed and approved by the Audit Committee.

13. HOTEL AND RESORT OPERATING PROPERTIES

a. The Company owns a hotel and resort property that is part of a master planned community situated in the town of Mashpee located on Cape Cod in Massachusetts. This property includes two golf courses, other recreational facilities, condominium and time share units and land for future development.

Total initial costs of approximately $28 million were classified as follows: approximately $17.4 million as 'Hotel and resort properties', $8.9 million as 'Land and construction-in-progress' and $1.7 million as 'Other assets' on the Consolidated Balance Sheet.

Resort operations have been included in the 'Hotel and resort operating income and expenses' in the Consolidated Statements of Earnings. Net hotel and resort operations ('hotel and resort operating income' less 'hotel and resort operating expenses') resulted in income of approximately $3,033,000, $1,909,000 and $712,000 for the years ended December 31, 2003, 2002, and 2001, respectively. Hotel and resort operating expenses include all expenses except for approximately $2,451,000, $1,833,000 and $970,000 of depreciation and amortization for each of the years ended December 31, 2003, 2002 and 2001, respectively, which is included in its respective caption in the Consolidated Statements of Earnings.

Resort operations are highly seasonal in nature with peak activity occurring from June to September.

b. The Company owns a hotel located in Miami, Florida which has a carrying value of approximately $6.4 and $6.3 million at December 31, 2003 and 2002, respectively, and is unencumbered by any mortgages. Approximately $1.3 million of capital improvements were completed in the year ended December 31, 2002.

The Company has a management agreement for the operation of the hotel with a national management organization. Net hotel and resort operations ('hotel and resort operating revenues' less 'hotel and resort operating expenses') totaled approximately $596,000, $404,000 and $770,000 for the years ended December 31, 2003, 2002 and 2001, respectively. The renovations incurred during 2002 had a negative impact on the net operating income. Hotel and resort operating expenses include all expenses except for approximately $210,000, $374,000 and $512,000 of depreciation for the years ended December 31, 2003, 2002 and 2001, respectively. These amounts are included in their respective captions in the Consolidated Statements of Earnings.

14. SIGNIFICANT PROPERTY TRANSACTIONS

Information on significant property transactions during the three-year period ended December 31, 2003 is as follows:

a. In September 2002, the Company purchased an industrial building located in Nashville, Tennessee for approximately $18.2 million. The building was constructed in 2001 and is fully leased to two tenants, Alliance Healthcare and Jet Equipment & Tools Inc., with leases expiring in 2011. The annual net operating income is anticipated to be approximately $1.6 million increasing to approximately $1.9 million by 2011. In October 2002, the Company closed a $12.7 million non-recourse mortgage loan on the Nashville, Tennessee property. The loan bears interest at 6.4% per annum and matures in ten years. Required payments are interest only for the first three years and then principal amortization will commence based on a thirty-year amortization schedule.

At December 31, 2003 and 2002, the property had a carrying value of approximately $17,584,000 and $18,066,000 respectively, and was encumbered by a non-recourse mortgage in the amount of $12,700,000.

b. In October 2002, the Company sold a property located in North Palm Beach, Florida for a selling price of $3.5 million. A gain of approximately $2.4 million was recognized in the year ended December 31, 2002.

c. In October 2003, the Company sold a property located in Columbia, Maryland to its tenant for a selling price of $11 million. A gain of approximately $5.8 million was recognized in the year ended December 31, 2003.

d. The Company has retained CB Richard Ellis, Inc. to assist it in obtaining offers for the Company's rental real estate portfolio. In total, the Company is currently marketing for sale properties with a book value of approximately $340 million, encumbered by mortgage debt of approximately $180 million, a portion of which portfolio meets the criteria as held for sale under SFAS 144 at December 31, 2003. There can be no assurance that the Company will be successful in obtaining purchase offers at acceptable prices.

The Company intends to utilize proceeds from real estate asset sales to continue to diversify its business operations outside of real estate, including but not limited to such sectors as insurance, oil and gas and gaming as well as other real estate opportunities.

15. MORTGAGES PAYABLE

Mortgages payable, all of which are nonrecourse to the Company, are summarized as follows (in $000's):

RANGE OF INTEREST RATES	RANGE OF MATURITIES	ANNUAL PRINCIPAL AND INTEREST PAYMENT	BALANCE AT DECEMBER 31, 2003	2002
5.630% - 8.430%	10/15/07 - 12/31/18	$19,328	$180,989	$166,287
9.000 - 9.500	11/30/03 - 11/30/09	--	--	5,561
		$19,328	$180,989	$171,848

The following is a summary of the anticipated future principal payments of the mortgages:

YEAR ENDING DECEMBER 31,	AMOUNT
2004	$ 6,489
2005	6,702
2006	7,360
2007	14,176
2008	58,817
2009 - 2013	66,905
2014 - 2018	20,540
	$180,989

a. See Note 14a for Mid-South Logistics financing in October 2002.

b. On May 16, 2003, the Company executed a mortgage note secured by a distribution facility located in Windsor Locks, Connecticut and obtained funding in the principal amount of $20 million. The loan bears interest at 5.63% per annum and matures on June 1, 2013. Annual debt service is approximately $1,382,000 per annum based on a 30 year amortization schedule.

16. SENIOR NOTES AND CREDIT FACILITY DUE AFFILIATES

a. The Senior Notes of National Energy Group, Inc. ('Notes') were held in their entirety by affiliates of Icahn at December 31, 2002. The Notes bear interest at an annual rate of 10 3/4%, payable semiannually in arrears on May 1 and November 1 of each year. The Notes are senior, unsecured obligations of NEG, ranking pari passu with all existing and future senior indebtedness of NEG, and senior in right of payment to all future subordinated indebtedness of NEG. Subject to certain limitations set forth in the indenture covering the Senior Notes (the 'Indenture'), NEG and its subsidiaries may incur additional senior indebtedness and other indebtedness.

The Indenture contains certain covenants limiting NEG with respect to the following: (i) asset sales; (ii) restricted payments; (iii) the incurrence of additional indebtedness and the issuance of certain redeemable preferred stock; (iv) liens; (v) sale and leaseback transactions; (vi) lines of business; (vii) dividend and other payment restrictions affecting subsidiaries; (viii) mergers and consolidations; and (ix) transactions with affiliates.

NEG was unable to reasonably determine the fair value of the Notes at December 31, 2002, due to a lack of available market quotations, credit ratings and inability to determine an appropriate discount rate.

In August 2001, NEG redeemed both $16.4 million of principal outstanding under the notes and $4.8 million of Reinstated Interest for a cash consideration of $10.5 million. NEG paid two Icahn affiliates approximately $.4 million in current interest on the redeemed senior note obligations at the date of redemption related to interest owed from the last semi-annual interest payment date of May 1, 2001, to the date of redemption. As this was a partial redemption of the Notes, it has been accounted for as a modification of terms that changes the amounts of future cash payments. Accordingly, the excess of redeemed principal and interest over the redemption payment of $10.5 million is being amortized as a reduction to interest expense over the remaining life of the bonds. In connection with this transaction, NEG borrowed $10.9 million under its existing credit facility with an Icahn affiliate.

In October 2003, the Company acquired these Notes. At December 31, 2003, these Notes were eliminated in consolidation (See Note 10).

b. At December 31, 2002, NEG had $10.9 million outstanding under its existing $100 million credit facility with Arnos, an Icahn affiliate. Arnos continued to be the holder of the credit facility; however, the $10.9 million note outstanding under the credit facility was contributed to Holding LLC as part of Gascon's contribution to Holding LLC on September 12, 2001. In December 2001, the maturity date of the credit facility was extended to December 31, 2003 and NEG was given a waiver of compliance with respect to any and all covenant violations. NEG was not in compliance with the minimum interest coverage ratio at September 30, 2002; and December 31, 2002 and the current ratio at December 31, 2002, however, in December 2001 NEG was given a waiver of compliance with respect to any and all covenant violations through December 31, 2003.

On March 26, 2003, Holding LLC distributed the $10.9 million note outstanding under NEG's revolving credit facility as a priority distribution to NEG, thereby canceling the note. Also, on March 26, 2003 NEG, Arnos and Operating LLC entered into an agreement to assign the credit facility to Operating LLC. Effective with this assignment, Arnos amended the credit facility to increase the revolving commitment to $150 million, increase the borrowing base to $75 million and extend the revolving due date until June 30, 2004. Concurrently, Arnos extended a $42.8 million loan to Operating LLC under the amended credit facility. Operating LLC then distributed $42.8 million to Holding LLC who, thereafter, made a $40.5 million priority distribution and a $2.3 million guaranteed payment to NEG. NEG utilized these funds to pay the entire amount of the long-term interest payable on the Notes and interest accrued thereon outstanding on March 27, 2003. The Arnos facility was canceled on December 29, 2003 in conjunction with a third party bank financing.

17. RIGHTS OFFERINGS

a. A registration statement relating to the 1995 Rights Offering (the '1995 Offering') was filed with the Securities and Exchange Commission and declared effective February 23, 1995.

On March 1, 1995, the Company issued to record holders of its Depositary Units one transferable subscription right (a 'Right'), for each seven Depositary Units of the Company held on February 24, 1995, the record date. The Rights entitled the holders thereof (the 'Rights Holders') to acquire during the subscription period at a subscription price of $55, six Depositary Units and one 5% cumulative pay-in-kind redeemable preferred unit representing a limited partner interest ('Preferred Units'). The subscription period commenced on March 1, 1995 and expired at the close of business on March 30, 1995.

The Preferred Units have certain rights and designations, generally as follows. Each Preferred Unit has a liquidation preference of $10.00 and entitles the holder thereof to receive distributions thereon, payable solely in additional Preferred Units, at the rate of $.50 per Preferred Unit per annum (which is equal to a rate of 5% of the liquidation preference thereof), payable annually on March 31 of each year (each, a 'Payment Date'). On any Payment Date commencing with the Payment Date on March 31, 2000, the Company with the approval of the Audit Committee of the Board of Directors of the General Partner may opt to redeem all, but not less than all, of the Preferred Units for a price, payable either in

all cash or by issuance of additional Depositary Units, equal to the liquidation preference of the Preferred Units, plus any accrued but unpaid distributions thereon. On March 31, 2010, the Company must redeem all, but not less than all, of the Preferred Units on the same terms as any optional redemption.

On April 12, 1995, the Company received approximately $108.7 million, the gross proceeds of the 1995 Offering, from its subscription agent and a capital contribution of approximately $2.2 million from its General Partner. The Company issued 1,975,640 Preferred Units and an additional 11,853,840 Depositary Units.

Trading in the Preferred Units commenced March 31, 1995 on the New York Stock Exchange ('NYSE') under the symbol 'ACP PR'. The Depositary Units trade on the NYSE under the symbol 'ACP'.

b. In September 1997, the Company completed its 1997 Rights Offering (the '1997 Offering') to holders of its Depositary Units. The aggregate amount raised in the 1997 Rights Offering was approximately $267 million. The Preferred and Depositary Units issued under the 1997 Rights Offering carry the same rights and designations as those issued in 1995.

On September 25, 1997 the Company received approximately $267 million, the gross proceeds of the 1997 Offering, from its subscription agent and a capital contribution of approximately $5.4 million from its General Partner. Expenses incurred in connection with the 1997 Offering were approximately $400,000. The Company issued an additional 5,132,911 Preferred Units and 20,531,644 Depositary Units. The Preferred and Depositary Units trade on the New York Stock Exchange under the symbols 'ACP PR' and 'ACP', respectively.

At December 31, 2003, affiliates of the General Partner owned 8,477,139 Preferred Units and 39,896,836 Depositary Units.

18. PREFERRED UNITS

Pursuant to the terms of the Preferred Units, on February 21, 2003, the Company declared its scheduled annual preferred unit distribution payable in additional Preferred Units at a the rate of 5% of the liquidation preference of $10. The distribution was payable March 31, 2003 to holders of record as of March 14, 2003. A total of 466,548 additional Preferred Units were issued. At December 31, 2003 and 2002, 9,796,607 and 9,330,963 Preferred Units are issued and outstanding, respectively.

Pursuant to the terms of the Preferred Units, on February 25, 2004, the Company declared its scheduled annual preferred unit distribution payable in additional Preferred Units at the rate of 5% of the liquidation preference of $10. The distribution is payable on March 31, 2004 to holders of record as of March 12, 2004. In addition, the Company increased the number of authorized Preferred Units to 10,400,000.

On July 1, 2003, the Company adopted Statement of Financial Accounting Standards No. 150 (SFAS 150) 'Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity.' SFAS 150 requires that a financial instrument, which is an unconditional obligation, be classified as a liability. Previous guidance required an entity to include in equity financial instruments that the entity could redeem in either cash or stock. Pursuant to SFAS 150 the Company's Preferred Units, which are an unconditional obligation, have been reclassified from 'Partners' equity' to a liability account in the consolidated Balance Sheets and the preferred pay-in-kind distribution for the period from July 1, 2003 to December 31, 2003 of $2,449,000 and all future distributions have been and will be recorded as 'Interest expense' in the Consolidated Statements of Operations.

19. INCOME TAXES (IN $000'S)

	DECEMBER 31, 2003	DECEMBER 31, 2002
The difference between the book basis and the tax basis of the net assets of the Company, not directly subject to income taxes, is as follows:		
a. Book basis of American Real Estate Partner's net assets excluding Stratosphere Corp. and NEG, Inc. ...	$1,149,418	$1,177,329
Excess of tax over book (Excess of book over tax basis)...	79,238	(1,778)

Tax basis of net assets	$1,228,656	$1,175,551

b. Corporate income taxes

(i) The Company's corporations recorded the following income tax (expense) benefit attributable to continuing operations for Stratosphere and NEG for the years ended December 31, (in $000's):

	2003	2002	2001
Current	$ (723)	$ --	$ --
Deferred	7,218	(7,480)	30,077
	$6,495	$(7,480)	$30,077

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

	2003	2002
Deferred tax assets:		
Depreciation	$ 40,191	$ 61,628
Net operating loss carryforwards	30,942	45,958
Investment in NEC Holding LLC	18,845	8,440
Other	8,347	9,950
	98,325	125,976
Valuation allowance	(15,875)	(100,454)
Net deferred tax assets	$ 82,450	$ 25,522

At December 31, 2003, Stratosphere 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 Stratosphere's history of losses for income tax purposes, the volatility of the industry within which the Stratosphere operates, and certain other factors, Stratosphere had established a valuation allowance for the deductible temporary differences, including the excess of the tax basis of the Stratosphere's assets over the basis of such assets for financial statement purposes and the tax carryforwards. However, at December 31, 2003, based on various factors including the current earnings trend and future taxable income projections, Stratosphere determined that it was more likely than not that the deferred tax assets will be realized and removed the valuation allowance.

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. Stratosphere has deferred tax assets relating to both before and after Stratosphere emerged from bankruptcy in September of 1998. The net decrease in the valuation allowance was $79.3 million of which a net amount of $47.5 million was credited to partners' capital in the year ended December 31, 2003.

At December 31, 2003, NEG had net operating loss carryforwards available for federal income tax purposes of approximately $58 million which begin expiring in

2009. Utilization of approximately $.2 million of the net operating loss carryforwards is subject to various limitations because of previous changes in control of ownership (as defined in the Internal Revenue Code) of NEG. Additional net

operating loss limitations may be imposed as a result of subsequent changes in stock ownership of NEG. Prior to the formation of Holding LLC, the income tax benefit associated with the loss carryforwards had not been recognized since, in the opinion of management, there was not sufficient positive evidence of future taxable income to justify recognition of a benefit. Upon the formation of Holding LLC, management again evaluated all evidence, both positive and negative, in determining whether a valuation allowance to reduce the carrying value of deferred tax assets was still needed and concluded, based on the projected allocations of taxable income by Holding LLC, NEG more likely than not will realize a partial benefit from the loss carryforwards. In accordance with SFAS 109, NEG recorded a deferred tax asset of $31.9 million in September 2001, $25.5 million as of December 31, 2002 and $25.9 million as of December 31, 2003. Ultimate realization of the deferred tax asset is dependent upon, among other factors, NEG's ability to generate sufficient taxable income within the carryforward periods and is subject to change depending on the tax laws in effect in the years in which the carryforwards are used. As a result of the recognition of expected future income tax benefits, subsequent periods will reflect a full effective tax rate provision.

20. QUARTERLY FINANCIAL DATA (UNAUDITED) (IN $000'S, EXCEPT PER UNIT DATA)

	THREE MONTHS ENDED(1)							
	MARCH 31,		JUNE 30,		SEPTEMBER 30,		DECEMBER 31,	
	2003	2002	2003	2002	2003	2002	2003	2002
Revenues..................	$71,076	$84,776	$ 68,740	$90,789	$73,216	$82,687	$70,741	$95,250
Operating Income...........	$17,007	$20,429	$ 15,683	$26,725	$15,461	$18,421	$17,464	$20,630
Gains (losses) on property transactions............	1,138	1,639	(272)	--	501	2,891	5,754	4,460
Gain on sale of marketable equity and debt securities..............	--	--	--	--	2,168	--	439	--
Provision for loss on real estate..................	(200)	--	--	(926)	(100)	--	(450)	(2,286)
Write-down of equity securities available for sale.....................	(961)	--	--	(8,476)	--	--	--	--
Write-down write-up of mortgages & notes receivable..............	--	--	(18,798)	--	--	--	--	--
Loss on limited partnership interest................	--	--	--	--	--	--	--	(3,750)
Minority interest in net earnings of Stratosphere Corp.	--	(407)	--	(589)	--	(612)	--	(335)
Income (loss) from continuing operations before income tax........	16,984	21,661	(3,387)	16,734	18,030	20,700	23,207	18,719
Income tax (expense) benefit.................	(2,878)	(1,595)	(2,158)	(1,854)	(2,568)	(2,031)	14,099	(2,000)
Income (loss) from continuing operations....	14,106	20,066	(5,545)	14,880	15,462	18,669	37,306	16,719
Income from discontinued operations..............	854	883	2,777	883	2,283	883	854	883
Net earnings (loss)........	$14,960	$20,949	$ (2,768)	$15,763	$17,745	$19,552	$38,160	$17,602
Net earnings (loss) per limited Partnership unit(2):								

Basic earnings:								
Income (loss) from continuing operations.......	$ .18	$ .36	$ (.19)	$ .25	$ .27	$ .32	$ .79	$ .27
Income from discontinued operations.......	.02	.02	.06	.02	.05	.02	.02	.02
Basic earnings (loss) per LP unit..........	$ .20	$ .38	$ (.13)	$ .27	$ .32	$ .34	$ .81	$ .29
Diluted earnings:								
Income (loss) from continuing operations.......	$ .16	$ .31	$ (.18)	$ .22	$ .26	$ .28	$ .71	$ .23
Income from discontinued operations.......	.02	.02	.05	.02	.04	.02	.02	.02
Diluted earnings (loss) per LP unit..........	$ .18	$ .33	$ (.13)	$ .24	$ .30	$ .30	$ .73	$ .25

(1) All quarterly amounts have been restated for the effects of the acquisition of NEG and the reporting of discontinued operations.

(2) Net earnings (loss) per unit is computed separately for each period and, therefore, the sum of such quarterly per unit amounts may differ from the total for the year.

21. SEGMENT REPORTING

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

Non-segment revenue to reconcile to total revenue consists primarily of interest income on treasury bills and other investments. Non-segment assets to reconcile to total assets includes investment in U.S. Government and Agency obligations, cash and cash equivalents, receivables and other assets.

The accounting policies of the segments are the same as those described in Note 2.

The Company assesses and measures segment operating results based on segment earnings from operations as disclosed below. Segment earnings from operations is not necessarily indicative of cash available to fund cash requirements nor synonymous with cash flow from operations.

The revenues, net earnings, assets and real estate investment capital expenditures for each of the reportable segments are summarized as follows for the years ended and as of December 31, 2003, 2002, and 2001 (in $000's):

	2003	2002 (RESTATED)	2001 (RESTATED)
Revenues:			
Hotel & casino operating property..................	$ 160,235	$ 156,620	$ 146,161

Land, house and condominium sales	13,265	76,024	55,566
Rental real estate	28,056	28,681	30,429
Hotel & resort operating properties	18,504	18,597	16,418
Oil & gas operating properties	38,109	40,516	45,709
Other investments	13,874	15,283	7,097
Subtotal	272,043	335,721	301,380
Reconciling items	11,730(1)	17,781(1)	28,147(1)
Total revenues	$ 283,773	$ 353,502	$ 329,527
Net earnings:			
Segment earnings:			
Hotel & casino operating property	$ 24,806	$ 24,961	$ 18,205
Land, house and condominium sales	4,136	21,384	12,967
Oil & gas operating properties	38,109	40,516	40,140
Rental real estate	22,229	23,420	26,860
Hotel and resort operating properties	4,050	2,859	2,254
Other investments	13,874	15,283	7,097
Total segment earnings	107,204	128,423	107,523
Interest income	11,730	17,781	28,147
Interest expense	(20,640)	(27,369)	(34,769)
General and administrative expenses	(14,081)	(14,134)	(13,011)
Depreciation and amortization	(18,598)	(18,496)	(21,663)
Operating Income	65,615	86,205	66,227
Gain on sales and disposition of real estate from continuing operations	7,121	8,990	1,737
Loss on sale of limited partnership interests	--	(3,750)	--
Write-down of mortgages and notes receivable	(18,798)	--	--
Provision for loss on real estate	(750)	(3,212)	(3,184)
Write-down of equity securities available for sale	(961)	(8,476)	--
Gain on sale of marketable equity securities	2,607	--	6,749
Minority interest in net earnings of Stratosphere Corp.	--	(1,943)	(450)
Income tax benefit (expense)	6,495	(7,480)	30,077
Income from discontinued operations	6,768	3,532	3,678
General partner's share of net income	(8,737)	(10,698)	(38,644)
Net earnings-limited partners' unitholders	$ 59,360	$ 63,168	$ 66,190
Assets:			
Rental real estate	$ 340,062	$ 359,700	$ 358,597
Hotel and casino operating property	174,249	171,430	184,191
Land and construction-in-progress	43,459	40,415	69,429
Hotel and resort operating properties	41,526	44,346	43,990
Other investments	231,050	479,104	458,372
	830,346	1,094,995	1,114,579
Reconciling items	602,397	465,481	469,772
Total	$1,432,743	$1,560,476	$1,584,351

(table continued on next page)

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(1) Primarily interest income on U.S. Government and Agency obligations and other short-term investments and Icahn note receivable.

(table continued from previous page)

Real estate investment capital expenditures:

Acquisitions:

Rental real estate	$ --	$ 18,226	$ --
Land and construction-in-progress	--	--	--
Hotel and casino operating property	--	--	--
Hotel and resort operating properties	--	--	--
	$ --	$ 18,226	$ --
Developments:			
Rental real estate	$ 413	$ 181	$ 1,064
Land and construction-in-progress	--	1,138	3,804
Hotel and casino operating property	18,667	2,582	48,909
Hotel and resort operating properties	1,067	1,995	13,753
	$ 20,147	$ 5,896	$ 67,530

22. COMMITMENTS AND CONTINGENCIES

a. In January 2002, Kmart Corp., a tenant leasing seven properties owned by the Company which represent approximately $1,374,000 in annual rentals, filed a voluntary petition for reorganization under Chapter 11 of the Federal Bankruptcy Code. Pursuant to an order of the Bankruptcy Court, four leases have been rejected representing approximately $713,000 in annual rents. Three of the rejected properties have been classified as available for sale. The Company recorded a provision for loss of approximately $1.9 million on the four properties, whose leases were rejected, for the year ended December 31, 2001. The Company has not been notified regarding the three remaining leases representing approximately $661,000 in annual rents. At December 31, 2003 and 2002, the carrying value of the seven properties was approximately $5,482,000 and $6,529,000, respectively, which management believes is less than the estimate of net realizable value.

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

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

Great Western is alleging that it is owed payment from the Stratosphere Parties for work performed and for delay and disruption damages. Great Western is claiming damages in the sum of $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 to Tiffiny and Great Western in 2002, respectively, is properly due and payable to satisfy all claims for the work performed, including the claim by Tiffiny. The remaining amount has been segregated in a separate interest bearing account. The Stratosphere Parties intend to vigorously defend the action for claims in excess of $1,004,059.

c. In January 2002, the Cape Cod Commission, (the 'Commission'), a

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

In February 2002, New Seabury Properties LLC, an AREP subsidiary and owner of the property, filed in Barnstable County Massachusetts Superior Court, a civil complaint appealing the Administrative Decision by the Commission, and a separate civil complaint to find the Commission in contempt of the Settlement Agreement. The Court subsequently consolidated the two complaints into one proceeding. In July 2003, New Seabury and the Commission filed cross motions for summary judgment.

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

In November 2003, the Court ruled in New Seabury's favor on its July 2003 motion for partial summary judgment, finding that the special permit remains valid and that the modified development proposal is in substantial compliance with the Special Permit and therefore exempt from the Commission's jurisdiction (the Court did not yet rule on the initial proposal). Under the modified development proposal New Seabury could potentially develop up to 278 residential units and 145,000 square fee of commercial space. In March 2004 New Seabury moved for Summary Judgment to dispose of remaining claims under all three complaints and to obtain a final judgment from the Court. Under the initial proposal, New Seabury could potentially build up to 675 residential/hotel units and 80,000 square feet of commercial space. The Company cannot predict the effect on the development process if it loses any appeal or if the Commission is ultimately successful in asserting jurisdiction over any of the development proposals.

The General Partner monitors all tenant bankruptcies and defaults and may, when it deems it necessary or appropriate, establish additional reserves for such contingencies.

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

23. FAIR VALUE OF FINANCIAL INSTRUMENTS

CASH AND CASH EQUIVALENTS, RECEIVABLES, NOTE RECEIVABLE DUE FROM AFFILIATE, ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES AND THE PREFERRED LIMITED PARTNERSHIP UNITS LIABILITY

The carrying amount of cash and cash equivalents, receivables, note receivable due from affiliate, and accounts payable, accrued expenses and other liabilities and the Preferred Limited Partnership Units Liability are carried at cost, which approximates their fair value.

MORTGAGES AND NOTES RECEIVABLE

The fair values of the mortgages and notes receivable past due, in process of foreclosure, or for which foreclosure proceedings are pending, are based on the discounted cash flows of the underlying lease. The fair values of the mortgages and notes receivable satisfied after year end are based on the amount of the net proceeds received.

The fair values of the mortgages and notes receivable which are current are based on the discounted cash flows of their respective payment streams.

The approximate estimated fair values of the mortgages and notes receivable held as of December 31, 2003 and 2002 are summarized as follows (in $000's):

	AT DECEMBER 31, 2003		AT DECEMBER 31, 2002	
	NET INVESTMENT	ESTIMATED FAIR VALUE	NET INVESTMENT	ESTIMATED FAIR VALUE
Total	$50,272	$55,000	$51,449	$53,973

The net investment at December 31, 2002 is equal to the carrying amount of the mortgage receivable less any deferred income recorded.

MORTGAGES PAYABLE

The approximate estimated fair values of the mortgages payable as of December 31, 2003 and 2002 are summarized as follows (in $000's):

	AT DECEMBER 31, 2003		AT DECEMBER 31, 2002	
	CARRYING VALUE	ESTIMATED FAIR VALUE	CARRYING VALUE	ESTIMATED FAIR VALUE
Total	$180,989	$185,000	$171,848	$190,000

LIMITATIONS

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

24. EMPLOYEE BENEFIT PLANS

a. 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 approximately $7,600,000, $6,500,000 and $4,900,000 for the years ended December 31, 2003, 2002 and 2001, respectively. Sufficient information is not available from the plans' sponsors to permit the Company to determine the adequacy of the plans' funding status.

b. The Company has retirement savings plans under Section 401(k) of the Internal Revenue Code covering its non-union employees. The plans allow employees to defer, within prescribed limits, up to 15% of their income on a pre-tax basis through contributions to the plans. The Company currently matches, within prescribed limits, up to 6% of eligible employees' compensation at rates ranging from 33 1/3% to 50%. The Company recorded charges for matching contributions of approximately $422,000, $433,000 and $477,000, for the years ended December 31, 2003, 2002 and 2001, respectively.

25. REPURCHASE OF DEPOSITARY UNITS

The Company has previously been authorized to repurchase up to 1,250,000 Depositary Units. As of December 31, 2003, the Company has purchased 1,137,200

Depositary Units at an aggregate cost of approximately $11,921,000.

26. SUBSEQUENT EVENTS

On January 5, 2004, American Casino & Entertainment Properties LLC ('American Casino'), an indirect wholly-owned subsidiary of the Company, entered into an agreement to acquire two Las Vegas casino/hotels, Arizona Charlie's Decatur and Arizona Charlie's Boulder from Carl C. Icahn and an entity affiliated with Mr. Icahn, for an 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 gaming laws. The terms of the transaction were approved by the Audit Committee, who received an opinion from its financial advisor as to the fairness of the consideration to be paid from

a financial point of view. Upon receiving all approvals necessary under gaming laws and upon closing of the acquisition, the AREH will transfer 100% of the common stock of Stratosphere Corporation ('Stratosphere') to American Casino. As a result, following the acquisition and contribution, American Casino will own and operate three gaming and entertainment properties in the Las Vegas metropolitan area.

Also, in January 2004, American Casino closed on its offering of Senior Secured Notes Due 2012. The Notes, in the aggregate principal amount of $215 million, bear interest at the rate of 7.85% per annum. The proceeds will be held in escrow pending receipt of all approvals necessary under gaming laws and certain other conditions in connection with the acquisition of Arizona Charlie's Decatur and Boulder. The amount raised in excess of the acquisition cost and expenses will be used to repay intercompany debt and for general business purposes by the Company and its subsidiaries.

Arizona Charlie's Decatur is located on approximately 17 acres of land, four miles west of the Las Vegas strip. An estimated 500,000 people live within a five-mile radius of the property. The property is easily accessible from Route 95, a major highway in Las Vegas. Arizona Charlie's Decatur contains approximately 52,000 square feet of gaming space, 258 hotel rooms, four restaurants and three bars. The property targets repeat customers from the surrounding communities. In 2003, revenues were $67.9 million.

Arizona Charlie's Boulder is located on approximately 24 acres of land, seven miles east of the Las Vegas strip, near an I-515 interchange. The I-515 is the most heavily traveled east/west highway in Las Vegas. An estimated 423,000 people live within a five-mile radius of the property. Arizona Charlie's Boulder contains approximately 41,000 square feet of gaming space, 303 hotel rooms, four restaurants and a 202-space recreational vehicle park. As with the Arizona Charlie's Decatur property, the property targets repeat customers from the surrounding communities. In 2003, revenues were $31.2 million.

ITEM 9. CHANGES AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None

ITEM 9A. CONTROLS AND PROCEDURES

a. As of December 31, 2003, the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's and its subsidiaries' disclosure controls and procedures pursuant to the Exchange Act Rule 13a-15(e) and 15d-15(e). Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic Securities and Exchange Commission filings.

b. During the three months ended December 31, 2003, there have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls over financial reporting.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF AREP.

The names, offices held and the ages of the directors and executive officers of the General Partner are as follows:

NAME	AGE	OFFICE
Carl C. Icahn	68	Chairman of the Board
William A. Leidesdorf	58	Director
James L. Nelson	54	Director
Jack G. Wasserman	67	Director
Keith A. Meister	30	President and Chief Executive Officer
Martin L. Hirsch	48	Executive Vice President and Director of Acquisitions and Development
John P. Saldarelli	62	Vice President, Chief Financial Officer, Secretary and Treasurer

Carl C. Icahn has been Chairman of the Board of the General Partner since November 15, 1990. He is also Chairman of the Board of Directors and a Director of Starfire Holding Corporation (formerly Icahn Holding Corporation), a Delaware corporation ('SHC'), and Chairman of the Board and a Director of various of SHC's subsidiaries. SHC is primarily engaged in the business of holding, either directly or through subsidiaries, various businesses and investments and its address is 100 South Bedford Road, Mount Kisco, New York 10549. Mr. Icahn has also been Chairman of the Board of Directors of ACF since October 29, 1984 and a Director of ACF since June 29, 1984. ACF is a railroad freight and tank car leasing, sales and manufacturing company. He has also been Chairman of the Board of Directors and President of Icahn & Co., Inc. since 1968. Icahn & Co., Inc. is a registered broker-dealer and a member of the National Association of Securities Dealers. ACF and Icahn & Co., Inc. are deemed to be directly or indirectly owned and controlled by Carl C. Icahn. In January 2003, Mr. Icahn became Chairman of the Board and a Director of XO Communications Inc., a telecommunications company. Mr. Icahn has been a Director of Cadus Corporation, a firm which holds various biotechnology patents, since 1993. Since October 1998, Mr. Icahn has been the President and a Director of Stratosphere Corporation which operates the Stratosphere Hotel and Casino. Since September 29, 2000, Mr. Icahn has also served as the Chairman of the Board of GB Holdings, Inc., GB Property Funding, Inc. and Greate Bay Hotel & Casino, Inc. which owns and operates the Sands Hotel. Mr. Icahn also has substantial equity interests in and controls various partnerships and corporations that invest in publicly traded securities.

William A. Leidesdorf has served as Director of the General Partner since March 26, 1991. Mr. Leidesdorf is also a Director of Renco Group, Inc. and its subsidiary, WCI Steel Inc., a steel producer which filed for Chapter 11 bankruptcy protection in September 2003. Since June 1997, Mr. Leidesdorf has been an owner and a managing director of Renaissance Housing, LLC, a company primarily engaged in acquiring multifamily residential properties. From April 1995 through December 1997, Mr. Leidesdorf acted as an independent real estate investment banker. Since December 29, 2003, Mr. Leidesdorf has served as a Director of American Entertainment Properties Corp. and American Casino & Entertainment Properties Finance Corp. which are indirect subsidiaries of AREP. Mr. Leidesdorf has been licensed by the New Jersey State Casino Control Commission and the Nevada State Gaming Control Commission.

James L. Nelson has served as a Director of the General Partner since June 12, 2001. From 1986 until the present, Mr. Nelson has been Chairman and Chief Executive Officer of Eaglescliff Corporation, a specialty investment banking, consulting and wealth management company. From March 1998 through 2003, Mr. Nelson was Chairman and Chief Executive Officer of Orbit Aviation, Inc. a company engaged in the acquisition and completion of Boeing Business Jets for private and corporate clients. From August 1995 until July 1999, he was Chief Executive Officer and Co-Chairman of Orbitex Management, Inc. Mr. Nelson currently serves as a Director of Viskase Corporation, a closely-held supplier for the meat and poultry business, and TransTexas Gas Corporation, a company that is 85%

owned by various Icahn entities and managed by National Energy Group, Inc., a subsidiary of AREH. Until March 2001, he was on the Board of Orbitex Financial Services Group, a financial services company in the mutual fund sector. Since December 29, 2003, Mr. Nelson has served as a Director of American Entertainment Properties Corp. and American Casino & Entertainment Properties Finance Corp., which are indirect subsidiaries of AREP. Mr. Nelson has been licensed by the New Jersey State Casino Control Commission and the Nevada State Gaming Control Commission.

Jack G. Wasserman has served as a Director of the General Partner since December 3, 1993. Mr. Wasserman is an attorney and a member of the Bars of New York, Florida and the District of Columbia. From 1966 until 2001, he was a senior partner of Wasserman, Schneider, Babb & Reed, a New York-based law firm and its predecessors. Since September 2001, Mr. Wasserman has been engaged in the practice of law as a sole practitioner. Mr. Wasserman has been licensed by the New Jersey State Casino Control Commission and the Nevada State Gaming Control Commission and, at the latter's direction, is an independent member and Chairman of the Stratosphere Compliance Committee.

Since December 29, 2003, Mr. Wasserman has served as a Director of American Entertainment Properties Corp. and American Casino & Entertainment Properties Finance Corp., which are indirect subsidiaries of AREP. Mr. Wasserman is not a member of the Stratosphere's Board of Directors. Since December 1, 1998, Mr. Wasserman has been a director of National Energy Group, Inc. which, on December 4, 1998, sought protection under the federal bankruptcy laws. A Plan of Reorganization became effective on August 4, 2000, and a final decree closing the case and settling all matters relating to the bankruptcy proceeding became effective on December 13, 2001. In 2003, as noted above, National Energy Group Inc. became a subsidiary of AREH. Mr. Wasserman is also a director of Cadus Corporation and, on March 11, 2004, was appointed a member of the Board of Directors of Triarc Companies, Inc. effective March 15, 2004. Since December 29, 2003, Mr. Wasserman has served as a Director of American Entertainment Properties Corp. and American Casino & Entertainment Properties Finance Corp., which are indirect subsidiaries of AREP.

Keith A. Meister has served as President and Chief Executive Officer of the General Partner since August 2003. He also continues to serve as a senior investment analyst of High River Limited Partnership ('High River'), a company owned and controlled by Mr. Icahn, a position he has held since June 2002. Mr. Meister devotes approximately 50% of his time to the performance of services for AREP and its subsidiaries and the remaining 50% to the performance of services to High River and other affiliates of Mr. Icahn. From March 2000 through 2001, Mr. Meister co-founded and served as co-president of J Net Ventures, a venture capital fund focused on investments in information technology and enterprise software businesses. From 1997 through 1999, Mr. Meister served as an investment professional at Northstar Capital Partners, an opportunistic real estate investment partnership. Prior to Northstar, Mr. Meister served as an investment analyst in the investment banking group at Lazard Freres. He also serves on the Boards of Directors of the following companies: XO Communications, Inc., a company that is majority-owned by various Icahn entities; TransTexas Gas Corporation, a company that is 85% owned by various Icahn entities and managed by National Energy Group, Inc. a subsidiary of AREH; and Scientia Corporation, a private health care venture company in which AREH holds less than a 10% equity interest. Since December 2003, Mr. Meister has served as a Director of American Entertainment Properties Corp. and American Casino & Entertainment Properties Finance Corp., which are indirect subsidiaries of AREP.

Martin L. Hirsch has served as a Vice President of the General Partner since 1991, focusing on investment, management and disposition of real estate properties and other assets. On March 23, 2000, Mr. Hirsch was elected to serve as Executive Vice President and Director of Acquisitions and Development of the General Partner. From January, 1986 to January, 1991, Mr. Hirsch was a Vice

President of Integrated Resources, Inc. where he was involved in the acquisition of commercial real estate properties and asset management. In 1985 and 1986, Mr. Hirsch was a Vice President of Hall Financial Group where he was involved in acquiring and financing commercial and residential properties. Mr. Hirsch has served as a Director of Stratosphere Corporation since October 14, 1998. In 1998, Mr. Hirsch was appointed to the Board of Directors of National Energy Group, Inc., an AREH subsidiary. Mr. Hirsch has served as Director of GB Holdings, Inc. and GB Property Funding, Inc. since

September 29, 2000 and Director of Greate Bay Hotel & Casino, Inc., which owns and operates the Sands Hotel in Atlantic City, NJ, since February 28, 2001.

John P. Saldarelli has served as Vice President, Secretary and Treasurer of the General Partner since March 18, 1991 and as Chief Financial Officer since June 2000. Mr. Saldarelli was President of Bayswater Realty Brokerage Corp. from June 1987 until November 19, 1993, and Vice President of Bayswater Realty & Capital Corp. from September 1979 until April 15, 1993. Mr. Saldarelli has served as a Director of Stratosphere since October 14, 1998. Since February 28, 2001, Mr. Saldarelli has served as a Director of GB Holdings, Inc., GB Property Funding, Inc. and Greate Bay Hotel & Casino, Inc., which owns and operates the Sands Hotel in Atlantic City, NJ.

James L. Nelson, William A. Leidesdorf and Jack G. Wasserman are on the Audit Committee of the Board of Directors of the General Partner. AREP believes that the Audit Committee members are 'independent' as defined in the currently applicable listing standards of the New York Stock Exchange.

James L. Nelson, William A. Leidesdorf and Carl C. Icahn are the members of the Compensation Committee of the Board of Directors of the General Partner.

Each executive officer and director will hold office until the next annual meeting of the General Partner and until his or her successor is elected and qualified. Directors who are also Audit Committee members receive quarterly fees of $6,250 and may receive additional compensation for Special Committee assignments. In 2003, Messrs. Leidesdorf, Nelson and Wasserman received audit and special committee fees of $34,120, $44,040 and $54,130, respectively.

Each of the executive officers of the General Partner may perform services for other affiliates of the General Partner which are reimbursed to AREP. However, Mr. Meister is paid by AREP a base salary for the 50% of his time which is spent on the business of AREP and its subsidiaries and he is compensated by affiliates of Mr. Icahn for the time he spends on their business. His compensation from such affiliates includes an equivalent amount of base salary. He may also receive a bonus from such affiliates.

There are no family relationships between or among any of the directors and/or executive officers of the General Partner.

If distributions (which are payable in kind) are not made to the holders of Preferred Units on any two Payment Dates (which need not be consecutive), the holders of more than 50% of all outstanding Preferred Units, including the General Partner and its affiliates, voting as a class, will be entitled to appoint two nominees for the Board of Directors of the General Partner. Holders of Preferred Units owning at least 10% of all outstanding Preferred Units, including the General Partner and its affiliates to the extent that they are holders of Preferred Units, may call a meeting of the holders of Preferred Units to elect such nominees. Once elected, the nominees will be appointed to the Board of Directors of the General Partner by Icahn. As directors, the nominees will, in addition to their other duties as directors, be specifically charged with reviewing all future distributions to the holders of the Preferred Units. Such additional directors shall serve until the full distributions accumulated on all outstanding Preferred Units have been declared and paid or set apart for payment. If and when all accumulated distributions on the Preferred Units have been declared and paid or set aside for payment in full, the holders of Preferred Units shall be divested of the special voting rights provided by the failure to pay such distributions, subject to revesting in the event of each and every subsequent default. Upon termination of such special voting rights attributable to all holders of Preferred Units with respect to payment of distributions, the term of office of each director nominated by the holders of Preferred Units (the 'Preferred Unit Directors') pursuant to such special voting rights shall terminate and the number of directors constituting the entire Board of Directors shall be reduced by the number of Preferred Unit Directors. The holders of the Preferred Units have no other rights to participate in the management of AREP and are not entitled to vote on any matters submitted to a vote of the holders of Depositary Units.

CODE OF ETHICS

On March 12, 2004, the General Partner's Board of Directors adopted a Code of Ethics applicable to AREP's principal executive officer, principal financial officer and principal accounting officer. A copy

of the Code of Ethics may be obtained without charge by writing to American Real Estate Partners, L.P., 100 South Bedford Road, Mount Kisco, NY 10549, attention: John Saldarelli, and is included in this Annual Report on Form 10-K as Exhibit 99.2.

FILING OF REPORTS

To the best of AREP's knowledge, no director, executive officer or beneficial owner of more than 10% of AREP's Depositary Units failed to file on a timely basis reports required by 'SS'16(a) of the Securities Exchange Act of 1934, as amended, during the year ended December 31, 2003.

ITEM 11. EXECUTIVE COMPENSATION.(1)

The following table sets forth information in respect of the compensation of the Chief Executive Officer and each of the other most highly compensated executive officers of AREP for services in all capacities to AREP for the fiscal years ended December 31, 2003, 2002, 2001.(2)

SUMMARY COMPENSATION TABLE

		ANNUAL COMPENSATION
(a) NAME AND PRINCIPAL POSITION	(b) YEAR	(c) SALARY ($)
Keith A. Meister(3)	2003	73,150
President and Chief Executive Officer		
Albo J. Antenucci, Jr.(3)	2003	327,663
President and Chief Executive Officer	2002	349,442
	2001	323,750
Martin L. Hirsch(3)	2003	319,923
Executive Vice President and Director of	2002	255,500
	2001	255,000
John P. Saldarelli(3)	2003	200,200
Vice President, Chief Financial Officer, Secretary and	2002	190,400
Treasurer	2001	182,000

(1) Pursuant to applicable regulations, certain columns of the Summary Compensation Table and each of the remaining tables have been omitted, as there has been no compensation awarded to, earned by or paid to any of the named executive officers by AREP or by the General Partner, which was subsequently reimbursed by AREP, required to be reported in those columns or tables.

(2) Carl C. Icahn, the Chairman of the Board, received no compensation for the periods indicated. In addition, other than Albo J. Antenucci, Jr., Martin L. Hirsch and John P. Saldarelli, no other executive officer received

compensation in excess of $100,000 from AREP for the applicable period.

(3) On August 18, 2003, Keith Meister was elected President and Chief Executive Officer. On August 15, 2003, Albo J. Antenucci, Jr. resigned as President and Chief Executive Officer of the General Partner. Mr. Antenucci will continue as a part time consultant to AREP through May 2004.

Messrs. Saldarelli and Hirsch devote all of their time to the performance of services for AREP and its investments. (Mr. Meister devotes approximately 50% of his time to the performance of services for AREP and its subsidiaries.) The directors of the General Partner devote only a portion of their time to performance of service for AREP. In February 1993, AREP adopted a 401K plan pursuant to which AREP will make a matching contribution to an employee's individual plan account in the amount of one-third (1/3) of the first six (6%) percent of gross salary contributed by the employee.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

As of March 1, 2004, affiliates of Icahn, including High Coast Limited Partnership, a Delaware limited partnership, owned 39,896,836 Depositary Units, or approximately 86.5% of the outstanding Depositary Units, and 8,477,139 Preferred Units, or approximately 86.5% of the outstanding Preferred Units. In light of this ownership position, the Board of Directors has determined that AREP is a

'controlled company' for the purposes of the New York Stock Exchange's listing standards and is, therefore, not required to have a majority of independent directors or to have compensation and nominating committees consisting entirely of independent directors. The Board of Directors of the General Partner presently consists of a majority of independent Directors and the Audit Committee consists entirely of independent directors.

The affirmative vote of Unitholders holding more than 75% of the total number of all Depositary Units then outstanding, including Depositary Units held by the General Partner and its affiliates, is required to remove the General Partner. Thus, since Icahn, through affiliates, holds approximately 86.5% of the Depositary 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 Depositary Units then held by Unitholders, including affiliates of Icahn, is required to approve, among other things, selling or otherwise disposing of all or substantially all of AREP's assets in a single sale or in a related series of multiple sales, dissolving AREP or electing to continue AREP in certain instances, electing a successor general partner, making certain amendments to the Partnership Agreement or causing AREP, 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 affiliates of Icahn hold in excess of 50% of the Depositary Units outstanding, Icahn, through affiliates, will have effective control over such approval rights.

The following table provides information, as of March 1, 2004, as to the beneficial ownership of the Depositary Units and Preferred Units of AREP 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 DEPOSITARY UNITS	PERCENT OF CLASS	BENEFICIAL OWNERSHIP OF PREFERRED UNITS	PERCENT OF CLASS
Carl C. Icahn(1)	39,896,836	86.5%	8,477,139	86.5%
All directors and executive officers as a group (7 persons)	39,896,836	86.5%	8,477,139	86.5%

(1) Carl C. Icahn, through affiliates, is the beneficial owner of the 39,896,836 Depositary Units set forth above and may also be deemed to be the beneficial owner of the 700 Depositary Units owned of record by API Nominee Corp., which in accordance with state law are in the process of being turned over to the relevant state authorities as unclaimed property; however, Mr. Icahn disclaims such beneficial ownership. The foregoing is exclusive of a 1.99% ownership interest in AREP which the General Partner holds by virtue of its 1% General Partner interest in each of AREP and the Subsidiary. Furthermore, pursuant to a registration rights agreement entered into by affiliates of Icahn in connection with the 1997 Offering, AREP has agreed to pay any expenses incurred in connection with two demand and unlimited piggy-back registrations requested by affiliates of Icahn.

Mr. Icahn, through certain affiliates, currently owns 100% of the General Partner and over 86% of the Depositary Units and Preferred Units. Applicable pension and tax laws make each member of a 'controlled group' of entities, generally defined as entities in which there is at least an 80% common ownership interest, jointly and severally liable for certain pension plan obligations of any member of the controlled group. These pension obligations include ongoing contributions to fund the plan, as well as liability for any unfunded liabilities that may exist at the time the plan is terminated. In addition, the failure to pay these pension obligations when due may result in the creation of liens in favor of the pension plan or the Pension Benefit Guaranty Corporation, or the PBGC, against the assets of each member of the controlled group.

As a result of the more than 80% ownership interest in AREP by Mr. Icahn's affiliates, AREP and its subsidiaries are subject to the pension liabilities of all entities in which Mr. Icahn has a direct or indirect ownership interest of at least 80%. One such entity, ACF Industries LLC, or ACF, is the sponsor of several pension plans that are underfunded by a total of approximately $31 million on an ongoing actuarial basis and $134 million if those plans were terminated, as most recently reported for the 2003 plan year by the plans' actuaries. These liabilities could increase or decrease, depending on a

number of factors, including future changes in promised benefits, investment returns, and the assumptions used to calculate the liability. As a member of the ACF controlled group, AREP would be liable for any failure of ACF to make ongoing pension contributions or to pay the unfunded liabilities upon a termination of the ACF pension plans. In addition, other entities now or in the future within the controlled group that includes AREP may have pension plan obligations that are, or may become, underfunded and AREP would be liable for any failure of such entities to make ongoing pension contributions or to pay the unfunded liabilities upon a termination of such plans.

The current underfunded status of the ACF pension plans requires ACF to notify the PBGC thirty days in advance of certain 'reportable events,' such as if AREP ceases to be a member of the ACF controlled group, or if AREP makes certain extraordinary dividends or stock redemptions. This reporting obligation could cause us to seek to delay or reconsider the occurrence of such reportable events.

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

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

RELATED TRANSACTIONS WITH THE GENERAL PARTNER AND ITS AFFILIATES

On October 17, 2003, Carl C. Icahn, Chairman of the Board of the General Partners, repaid the $250 million loan which had been made to him on December

27, 2001. AREP made the a two-year $250 million loan to Mr. Icahn, secured by securities consisting of (i) approximately $250 million aggregate market value of AREP's units owned by Mr. Icahn and (ii) shares of a private company owned by Mr. Icahn, which shares have an aggregate book value of at least $250 million, together with an irrevocable proxy on sufficient additional shares of the private company so that the pledged shares and the shares covered by the proxy equal in excess of 50% of the private company's shares. AREP returned the collateral on October 17, 2003, the date the loan was repaid. The interest on the loan was payable semi-annually, at a per annum rate equal to the greater of (i) 3.9% and (ii) 200 basis points over 90 day LIBOR to be reset each calendar quarter. The applicable rate in 2003 was 3.9% and in 2002 ranged from 3.9% to 4.03%. Interest income of approximately $7.9 million and $9.9 million was earned on this loan in 2003 and 2002, respectively. AREP entered into this transaction to earn interest income on a secured investment. See Item 1 -- 'Recent Acquisitions/Investments' for a discussion of this investment.

In October 2003, pursuant to a Purchase Agreement dated as of May 16, 2003, AREP acquired certain debt and equity securities of National Energy Group, Inc. ('NEG') from entities affiliated with Carl C. Icahn for an aggregate consideration of approximately $148.1 million plus approximately $6.7 million of accrued interest on the debt securities. The agreement was reviewed and approved by the Audit Committee who were advised by its independent financial advisor and legal counsel. The securities acquired were $148,637,000 in principal amount of outstanding 10 3/4% Senior Notes due 2006 of NEG (representing all of NEG's outstanding debt securities) and 5,584,044 shares of common stock of NEG. As a result of the foregoing transaction and the acquisition by AREP of additional securities of NEG prior to the closing, AREP beneficially owns in excess of 50% of the outstanding common stock of NEG. See Item 1 -- 'Recent Acquisition/Investments' for a discussion of this investment.

On January 5, 2004, American Casino & Entertainment Properties LLC ('American Casino'), a wholly-owned subsidiary of AREH, entered into an agreement to acquire two Las Vegas casino/hotels, Arizona Charlie's Decatur and Arizona Charlie's Boulder from Carl C. Icahn and an entity affiliated with Mr. Icahn, for an aggregate consideration of $125.9 million. The closing of the acquisition is subject to certain conditions, including among other things, obtaining all approvals necessary under the gaming laws. The terms of the transactions were approved by the Audit Committtee, who received an opinion from its financial advisor, Morgan Joseph & Co. Inc., as to the fairness of the consideration to be paid from a financial point of view. Upon receiving all approvals necessary under gaming laws and upon

closing of the acquisition, the subsidiary, AREH will transfer 100% of the common stock of Stratosphere Corporation to American Casino. As a result, following the acquisition and contribution, American Casino will own and operate three gaming and entertainment properties in the Las Vegas metropolitan area. See Item 1 -- 'Recent Acquisition/Investments' for a discussion of this investment.

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. In addition, Icahn has confirmed to AREP that neither he nor any of his affiliates will receive any fees from AREP in consideration for services rendered in connection with non-real estate related investments by AREP such as advice to purchase and sell RJR shares which generated approximately $29 million of profits for AREP in each of 1997 and 1999. AREP may determine to make investments in which Icahn or his affiliates have independent investments in such assets; in addition, AREP 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 all such transactions are fair and reasonable to AREP. 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 AREP. Icahn and his affiliates currently invest in and perform investment management services with respect to assets that may be similar to those AREP may invest in and intend to continue to do so; pursuant to the Partnership Agreement, however, AREP shall not have any right to participate therein or receive or share in any income or profits derived therefrom.

For the years ended December 31, 2003 and 2002, AREP made no payments with respect to the Depositary Units owned by the General Partner. However, in 2003 and 2002 the General Partner was allocated approximately $1,205,000 and approximately $1,283,000 respectively, of the net earnings of AREP as a result of its 1.99% general partner interest in AREP.

On March 31, 2003, Icahn received 403,673 Preferred Units as part of AREP's scheduled annual preferred unit distribution and is expected to receive an additional 423,856 Preferred Units in March 2004 as part of such scheduled annual preferred unit distribution.

In 1997 AREP entered into a license agreement for a portion of office space from an affiliate of the General Partner. The license agreement dated as of February 1, 1997 expires May 22, 2004 unless sooner terminated in accordance with the agreement. Pursuant to the license agreement, AREP has the non-exclusive use of approximately 2,275 square feet for which it pays monthly rent of $11,185 plus 10.77% of certain 'additional rent.' For the years ended December 31, 2003, 2002 and 2001 AREP paid an affiliate of the General Partner approximately $159,000, $153,000 and $147,000, respectively, of rent in connection with this licensing agreement. The terms of such license agreement were reviewed and approved by the Audit Committee.

For the years ended December 31, 2003, 2002 and 2001, Stratosphere billed affiliates of the General Partner approximately $2,993,000, $1,675,000 and $1,338,000, respectively, for administrative services performed by Stratosphere personnel. For the years ended December 31, 2003, 2002 and 2001 Stratosphere also received hotel revenue of $4,000, $123,000 and $600,000, respectively, in connection with a tour and travel agreement entered into with an affiliate of the General Partner. Stratosphere also received approximately $101,000 in hotel and food revenue from an affiliate of the General Partner in the year ended December 31, 2003 in connection with a conference held at Stratosphere.

For the year ended December 31, 2003, the Company paid approximately $81,000 to an affiliate of the General Partner for telecommunication services.

NEG received management fees from an affiliate of approximately $7,967,000, $7,637,000 and $2,699,000 in the years ended December 31, 2003, 2002 and 2001, respectively.

NEG entered into an agreement to manage Trans Texas Gas Corporation, an Icahn-affiliate, for a fee of $312,500 per month.

PROPERTY MANAGEMENT AND OTHER RELATED TRANSACTIONS

The General Partner and its affiliates may receive fees in connection with the acquisition, sale, financing, development, construction, marketing and management of new properties acquired by AREP. As development and other new properties are acquired, developed, constructed, operated, leased and financed, the General Partner or its affiliates may perform acquisition functions, including the review, verification and analysis of data and documentation with respect to potential acquisitions, and perform development and construction oversight and other land development services, property management and leasing services, either on a day-to-day basis or on an asset management basis, and may perform other services and be entitled to fees and reimbursement of expenses relating thereto, provided the terms of such transactions are fair and reasonable to AREP in accordance with the Partnership Agreement and customary to the industry. It is not possible to state precisely what role, if any, the General Partner or any of its affiliates may have in the acquisition, development or management of any new investments. Consequently, it is not possible to state the amount of the income, fees or commissions the General Partner or its affiliates might be paid in connection therewith since the amount thereof is dependent upon the specific circumstances of each investment, including the nature of the services provided, the location of the investment and the amount customarily paid in such locality for such services. However, Unitholders may expect that, subject to the specific circumstances surrounding each transaction and the overall fairness and reasonableness thereof to AREP, the fees charged by the General Partner and its affiliates for the services described below generally will be within the ranges set forth below:

Property Management and Asset Management Services. To the extent that AREP acquires any properties requiring active management (e.g., operating properties that are not net-leased) or asset management services, including on site services, it may enter into management or other arrangements with the General Partner or its affiliates. Generally, it is contemplated that under property management arrangements, the entity managing the property would receive a property management fee (generally 3% to 6% of gross rentals for direct management, depending upon the location) and under asset management arrangements, the entity managing the asset would receive an asset management fee (generally .5% to 1% of the appraised value of the asset for asset management services, depending upon the location) in payment for its services and reimbursement for costs incurred.

Brokerage and Leasing Commissions. AREP also may pay affiliates of the General Partner real estate brokerage and leasing commissions (which generally may range from 2% to 6% of the purchase price or rentals depending on location; this range may be somewhat higher for problem properties or lesser-valued properties).

Lending Arrangements. The General Partner or its affiliates may lend money to, or arrange loans for, AREP. Fees payable to the General Partner or its affiliates in connection with such activities include mortgage brokerage fees (generally .5% to 3% of the loan amount), mortgage origination fees (generally .5% to 1.5% of the loan amount) and loan servicing fees (generally .10% to .12% of the loan amount), as well as interest on any amounts loaned by the General Partner or its affiliates to AREP.

Development and Construction Services. The General Partner or its affiliates may also receive fees for development services, generally 1% to 4% of development costs, and general contracting services or construction management services, generally 4% to 6% of construction costs.

AREP may also enter into other transactions with the General Partner and its affiliates, including, without limitation, buying and selling properties and borrowing and lending funds from or to the General Partner or its affiliates, joint venture developments and issuing securities to the General Partner or its affiliates in exchange for, among other things, assets that they now own or may acquire in the future, provided the terms of such transactions are fair and reasonable to AREP. The General Partner is also entitled to reimbursement by AREP for all allocable direct and indirect overhead expenses (including, but not limited to, salaries and rent) incurred in connection with the conduct of AREP's business.

In addition, employees of AREP may, from time to time, provide services to affiliates of the General Partner, with AREP being reimbursed therefor. Reimbursement to AREP by such affiliates in respect of such services is subject to review and approval by the Audit Committee. In 2003 and 2002, AREP received approximately $68,000 and $47,000, respectively, for such services. Also, an affiliate of the General Partner provided certain administrative services to AREP in the amount of approximately $78,000, $77,000 and $73,000 in the years ended December 31, 2003, 2002, and 2001, respectively.

The Audit Committee meets on an annual basis, or more often if necessary, to review any conflicts of interest which may arise, including the payment by AREP of any fees to the General Partner or any of its affiliates. The General Partner and its affiliates may not receive duplicative fees.

The functions of AREP's Audit Committee as set forth in the Partnership Agreement include (i) the review of AREP's financial and accounting policies and procedures, (ii) the review of the results of audits of the books and records of AREP made by AREP's outside auditors, (iii) the review of allocations of overhead expenses in connection with the reimbursement of expenses to the

General Partner and its affiliates, and (iv) the review and approval of related party transactions and conflicts of interest in accordance with the terms of the Partnership Agreement.

Pursuant to the Rules of the New York Stock Exchange ('NYSE'), on March 12, 2004, AREP approved and adopted its Amended and Restated Audit Committee Charter which is included in this Annual Report on Form 10-K as Exhibit 99.1.

The Audit Committee, has confirmed that: (i) the Audit Committee reviewed and discussed AREP's 2003 audited financial statements with management, (ii) the Audit Committee has discussed with AREP's independent auditors the matters required to be discussed by SAS 61 (Codification of Statements on Auditing Standards, AU 'SS'380), (iii) the Audit Committee has received the written disclosures and the letter from the independent accountants required by Independence Standards Board Standard No. 1, and (iv) based on the review and discussions referred to in clauses (i), (ii) and (iii) above, the Audit Committee recommended to the Board of Directors that AREP's 2003 audited financial statements be included in this Annual Report on Form 10-K.

The Board of Directors of the General Partner has determined that AREP does not have an 'audit committee financial expert,' within the meaning of Item 401(h) of Regulation S-K, serving on the Audit Committee. AREP believes that each member of the Audit Committee is financially literate and possesses sufficient experience, both professionally and by virtue of his service as a Director and member of the Audit Committee of the General Partner, to be fully capable of discharging his duties as a member of the Audit Committee. However, none of the members of the Audit Committee has a professional background in accounting or 'preparing, auditing, analyzing or evaluating financial statements'. If the Audit Committee determines that it requires additional financial expertise, it will either engage professional advisers or seek to recruit a member who would qualify as an 'audit committee financial expert' within the meaning of Item 401(h) of Regulation S-K.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The following table summarizes KPMG LLP Fees For Professional Services Rendered for AREP and its consolidated subsidiaries and GB Holdings:

SUMMARY OF KPMG LLP FEES FOR PROFESSIONAL SERVICES RENDERED FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

Audit fees(1)	$ 713,300	$ 407,300
Audit related fees(2)	$ 474,500	$ 276,000
Tax fees(3)	$ 180,400	$ 102,200
Other fees	--	--
Total fees	$1,368,200	$ 785,500

(1) Services relating to audit of the annual consolidated financial statements, review of quarterly financial statements and limited reviews, consents, assistance with the review of documents filed with the SEC and other services.

(2) Services relating primarily to audit and limited reviews, of GB Holdings financial statements; audits of employee benefit plans; regulatory compliance procedures and other services to AREP and its consolidated subsidiaries.

(3) Services relating to review and preparation of federal and state tax returns.

In accordance with AREP's Amended and Restated Audit Committee Charter adopted on March 12, 2004, the Audit Committee is required to approve in advance any and all audit services and permitted non-audit services provided to AREP and its consolidated subsidiaries by its independent auditors (subject to the de minimis exception of Section 10A (i) (1) (B) of the Exchange Act), all as required by applicable law or listing standards. All of the fees in 2003 were pre-approved by the Audit Committee. For the fiscal years ended December 31, 2003 and 2002, none of the services described above under the captions 'Audited Related Fees,' 'Tax Fees' or 'Other Fees' was covered by the de minimus exception.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a)(1) Financial Statements:

The following financial statements of American Real Estate Partners, L.P. are included in Part II, Item 8:

(a)(2) Financial Statement Schedules:

All other Financial Statement schedules have been omitted because the required financial information is not applicable or the information is shown in the Financial Statements or Notes thereto.

(a)(3) Exhibits:

3.1 -- Certificate of Limited Partnership of AREP, dated February 17, 1987 (filed as Exhibit No. 3.1 to AREP's Annual Report on Form 10-K for the year ended December 31, 1987 and incorporated herein by reference).

3.2 -- Amended and Restated Agreement of Limited Partnership of AREP, dated as of May 12, 1987 (filed as Exhibit No. 3.2 to AREP's Annual Report on Form 10-K for the year ended December 31, 1987 and incorporated herein by reference).

3.3 -- Amendment No. 1 to the Amended and Restated Agreement of Limited Partnership of AREP (filed as Exhibit 3.3 to AREP's Annual Report on Form 10-K for the year ended December 31, 1994 and incorporated herein by reference).

3.4 -- Certificate of Limited Partnership of American Real Estate Holdings Limited Partnership (the 'Subsidiary'), dated February 17, 1987, and amendment thereto, dated March 12, 1987 (filed as Exhibit No. 3.3 to AREP's Annual Report on Form 10-K for the year ended December 31, 1987 and incorporated herein by reference).

3.5 -- Amended and Restated Agreement of Limited Partnership of the Subsidiary, dated as of July 1, 1987 (filed as Exhibit No. 3.4 to AREP's Annual Report on Form 10-K for the year ended December 31, 1987 and incorporated herein by reference).

3.6 -- Amendment No. 2 to the Amended and Restated Agreement of Limited Partnership of AREP dated as of August 16, 1996 and filed as Exhibit 10.1 to 8-K filed on August 16, 1996 and incorporated herein by reference.

3.7 -- Amendment No. 1 to the Amended and Restated Agreement of Limited Partnership of the Subsidiary dated August 16, 1996 filed as Exhibit 10.2 to the 8-K dated August 16, 1996 and incorporated herein by reference.

3.8 -- Amendment No. 3. to the Amended and Restated Agreement of Limited Partnership of AREP dated May 9, 2002. (Included in the annual report on 10-K for the year ended December 31, 2002 and incorporated herein by reference).

3.9 -- Amendment No. 2 to the Amended and Restated Agreement of Limited Partnership of the Subsidiary dated June 14, 2002. (Included in the annual report on 10-K for the year ended December 31, 2002 and incorporated herein by reference).

4.1 -- Depositary Agreement among AREP, the General Partner and Registrar and Transfer Company, dated as of July 1, 1987 (filed as Exhibit No. 4.1 to AREP's Annual Report on Form 10-K for the year ended December 31, 1987 and incorporated herein by reference).

4.2 -- Amendment No. 1 to the Depositary Agreement (filed as Exhibit 4.2 to AREP's Annual Report on Form 10-K for the year ended December 31, 1994 and incorporated herein by reference).

4.3 -- Specimen Depositary Receipt (filed as Exhibit No. 4.2 to AREP's Annual Report on Form 10-K for the year ended December 31, 1987 and incorporated herein by reference).

4.4 -- Form of Transfer Application (filed as Exhibit No. 4.3 to AREP's Annual Report on Form 10-K for the year ended December 31, 1987 and incorporated herein by reference).

4.5 -- Specimen Certificate representing Preferred Units (filed as Exhibit No. 4.9 to AREP's Registration Statement on Form S-3 (Registration No. 33-54767) and incorporated herein by reference).

10.1 -- Nonqualified Unit Option Plan (filed as Exhibit No. 10.1 to AREP's Annual Report on Form 10-K for the year ended December 31, 1987 and incorporated herein by reference).

10.2 -- Distribution Reinvestment Plan (filed as Exhibit No. 10.3 to AREP's Annual Report on Form 10-K for the year ended December 31, 1987 and incorporated herein by reference).

10.10 -- Subscription Guaranty Agreement between AREP and High Coast Limited Partnership (the 'Guarantor') (filed as Exhibit 4.10 to AREP's Registration Statement on Form S-3 (Registration No. 33-54767) and incorporated herein by reference).

10.11 -- Registration Rights Agreement between AREP and the Guarantor (filed as Exhibit 4.11 to AREP's Registration Statement on Form S-3 (Registration No. 33-54767) and incorporated herein by reference).

10.12 -- Amended and Restated Agency Agreement (filed as Exhibit 10.12 to AREP's Annual Report on Form 10-K for the year ended December 31, 1994 and incorporated herein by reference).

10.13 -- Subscription Agent Agreement (filed as Exhibit 10.13 to AREP's Annual Report on Form 10-K for the year ended December 31, 1994 and incorporated herein by reference).

10.14 -- Subscription Guaranty Agreement between AREP and the Guarantor (filed as Exhibit 4.10 to Amendment No. 1 to AREP's Registration Statement on Form S-3 (Registration No. 333-31561) and incorporated herein by reference).

10.15 -- Registration Rights Agreement between AREP and the Guarantor (filed as Exhibit 4.11 to Amendment No. 1 to AREP's Registration Statement on Form S-3 (Registration No. 333-31561) and incorporated herein by reference).

10.16 -- Subscription Agent Agreement filed as Exhibit 99.1 to AREP's Registration Statement on Form S-3 (Registration No. 333-31561) and incorporated herein by reference).

10.17 -- Note dated December 27, 2001 from Carl Icahn to American Real Estate Holdings, L.P. in the amount of $250 million and incorporated herein by reference.

10.18 -- Pledge Agreement dated December 27, 2001 between American Real Estate Holdings, L.P. and Carl Icahn and incorporated herein by reference.

10.19 -- Accommodation Pledge Agreement dated December 27, 2001, between American Real Estate Holdings, L.P. and various pledgors and incorporated herein by reference.

16 -- Letter dated September 27, 1991 of Deloitte & Touche regarding change in accountants (filed as Exhibit No. A to AREP's Current Report on Form 8-K dated October 3, 1991 and incorporated herein by reference).

22 -- List of Subsidiaries (filed as Exhibit No. 22 to AREP's Annual Report on Form 10-K for the year ended December 31, 1987 and incorporated herein by reference).

31 -- Certification of Chief Executive Officer included herein.

31.1 -- Certification of Chief Financial Officer included herein.

32 -- Certification of Principal Executive Officer included herein.

32.1 -- Certification of Principal Financial Officer included herein.

99.1 -- Audit Committee Charter was adopted on March 12, 2004 and is incorporated herein as Exhibit 99.1.

99.2 -- Code of Ethics for Principal Executive Officer and Senior Financial Officers of American Property Investors, Inc. and American Real Estate Partners, L.P. is incorporated herein as Exhibit 99.2.

(b) Reports on Form 8-K:

(1) A Form 8-K was filed on October 2, 2003 -- American Real Estate Partners, L.P. Acquires Certain Securities of NEG Inc.

(2) A Form 8-K was filed on November 14, 2003 -- American Real Estate Partners, L.P. reports Third Quarter and Nine Months Results.

(3) A Form 8-K was filed on November 19, 2003 -- American Real Estate Partners, L.P. Comments on Trading Activity.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(a) of the Securities Exchange Act of 1934, AREP has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 15th day of March, 2004.

AMERICAN REAL ESTATE PARTNERS, L.P.

By: AMERICAN PROPERTY INVESTORS, INC.

General Partner

By: /s/ KEITH A. MEISTER
....
KEITH A. MEISTER, JR.
PRESIDENT AND CHIEF EXECUTIVE
OFFICER

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of AREP and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ KEITH A. MEISTER .... (KEITH A. MEISTER)	President and Chief Executive Officer	March 15, 2004
/s/ CARL C. ICAHN .... (CARL C. ICAHN)	Chairman of the Board	March 15, 2004
/s/ WILLIAM A. LEIDESDORF .... (WILLIAM A. LEIDESDORF)	Director	March 15, 2004
/s/ JAMES L. NELSON .... (JAMES L. NELSON)	Director	March 15, 2004
/s/ JACK G. WASSERMAN .... (JACK G. WASSERMAN)	Director	March 15, 2004
/s/ JOHN P. SALDARELLI .... (JOHN P. SALDARELLI)	Treasurer (Principal Financial Officer and Principal Accounting Officer)	March 15, 2004

AMERICAN REAL ESTATE PARTNERS, L.P.
FORM 10K SIGNATURE PAGE

SCHEDULE III

AMERICAN REAL ESTATE PARTNERS, L.P.
A LIMITED PARTNERSHIP

SCHEDULE III
PAGE 1

REAL ESTATE OWNED AND REVENUES EARNED

STATE	NO. OF LOCATIONS	AMOUNT OF ENCUMBRANCES

COMMERCIAL PROPERTY LAND AND BUILDING			
Acme Markets, Inc. and FPBT of Penn.	PA	1	
Alabama Power Company	AL	5	
Amer Stores, Eckerd & Marburn	NJ	1	
Atrium	VA	1	$18,716,286
Best Products Co., Inc.	VA	1	
Chesebrough-Pond's Inc.	CN	1	
Collins Foods International, Inc.	OR	3	
Collins Foods International, Inc.	CA	1	
Dillon Companies, Inc.	MO	1	
Dragon court	MA	1	
Duke Power Co.	NC	1	
Easco Corp.	NC	1	
European American Bank and Trust Co.	NY	1	
Farwell Bldg.	MN	1	
First National Supermarkets, Inc.	CT	1	19,848,351
Fisher Scientific Company	IL	1	
Forte Hotels International, Inc.	NJ	1	
Fox Grocery Company	WV	1	
Gino's, Inc.	MO	1	
Gino's, Inc.	OH	1	
Golf Road	IL	1	6,682,664
Grand Union Co.	MD	1	
Grand Union Co.	NY	1	
Grand Union Co.	VA	1	
Whalen	NY	1	
Gunite	IN	1	
G.D. Searle & Co.	IL	1	
G.D. Searle & Co.	MN	1	
G.D. Searle & Co.	IL	1	
Integra A Hotel and Restaurant Co.	AL	2	
Integra A Hotel and Restaurant Co.	IL		
Integra A Hotel and Restaurant Co.	IN	1	
Integra A Hotel and Restaurant Co.	OH	1	
Integra A Hotel and Restaurant Co.	MO	1	
Integra A Hotel and Restaurant Co.	TX	1	
Integra A Hotel and Restaurant Co.	MI	1	
Intermountain Color	KY	1	
J.C. Penney Company, Inc.	MA	1	
Kings buffet	FL	1	
K-Mart Corporation	LA	1	
K-Mart Corporation	WI	1	
K-Mart Corporation	MN	1	
K-Mart Corporation	FL	1	
K-Mart Corporation	IA	1	
K-Mart Corporation	FL	1	
K-Mart Corporation	FL	1	
K-Mart Corporation	IL	1	
Kobacker Stores, Inc.	MI	2	
Kobacker Stores, Inc.	KY	1	
Kobacker Stores, Inc.	OH	4	
Landmark Bancshares Corporation	MO	1	

PART 1--REAL ESTATE OWNED AT DECEMBER 31, 2003--ACCOUNTED FOR UNDER THE:

	OPERATING METHOD				
	INITIAL COST TO COMPANY	COST OF IMPROVEMENTS	AMOUNT CARRIED AT CLOSE OF PERIOD	RESERVE FOR DEPRECIATION	RENT DUE AND ACCRUED OR RECEIVED IN ADVANCE AT END OF PERIOD
COMMERCIAL PROPERTY LAND AND BUILDING					
Acme Markets, Inc. and FPBT of Penn.	$ 2,004,393	$ 165,714	$ 2,170,107	$ 1,560,784	$ 14,736
Alabama Power Company					
Amer Stores, Eckerd & Marburn	2,045,641		2,045,641(2)	1,632,403	

Atrium	27,921,246	8,627	27,929,873(2)	2,293,391	
Best Products Co., Inc.	3,303,553	73,262	3,376,815	128,769	(25,833)
Chesebrough-Pond's Inc.	1,549,805		1,549,805	1,191,062	(11,770)
Collins Foods International, Inc.	250,812		250,812(2)	16,352	
Collins Foods International, Inc.	134,253		134,253(2)	9,289	
Dillon Companies, Inc.	546,681		546,681	382,676	(11,217)
Dragon court	3,700,000	44,706	3,744,706	176,368	
Duke Power Co.	3,464,225		3,464,225	344,114	
Easco Corp.	157,560	888,452	1,046,012	44,423	
European American Bank and Trust Co.	1,355,210		1,355,210(2)	1,284,888	
Farwell Bldg.	5,081,105		5,081,105	2,595,341	
First National Supermarkets, Inc.					
Fisher Scientific Company	597,806		597,806(2)	276,722	13,583
Forte Hotels International, Inc.					
Fox Grocery Company					
Gino's, Inc.					
Gino's, Inc.	314,012		314,012	22,415	
Golf Road	9,288,263	11,591	9,299,854(2)	1,395,053	
Grand Union Co.					
Grand Union Co.	874,765		874,765	83,272	
Grand Union Co.	266,468		266,468(2)	200,472	
Whalen	7,934,020		7,934,020(2)	226,925	670
Gunite	1,134,565		1,134,565(2)	1,065,034	
G.D. Searle & Co.					
G.D. Searle & Co.	339,358		339,358	169,939	
G.D. Searle & Co.	323,559		323,559(2)	250,581	
Integra A Hotel and Restaurant Co.	892,484		892,484	14,080	
Integra A Hotel and Restaurant Co.					
Integra A Hotel and Restaurant Co.	443,249		443,249	4,235	1,082
Integra A Hotel and Restaurant Co.	204,192		204,192(2)	4,082	
Integra A Hotel and Restaurant Co.	414,887		414,887	9,503	
Integra A Hotel and Restaurant Co.	438,097		438,097	10,465	
Integra A Hotel and Restaurant Co.	431,486		431,486(2)	9,851	1,219
Intermountain Color	560,444		560,444	523,715	
J.C. Penney Company, Inc.	2,484,262		2,484,262	1,987,410	(20,854)
Kings buffet	910,425		910,425	21,401	(279)
K-Mart Corporation					
K-Mart Corporation					
K-Mart Corporation					
K-Mart Corporation					
K-Mart Corporation					
K-Mart Corporation	2,636,000		2,636,000(2)	1,899,765	
K-Mart Corporation					
K-Mart Corporation	600,000		600,000	15,866	
Kobacker Stores, Inc.	112,225		112,225		1,068
Kobacker Stores, Inc.	88,364		88,364		769
Kobacker Stores, Inc.	298,496		298,496		2,487
Landmark Bancshares Corporation					

	PART 1--REAL ESTATE OWNED AT DECEMBER 31, 2003--ACCOUNTED FOR UNDER THE:		PART 2--REVENUES EARNED FOR THE YEAR ENDED DECEMBER 31, 2003		
	FINANCING METHOD				
	NET INVESTMENT	MINIMUM LEASE PAYMENTS DUE AND ACCRUED AT END OF PERIOD	TOTAL REVENUE APPLICABLE TO PERIOD	EXPENDED FOR INTEREST, TAXES, REPAIRS AND EXPENSES	NET INCOME APPLICABLE TO PERIOD
COMMERCIAL PROPERTY LAND AND BUILDING					
Acme Markets, Inc. and FPBT of Penn.			$ 224,856	$ 125,712	$ 99,144
Alabama Power Company	$ 4,849,942		557,828	0	557,828
Amer Stores, Eckerd & Marburn			565,214	36,898	528,316
Atrium			4,107,462	3,166,166	941,296
Best Products Co., Inc.			232,500	379,156	(146,656)
Chesebrough-Pond's Inc.			141,236	9,094	132,142
Collins Foods International, Inc.			32,489	4,088	28,401
Collins Foods International, Inc.			17,646	2,817	14,829
Dillon Companies, Inc.			26,956	9,016	17,940
Dragon court			143,148	748,277	(605,129)
Duke Power Co.			797,177	115,171	682,006
Easco Corp.			321,000	58,490	262,510
European American Bank and Trust Co.			175,000	36	174,964
Farwell Bldg.			1,151,819	313,290	838,529
First National Supermarkets, Inc.	19,815,365		1,856,505	874,730	981,775
Fisher Scientific Company			163,000	22,286	140,714
Forte Hotels International, Inc.	5,352,110		494,512	0	494,512
Fox Grocery Company	2,128,666		196,007	450	195,557
Gino's, Inc.				0	0
Gino's, Inc.			51,733	5,604	46,129
Golf Road			943,033	817,663	125,370
Grand Union Co.			0	0	0
Grand Union Co.			108,000	20,840	87,160
Grand Union Co.			24,150	4,464	19,686
Whalen			30,700	1,035,623	(1,004,923)
Gunite			0	68,419	(68,419)
G.D. Searle & Co.			0	447	(447)
G.D. Searle & Co.			37,000	2,562	34,438
G.D. Searle & Co.			47,080	4,516	42,564
Integra A Hotel and Restaurant Co.			253,760	12,196	241,564
Integra A Hotel and Restaurant Co.			87,925(3)	4,591(3)	83,334
Integra A Hotel and Restaurant Co.			131,038	4,600	126,438
Integra A Hotel and Restaurant Co.			82,000	3,266	78,734
Integra A Hotel and Restaurant Co.			91,818	7,919	83,899

Integra A Hotel and Restaurant Co.			103,960	11,942	92,018
Integra A Hotel and Restaurant Co.			149,589	10,134	139,455
Intermountain Color			98,422	7,968	90,454
J.C. Penney Company, Inc.			250,244	1,709	248,535
Kings buffet			103,161	37,478	65,683
K-Mart Corporation			0	24,295	(24,295)
K-Mart Corporation			0	(119,468)	119,468
K-Mart Corporation			0	111,970	(111,970)
K-Mart Corporation			0	8,713	(8,713)
K-Mart Corporation	1,046,571		100,422	3,037	97,385
K-Mart Corporation			251,420	13,511	237,909
K-Mart Corporation			113,793(3)	18,207(3)	95,586
K-Mart Corporation			58,582	41,145	17,437
Kobacker Stores, Inc.	123,964	$ 2,412	25,733	111	25,622
Kobacker Stores, Inc.	70,860	1,115	16,480	1,505	14,975
Kobacker Stores, Inc.	299,721	5,531	59,157	0	59,157
Landmark Bancshares Corporation	3,609,872		521,813	317	521,496

REAL ESTATE OWNED AND REVENUES EARNED

	STATE	NO. OF LOCATIONS	AMOUNT OF ENCUMBRANCES
Levitz Furniture Corporation	NY	1	
Louisiana Power and Light Company	LA	6	
Louisiana Power and Light Company	LA	7	
Marsh Supermarkets, Inc.	IN	1	
Mid-South	TN	1	$12,700,000
Montgomery Ward, Inc.	PA	1	
Montgomery Ward, Inc.	NJ	1	
Morrison, Inc.	AL	1	
Morrison, Inc.	GA	1	
Morrison, Inc.	VA	2	
North Carolina National Bank	SC	2	
Occidental Petroleum Corp.	CA	1	
Ohio Power Co. Inc.	OH	1	
Park West	KY	1	11,740,990
Park West UPS	KY	1	17,605,571
Penske Corp.	OH	1	
Pneumo Corp.	OH	1	
Portland General Electric Company	OR	1	33,628,639
Rayovac	WI	1	15,415,558
Rouse Company	MD	1	
Safeway Stores, Inc.	LA	1	
Sams	MI	1	
Smith's Management Corp.	NV	1	
Southland Corporation	FL	4	
Southland Corporation	FL	1	
Staples	NY	1	
Stone Container	WI	1	5,824,491
Stop & Shop	NY	1	
Stop & Shop	NJ	1	
Stop 'N Shop Co., Inc.	VA	1	
Super Foods Services, Inc.	MI	1	4,327,290
SuperValu Stores, Inc.	MN	1	
SuperValu Stores, Inc.	OH	1	
SuperValu Stores, Inc.	GA	1	
SuperValu Stores, Inc.	IN	1	
Telecom Properties, Inc.	OK	1	
Telecom Properties, Inc.	KY	1	
The A&P Company	MI	1	
The TJX Companies, Inc.	IL	1	
Tire Distribution Systems Inc.	TN	1	
Tops Market	NY	1	
Toys 'R' Us, Inc.	TX	1	
Waban	NY	1	
Watkins	MO	1	
Webcraft Technologies	MD	1	
Wetterau, Inc.	PA	1	
Wetterau, Inc.	NJ	1	
Wickes Companies, Inc.	CA	1	
RESIDENTIAL PROPERTY LAND AND BUILDING			
Crown Cliffs	AL	1	7,233,108

PART 1--REAL ESTATE OWNED AT DECEMBER 31, 2003--ACCOUNTED FOR UNDER THE:

	OPERATING METHOD				
	INITIAL COST TO COMPANY	COST OF IMPROVEMENTS	AMOUNT CARRIED AT CLOSE OF PERIOD	RESERVE FOR DEPRECIATION	RENT DUE AND ACCRUED OR RECEIVED IN ADVANCE AT END OF PERIOD
Levitz Furniture Corporation					
Louisiana Power and Light Company	$ 5,636,053		$ 5,636,053	$ 483,544	
Louisiana Power and Light Company	6,984,806		6,984,806	553,118	
Marsh Supermarkets, Inc.	5,001,933		5,001,933	3,097,560	
Mid-South	18,226,344		18,226,344(2)	642,413	
Montgomery Ward, Inc.	3,289,166		3,289,166	2,290,820	
Montgomery Ward, Inc.	1,178,030		1,178,030	12,812	
Morrison, Inc.	858,112		858,112	21,353	
Morrison, Inc.					
Morrison, Inc.	1,765,899		1,765,899	47,355	
North Carolina National Bank	1,450,047		1,450,047	646,536	$ 10,092
Occidental Petroleum Corp.					
Ohio Power Co. Inc.					
Park West	19,199,296		19,199,296(2)	2,793,207	
Park West UPS	21,109,367		21,109,367(2)	2,479,441	(1,000)
Penske Corp.	524,956		524,956	19,525	(9,533)
Pneumo Corp.	1,629,713		1,629,713	68,492	
Portland General Electric Company					
Rayovac	22,065,852		22,065,852(2)	2,243,143	
Rouse Company					
Safeway Stores, Inc.	1,782,885		1,782,885	1,134,894	
Sams	8,844,225		8,844,225	2,340,082	
Smith's Management Corp.					
Southland Corporation	862,367		862,367	513,035	
Southland Corporation					
Staples	2,391,540		2,391,540(2)	265,276	
Stone Container	9,028,574		9,028,574	1,287,134	
Stop & Shop	900,865		900,865	83,272	
Stop & Shop	800,770		800,770	74,021	
Stop 'N Shop Co., Inc.	2,158,099		2,158,099	57,647	
Super Foods Services, Inc.					
SuperValu Stores, Inc.					
SuperValu Stores, Inc.					
SuperValu Stores, Inc.					
SuperValu Stores, Inc.					
Telecom Properties, Inc.					
Telecom Properties, Inc.	340,321		340,321	1,181	
The A&P Company	999,172		999,172	13,041	
The TJX Companies, Inc.					
Tire Distribution Systems Inc.	120,946		120,946	75,200	
Tops Market	262,357		262,357	24,249	(15,726)
Toys 'R' Us, Inc.					
Waban	8,478,095		8,478,095(2)	1,164,396	
Watkins					
Webcraft Technologies					
Wetterau, Inc.					
Wetterau, Inc.	747,116		747,116	32,088	
Wickes Companies, Inc.	700,333		700,333	195,738	(4,533)
RESIDENTIAL PROPERTY LAND AND BUILDING					
Crown Cliffs	11,457,646	$ 93,253	11,550,899(1)	3,662,776	

	PART 1--REAL ESTATE OWNED AT DECEMBER 31, 2003--ACCOUNTED FOR UNDER THE:		PART 2--REVENUES EARNED FOR THE YEAR ENDED DECEMBER 31, 2003		
	FINANCING METHOD				
	NET INVESTMENT	MINIMUM LEASE PAYMENTS DUE AND ACCRUED AT END OF PERIOD	TOTAL REVENUE APPLICABLE TO PERIOD	EXPENDED FOR INTEREST, TAXES, REPAIRS AND EXPENSES	NET INCOME APPLICABLE TO PERIOD
Levitz Furniture Corporation			0	0	0
Louisiana Power and Light Company			$ 1,240,853	$ 161,703	$ 1,079,150
Louisiana Power and Light Company			1,299,275	174,703	1,124,572
Marsh Supermarkets, Inc.			506,300	131,844	374,456
Mid-South			1,684,918	1,306,639	378,279
Montgomery Ward, Inc.			314,280	29,294	284,986
Montgomery Ward, Inc.			193,586	12,930	180,656
Morrison, Inc.			0	77,996	(77,996)
Morrison, Inc.			183,360	0	183,360
Morrison, Inc.			0	84,818	(84,818)
North Carolina National Bank			69,476	69,670	(194)
Occidental Petroleum Corp.			0	1,228	(1,228)
Ohio Power Co. Inc.	$ 3,221,531	$ 114,600	305,332	0	305,332
Park West			1,559,346	1,473,397	85,949
Park West UPS			1,959,010	1,734,716	224,294
Penske Corp.			63,551	44,467	19,084
Pneumo Corp.			243,750	54,793	188,957
Portland General Electric Company	46,892,351	(414,424)	4,074,139	2,685,000	1,389,139
Rayovac			1,993,330	1,786,171	207,159
Rouse Company			359,392	134,037	225,355
Safeway Stores, Inc.			85,150	11,974	73,176

Sams		1,245,569	161,517	1,084,052
Smith's Management Corp.		32,531	9,856	22,675
Southland Corporation		100,359	3,748	96,611
Southland Corporation		9,993(3)	330(3)	9,663
Staples		352,729	120,169	232,560
Stone Container		885,334	678,909	206,425
Stop & Shop		108,000	20,818	87,182
Stop & Shop		96,000	18,505	77,495
Stop 'N Shop Co., Inc.		109,255	179,573	(70,318)
Super Foods Services, Inc.	8,670,045	931,980	396,831	535,149
SuperValu Stores, Inc.		0	0	0
SuperValu Stores, Inc.		0	0	0
SuperValu Stores, Inc.		0	3,430	(3,430)
SuperValu Stores, Inc.		72,678	14,354	58,324
Telecom Properties, Inc.		(252)	3,654	(3,906)
Telecom Properties, Inc.		34,672	6,763	27,909
The A&P Company		77,851	106,413	(28,562)
The TJX Companies, Inc.		29,575	5,996	23,579
Tire Distribution Systems Inc.		13,200	0	13,200
Tops Market		31,453	6,277	25,176
Toys 'R' Us, Inc.		0	136,637	(136,637)
Waban		795,285	196,043	599,242
Watkins		0	0	0
Webcraft Technologies		0	(22,313)	22,313
Wetterau, Inc.		0	45,072	(45,072)
Wetterau, Inc.		150,800	25,788	125,012
Wickes Companies, Inc.		145,452	38,825	106,627
RESIDENTIAL PROPERTY LAND AND BUILDING				
Crown Cliffs		2,000,409	1,871,243	129,166

AMERICAN REAL ESTATE PARTNERS, L.P.
A LIMITED PARTNERSHIP

SCHEDULE III
PAGE 3

REAL ESTATE OWNED AND REVENUES EARNED

	STATE	NO. OF LOCATIONS	AMOUNT OF ENCUMBRANCES
COMMERCIAL PROPERTY -- LAND			
Foodarama supermarkets, Inc.	NY	1	
Foodarama supermarkets, Inc.	PA	1	
Gino's, Inc.	PA	1	
Gino's, Inc.	MA	1	
Gino's, Inc.	NJ	1	
J.C. Penney Company, Inc.	NY	1	
COMMERCIAL PROPERTY -- BUILDING			
AT&T	CA	1	
Bank of America	GA	1	
Baptist Hospital 1	TN	1	$19,885,664
Baptist Hospital 2	TN	1	7,380,651
Harwood Square	IL	1	
Safeway Stores, Inc.	CA	1	
Toys 'R' Us, Inc.	RI	1	
United Life & Accident Ins. Co.	NH	1	
Wickes Companies, Inc.	PA	1	
			180,989,263
LESS HELD FOR SALE			(82,861,069)
			98,128,194
HOTEL AND RESORT OPERATING PROPERTIES			
New Seabury	MA		
Holiday Inn	FL		
Bayswater	FL		
			0
			$98,128,194

PART 1--REAL ESTATE OWNED AT DECEMBER 31, 2003--ACCOUNTED FOR UNDER THE:

OPERATING METHOD

RENT DUE
AND

	INITIAL COST TO COMPANY	COST OF IMPROVEMENTS	AMOUNT CARRIED AT CLOSE OF PERIOD	RESERVE FOR DEPRECIATION	ACCRUED OR RECEIVED IN ADVANCE AT END OF PERIOD
COMMERCIAL PROPERTY -- LAND					
Foodarama supermarkets, Inc.	$ 140,619		$ 140,619(2)		
Foodarama supermarkets, Inc.	112,554		112,554(2)		$ 1,200
Gino's, Inc.	36,271		36,271(2)		
Gino's, Inc.	50,904		50,904(2)		
Gino's, Inc.	61,050		61,050(2)		
J.C. Penney Company, Inc.	51,009		51,009		458
COMMERCIAL PROPERTY -- BUILDING					
AT&T	2,546,139	$ 23,566	2,569,705	$ 82,237	
Bank of America					
Baptist Hospital 1					
Baptist Hospital 2					
Harwood Square	6,943,373	800	6,944,173	4,186,890	29,900
Safeway Stores, Inc.	558,652		558,652	558,652	
Toys 'R' Us, Inc.					
United Life & Accident Ins. Co.					
Wickes Companies, Inc.					
	252,397,367	1,309,971	253,707,338	51,001,774	(23,481)
LESS HELD FOR SALE	(146,395,413)	(20,218)	(146,415,631)	(20,152,684)	
	106,001,954	1,289,753	107,291,707	30,849,090	(23,481)
HOTEL AND RESORT OPERATING PROPERTIES					
New Seabury	37,490,989	(403,250)	37,087,739	6,704,739	
Holiday Inn	11,103,847	365,123	11,468,970	5,104,068	280,213
Bayswater	5,310,365		5,310,365	531,855	
	53,905,201	(38,127)	53,867,074	12,340,662	280,213
	$159,907,155	$ 1,251,626	$ 161,158,781	$43,189,752	$256,732

	PART 1--REAL ESTATE OWNED AT DECEMBER 31, 2003--ACCOUNTED FOR UNDER THE:		PART 2--REVENUES EARNED FOR THE YEAR ENDED DECEMBER 31, 2003		
	FINANCING METHOD				
	NET INVESTMENT	MINIMUM LEASE PAYMENTS DUE AND ACCRUED AT END OF PERIOD	TOTAL REVENUE APPLICABLE TO PERIOD	EXPENDED FOR INTEREST, TAXES, REPAIRS AND EXPENSES	NET INCOME APPLICABLE TO PERIOD
COMMERCIAL PROPERTY -- LAND					
Foodarama supermarkets, Inc.			$ 16,800	$ 0	$ 16,800
Foodarama supermarkets, Inc.			14,400	0	14,400
Gino's, Inc.			8,571	0	8,571
Gino's, Inc.			8,571	0	8,571
Gino's, Inc.			8,571	0	8,571
J.C. Penney Company, Inc.			5,500	0	5,500
COMMERCIAL PROPERTY -- BUILDING					
AT&T			449,548	247,906	201,642
Bank of America	$ 2,798,908	$ 40,573	292,259	26,584	265,675
Baptist Hospital 1	23,438,376	1,105,517	1,862,951	1,574,065	288,886
Baptist Hospital 2	8,726,374	410,319	691,443	583,409	108,034
Harwood Square			790,838	246,064	544,774
Safeway Stores, Inc.			26,900	495	26,405
Toys 'R' Us, Inc.	797,816	10,430	77,173	0	77,173
United Life & Accident Ins. Co.	3,165,914		274,017	950	273,067
Wickes Companies, Inc.	2,347,187		467,454	0	467,454
	137,355,573	1,276,073	43,298,285	24,714,252	18,584,033
LESS HELD FOR SALE			(15,242,790)	(11,827,832)	(3,414,958)
	137,355,573	1,276,073	28,055,495	12,886,420	15,169,075
HOTEL AND RESORT OPERATING PROPERTIES					
New Seabury			11,678,516	10,996,669	681,847
Holiday Inn			3,911,515	3,252,872	658,643
Bayswater			2,914,000	2,789,000	125,000
	0	0	18,504,031	17,038,541	1,465,490
	$137,355,573	$1,276,073	$46,559,526	$29,924,961	$16,634,565

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

(2) Such properties are being classified as held for sale at 12/31/03.

(3) Sold in 2003 and included in discontinued ops.

AMERICAN REAL ESTATE PARTNERS, L.P. AND SUBSIDIARIES
REAL ESTATE OWNED AND REVENUES EARNED
YEAR ENDED DECEMBER 31, 2003 (IN $000'S)

1a. A reconciliation of the total amount at which real estate owned, accounted for under the operating method and hotel and resort operating properties and development properties, was carried at the beginning of the period, with the total at the close of the period, is shown below:

Balance -- January 1, 2003	$303,460
Additions during period	1,675
Reclassifications during period from financing leases	5,065
Reclassifications during period to held for sale	(146,416)
Disposals during period	(2,626)
Balance -- December 31, 2003	$161,158

b. A reconciliation of the total amount of accumulated depreciation at the beginning of the period, with the total at the close of the period, is shown below:

Balance -- January 1, 2003	$ 54,978
Depreciation during period	8,605
Reclassifications during period to held for sale	(20,153)
Disposals during period	(241)
Balance -- December 31, 2003	$ 43,189

Depreciation on properties accounted for under the operating method is computed using the straight-line method over the estimated useful life of the particular property or property components, which range from 5 to 45 years.

2. A reconciliation of the total amount at which real estate owned, accounted for under the financing method, was carried at the beginning of the period, with the total close of the period, is shown below:

Balance -- January 1, 2003	$155,458
Reclassifications during period to operating properties	(5,065)
Disposals during period	(7,708)
Amortization of unearned income	13,115
Minimum lease rentals received	(18,444)
Balance -- December 31, 2003	$137,356

3. The aggregate cost of real estate owned for Federal income tax purposes is $377,539 before accumulated depreciation.

AMERICAN REAL ESTATE PARTNERS, L.P. AND SUBSIDIARIES
REAL ESTATE OWNED AND REVENUES EARNED -- (CONTINUED)
YEAR ENDED DECEMBER 31, 2003 (IN $000'S)

4. Net income applicable to the period in Schedule III is reconciled with net earnings as follows:

Net income applicable to financing and operating leases and hotel and resort operating properties	$ 16,635
Net income applicable to Stratosphere hotel and casino	13,737(1)
Net income applicable to land, house and condominium sales	4,136
Net income applicable to NEG, Inc	19,522(2)
Add:	
Interest income on U.S. Government and Agency Obligations and other investments	22,543
Dividend and unallocated other income	3,027
	79,600
Deduct expenses not allocated:	
General and administrative expenses	6,850
Nonmortgage interest expense	2,449
Equity in losses of GB Holdings, Inc	3,466
Other	3,704
	16,469
Operating income after income taxes	63,131
Provision for loss on real estate	(750)
Gain on sale of real estate	7,121
Loss on sale of securities	(961)
Write-down of securities	(18,798)
Write-down of mortgages and notes receivable	2,607
Income from continuing operations	52,350
Discontinued Operations:	
Income from discontinued operations	3,415
Net gain on property transactions	3,353
Earnings from discontinued operations	6,768
Net earnings	$ 59,118

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(1) Includes depreciation expense of $12,276 and income tax expense of $2,259.

(2) Includes income tax expense of $225.

AMERICAN REAL ESTATE PARTNERS, L.P. AND SUBSIDIARIES

REAL ESTATE OWNED AND REVENUES EARNED
YEAR ENDED DECEMBER 31, 2002 (IN $000'S)

1a. A reconciliation of the total amount at which real estate owned, accounted for under the operating method and hotel and resort operating properties, was carried at the beginning of the period, with the total at the close of the period, is shown below:

Balance -- January 1, 2002	$273,887
Additions during period	20,886
Reclassifications during period from financing leases	13,503
Write downs	(1,992)
Disposals during period	(2,824)
Balance -- December 31, 2002	$303,460

b. A reconciliation of the total amount of accumulated depreciation at the beginning of the period, with the total at the close of the period, is shown below:

Balance -- January 1, 2002	$ 48,057
Depreciation during period	7,105
Disposals during period	(184)
Balance -- December 31, 2002	$ 54,978

Depreciation on properties accounted for under the operating method is computed using the straight-line method over the estimated useful life of the particular property or property components, which range from 7 to 45 years.

2. A reconciliation of the total amount at which real estate owned, accounted for under the financing method, was carried at the beginning of the period, with the total close of the period, is shown below:

Balance -- January 1, 2002	$176,757
Reclassifications during period	(13,503)
Write downs	(257)
Disposals during period	(1,560)
Amortization of unearned income	14,722
Minimum lease rentals received	(20,663)
Other	(38)
Balance -- December 31, 2002	$155,458

3. The aggregate cost of real estate owned for Federal income tax purposes is $382,208 before accumulated depreciation.

AMERICAN REAL ESTATE PARTNERS, L.P. AND SUBSIDIARIES
REAL ESTATE OWNED AND REVENUES EARNED -- (CONTINUED)
YEAR ENDED DECEMBER 31, 2002 (IN $000'S)

4. Net income applicable to the period in Schedule III is reconciled with net earnings as follows:

Net income applicable to financing and operating leases and hotel and resort operating properties	$ 16,603
Net income applicable to Stratosphere hotel and casino	8,916(1)
Net income applicable to land, house and condominium sales	20,384
Net income applicable to NEG Inc	9,415(2)
Add:	
Interest income on U.S. Government and Agency Obligations and other investments	30,344
Dividend and unallocated other income	2,684
Equity in earnings of GB Holdings, Inc	305
	88,651
Deduct expenses not allocated:	
General and administrative expenses	7,029
Non-mortgage interest expense	1,272
Other	1,625
	9,926
Operating income after income taxes	78,725
Provision for loss on real estate	(3,212)
Gain on sale of real estate	8,990
Write down of securities	(12,226)
Minority interest in net earnings of Stratosphere Corporation	(1,943)
Income from continuing operations	70,334
Discontinued Operations:	
Income from discontinued operations	3,532
Net earnings	$ 73,866

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(1) Includes depreciation expense of $13,328 and income tax expense of $2,412.
(2) Includes income tax expense of $5,068.

AMERICAN REAL ESTATE PARTNERS, L.P. AND SUBSIDIARIES
REAL ESTATE OWNED AND REVENUES EARNED
YEAR ENDED DECEMBER 31, 2001 (IN $000'S)

1a. A reconciliation of the total amount at which real estate owned, accounted for under the operating method and hotel and resort operating properties, was carried at the beginning of the period, with the total at the close of the period, is shown below:

Balance -- January 1, 2001	$262,356
Additions during period	14,586
Reclassifications during period from financing leases	9,755
Write downs	(3,184)
Reclassifications during period to assets held for sale	(8,072)
Other reclassifications	(1,130)
Disposals during period	(424)
Balance -- December 31, 2001	$273,887

b. A reconciliation of the total amount of accumulated depreciation at the beginning of the period, with the total at the close of the period, is shown below:

Balance -- January 1, 2001	$ 43,471
Depreciation during period	6,252
Disposals during period	(266)
Reclassifications during period to assets held for sale	(1,400)
Balance -- December 31, 2001	$ 48,057

Depreciation on properties accounted for under the operating method is computed using the straight-line method over the estimated life of the particular property or property components, which range from 5 to 45 years.

2. A reconciliation of the total amount at which real estate owned, accounted for under the financing method, was carried at the beginning of the period, with the total at the close of the period, is shown below:

Balance -- January 1, 2001	$193,428
Reclassifications during period to operating properties	(9,755)
Disposals during period	(71)
Amortization of unearned income	16,935
Minimum lease rentals received	(23,780)
Balance -- December 31, 2001	$176,757

3. The aggregate cost of real estate owned for Federal income tax purposes is $399,813 before accumulated depreciation.

AMERICAN REAL ESTATE PARTNERS, L.P. AND SUBSIDIARIES
REAL ESTATE OWNED AND REVENUES EARNED -- (CONTINUED)
YEAR ENDED DECEMBER 31, 2001 (IN $000'S)

4. Net income applicable to the period in Schedule III is reconciled with net earnings as follows:

Net income applicable to financing and operating leases and hotel and resort operating properties	$18,307
Net income applicable to Stratosphere hotel and casino	4,628(1)
Net income applicable to land, house and condominium sales	12,967
Net income applicable to NEG, Inc.	37,300(2)
Add:	
Interest income on U.S. Government and Agency Obligations and other investments	30,367
Dividend and unallocated other income	4,877
Equity in earnings of GB Holdings, Inc.	1,807
	110,253

Deduct expenses not allocated:

General and administrative expenses	7,080
Non-mortgage interest expense	6,227
Other	642
	13,949
Operating income after income taxes	96,304
Provision for loss on real estate	(3,184)
Gain on sale of marketable equity and debt securities	6,749
Gain on sale of real estate	1,737
Minority interest in net earnings of Stratosphere Corporation	(450)
Income from continuing operations	101,156
Discontinued Operations:	
Income from discontinued operations	3,678
Net Earnings	$104,834

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(1) Includes depreciation expense of $11,257 and income tax expense of $513.

(2) Includes depreciation expense of $6,163 and income tax benefit of $30,590.

AMERICAN REAL ESTATE PARTNERS, L.P. AND SUBSIDIARIES
REAL ESTATE OWNED AND RESERVE FOR DEPRECIATION BY STATE
(ACCOUNTED FOR UNDER THE OPERATING METHOD)
DECEMBER 31, 2003 (IN $000'S)

STATE	AMOUNT AT WHICH CARRIED AT CLOSE OF YEAR	RESERVE FOR DEPRECIATION
Alabama	$ 13,301	$ 3,698
California	3,829	837
Connecticut	1,550	1,191
Florida	18,553	5,636
Illinois	7,544	4,203
Indiana	5,445	3,633
Kentucky	989	525
Louisiana	14,404	2,172
Massachusetts	43,317	8,869
Michigan	9,956	2,353
Minnesota	5,420	2,765
Missouri	962	392
New Jersey	2,726	119
New York	2,088	190
North Carolina	4,510	389
Ohio	2,767	111
Pennsylvania	5,459	3,852
South Carolina	1,450	647
Tennessee	121	76
Texas	438	10
Virginia	7,301	234
Wisconsin	9,028	1,287
	$161,158	$43,189

SCHEDULE III
PAGE 11

AMERICAN REAL ESTATE PARTNERS, L.P. AND SUBSIDIARIES
REAL ESTATE OWNED BY STATE
(ACCOUNTED FOR UNDER THE FINANCING METHOD)
DECEMBER 31, 2003 (IN $000'S)

STATE	NET INVESTMENT
Alabama	$ 4,850
Connecticut	19,815
Georgia	2,799
Iowa	1,047
Kentucky	71
Michigan	8,794
Missouri	3,610
New Hampshire	3,166
New Jersey	5,352
Ohio	3,521
Oregon	46,892
Pennsylvania	2,347
Rhode Island	798
Tennessee	32,165
West Virginia	2,129
	$137,356

EXHIBITS

STATEMENT OF DIFFERENCES

The section symbol shall be expressed as.................................'SS'

EXHIBIT 31

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. 1350
SECTION 302(A) OF THE SARBANES-OXLEY ACT OF 2002

I, Keith A. Meister certify that:

1. I have reviewed the annual report on Form 10-K of American Real Estate Partners, L.P. for the period ended December 31, 2003, (the 'Report');

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

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

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

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

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

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

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

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

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

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

Date: March 15, 2004

EXHIBIT 31.1

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. 1350
SECTION 302(A) OF THE SARBANES-OXLEY ACT OF 2002

I, John P. Saldarelli, certify that:

1. I have reviewed the annual report on Form 10-K of American Real Estate Partners, L.P. for the period ended December 31, 2003, (the 'Report');

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

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

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

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

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

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

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

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

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

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

Date: March 15, 2004

EXHIBIT 32

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. 1350
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Keith A. Meister, President and Chief Executive Officer (Principal Executive Officer) of American Property Investors, Inc., the General Partner of American Real Estate Partners, L.P. (the 'Registrant'), certify that to the best of my knowledge, based upon a review of the American Real Estate Partners, L.P., annual report on Form 10-K for the period ended December 31, 2003 of the Registrant (the 'Report'):

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

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

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

Date: March 15, 2004

EXHIBIT 32.1

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. 1350
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, John P. Saldarelli, Treasurer and Chief Financial Officer (Principal Financial Officer) of American Property Investors, Inc., the General Partner of American Real Estate Partners, L.P. (the 'Registrant'), certify that to the best of my knowledge, based upon a review of the American Real Estate Partners, L.P. annual report on Form 10-K for the period ended December 31, 2003 of the Registrant (the 'Report'):

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

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

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

Date: March 15, 2004

EXHIBIT 99.1

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF AMERICAN PROPERTY INVESTORS, INC.

As Adopted by the Board of Directors
on March 12, 2004

This Charter sets forth, among other things, the purpose, membership and duties and responsibilities of the Audit Committee (the 'Committee') of the Board of Directors (the 'Board') of American Property Investors, Inc., the general partner (the 'General Partner') of American Real Estate Partners, L.P. (the 'Partnership').

1. PURPOSES

The purposes of the Committee are to assist the Board in overseeing:

(i) the quality and integrity of the Partnership's financial statements,

(ii) the qualifications and independence of the Partnership's independent auditor,

(iii) the performance of the Partnership's internal audit function and independent auditor, and

(iv) the Partnership's compliance with legal and regulatory requirements.

2. MEMBERSHIP

The Committee shall consist of at least three members. The members of the Committee shall be appointed by the Board, which shall recommend for Committee membership such directors as it believes are qualified. Members of the Committee shall serve at the pleasure of the Board and shall serve and for such term or terms as the Board may determine.

Each member of the Committee shall satisfy the independence requirements relating to directors and audit committee members (a) of the New York Stock Exchange and (b) under Section 10A(m) of the Securities Exchange Act of 1934 (the 'Exchange Act') and any related rules and regulations promulgated thereunder by the SEC.

No director may serve as a member of the Committee if such director serves on the audit committee of more than two other public companies, unless the Board determines that such simultaneous service would not impair the ability of such director to effectively serve on the Committee.

Each Member of the Committee shall obtain and maintain any license and other approval required by any state or local government authority in respect of the Partnership.

Each member of the Committee shall be financially literate, as such qualification is interpreted by the Board in its business judgment, or must become financially literate within a reasonable period of time after appointment to the Committee. At least one member of the Committee shall have accounting or related financial management expertise, as such qualification is interpreted by the Board in its business judgment.

3. STRUCTURE AND OPERATIONS

The Board shall designate one member of the Committee as its chairperson. The affirmative vote of a majority of the members of the Committee participating in any meeting of the Committee is necessary for the adoption of any resolution. The Committee may create one or more subcommittees and may delegate, in its discretion, all or a portion of its duties and responsibilities to such subcommittee. The Committee may delegate to one or more designated members of the Committee the authority to grant pre-approvals of audit and non-audit services pursuant to Section 10A(i)(3) of the

Exchange Act and any related rules promulgated thereunder by the SEC, which pre-approvals shall be presented to the full Committee at the next scheduled meeting.

The Committee shall have a regularly scheduled meeting at least once every fiscal quarter, at such times and places as shall be determined by the Committee chairperson, and may have such additional meetings as the Committee chairperson or a majority of the Committee's members deem necessary or desirable. The Committee may request (a) any officer or employee of the Partnership, (b) the Partnership's outside counsel or (c) the Partnership's independent auditor to attend any meeting (or portions thereof) of the Committee, or to meet with any members of or consultants to the Committee, and to provide such information as the Committee deems necessary or desirable.

The Committee shall meet separately, at least once every fiscal quarter, with management, with the Partnership's internal auditors (or other personnel responsible for the Partnership's internal audit function) and with the independent auditor.

Members of the Committee may participate in a meeting of the Committee by means of conference call or similar communications arrangements by means of which all persons participating in the meeting can hear each other.

4. DUTIES AND RESPONSIBILITIES

The Committee's duties and responsibilities shall include each of the items enumerated in this Section 4 and such other matters as may from time to time be delegated to the Committee by the Board.

REPORTS TO BOARD; REVIEW OF COMMITTEE PERFORMANCE AND CHARTER

(a) The Committee shall report regularly to the Board and review with the Board any issues that arise with respect to:

(i) the quality or integrity of the Partnership's financial statements;

(ii) the performance and independence of the Partnership's independent auditor;

(iii) the performance of the Partnership's internal audit function; and

(iv) the Partnership's compliance with legal and regulatory requirements.

(b) The Committee shall undertake and review with the Board an annual performance evaluation of the Committee, which shall compare the performance of the Committee with the requirements of this Charter and set forth the goals and objectives of the Committee for the upcoming year. The performance evaluation by the Committee shall be conducted in such manner as the Committee deems appropriate. The report to the Board may take the form of an oral report by the chairperson of the Committee or any other member of the Committee designated by the Committee to make this report.

(c) The Committee shall review and re-assess annually the adequacy of this Charter and recommend any proposed changes to the Board for approval.

THE PARTNERSHIP'S RELATIONSHIP WITH THE INDEPENDENT AUDITOR

(d) The Committee shall have the sole and direct responsibility and authority for the appointment, compensation, retention and oversight of the work of each independent auditor engaged by the Partnership for the purpose of preparing or issuing an audit report or related work or performing other audit, review or attest services for the Partnership, and each such independent auditor shall report directly to the Committee. The Committee shall be responsible for resolving disagreements between management and each such independent auditor regarding financial reporting. The Committee shall have the responsibility and authority to approve, in advance of the provision thereof, all audit services and, subject to the de minimis exception of Section 10A(i) of the Exchange Act and the SEC rules promulgated thereunder, all permitted non-audit services to be provided to the Partnership by any such independent auditor. The Committee shall have the sole authority to approve any compensation payable by the Partnership for any approved audit or non-audit services to any such independent auditor, including the fees, terms and conditions for the performance of such services.

(e) The Committee shall, at least annually:

(i) obtain a written report by the independent auditor describing, to the extent permitted under applicable auditing standards:

(A) the independent auditor's internal quality-control procedures;

(B) any material issues raised by the most recent quality-control review, or peer review, of the independent auditor, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent auditor, and any steps taken to deal with any such issues; and

(C) all relationships between the independent auditor and the Partnership.

(ii) review the foregoing report and the independent auditor's work throughout the year and evaluate the independent auditor's qualifications, performance and independence, including a review and evaluation of the lead partner on the independent auditor's engagement with the Partnership, and present its conclusions to the Board and, if so determined by the Committee, recommend that the Board take additional action to satisfy itself of the qualifications, performance and independence of the independent auditor.

(iii) review the allocation of overhead expenses in connection with the reimbursement of the expenses of the General partner pursuant to Section 7.01 of the Partnership Agreement.

(iv) review any resolutions of conflicts of interest made by the General Partner pursuant to Section 6.13(b) of the Partnership Agreement.

(v) review certain other determinations of the General Partner pursuant to the Partnership Agreement, as described therein.

(f) The Committee shall, at least annually, discuss with the independent auditor, out of the presence of management if deemed appropriate:

(i) the matters required to be discussed by Statement on Auditing Standards 61, as it may be modified or supplemented, relating to the conduct of the audit;

(ii) the audit process, including, without limitation, any problems or difficulties encountered in the course of the performance of the audit, including any restrictions on the independent auditor's activities or access to requested information imposed by management, and management's response thereto, and any significant disagreements with management; and

(iii) the Partnership's internal controls and the responsibilities, budget and staffing of the Partnership's internal audit function, including any 'management' or 'internal control' letter issued or proposed to be issued by such auditor to the Partnership.

(g) The Committee shall establish policies for the Partnership's hiring of employees or former employees of the independent auditor.

(h) The Committee shall review, and discuss as appropriate with management, the internal auditors and the independent auditor, the report of the independent auditor required by Section 10A(k) of the Exchange Act.

FINANCIAL REPORTING AND DISCLOSURE MATTERS

(i) The Committee shall review and discuss with management and the independent auditor:

(i) prior to the annual audit, the scope, planning and staffing of the annual audit;

(ii) the Partnership's annual audited financial statements and quarterly financial statements, including the Partnership's disclosures under 'Management's Discussion and Analysis of Financial Condition and Results of Operations' and the results of the independent auditor's reviews of the quarterly financial statements;

(iii) significant issues regarding accounting and auditing principles and practices and financial statement presentations, including all critical accounting policies and estimates, any significant changes in the Partnership's selection or application of accounting principles and any significant

issues as to the adequacy of the Partnership's internal controls and any special audit steps adopted in light of material control deficiencies;

(iv) analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements;

(v) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements;

(vi) any significant changes to the Partnership's auditing and accounting principles and practices suggested by the independent auditor, internal audit personnel or management; and

(vii) management's internal control report prepared in accordance with rules promulgated by the SEC pursuant to Section 404 of the Sarbanes-Oxley Act.

(j) The Committee shall recommend to the Board whether the annual audited financial statements should be included in the Partnership's Form 10-K.

(k) The Committee shall review and discuss with management the Partnership's practices regarding earnings press releases and the provision of financial information and earnings guidance by management to analysts and ratings agencies.

(l) The Committee shall periodically review and discuss with management the Partnership's guidelines and policies with respect to the process by which the Partnership undertakes risk assessment and risk management, including discussion of the Partnership's major financial risk exposures and the steps management has taken to monitor and control such exposures.

(m) The Committee shall review and discuss with the CEO and CFO the procedures undertaken in connection with the CEO and CFO certifications for Form 10-Ks and Form 10-Qs, including their evaluation of the Partnership's disclosure controls and procedures and internal controls.

(n) The Committee shall annually obtain from the independent auditor assurance that the audit was conducted in a manner consistent with Section 10A of the Exchange Act.

INTERNAL AUDIT, COMPLIANCE MATTERS AND OTHER

(o) The Committee shall review the appointment and termination of senior internal audit personnel, and review all significant reports to management prepared by internal audit personnel, and management's responses.

(p) The Committee shall establish and maintain procedures for:

(i) the receipt, retention, and treatment of complaints received by the Partnership regarding accounting, internal accounting controls, or auditing matters; and

(ii) the confidential, anonymous submission by employees of the Partnership of concerns regarding questionable accounting or auditing matters.

(q) The Committee shall review with management and the independent auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports that raise material issues regarding the Partnership's financial statements or accounting policies.

(r) The Committee shall review with the Partnership's counsel any legal matters that may have a material impact on the financial statements or the compliance policies of the Partnership and its subsidiaries, and any material reports or inquiries received by the Partnership or any of its subsidiaries from regulators or governmental agencies.

(s) The Committee shall exercise such other powers and perform such other duties and responsibilities as are incidental to the purposes, duties and responsibilities specified herein and as may from time to time be delegated to the Committee by the Board.

5. AUTHORITY AND RESOURCES

The Committee may, without further approval by the Board, obtain such advice and assistance, including, without limitation, the performance of special audits, reviews and other procedures, from outside accounting, legal or other advisors as the Committee determines to be necessary or advisable in connection with the discharge of its duties and responsibilities hereunder. Any accounting, legal or other advisor retained by the Committee may, but need not, be in the case of an outside accountant, the same accounting firm employed by the Partnership for the purpose of rendering or issuing an audit report on the Partnership's annual financial statements, or in the case of an outside legal or other advisor, otherwise engaged by the Partnership for any other purpose.

The Partnership shall pay to any independent auditor employed by the Partnership for the purpose of rendering or issuing an audit report or performing other audit, review or attest services and to any outside accounting, legal or other advisor retained by the Committee pursuant to the preceding paragraph such compensation, including, without limitation, usual and customary expenses and charges, as shall be determined by the Committee. The Partnership shall pay ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

EXHIBIT 99.2

CODE OF ETHICS FOR THE PRINCIPAL EXECUTIVE OFFICER AND SENIOR FINANCIAL OFFICERS OF AMERICAN PROPERTY INVESTORS, INC. AND AMERICAN REAL ESTATE PARTNERS, L.P.

American Property Investors, Inc.. ('API') is committed to conducting its business and the business of American Real Estate Partners, L.P. ('AREP' and together with API, the 'Company') in compliance with all applicable laws and regulations of the countries in which the Company operates and in accordance with high standards of business conduct. The Company's principal executive officer and all of the Company's senior financial officers are required to comply with the following principles. For the purposes of this Code of Ethics, 'senior financial officers' means the Company's principal financial officer and controller or principal accounting officer, or persons performing similar functions. Matters submitted to and approved by the Audit Committee of API pursuant to Section 6.13(c) of the limited partnership agreement of AREP shall be deemed to comply with the provisions of this Code of Ethics and such approval shall not be deemed to constitute a waiver of, or amendment to, this Code.

The principal executive officer and each senior financial officer of the Company will adhere to and advocate the following principals and responsibilities governing his or her professional and ethical conduct:

1. Act with honesty and integrity and in an ethical manner in handling actual or apparent conflicts of interest between personal and professional relationships.

2. Act in a manner to promote the inclusion of full, accurate, fair, timely and understandable disclosure in filings with the Securities and Exchange Commission ('SEC') and other public communications made by the Company.

3. Comply with rules and regulations of federal, state, provincial and local governments and other appropriate private and public regulatory agencies.

4. Respect the confidentiality of information acquired in the course of the Company's business, except when authorized or otherwise legally obligated to disclose such information, and not use confidential information acquired in the course of work for personal advantage.

5. Promptly report to the API audit committee violations of this Code.

6. Promote ethical behavior among constituents in the work environment.

7. Comply with generally accepted accounting standards and practices, rules, regulations and controls.

8. To the extent such matters are within the scope of the duties of such officer, ensure that accounting entries are promptly and accurately recorded and properly documented and that no accounting entry intentionally distorts or disguises the true nature of any business transaction.

9. To the extent such matters are within the scope of the duties of such officer, maintain books and records that fairly and accurately reflect the Company's business transactions.

10. To the extent such matters are within the scope of the duties of

such officer, devise, implement and maintain sufficient internal controls to assure that financial record keeping objectives are met.

11. Prohibit the establishment of any undisclosed or unrecorded funds or assets for any purpose and provide for the proper and prompt recording of all disbursements of funds and all receipts.

12. Not make, or tolerate to be made, false or artificial statements or entries for any purpose in the books and records of the Company.

13. Any waiver of this Code of Ethics for the Principal Executive Officer and Senior Financial Officers must be approved by the Company's Board of Directors and disclosed in an SEC Form 8-K within five days.

Failure to comply with this Code of Ethics will not be tolerated by the Company and deviations therefrom or violations thereof will result in serious consequences, which may include, but may not be limited to, serious reprimand, dismissal or other legal actions.