ICAHN ENTERPRISES L.P.
Form 10-Q
November 05, 2010

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

FORM 10-Q

(Mark One)

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

For the Quarterly Period ended September 30, 2010

OR

o	**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

ICAHN ENTERPRISES 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.)

767 Fifth Avenue, Suite 4700
New York, NY 10153

(Address of Principal Executive Offices) (Zip Code)

(212) 702-4300

(Registrant s Telephone Number, Including Area Code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer o Accelerated filer x Non-accelerated filer o Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

As of November 2, 2010, there were 84,728,419 depositary units outstanding.

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ICAHN ENTERPRISES L.P.

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Part I. Financial Information

Item 1. Financial Statements.

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In millions, except unit amounts)

	September 30, 2010 (Unaudited)	December 31, 2009
ASSETS		
Cash and cash equivalents	$ 2,261	$ 2,256
Cash held at consolidated affiliated partnerships and restricted cash	1,943	3,336
Investments	6,882	5,405
Accounts receivable, net	1,384	1,139
Due from brokers	35	56
Inventories, net	1,175	1,091
Property, plant and equipment, net	3,015	2,958
Goodwill	1,095	1,083
Intangible assets, net	979	1,007
Other assets	554	555
Total Assets	$ 19,323	$ 18,886
LIABILITIES AND EQUITY		
Accounts payable	$ 764	$ 628
Accrued expenses and other liabilities	1,922	1,993
Securities sold, not yet purchased, at fair value	887	2,035
Due to brokers	803	376
Post-employment benefit liability	1,228	1,413
Debt	5,966	5,186
Preferred limited partner units		136
Total liabilities	11,570	11,767
Commitments and contingencies (Note 19)		
Equity:		
Limited partners:		
Depositary units: 92,400,000 authorized; issued 85,865,619 and 75,912,797 at September 30, 2010 and December 31, 2009; outstanding 84,728,419 and 74,775,597 at September 30, 2010 and December 31, 2009, respectively	3,443	2,828
General partner	(282)	18
Treasury units at cost: 1,137,200 depositary units	(12)	(12)

Equity attributable to Icahn Enterprises	3,149	2,834
Equity attributable to non-controlling interests	4,604	4,285
Total equity	7,753	7,119
Total Liabilities and Equity	$ 19,323	$ 18,886

See notes to consolidated financial statements.

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ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS (In millions, except per unit amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	(Unaudited)			
Revenues:				
Net sales	$ 1,983	$ 1,774	$ 5,935	$ 5,058
Net gain from investment activities	793	452	540	1,391
Interest and dividend income	33	83	155	205
Loss on extinguishment of debt			(40)	
Other income, net	16	34	41	88
	2,825	2,343	6,631	6,742
Expenses:				
Cost of goods sold	1,705	1,509	5,031	4,368
Selling, general and administrative	246	273	776	838
Restructuring	2	1	13	51
Impairment	4	9	13	25
Interest expense	96	83	286	239
	2,053	1,875	6,119	5,521
Income from continuing operations before income tax (expense) benefit	772	468	512	1,221
Income tax (expense) benefit	(7)	4	(19)	20
Income from continuing operations	765	472	493	1,241
(Loss) income from discontinued operations		(1)		1
Net income	765	471	493	1,242
Less: net income attributable to non-controlling interests	(467)	(355)	(376)	(988)
Net income attributable to Icahn Enterprises	$ 298	$ 116	$ 117	$ 254
Net income (loss) attributable to Icahn Enterprises from:				
Continuing operations	$ 298	$ 117	$ 117	$ 253
Discontinued operations		(1)		1
	$ 298	$ 116	$ 117	$ 254
Net income attributable to Icahn Enterprises allocable to:				
Limited partners	$ 292	$ 108	$ 115	$ 236
General partner	6	8	2	18
	$ 298	$ 116	$ 117	$ 254
Basic income (loss) per LP unit:				
Income from continuing operations	$ 3.48	$ 1.45	$ 1.39	$ 3.13
Income (loss) from discontinued operations	0.00	(0.01)	0.00	0.02

	$3.48	$1.44	$1.39	$3.15
Basic weighted average LP units outstanding	84	75	83	75
Diluted income (loss) per LP unit:				
Income from continuing operations	$3.35	$1.40	$1.39	$3.04
Income (loss) from discontinued operations	0.00	(0.01)	0.00	0.01
	$3.35	$1.39	$1.39	$3.05
Diluted weighted average LP units outstanding	89	84	83	79
Cash distributions declared per LP unit	$0.25	$0.25	$0.75	$0.75

See notes to consolidated financial statements.

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ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND COMPREHENSIVE INCOME (Unaudited) (In millions)

	Equity Attributable to Icahn Enterprises						
	General Partner Equity (Deficit)	Limited Partners Equity	Held in Treasury Amount	Units	Total Partners Equity	Non-Controlling Interests	Total Equity
Balance, December 31, 2009	$18	$2,828	$(12)	1	$2,834	$4,285	$7,119
Comprehensive income:							
Net income	2	115			117	376	493
Post-employment benefits, net of tax	2	86			88	28	116
Hedge instruments, net of tax		(22)			(22)	(7)	(29)
Translation adjustments and other, net of tax		11			11	2	13
Comprehensive income	4	190			194	399	593
Partnership contributions	6				6		6
Partnership distributions	(1)	(62)			(63)		(63)
Investment Management distributions						(521)	(521)
Investment Management contributions						430	430
ARI acquisition	(178)	178					
Viskase acquisition	(132)	132					
Preferred LP unit redemption		138			138		138
Stock-based compensation and other	1	39			40	11	51
Balance, September 30, 2010	$(282)	$3,443	$(12)	1	$3,149	$4,604	$7,753

Accumulated other comprehensive loss was $557 and $657 at September 30, 2010 and December 31, 2009, respectively.

See notes to consolidated financial statements.

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ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited) (In millions)

	Nine Months Ended September 30,	
	2010	2009
Cash flows from operating activities:		
Net income	$ 493	$ 1,242
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Net loss from discontinued operations		(1)
Investment gains	(540)	(1,391)
Purchases of securities	(3,768)	(1,470)
Proceeds from sales of securities	3,057	2,393
Purchases to cover securities sold, not yet purchased	(2,918)	(3,995)
Proceeds from securities sold, not yet purchased	1,556	3,342
Net premiums received (paid) on derivative contracts	19	(61)
Changes in receivables and payables relating to securities transactions	429	(657)
Depreciation and amortization	338	324
Other, net	(71)	9
Changes in cash held at consolidated affiliated partnerships and restricted cash	1,393	666
Changes in other operating assets and liabilities	(148)	(87)
Net cash (used in) provided by operating activities	(160)	314
Cash flows from investing activities:		
Capital expenditures	(309)	(188)
Payments to acquire business	(39)	
Purchases of marketable equity and debt securities		(37)
Other, net	(4)	(5)
Net cash used in investing activities	(352)	(230)
Cash flows from financing activities:		
Investment management equity:		
Capital subscriptions received in advance		5
Capital distributions to non-controlling interests	(555)	(759)
Capital contributions by non-controlling interests	419	161
Partnership contributions	6	
Partnership distributions	(63)	(57)
Proceeds from issuance of senior unsecured notes	1,987	
Proceeds from other borrowings	107	71
Repayments of borrowings	(1,373)	(45)
Other, net	(11)	(9)
Net cash provided by (used in) financing activities	517	(633)

Effect of exchange rate changes on cash and cash equivalents		20
Net increase (decrease) in cash and cash equivalents	5	(529)
Cash and cash equivalents, beginning of period	2,256	2,917
Cash and cash equivalents, end of period	$2,261	$2,388
Supplemental information:		
Cash payments for interest, net of amounts capitalized	$237	$229
Net cash payments for income taxes	$10	$10
Net unrealized gains on available-for-sale securities	$1	$20
Redemptions payable to non-controlling interests	$75	$47
LP Unit issuance to purchase majority interests in ARI and Viskase	$310	$
LP Unit issuance to settle preferred LP unit redemptions	$138	$

See notes to consolidated financial statements.

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ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) September 30, 2010

1. Description of Business and Basis of Presentation

General

Icahn Enterprises L.P. (Icahn Enterprises or the Company) is a master limited partnership formed in Delaware on February 17, 1987. We own a 99% limited partner interest in Icahn Enterprises Holdings L.P. (Icahn Enterprises Holdings). Icahn Enterprises Holdings and its subsidiaries own substantially all of our assets and liabilities and conduct substantially all of our operations. Icahn Enterprises G.P. Inc. (Icahn Enterprises GP), our sole general partner, which is owned and controlled by Mr. Carl C. Icahn, owns a 1% general partner interest in both us and Icahn Enterprises Holdings, representing an aggregate 1.99% general partner interest in us and Icahn Enterprises Holdings. As of September 30, 2010, affiliates of Mr. Icahn owned 78,454,899 of our depositary units which represented approximately 92.6% of our outstanding depositary units. As discussed further in Note 14, Preferred Limited Partner Units, on March 31, 2010 we redeemed all of our outstanding preferred units.

We are a diversified holding company owning subsidiaries currently engaged in the following continuing operating businesses: Investment Management, Automotive, Railcar, Food Packaging, Metals, Real Estate and Home Fashion. We also report the results of our Holding Company, which includes the unconsolidated results of Icahn Enterprises and Icahn Enterprises Holdings, and investment activity and expenses associated with the Holding Company. Further information regarding our continuing reportable segments is contained in Note 3, Operating Units, and Note 16, Segment Reporting.

The accompanying consolidated financial statements and related notes should be read in conjunction with our consolidated financial statements and related notes contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (fiscal 2009) and our amended and adjusted financial statements for the fiscal years ended December 31, 2009, 2008 and 2007 to reflect our acquisitions of controlling interests in American Railcar Industries, Inc. (ARI) and Viskase Companies, Inc. (Viskase) contained in our Current Report on Form 8-K filed with the Securities and Exchange Commission (the SEC) on June 9, 2010. The financial statements have been prepared in accordance with the rules and regulations of the SEC related to interim financial statements. The financial information contained herein is unaudited; however, management believes all adjustments have been made that are necessary to present fairly the results for the interim periods. All such adjustments are of a normal and recurring nature.

In accordance with United States generally accepted accounting principles (U.S. GAAP), assets transferred between entities under common control are accounted for at historical cost similar to a pooling of interests, and the financial statements of previously separate companies for all periods under common control prior to the acquisition are included in our consolidated financial statements.

Our consolidated financial statements include the accounts of (i) Icahn Enterprises and (ii) the wholly and majority owned subsidiaries of Icahn Enterprises, in addition to those entities in which we have a controlling interest as a general partner interest or in which we are the primary beneficiary of a variable interest entity (VIE). In evaluating whether we have a controlling financial interest in entities in which we would consolidate, we consider the following: (1) for voting interest entities, we consolidate these entities in which we own a majority of the voting interests; (2) for VIEs that are not subject to the deferral provisions described below in the section entitled, Adoption of New Accounting Standards, we consolidate these entities in which we are considered the primary beneficiary because we (i) have the direct or indirect ability through voting rights or similar rights to make decisions about the VIE s activities that have a significant effect on its success and (ii) absorb the majority of the VIE s expected losses, receive a majority of the VIE s expected residual returns, or both (see Note 5, Investments and Related Matters, for further discussion regarding our VIEs); and (3) for limited partnership entities that are not considered VIEs, we consolidate these entities if we are the general partner of such entities and for which no substantive kick-out rights (the rights underlying the limited partners ability to dissolve the limited partnership or otherwise remove the general partners are

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ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) September 30, 2010

1. Description of Business and Basis of Presentation (continued)

collectively referred to as kick-out rights) or participating rights exist. All material intercompany accounts and transactions have been eliminated in consolidation.

We conduct and plan to continue to conduct our activities in such a manner as not to be deemed an investment company under the Investment Company Act of 1940, as amended (the 40 Act). Therefore, no more than 40% of our total assets will be invested in investment securities, as such term is defined in the 40 Act. In addition, we do not invest or intend to invest in securities as our primary business. We intend to structure our 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, as amended (the Code).

Because of the nature of our businesses, the results of operations for quarterly and other interim periods are not indicative of the results to be expected for the full year. Variations in the amount and timing of gains and losses on our investments can be significant.

Change in Reporting Entity

As discussed further in Note 2, Acquisitions, on January 15, 2010, in two separate transactions, we acquired controlling interests in ARI and Viskase from affiliates of Mr. Icahn. ARI and Viskase are each considered entities under common control.

For accounting purposes, ARI s and Viskase s earnings for the period of common control up until our acquisition of the controlling interests in each of these companies on January 15, 2010 have been allocated to Icahn Enterprises GP, our general partner, and therefore are excluded from the historical computation of basic and diluted income per LP unit.

As a result of the acquisitions of ARI and Viskase that occurred on January 15, 2010, our financial statements now include the results of ARI and Viskase effective when common control (over 50% ownership) had been achieved which for ARI was in May 1988 and for Viskase was in November 2006.

Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, cash held at consolidated affiliated partnerships and restricted cash, accounts receivable, due from brokers, accounts payable, accrued expenses and other liabilities and due to brokers are deemed to be reasonable estimates of their fair values because of their short-term nature.

See Note 5, Investments and Related Matters, and Note 6, Fair Value Measurements, for a detailed discussion of our investments.

The fair value of our long-term debt is based on the quoted market prices for the same or similar issues or on the current rates offered to us for debt of the same remaining maturities. The carrying value and estimated fair value of our long-term debt as of September 30, 2010 are approximately $6.0 billion and $5.8 billion, respectively. The carrying value and estimated fair value of our long-term debt as of December 31, 2009 was approximately $5.2 billion and $4.8 billion, respectively.

Restricted Cash

Our restricted cash balance was approximately $1.4 billion and $2.8 billion as of September 30, 2010 and December 31, 2009, respectively.

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ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) September 30, 2010

1. Description of Business and Basis of Presentation (continued)

Adoption of New Accounting Standards

In December 2009, the Financial Accounting Standards Board (FASB) issued amended standards for determining whether to consolidate a VIE. This new standard affects all entities currently within the scope of the Consolidation Topic of the FASB Accounting Standards Codification (ASC), as well as qualifying special-purpose entities that are currently excluded from the scope of the Consolidation Topic of the FASB ASC. This new standard amends the evaluation criteria to identify the primary beneficiary of the VIE and requires ongoing reassessment of whether an enterprise is the primary beneficiary of such VIEs. This new standard is effective as of the beginning of the first fiscal year beginning after November 15, 2009. The adoption of this new standard did not have a material impact on our financial condition, results of operations and cash flows. As discussed below, we determined that certain entities within our Investment Management segment met the deferral criteria and we will therefore be deferring the application of this new guidance for these entities.

In February 2010, the FASB issued new guidance which amends the consolidation requirement discussed above. This amendment defers consolidation requirements for a reporting entity s interest in an entity if the reporting entity (1) has all the attributes of an investment company or (2) represents an entity for which it is industry practice to apply measurement principles for financial reporting purposes that are consistent with those followed by investment companies. The deferral does not apply in situations in which a reporting entity has the explicit or implicit obligation to fund losses of an entity that could be potentially significant to the entity. The deferral also does not apply to interests in securitization entities, asset-backed financing entities or entities formerly considered special-purpose entities. An entity that qualifies for the deferral will continue to be assessed under the overall guidance on the consolidation of VIEs or other applicable consolidation guidance, such as the consolidation of partnerships. Entities are required, however, to provide disclosures for all VIEs in which they hold a variable interest. This includes variable interests in entities that qualify for the deferral but are considered VIEs under the prior accounting provisions. This new guidance is effective as of the beginning of a reporting entity s first annual period that begins after November 15, 2009, and for interim periods within that first annual reporting period. We determined that certain entities within our Investment Management segment met the deferral provisions of this new guidance. Accordingly, these entities within our Investment Management segment will continue to be subject to the overall guidance on the consolidation of VIEs prior to the new standard described above or other applicable consolidation guidance, such as the consolidation of partnerships. See Note 5, Investments and Related Matters Investments in Variable Interest Entities, for further discussion.

In January 2010, the FASB issued new guidance on supplemental fair value disclosures. The new disclosures require (1) a gross presentation of activities within the Level 3 roll forward reconciliation, which will replace the net presentation format and (2) detailed disclosures about the transfers between Level 1 and Level 2 measurements. Additionally, the new guidance provides several clarifications regarding the level of disaggregation and disclosures about inputs and valuation techniques. This new guidance is effective for the first interim or annual reporting period beginning after December 15, 2009, except for the gross presentation of the Level 3 roll forward, which is required for annual reporting periods beginning after December 15, 2010 and for interim reporting periods within those years. Early application is permitted and comparative disclosures are not required in the period of initial adoption. We have adopted the provisions of this new guidance effective January 1, 2010. The adoption of this new standard did not have any impact on our financial condition, results of operations and cash flows. See Note 6, Fair Value Measurements, for additional information.

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ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) September 30, 2010

1. Description of Business and Basis of Presentation (continued)

Recently Issued Accounting Standards

In March 2010, the FASB issued new guidance on the accounting for credit derivatives that are embedded in beneficial interests in securitized financial assets. The new guidance eliminates the scope exception of certain credit derivative features embedded in beneficial interests in securitized financial assets that are currently not accounted for as derivatives within the Derivatives and Hedging Topic of the FASB ASC. As a result, bifurcation and separate recognition may be required for certain beneficial interests that are not currently accounted for at fair value through earnings. This new guidance is effective for each reporting entity at the beginning of its first fiscal quarter beginning after June 15, 2010. Early adoption is permitted at each entity s first fiscal quarter beginning after issuance. The adoption of this new standard will not have a material impact on our financial condition, results of operations and cash flows.

Filing Status of Subsidiaries

Federal-Mogul Corporation (Federal-Mogul) and ARI are each a reporting company under the Securities Exchange Act of 1934, as amended (the Exchange Act) and file annual, quarterly and current reports. Each of these reports is separately filed with the SEC and is publicly available at *www.sec.gov*.

2. Acquisitions

Acquisition of Controlling Interest in American Railcar Industries, Inc.

On January 15, 2010, pursuant to a Contribution and Exchange Agreement (the ARI Contribution and Exchange Agreement) among Icahn Enterprises, Beckton Corp., a Delaware corporation (Beckton), Barberry Corp., a Delaware Corporation (Barberry), Modal LLC, a Delaware limited liability company (Modal), and Caboose Holding LLC, a Delaware limited liability company (Caboose and, together with Beckton, Barberry and Modal, collectively, the ARI Contributing Parties), the ARI Contributing Parties contributed to Icahn Enterprises 11,564,145 shares of common stock of ARI, representing approximately 54.3% of ARI s total outstanding common stock as of January 15, 2010, collectively owned by the ARI Contributing Parties for aggregate consideration consisting of 3,116,537 of our depositary units (or approximately $141 million based on the closing price of our depositary units on January 15, 2010) subject to certain post-closing adjustments. On August 10, 2010, we issued 973,498 additional shares of our depositary units to the ARI Contributing Parties based on a post-closing adjustment formula that measures the amount

that the six-month volume-weighted average price of ARI s common stock has exceeded or is less than certain price targets (subject to a ceiling) following the closing date. The approximate value of these additional depositary units was $37 million (based on the closing price of our depositary units on August 10, 2010) and, when combined with those depositary units issued on January 15, 2010, the total value of the ARI acquisition approximated $178 million.

ARI is a leading North American designer and manufacturer of hopper and tank railcars. ARI also repairs and refurbishes railcars, provides fleet management services and designs and manufactures certain railcar and industrial components. The transactions contemplated by the ARI Contribution and Exchange Agreement were authorized by the Audit Committee of the board of directors of Icahn Enterprises GP on January 11, 2010. The Audit Committee was advised by independent counsel and an independent financial advisor which rendered a fairness opinion.

Acquisition of Controlling Interest in Viskase Companies, Inc.

On January 15, 2010, pursuant to a Contribution and Exchange Agreement (the Viskase Contribution and Exchange Agreement) among Icahn Enterprises, Beckton, Barberry, Koala Holding Limited Partnership, a Delaware limited partnership (Koala), High River Limited Partnership, a Delaware limited partnership

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ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) September 30, 2010

2. Acquisitions (continued)

(High River), and Meadow Walk Limited Partnership, a Delaware limited partnership (Meadow Walk and, together with Barberry, Koala and High River, collectively, the Viskase Contributing Parties), the Viskase Contributing Parties contributed to Icahn Enterprises 25,560,929 shares of common stock of Viskase, representing approximately 71.4% of Viskase s total outstanding common stock as of January 15, 2010, collectively owned by the Viskase Contributing Parties for aggregate consideration consisting of 2,915,695 of our depositary units (or approximately $132 million based on the closing price of our depositary units on January 15, 2010). Viskase is a leading worldwide producer of non-edible cellulosic, fibrous and plastic casings used to prepare and package processed meat and poultry products. The transactions contemplated by the Viskase Contribution and Exchange Agreement were authorized by the Audit Committee of the board of directors of Icahn Enterprises GP on January 11, 2010. The Audit Committee was advised by independent counsel and an independent financial advisor which rendered a fairness opinion.

As a result of our acquisition of a controlling interest in Viskase, certain long-term assets have been adjusted, effective the date of common control, by a total of $18 million as a result of our required utilization of common control parties underlying basis in such assets as follows: increase of $3 million for goodwill, increase of $20 million for intangible assets and decrease of $5 million for property, plant and equipment, net.

3. Operating Units

a. *Investment Management*

Icahn Onshore LP (the Onshore GP) and Icahn Offshore LP (the Offshore GP and, together with the Onshore GP, the General Partners) act as general partner of Icahn Partners LP (the Onshore Fund) and the Offshore Master Funds (as defined herein), respectively. The Offshore Master Funds consist of (i) Icahn Partners Master Fund LP (Master Fund), (ii) Icahn Partners Master Fund II L.P. (Master Fund II) and (iii) Icahn Partners Master Fund III L.P. (Master Fund III). The Onshore Fund and the Offshore Master Funds are collectively referred to herein as the Investment Funds. In addition, as discussed elsewhere in this Quarterly Report on Form 10-Q, the Offshore Funds consist of (i) Icahn Fund Ltd. (referred to herein as the Offshore Fund), (ii) Icahn Fund II Ltd. and (iii) Icahn Fund III Ltd. The Offshore GP also acts as general partner of a fund formed as a Cayman Islands exempted limited partnership that invests in the Offshore Master Funds. This fund, together with other funds that also invest in the Offshore Master Funds, constitute the Feeder Funds and, together with the Investment Funds, are referred to herein as the Private Funds.

Effective January 1, 2008, in addition to providing investment advisory services to the Private Funds, the General Partners provide or cause their affiliates to provide certain administrative and back office services to the Private Funds that had been previously provided by Icahn Capital Management LP (collectively, the Services) and, in consideration

of providing the Services, the General Partners will receive special profits interest allocations from the Investment Funds. Prior to July 1, 2009 this allocation was generally equal to 0.625% of the balance in each fee-paying capital account as of the beginning of each quarter (for each investor of fee-paying capital account, the Target Special Profits Interest Amount) except that amounts are only allocated to the General Partners in respect of special profits interest allocations if there is sufficient net profits in the applicable Investment Fund to cover such amounts. The General Partners may also receive incentive allocations, which prior to July 1, 2009, were generally 25% of the net profits generated by fee-paying investors in the Investment Funds, subject to a high water mark (whereby the General Partners do not earn incentive allocations during a particular year even though the fund had a positive return in such year until losses in prior periods have been recovered). (See below for discussion of the new fee structure for special profits interest allocations and incentive allocations effective as of July 1, 2009.) The General Partners do not provide such services to any other entities, individuals or accounts. Interests in the Private Funds are offered only to certain sophisticated and qualified investors on the basis of exemptions from the registration requirements of the federal securities laws and are not publicly available.

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) September 30, 2010

3. Operating Units (continued)

Beginning July 1, 2009 through July 1, 2010, all limited partnership agreements and offering memoranda of the Private Funds (the Fund Documents) were revised primarily to provide existing investors and new investors (Investors) with various new options for investments in the Private Funds (each an Option). Each Option has certain eligibility criteria for Investors and existing investors were permitted to roll over their investments made in the Private Funds prior to the applicable Fund Documents being updated (Pre-Election Investments) into one or more of the new Options. For fee-paying investments, the special profits interest allocations range from 1.5% to 2.25% per annum and the incentive allocations range from 15% (in some cases subject to a preferred return) to 22% per annum. The new Options also have different withdrawal terms, with certain Options being permitted to withdraw capital every six months (subject to certain limitations on aggregate withdrawals) and other Options being subject to three-year rolling lock-up periods, provided that early withdrawals are permitted at certain times with the payment to the Private Funds of a fee. For those Options with rolling lock-ups, the General Partners will not be entitled to receive an incentive allocation for a period of two years or longer.

The economic and withdrawal terms of the Pre-Election Investments remain the same, which include, for most fee-paying Investors, a special profits interest allocation of 2.5% per annum, an incentive allocation of 25% per annum and a three-year lock-up period (or sooner, subject to the payment of an early withdrawal fee). Certain of the Options will preserve each Investor s existing high watermark with respect to its rolled over Pre-Election Investments and one of the Options establishes a hypothetical high watermark for new capital invested before December 31, 2010 by persons that had Pre-Election Investments. Effective with permitted withdrawals on December 31, 2009, if an Investor does not roll over a Pre-Election Investment into another Option when it is first eligible to do so without the payment of a withdrawal fee, the Private Funds will require such Investor to withdraw such Pre-Election Investment.

Our Investment Management segment s revenues are affected by the combination of fee-paying assets under management (AUM) and the investment performance of the Private Funds. The General Partners incentive allocations and special profits interest allocations earned from the Private Funds are accrued on a quarterly basis and are allocated to the General Partners at the end of the Private Funds fiscal year (or sooner on redemptions) assuming sufficient net profits. Such quarterly accruals may be reversed as a result of subsequent investment performance prior to the date of such allocation. Effective July 1, 2009, certain Options provide for incentive allocations to be allocated less frequently than the end of each fiscal year, in which case, quarterly accruals may be reversed as described above prior to the date of allocation.

We have made investments in the consolidated Private Funds, including earned incentive allocations and special profits interest allocation from prior periods that were retained in the Private Funds. The total value of these investments was $2.48 billion as of September 30, 2010 for which no special profits interest allocation or incentive allocations are applicable. These investments and related earnings are reflected in the consolidated Private Funds net

assets and earnings.

As of September 30, 2010, the full Target Special Profits Interest Amount was $34 million, which includes a Target Special Profits Interest Amount of $33 million for the first nine months of the fiscal year ending December 31, 2010 (fiscal 2010) and a hypothetical return of $4 million on the full Target Special Profits Interest Amount from the Investment Funds, offset in part by forfeited Special Profits Interest Amount of $3 million due to redemptions. For each of the three and nine months ended September 30, 2010, there was a $34 million special profits interest allocation accrual due to the positive performance in the Investment Funds. Special profits interest allocations will only be made at the end of the year to the extent that there are sufficient net profits in the Investment Funds to cover such amounts. The special profits interest allocation accrual for the three and nine months ended September 30, 2009 was $23 million and $144 million, respectively. The special profits interest allocation accrual for the nine months ended September 30, 2009 included a carry-forward Target Special Profits Interest Amount of $70 million from December 31, 2008.

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ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) September 30, 2010

3. Operating Units (continued)

Incentive allocations were $3 million for each of the three and nine months ended September 30, 2010. Incentive allocations for the three and nine months ended September 30, 2009 were not material. The General Partners incentive allocations earned from the Private Funds are accrued on a quarterly basis and are allocated to the General Partners at the end of the Private Funds fiscal year (or sooner on redemptions), provided that, effective July 1, 2009, certain new options do not provide for incentive allocations at the end of each fiscal year.

Financial Reform

In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Reform Act) was enacted into law. The Reform Act will require one or more entities within our Investment Management segment to be registered with the SEC by July 2011 as an investment adviser under the Investment Advisers Act of 1940, and will impose certain reporting and other requirements on such registered entity or entities. The Reform Act requires additional rulemaking by the SEC which could impact such entities or other affiliated entities. We cannot predict the effect on us of such rulemaking at this time.

b. *Automotive*

We conduct our Automotive segment through our majority ownership in Federal-Mogul. Federal-Mogul is a leading global supplier of technology and innovation in vehicle and industrial products for fuel economy, alternative energies, environment and safety systems. Federal-Mogul serves the world s foremost original equipment manufacturers (OEM) of automotive, light commercial, heavy-duty, industrial, agricultural, aerospace, marine, rail and off-road vehicles, as well as the worldwide aftermarket. As of September 30, 2010, Federal-Mogul is organized into four product groups: Powertrain Energy, Powertrain Sealing and Bearings, Vehicle Safety and Protection, and Global Aftermarket.

Federal-Mogul believes that its sales are well-balanced between OEM and aftermarket, as well as domestic and international markets. Federal-Mogul s customers include the world s largest light and commercial vehicle OEMs and major distributors and retailers in the independent aftermarket. Federal-Mogul has operations in established markets including Canada, France, Germany, Italy, Japan, Spain, Sweden, the United Kingdom and the United States, and emerging markets including Argentina, Brazil, China, Czech Republic, Hungary, India, Korea, Mexico, Poland, Russia, South Africa, Thailand, Turkey and Venezuela. The attendant risks of Federal-Mogul s international operations are primarily related to currency fluctuations, changes in local economic and political conditions and changes in laws and regulations.

Accounts Receivable, net

Federal-Mogul s subsidiaries in Brazil, France, Germany, Italy, Japan and Spain are parties to accounts receivable factoring arrangements. Gross accounts receivable factored under these facilities were $219 million and $217 million as of September 30, 2010 and December 31, 2009, respectively. Of those gross amounts, $188 million and $190 million, respectively, qualify as sales. The remaining factored receivables of $31 million and $27 million, respectively, were pledged as collateral and accounted for as secured borrowings and recorded in our consolidated balance sheets as accounts receivable and the related debt shown separately. Under terms of these factoring arrangements, Federal-Mogul is not obligated to draw cash immediately upon the factoring of accounts receivable. Federal-Mogul had outstanding factored amounts of $1 million and $4 million for which cash had not yet been drawn as of September 30, 2010 and December 31, 2009, respectively. Proceeds from the factoring of accounts receivable qualifying as sales were $894 million and $845 million for the nine months ended September 30, 2010 and 2009, respectively. Expenses associated with receivables factored or discounted are recorded in our consolidated statements of operations within other income, net.

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ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) September 30, 2010

3. Operating Units (continued)

Restructuring

Federal-Mogul s restructuring charges are comprised of two types: employee costs (principally termination benefits) and facility closure costs. Termination benefits are accounted for in accordance with FASB ASC Topic 712, *Compensation Nonretirement Post-employment Benefits*, and are recorded when it is probable that employees will be entitled to benefits and the amounts can be reasonably estimated. Estimates of termination benefits are based on the frequency of past termination benefits, the similarity of benefits under the current plan and prior plans, and the existence of statutory required minimum benefits. Facility closure and other costs are accounted for in accordance with FASB ASC Topic 420, *Exit or Disposal Cost Obligation*, and are recorded when the liability is incurred.

Estimates of restructuring charges are based on information available at the time such charges are recorded. In certain countries where Federal-Mogul operates, statutory requirements include involuntary termination benefits that extend several years into the future. Accordingly, severance payments continue well past the date of termination at many international locations. Thus, these programs appear to be ongoing when, in fact, terminations and other activities under these programs have been substantially completed. Federal-Mogul expects that future savings resulting from execution of its restructuring programs will generally result in full pay-back within 36 months.

Federal-Mogul expects to finance its restructuring programs through cash generated from its ongoing operations or through cash available under its existing credit facility, subject to the terms of applicable covenants. Federal-Mogul does not expect that the execution of these programs will have an adverse impact on its liquidity position.

Federal-Mogul s restructuring activities are undertaken as necessary to execute its strategy and streamline operations, consolidate and take advantage of available capacity and resources, and ultimately achieve net cost reductions. Restructuring activities include efforts to integrate and rationalize Federal-Mogul s businesses and to relocate manufacturing operations to best cost markets. These activities generally fall into one of the following categories:

1. *Closure of Facilities and Relocation of Production* in connection with Federal-Mogul s strategy, certain operations have been closed and related production relocated to best cost countries or to other locations with available capacity.
2. *Consolidation of Administrative Functions and Standardization of Manufacturing Processes* as part of its productivity strategy, Federal-Mogul has acted to consolidate its administrative functions to reduce selling, general and administrative costs and change its manufacturing processes to improve operating efficiencies through standardization of processes.

An unprecedented downturn in the global automotive industry and global financial markets led Federal-Mogul to announce, in September and December 2008, certain restructuring actions, herein referred to as Restructuring 2009, designed to improve operating performance and respond to increasingly challenging conditions in the global

automotive market. This plan, when combined with other workforce adjustments, was expected to reduce Federal-Mogul s global workforce by approximately 8,600 positions when compared with Federal-Mogul s workforce as of September 30, 2008. For the nine months ended September 30, 2010 and 2009, Federal-Mogul reversed $1 million and accrued $37 million, respectively, in net restructuring charges associated with Restructuring 2009. Federal-Mogul expects to incur additional restructuring charges of up to $2 million through the fiscal year ending December 31, 2011, of which $1 million is expected to be employee costs and $1 million is expected to be facility closure costs. Total cumulative restructuring charges related to Restructuring 2009 through September 30, 2010 were $157 million. As substantially all of the Restructuring 2009 costs are related to severance, such activities are expected to yield future annual savings at least equal to the incurred costs.

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ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) September 30, 2010

3. Operating Units (continued)

As of December 31, 2009, the accrued liability balance relating to all restructuring programs was $55 million. For the three and nine months ended September 30, 2010, Federal-Mogul incurred $1 million and $7 million of net restructuring charges, respectively, substantially all of which were for net restructuring charges outside of Restructuring 2009 and were related to certain plant closures, all of which were related to employee costs. During the nine months ended September 30, 2010, Federal-Mogul paid $26 million of restructuring charges. As of September 30, 2010, the accrued liability balance was $32 million, including $4 million of foreign currency adjustments, and is included in accrued expenses and other liabilities in our consolidated balance sheets.

Due to the inherent uncertainty involved in estimating restructuring expenses, actual amounts paid for such activities may differ from amounts initially estimated. Accordingly, previously recorded accruals for all restructuring programs of $7 million and $39 million were reversed for the nine months ended September 30, 2010 and 2009, respectively. Such reversals result from: changes in estimated amounts to accomplish previously planned activities; changes in expected outcome (based on historical practice) of negotiations with labor unions, which reduced the level of originally committed actions; implemented government employment programs, which lowered the expected cost and changes in approach to accomplish restructuring activities.

Currency Matters

Federal-Mogul has operated an aftermarket distribution center in Venezuela for several years, supplying imported replacement automotive parts to the local independent aftermarket. Since 2005, two exchange rates have existed in Venezuela: the official rate, which has been frozen since 2005 at 2.15 bolivars per U.S. dollar; and the parallel rate, which floats at a rate much higher than the official rate. Given the existence of the two rates in Venezuela, Federal-Mogul deemed the official rate was appropriate for the purpose of conversion into U.S. dollars at December 31, 2009 based on no positive intent to repatriate cash at the parallel rate and demonstrated ability to repatriate cash at the official rate.

Near the latter part of fiscal 2009, the three-year cumulative inflation rate for Venezuela was above 100%, which requires the Venezuelan operation to report its results as though the U.S. dollar is its functional currency in accordance with FASB ASC Topic 830, *Foreign Currency Matters*, commencing January 1, 2010 (inflationary accounting). The impact of this transition to a U.S. dollar functional currency is that any change in the U.S. dollar value of bolivar denominated monetary assets and liabilities must be recognized directly in earnings.

On January 8, 2010, the official exchange rate was set by the Venezuelan government at 4.3 bolivars per U.S. dollar, except for certain strategic industries that are permitted to repatriate U.S. dollars at the rate of 2.6 bolivars per U.S. dollar. During the nine months ended September 30, 2010, Federal-Mogul recorded $20 million in foreign currency

exchange expense due to this change in the exchange rate. Based upon recent fiscal 2010 cash repatriations of cash, Federal-Mogul believes that all amounts currently submitted to the Venezuelan government for repatriation prior to fiscal 2010 will be paid out at the strategic rate, with the remaining monetary assets being converted at the official rate of 4.3.

Impairment

Federal-Mogul recorded $(1) million and $7 million in impairment charges for the three and nine months ended September 30, 2010, respectively, related to certain of its equipment where the assessment of future undiscounted cash flows of such equipment, when compared to the current carrying value of the equipment, indicated the assets were not recoverable. Federal-Mogul determined the fair value of the assets by applying a probability weighted, expected present value technique to the estimated future cash flows using assumptions a market participant would utilize. The discount rate used is consistent with other long-lived asset fair value measurements.

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) September 30, 2010

3. Operating Units (continued)

c. *Railcar*

We conduct our Railcar segment through our majority ownership in ARI. ARI manufactures railcars, custom designed railcar parts and other industrial products, primarily aluminum and special alloy steel castings. These products are sold to various types of companies including leasing companies, railroads, industrial companies and other non-rail companies. ARI also provides railcar repair and maintenance services for railcar fleets, including that of its affiliate, American Railcar Leasing LLC (ARL). In addition, ARI provides fleet management and maintenance services for railcars owned by certain customers. Such services include inspecting and supervising the maintenance and repair of such railcars.

ARI s three largest customers (including an affiliate) accounted for 66% and 85%, respectively, of our Railcar segment s total net sales for the nine months ended September 30, 2010 and 2009.

d. *Food Packaging*

We conduct our Food Packaging segment through our majority ownership in Viskase. Viskase is a worldwide leader in the production and sale of cellulosic, fibrous and plastic casings for the processed meat and poultry industry. Viskase currently operates seven manufacturing facilities and nine distribution centers throughout North America, Europe and South America and derives approximately 68% of Viskase s total net sales from customers located outside the United States. Viskase believes it is one of the two largest manufacturers of non-edible cellulosic casings for processed meats and one of the three largest manufacturers of non-edible fibrous casings. As of September 30, 2010, $120 million of Viskase s assets were located outside of the United States, primarily in France.

e. *Metals*

We conduct our Metals segment through our indirect wholly owned subsidiary, PSC Metals, Inc. (PSC Metals). PSC Metals collects industrial and obsolete scrap metal, processes it into reusable forms and supplies the recycled metals to its customers including electric-arc furnace mills, integrated steel mills, foundries, secondary smelters and metals brokers. PSC Metals ferrous products include shredded, sheared and bundled scrap metal and other purchased scrap metal such as turnings (steel machining fragments), cast furnace iron and broken furnace iron. PSC Metals also processes non-ferrous metals including aluminum, copper, brass, stainless steel and nickel-bearing metals. Non-ferrous products are a significant raw material in the production of aluminum and copper alloys used in manufacturing. PSC Metals also operates a secondary products business that includes the supply of secondary plate

and structural grade pipe that is sold into niche markets for counterweights, piling and foundations, construction materials and infrastructure end-markets.

PSC Metals had five and three customers who accounted for approximately 45% and 29%, respectively, of PSC Metals net sales for the nine months ended September 30, 2010 and 2009, respectively.

f. *Real Estate*

Our Real Estate segment consists of rental real estate, property development and resort activities.

As of each of September 30, 2010 and December 31, 2009, we owned 30 rental real estate properties. Our property development operations are run primarily through Bayswater, a real estate investment, management and development subsidiary that focuses primarily on the construction and sale of single-family and multi-family homes, lots in subdivisions and planned communities and raw land for residential development. Our New Seabury development property in Cape Cod, Massachusetts and our Grand Harbor and Oak Harbor development property in Vero Beach, Florida each include land for future residential development of approximately 327 and 870 units of residential housing, respectively. Both developments operate golf and resort operations as well.

ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) September 30, 2010

3. Operating Units (continued)

In February 2010, our Real Estate operations acquired from Fontainebleau Las Vegas, LLC (Fontainebleau), and certain affiliated entities, certain assets associated with property and improvements (the Former Fontainebleau Property) located in Las Vegas, Nevada for an aggregate purchase price of approximately $148 million. The Former Fontainebleau Property includes (i) an unfinished building situated on approximately 25 acres of land and (ii) inventory.

As of September 30, 2010 and December 31, 2009, $107 million and $110 million, respectively, of the net investment in financing leases, net real estate leased to others and resort properties, which is included in property, plant and equipment, net, were pledged to collateralize the payment of nonrecourse mortgages payable.

g. *Home Fashion*

We conduct our Home Fashion segment through our majority ownership in WestPoint International, Inc. (WPI), a manufacturer and distributor of home fashion consumer products. WPI is engaged in the business of manufacturing, sourcing, designing, marketing and distributing home fashion consumer products. WPI markets a broad range of manufactured and sourced bed, bath, basic bedding and kitchen textile products, including, sheets, pillowcases, comforters, flocked blankets, woven blankets and throws, heated blankets, quilts, bedspreads, duvet covers, bed pillows, mattress pads, bath and beach towels, bath rugs, kitchen towels and kitchen accessories. WPI recognizes revenue primarily through the sale of home fashion products to a variety of retail and institutional customers. In addition, WPI receives a small portion of its revenues through the licensing of its trademarks.

A relatively small number of customers have historically accounted for a significant portion of WPI s net sales. WPI had six customers who accounted for approximately 62% and 57%, respectively, of WPI s net sales for the nine months ended September 30, 2010 and 2009, respectively.

Restructuring

To improve WPI s competitive position, WPI s management intends to continue to reduce its cost of goods sold by restructuring its operations in the plants located in the United States, increasing production within its non-U.S. facilities and joint venture operation and sourcing goods from lower cost overseas facilities. WPI utilizes a third party to manage the majority of its U.S. warehousing and distribution operations, located at its Wagram, North Carolina facility. In fiscal 2009, as part of its ongoing restructuring activities, WPI closed certain of its manufacturing facilities located in the United States. In the future, the vast majority of the products manufactured or fabricated in these facilities will be sourced from plants located outside of the United States. As of September 30, 2010, $163 million of WPI s assets were located outside of the United States, primarily in Bahrain.

WPI incurred restructuring costs of $1 million and $6 million, respectively, for the three and nine months ended September 30, 2010. Included in restructuring expenses are cash charges associated with the ongoing costs of closed plants, employee severance, benefits and related costs and transition expenses. The amount of accrued restructuring costs at December 31, 2009 was $1 million. WPI paid $7 million of restructuring charges for the nine months ended September 30, 2010. As of September 30, 2010, the accrued liability balance was less than $1 million, which is included in accrued expenses and other liabilities in our consolidated balance sheet.

Total cumulative restructuring charges from August 8, 2005 (acquisition date) through September 30, 2010 were $83 million.

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3. Operating Units (continued)

WPI anticipates incurring restructuring costs in fiscal 2010 relating to the current restructuring plan of $11 million primarily related to the continuing costs of its closed facilities, employee severance, benefits and related costs and transition expenses. Restructuring costs could be affected by, among other things, WPI s decision to accelerate or delay its restructuring efforts. As a result, actual costs incurred could vary materially from these anticipated amounts.

Impairment

WPI incurred non-cash impairment charges of $5 million and $6 million for the three and nine months ended September 30, 2010, respectively, due to impairment charges related to certain plants that have been or will be closed. WPI incurred non-cash impairment charges of $6 million and $8 million for the three and nine months ended September 30, 2009, respectively. Included in the impairment charges for the three and nine months ended September 30, 2009 were impairment charges related to WPI s trademarks of $5 million. In recording impairment charges related to its plants, WPI compared estimated net realizable values of property, plant and equipment to their current carrying values. In recording impairment charges related to its trademarks, WPI compared the fair value of the intangible asset with its carrying value. The estimates of fair value of trademarks are determined using a discounted cash flow valuation methodology referred to as the relief from royalty methodology. Significant assumptions inherent in the relief from royalty methodology employed include estimates of appropriate marketplace royalty rates and discount rates. WPI s trademark valuations will be evaluated further during its annual testing in the fourth quarter of fiscal 2010.

4. Related Party Transactions

Our amended and restated agreement of limited partnership expressly permits us to enter into transactions with our general partner or any of its affiliates, including, without limitation, buying or selling properties from or to our general partner and any of its affiliates and borrowing and lending money from or to our general partner and any of its affiliates, subject to limitations contained in our partnership agreement and the Delaware Revised Uniform Limited Partnership Act. The indentures governing our indebtedness contain certain covenants applicable to transactions with affiliates.

a. *Investment Management*

Until August 8, 2007, Icahn Management LP (Icahn Management) elected to defer most of the management fees from the Offshore Funds and such amounts remain invested in the Offshore Funds. At September 30, 2010 and December 31, 2009, the balance of the deferred management fees payable (included in accrued expenses and other liabilities) by the Offshore Funds to Icahn Management was $138 million and $125 million, respectively. The deferred management

fee payable increased by $13 million and $33 million for the nine months ended September 30, 2010 and 2009, respectively, due to the performance of the Private Funds.

Effective January 1, 2008, Icahn Capital LP (Icahn Capital) paid for salaries and benefits of certain employees who may also perform various functions on behalf of certain other entities beneficially owned by Mr. Icahn (collectively, Icahn Affiliates), including administrative and investment services. Prior to January 1, 2008, Icahn & Co. LLC paid for such services. Under a separate expense-sharing agreement, Icahn Capital charged Icahn Affiliates $1 million and $1.4 million for such services for the nine months ended September 30, 2010 and 2009, respectively. As of September 30, 2010 and December 31, 2009, accrued expenses and other liabilities in our consolidated balance sheets each included $1 million to be applied to Icahn Capital s charges to Icahn Affiliates for services to be provided to them.

In addition to our direct investments in the Private Funds, Mr. Icahn, along with his affiliates, makes investments in the Private Funds. These investments are not subject to special profits interest allocations or incentive allocations. As of September 30, 2010 and December 31, 2009, the total fair value of these investments was approximately $2.1 billion and $1.5 billion, respectively.

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ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) September 30, 2010

4. Related Party Transactions (continued)

On August 31, 2010, the Private Funds sold their interest in The Aruban Resort & Casino at Eagle Beach to Tropicana Entertainment Inc. (Tropicana) for a total purchase price of $12 million, which approximates the Private Funds cost related to the property. The Private Funds own approximately 48.9% of Tropicana at September 30, 2010 and Mr. Icahn is the Chairman of the Tropicana Board of Directors.

b. *Railcar*

As described in Note 2, Acquisitions, in January 2010, we acquired a controlling interest in ARI from affiliates of Mr. Icahn. As a result of this acquisition, we have the following related party transactions:

Agreements with ACF Industries LLC and American Railcar Leasing LLC

ARI has or had various agreements with ACF Industries LLC (ACF) and ARL, companies controlled by Mr. Icahn. The most significant agreements include the following:

Under the manufacturing services agreement entered into in 1994 and amended in 2005, ACF agreed to manufacture and distribute, at ARI s instruction, various railcar components. In consideration for these services, ARI agreed to pay ACF certain agreed-upon rates. In the three months ended September 30, 2010 and 2009, ARI purchased inventory of less than $0.1 million and $2 million, respectively, of components from ACF. In the nine months ended September 30, 2010 and 2009, ARI purchased inventory of $1 million and $13 million, respectively, of components from ACF. The agreement automatically renews unless written notice is provided by ARI.

In May 2007, ARI entered into a manufacturing agreement with ACF, pursuant to which ARI agreed to purchase approximately 1,390 tank railcars from ACF. The profit realized by ARI upon sale of the tank railcars to ARI customers was first paid to ACF in reimbursement for the start-up costs involved in implementing the manufacturing arrangements evidenced by the agreement and thereafter, the profit was split evenly between ARI and ACF. The commitment under this agreement was satisfied in March 2009 and the agreement was terminated at that time. For the three months ended September 30, 2010 and 2009, and for the nine months ended September 30, 2010, ARI incurred no costs under this agreement. For the nine months ended September 30, 2009, ARI incurred costs under this agreement of $4 million in connection with railcars that were manufactured and delivered to customers during that period, which includes payments made to ACF for its share of the profits along with ARI costs. ARI recognized no revenue under this arrangement for each of the three months ended September 30, 2010 and 2009. ARI recognized no revenue under this agreement for the nine months ended September 30, 2010 and recognized revenues of $19 million related to railcars shipped under this agreement for the nine months ended September 30, 2009.

Effective as of January 1, 2008, ARI entered into a fleet services agreement with ARL, which replaced a 2005 railcar servicing agreement between the parties. The 2008 agreement reflects a reduced level of fleet management services, relating primarily to logistics management services, for which ARL now pays a fixed monthly fee. Additionally, under the agreement, ARI continues to provide railcar repair and maintenance services to ARL for a charge of labor, components and materials. ARI currently provides such repair and maintenance services for approximately 27,000 railcars for ARL. The agreement extends through December 31, 2010, and is automatically renewed for additional one-year periods unless either party gives at least 60 days prior notice of termination. There is no termination fee if ARI elects to terminate this agreement. Railcar services revenues recorded under this agreement for each of the three months ended September 30, 2010 and 2009 were $4 million, and are included in net sales in our consolidated statements of operations. For the nine months ended September 30, 2010 and 2009, railcar services revenues of $10 million and $12 million, respectively, were recorded under this agreement. Profit margins on sales to related parties approximate the margins on sales to other large customers.

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ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) September 30, 2010

4. Related Party Transactions (continued)

ARI from time to time manufactures and sells railcars to ARL under long-term agreements as well as on a purchase order basis. Revenues from railcars sold to ARL were $19 million and $8 million for the three months ended September 30, 2010 and 2009, respectively, and are included in net sales in our consolidated statements of operations. For the nine months ended September 30, 2010 and 2009, revenues from railcars sold to ARL were $65 million and $94 million, respectively. Profit margins on sales to related parties approximate the margins sold to other large customers.

As of September 30, 2010 and December 31, 2009, ARI had accounts receivable of $6 million and $1 million, respectively, due from ACF and ARL.

c. *Food Packaging*

As described in Note 2, Acquisitions, in January 2010 we acquired a controlling interest in Viskase from affiliates of Mr. Icahn. As a result of this acquisition, we have the following related party transaction:

Arnos Corporation, an affiliate of Mr. Icahn, was the lender on Viskase s Revolving Credit Facility as of December 31, 2009. In connection with our majority acquisition of Viskase on January 15, 2010, we assumed the Viskase Revolving Credit Facility from Arnos Corporation. See Note 11, Debt, for further discussion regarding Viskase s Revolving Credit Facility.

d. *Administrative Services Holding Company*

For each of the nine months ended September 30, 2010 and 2009 we paid an affiliate approximately $2 million for the non-exclusive use of office space.

For each of the nine months ended September 30, 2010 and 2009 we paid $0.5 million to XO Holdings, Inc., an affiliate of Icahn Enterprises GP, our general partner, for telecommunications services. XO Holdings, Inc. is controlled by Mr. Icahn.

The Holding Company provided certain professional services to an Icahn Affiliate for which it charged approximately $2 million for each of the nine months ended September 30, 2010 and 2009. As of September 30, 2010, accrued expenses and other liabilities in our consolidated balance sheets included $0.2 million to be applied to the Holding Company s charges to the affiliate for services to be provided to it.

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ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) September 30, 2010

5. Investments and Related Matters

a. Investment Management

Investments, and securities sold, not yet purchased consist of equities, bonds, bank debt and other corporate obligations, and derivatives, all of which are reported at fair value in our consolidated balance sheets. The following table summarizes the Private Funds investments, securities sold, not yet purchased and unrealized gains and losses on derivatives (in millions of dollars):

	September 30, 2010		December 31, 2009	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Assets				
Investments:				
Equity Securities:				
Communications	$ 2,056	$ 1,709	$ 1,710	$ 1,131
Consumer, non-cyclical	1,778	2,057	1,397	1,320
Consumer, cyclical	553	547	274	117
Energy	660	664		
Financial	100	136	226	269
Industrial	87	93		
Technology	325	370	62	71
Utilities	149	135	2	
	5,708	5,711	3,671	2,908
Corporate debt:				
Consumer, cyclical	700	661	651	642
Financial	3	4	1,146	1,373
	703	665	1,797	2,015
Mortgage-backed securities:				
Financial	188	202	140	168
	6,599	6,578	5,608	5,091
Derivative contracts, at fair value[1]:	10	10	2	6
	$ 6,609	$ 6,588	$ 5,610	$ 5,097
Liabilities				
Securities sold, not yet purchased:				
Equity Securities:				

Consumer, cyclical	$ 55	$ 80	$ 302	$ 323
Financial	51	53	125	114
Funds	638	754	1,384	1,598
	744	887	1,811	2,035
Derivative contracts, at fair value[2]:	4	43	24	111
	$ 748	$ 930	$ 1,835	$ 2,146

(1) Amounts are included in other assets in our consolidated balance sheets.

(2) Amounts are included in accrued expenses and other liabilities in our consolidated balance sheets.

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ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) September 30, 2010

5. Investments and Related Matters (continued)

The General Partners adopted FASB ASC Section 946-810-45, *Financial Services Investment Companies Consolidation Other Presentation Matters*, as of January 1, 2007. FASB ASC Section 946-810-45 provides guidance on whether investment company accounting should be retained in the financial statements of a parent entity. Upon the adoption of FASB ASC Section 946-810-45, the General Partners lost their ability to retain specialized accounting. For those investments that (i) were deemed to be available-for-sale securities, (ii) fall outside the scope of FAS ASC Topic 320, *Investments Debt and Equity Securities*, or (iii) the Private Funds would otherwise account for under the equity method, the Private Funds apply the fair value option. The application of the fair value option is irrevocable.

The Private Funds assess the applicability of equity method accounting with respect to their investments based on a combination of qualitative and quantitative factors, including overall stock ownership of the Private Funds combined with those of our affiliates.

The Private Funds applied the fair value option to certain of its investments that would have otherwise been subject to the equity method of accounting. As of September 30, 2010, the fair value of these investments was $440 million. For the three months ended September 30, 2010 and 2009, the Private Funds recorded losses of $16 million and gains of $17 million, respectively, with respect to these investments. For the nine months ended September 30, 2010 and 2009, the Private Funds recorded losses of $29 million and gains of $14 million, respectively, with respect to these investments. Such amounts are included in net gain from investment activities in our consolidated statements of operations. Included in these investments is the Private Funds investment in Tropicana Tropicana (as discussed below) and Lions Gate Entertainment Corp (Lions Gate). As of September 30, 2010, the Private Funds held, in the aggregate, 12,870,446 Tropicana Shares (as defined herein), representing 48.9% of the outstanding shares of Tropicana and have applied the fair value option to such shares. As of September 30, 2010, the Private Funds together with their affiliates held, in the aggregate, 44,642,069 shares of Lions Gate, representing approximately 37.2% of the outstanding shares of Lions Gate. During the third quarter of fiscal 2010, Lions Gate issued 16,236,305 of its shares to one of its directors. These shares were excluded from the calculation of the percentage of shares of Lions Gate held by the Private Funds and their affiliates as of September 30, 2010 because the validity of such issuance is in dispute. The Private Funds have applied the fair value option to their investment in Lions Gate.

We believe that these investments to which we applied the fair value option are not material, individually or in the aggregate, to our consolidated financial statements. Tropicana and Lions Gate are registered SEC reporting companies whose financial statements are available at *www.sec.gov*.

On March 8, 2010, (the Effective Date), Tropicana completed the acquisition of certain assets of its predecessor, Tropicana Entertainment, LLC, (Tropicana LLC), and certain subsidiaries and affiliates thereof (together, the

Predecessors) and Tropicana Resort and Casino-Atlantic City (Tropicana AC). Such transactions, referred to as the Restructuring Transactions, were effected pursuant to the Joint Plan of Reorganization of Tropicana Entertainment, LLC and Certain of Its Debtor Affiliates Under Chapter 11 of the Bankruptcy Code, filed with the United States Bankruptcy Court for the District of Delaware on January 8, 2009, as amended (the Plan). Prior to the Restructuring Transactions, the Private Funds held positions in certain debt securities and instruments in the Predecessors. As a result of the Restructuring Transactions pursuant to the Plan, the Private Funds received a combined amount of 11,880,021 shares of Tropicana (Tropicana Shares). In addition, in connection with Tropicana s completion of the Restructuring Transactions, Tropicana entered into a credit agreement, dated as of December 29, 2009 (the Exit Facility). The Private Funds are lenders under the Exit Facility and, in the aggregate, hold over 50% of the loans under the Exit Facility. Furthermore, Icahn Agency Services LLC, our indirect subsidiary, is the administrative agent under the Exit Facility. Pursuant to the terms of the Exit Facility, the lenders, including the Private Funds, were issued warrants to purchase Tropicana Shares (the Warrants). On March 9, 2010, the Private Funds exercised the Warrants in their entirety and received an additional combined amount of 784,158 Tropicana Shares.

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ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) September 30, 2010

5. Investments and Related Matters (continued)

Investments in Variable Interest Entities

As discussed in Note 1, Description of Business and Basis of Presentation Adoption of New Accounting Standards, in February 2010, the FASB issued new guidance which amends the consolidation requirement of VIEs for certain entities meeting certain criteria. We determined that the General Partners met the criteria for the deferral of this new consolidation guidance. Accordingly, our Investment Management segment will continue to apply the overall guidance on the consolidation of VIEs prior to the issuance of the new standard as described in Note 1.

The General Partners consolidate certain VIEs when they are determined to be their primary beneficiary, either directly or indirectly through other consolidated subsidiaries. The assets of our consolidated VIEs are primarily classified within cash and cash equivalents and investments in our consolidated balance sheets. The liabilities of our consolidated VIEs are primarily classified within securities sold, not yet purchased, at fair value, and accrued expenses and other liabilities in our consolidated balance sheets and are non-recourse to the General Partners general credit. Any creditors of VIEs do not have recourse against the general credit of the General Partners solely as a result of our including these VIEs in our consolidated financial statements.

Our consolidated VIEs consist of the Offshore Fund, Master Fund II and Master Fund III. The Offshore GP sponsored the formation of and manages each of these VIEs and, in some cases, has an investment therein. In evaluating whether the Offshore GP is the primary beneficiary of such VIEs, the Offshore GP has considered the nature and extent of its involvement with such VIEs and whether it absorbs the majority of losses among other variable interest holders, including those variable interest holders who are deemed related parties or de facto agents. In most cases, the Offshore GP was deemed to be the primary beneficiary of such VIEs because it (i) has the direct or indirect ability through voting rights or similar rights to make decisions about VIE s activities that have a significant effect on its success and (ii) would absorb the majority of expected losses among other variable interest holders and its close association with such VIEs, including the ability to direct the business activities of such VIEs.

We evaluated the VIE and primary beneficiary status of the Master Fund and determined that it no longer is a VIE. Previously, the Master Fund was considered to be a VIE because (i) the managing general partner, the Offshore GP, had substantially all of the decision-making rights that impacted the Master Fund s operations and investment activities but did not absorb the majority of the residuals or losses of the Master Fund and (ii) substantially all of the activities of the Master Fund were conducted on behalf of Icahn Fund Ltd. Icahn Fund Ltd. provided substantially all of the capital at the commencement of the Master Fund s operations but had no substantive kick-out or participating rights. However, the composition of the limited partners in the Master Fund has changed. Based on our evaluation, we determined that the Master Fund is no longer a VIE because substantially all of the activities of the Master Fund are no longer deemed to be performed for the primary benefit of Icahn Fund Ltd, but rather for the benefit of all limited

partners, including those of their related party groups and de facto agents. However, because the Offshore GP is the managing general partner of the Master Fund, it would consolidate it. There are no substantive kick-out or participating rights in the Master Fund. These changes had no effect on our consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) September 30, 2010

5. Investments and Related Matters (continued)

The following table presents information regarding interests in VIEs for which the Offshore GP holds a variable interest as of September 30, 2010 (in millions of dollars):

	Offshore GP is the Primary Beneficiary			Offshore GP is not the Primary Beneficiary	
	Net Assets	Offshore GP s Interests[1]	Pledged Collateral[2]	Net Assets	Offshore GP s Interests[1]
Offshore Funds, Master Fund II and Master Fund III	$2,080	$ 65	$ 946	$ 462	$

(1) Amount principally represents the Offshore GP s reinvested incentive allocations and special profits interest allocations and therefore its maximum exposure to loss. Such amounts are subject to the financial performance of the Offshore Funds, Master Fund II and Master Fund III and are included in the Offshore GP s net assets.

(2) Includes collateral pledged in connection with securities sold, not yet purchased, derivative contracts and collateral held for securities loaned. Pledged amounts may be in excess of margin requirements.

b. Automotive, Railcar, Holding Company and Other

Investments held by our Automotive, Railcar, Holding Company and other segments consist of the following (in millions of dollars):

	September 30, 2010		December 31, 2009	
	Amortized Cost	Carrying Value	Amortized Cost	Carrying Value
Marketable equity and debt securities available for sale	$23	$ 20	$23	$ 23
Equity method investments and other	284	284	291	291
Total investments	$307	$ 304	$314	$ 314

Investments in Non-Consolidated Affiliates

Automotive

Federal-Mogul maintains investments in 13 non-consolidated affiliates, which are located in China, Germany, India, Italy, Japan, Korea, Turkey, the United Kingdom and the United States. Federal-Mogul s direct ownership in such affiliates ranges from approximately 1% to 50%. The aggregate investments in these affiliates were $223 million and $238 million at September 30, 2010 and December 31, 2009, respectively.

Equity earnings from non-consolidated affiliates were $6 million and $5 million for the three months ended September 30, 2010 and 2009, respectively, and $24 million and $9 million for the nine months ended September 30, 2010 and 2009, respectively, which are included in other income, net in our consolidated financial statements. For the nine months ended September 30, 2010, these entities generated sales of $453 million and net income of $58 million, and at September 30, 2010 had total net assets of $487 million. Distributed dividends to Federal-Mogul from non-consolidated affiliates were $27 million and $6 million, respectively, for the nine months ended September 30, 2010 and 2009.

Federal-Mogul holds a 50% non-controlling interest in a joint venture located in Turkey. This joint venture was established in 1995 for the purpose of manufacturing and marketing automotive parts, including pistons, piston rings, piston pins, and cylinder liners to original equipment (OE) and aftermarket customers. Pursuant to the joint venture agreement, Federal-Mogul s partner holds an option to put its shares to a subsidiary of Federal-Mogul s at the higher of the current fair value or at a guaranteed minimum amount. The term of the contingent guarantee is indefinite, consistent with the terms of the joint venture agreement. However, the contingent guarantee would not survive termination of the joint venture agreement.

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ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) September 30, 2010

5. Investments and Related Matters (continued)

The guaranteed minimum amount represents a contingent guarantee of the initial investment of the joint venture partner and can be exercised at the discretion of the partner. The total amount of the contingent guarantee, should all triggering events have occurred, approximated $60 million as of September 30, 2010. Federal-Mogul believes that this contingent guarantee is less than the estimated current fair value of the guaranteeds interest in the affiliate. As such, the contingent guarantee does not give rise to a contingent liability and, as a result, no amount is recorded for this guarantee. If this put option were exercised, the consideration paid and net assets acquired would be accounted for in accordance with business combination accounting. Any value in excess of the guaranteed minimum amount of the put option would be the subject of negotiation between Federal-Mogul and its joint venture partner.

Federal-Mogul has determined that its investments in Chinese joint venture arrangements are considered to be limited-lived as such entities have specified durations ranging from 30 to 50 years pursuant to regional statutory regulations. In general, these arrangements call for extension, renewal or liquidation at the discretion of the parties to the arrangement at the end of the term of the contractual agreement. Accordingly, a reasonable assessment cannot be made as to the impact of such arrangements on the future liquidity position of Federal-Mogul.

Railcar

As of September 30, 2010, ARI was party to four joint ventures which are all accounted for using the equity method. ARI determined that, although these joint ventures are considered VIEs, it is not the primary beneficiary of such VIEs, does not have a controlling financial interest and does not have the ability to individually direct the activities of the VIEs that most significantly impact their economic performance. The significant factors in this determination were that no partners, including ARI, has rights to the majority of returns, losses or votes.

The risk of loss to ARI is limited to its investment in these joint ventures, certain loans due from these joint ventures to ARI and ARI s guarantee of certain loans. As of September 30, 2010 and December 31, 2009, the carrying amount of these investments was $49 million and $41 million, respectively, and the maximum exposure to loss was $50 million and $42 million, respectively. Maximum exposure to loss was determined based on ARI s carrying amounts in such investments, loans and accrued interest thereon due from applicable joint ventures and loan guarantees made to the applicable joint ventures.

6. Fair Value Measurements

U.S. GAAP requires enhanced disclosures about investments and non-recurring nonfinancial assets and nonfinancial liabilities that are measured and reported at fair value and has established a hierarchal disclosure framework that

prioritizes and ranks the level of market price observability used in measuring investments or nonfinancial assets and liabilities at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments and nonfinancial assets and/or liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments included in Level 1 include listed equities and listed derivatives. We do not adjust the quoted price for these investments, even in situations where we hold a large position.

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ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) September 30, 2010

6. Fair Value Measurements (continued)

Level 2 Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments that are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives. The inputs and assumptions of our Level 2 investments are derived from market observable sources including: reported trades, broker/dealer quotes and other pertinent data.

Level 3 Pricing inputs are unobservable for the investment and nonfinancial asset and/or liability and include situations where there is little, if any, market activity for the investment or nonfinancial asset and/or liability. The inputs into the determination of fair value require significant management judgment or estimation. Fair value is determined using comparable market transactions and other valuation methodologies, adjusted as appropriate for liquidity, credit, market and/or other risk factors.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) September 30, 2010

6. Fair Value Measurements (continued)

Investment Management

The following table summarizes the valuation of the Private Funds investments by the above fair value hierarchy levels as of September 30, 2010 and December 31, 2009 (in millions of dollars):

	September 30, 2010				December 31, 2009			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Investments:								
Equity securities:								
Communications	$1,709	$	$	$1,709	$1,131	$	$	$1,131
Consumer, non-cyclical	2,057			2,057	1,298	22		1,320
Consumer, cyclical	319	227	1	547	109	8		117
Energy	377	287		664				
Financial	136			136	268	1		269
Industrial	91	2		93				
Technology	370			370	69	2		71
Utilities	97	38		135				
	5,156	554	1	5,711	2,875	33		2,908
Corporate debt:								
Consumer, cyclical		332	329	661		414	228	642
Financial		4		4		1,373		1,373
		336	329	665		1,787	228	2,015
Mortgage-backed securities:								
Financial		202		202		168		168
	5,156	1,092	330	6,578	2,875	1,988	228	5,091
Derivative contracts, at fair value[1]:		10		10		6		6
	$5,156	$1,102	$330	$6,588	$2,875	$1,994	$228	$5,097
Liabilities								
Securities sold, not yet purchased:								
Equity securities:								
Consumer, cyclical	$80	$	$	$80	$323	$	$	$323

Financial	53			53	114			114
Funds	736	18		754	1,598			1,598
	869	18		887	2,035			2,035
Derivative contracts, at fair value(2):		43		43		111		111
	$869	$61	$	$930	$2,035	$111	$	$2,146

(1) Amounts are included in other assets in our consolidated balance sheets.

(2) Amounts are included in accrued expenses and other liabilities in our consolidated balance sheets.

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ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) September 30, 2010

6. Fair Value Measurements (continued)

The changes in investments measured at fair value for which the Investment Management segment has used Level 3 input to determine fair value are as follows (in millions of dollars):

Balance at December 31, 2009	$ 228
Gross realized and unrealized gains	18
Gross proceeds	(137)
Gross purchases	221
Balance at September 30, 2010	$ 330

There were unrealized losses included in earnings of $17 million related to Level 3 investments still held at September 30, 2010. Total realized and unrealized gains and losses recorded for Level 3 investments, if any, are reported in net gain from investment activities in our consolidated statements of operations.

Automotive, Railcar, Holding Company and other

The following table summarizes the valuation of our Automotive, Railcar, Holding Company and other investments by the above fair value hierarchy levels as of September 30, 2010 and December 31, 2009 (in millions of dollars):

	September 30, 2010			December 31, 2009		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Assets						
Marketable equity and debt securities	$ 20	$	$ 20	$ 23	$	$ 23
Derivative contracts, at fair value[1]		9	9		13	13
	$ 20	$ 9	$ 29	$ 23	$ 13	$ 36
Liabilities						
Derivative contracts, at fair value[2]	$	$ 116	$ 116	$	$ 51	$ 51

(1) Amounts are classified within other assets in our consolidated balance sheets.
(2) Amounts are classified within accrued expenses and other liabilities in our consolidated balance sheets.

In addition to items that are measured at fair value on a recurring basis, there are also assets and liabilities that are measured at fair value on a nonrecurring basis. As these assets and liabilities are not measured at fair value on a recurring basis, they are not included in the tables above. Assets and liabilities that are measured at fair value on a nonrecurring basis include certain long-lived assets (see Note 3, Operating Units and Note 9, Goodwill and Intangible

Assets, Net), investments in non-consolidated affiliates (see Note 5, Investment and Related Matters) and asset retirement obligations (ARO) (see Note 19, Commitments and Contingencies). We determined that the fair value measurements included in each of these assets and liabilities rely primarily on our assumptions as unobservable inputs that are not publicly available. As such, we have determined that each of these fair value measurements reside within Level 3 of the fair value hierarchy.

7. Financial Instruments

Certain derivative contracts executed by the Private Funds with a single counterparty or by our Automotive operations with a single counterparty are reported on a net-by-counterparty basis where a legal right of offset exists under an enforceable netting agreement. Values for the derivative financial instruments, principally swaps, forwards, over-the-counter options and other conditional and exchange contracts are reported on a net-by-counterparty basis. As a result, the net exposure to counterparties is reported in either other assets or accrued expenses and other liabilities in our consolidated balance sheets.

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ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) September 30, 2010

7. Financial Instruments (continued)

a. Investment Management and Holding Company

The Private Funds currently maintain cash deposits and cash equivalents with major financial institutions. Certain account balances may not be covered by the Federal Deposit Insurance Corporation, while other accounts may exceed federally insured limits. The Onshore Fund and the Offshore Master Funds have prime broker arrangements in place with multiple prime brokers as well as a custodian bank. These financial institutions are members of major securities exchanges. The Onshore Fund and Offshore Master Funds also have relationships with several financial institutions with which they trade derivative and other financial instruments.

In the normal course of business, the Private Funds trade various financial instruments and enter into certain investment activities, which may give rise to off-balance-sheet risk. Currently, the Private Funds investments include futures, options, credit default swaps and securities sold, not yet purchased. These financial instruments represent future commitments to purchase or sell other financial instruments or to exchange an amount of cash based on the change in an underlying instrument at specific terms at specified future dates. Risks arise with these financial instruments from potential counterparty non-performance and from changes in the market values of underlying instruments.

Securities sold, not yet purchased, at fair value represent obligations of the Private Funds to deliver the specified security, thereby creating a liability to repurchase the security in the market at prevailing prices. Accordingly, these transactions result in off-balance-sheet risk, as the Private Funds satisfaction of the obligations may exceed the amount recognized in our consolidated balance sheets. The Private Funds investments in securities and amounts due from brokers are partially restricted until the Private Funds satisfy the obligation to deliver the securities sold, not yet purchased.

The Private Funds enter into derivative contracts, including swap contracts, futures contracts and option contracts with the objective of capital appreciation or as economic hedges against other securities or the market as a whole. The Private Funds also enter into foreign currency derivative contracts to economically hedge against foreign currency exchange rate risks on all or a portion of their non-U.S. dollar denominated investments.

The Private Funds and the Holding Company have entered into various types of swap contracts with other counterparties. These agreements provide that they are entitled to receive or are obligated to pay in cash an amount equal to the increase or decrease, respectively, in the value of the underlying shares, debt and other instruments that are the subject of the contracts, during the period from inception of the applicable agreement to its expiration. In addition, pursuant to the terms of such agreements, they are entitled to receive other payments, including interest, dividends and other distributions made in respect of the underlying shares, debt and other instruments during the

specified time frame. They are also required to pay to the counterparty a floating interest rate equal to the product of the notional amount multiplied by an agreed-upon rate, and they receive interest on any cash collateral that they post to the counterparty at the federal funds or LIBOR rate in effect for such period.

The Private Funds trade futures contracts. A futures contract is a firm commitment to buy or sell a specified quantity of a standardized amount of a deliverable grade commodity, security, currency or cash at a specified price and specified future date unless the contract is closed before the delivery date. Payments (or variation margin) are made or received by the Private Funds each day, depending on the daily fluctuations in the value of the contract, and the whole value change is recorded as an unrealized gain or loss by the Private Funds. When the contract is closed, the Private Funds record a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) September 30, 2010

7. Financial Instruments (continued)

The Private Funds utilize forward contracts to seek to protect their assets denominated in foreign currencies from losses due to fluctuations in foreign exchange rates. The Private Funds exposure to credit risk associated with non-performance of forward foreign currency contracts is limited to the unrealized gains or losses inherent in such contracts, which are recognized in unrealized gains or losses on derivative, futures and foreign currency contracts, at fair value in our consolidated balance sheets.

The Private Funds may also purchase and write option contracts. As a writer of option contracts, the Private Funds receive a premium at the outset and then bear the market risk of unfavorable changes in the price of the underlying financial instrument. As a result of writing option contracts, the Private Funds are obligated to purchase or sell, at the holder s option, the underlying financial instrument. Accordingly, these transactions result in off-balance-sheet risk, as the Private Funds satisfaction of the obligations may exceed the amount recognized in our consolidated balance sheets. At September 30, 2010 and December 31, 2009, the maximum payout amounts relating to certain put options written by the Private Funds, excluding the S&P 500 Index options which are separately discussed, were $170 million and $268 million, respectively. As of September 30, 2010, there were unrealized gains of $0.1 million. As of December 31, 2009, there were no unrealized losses or gains on these put options. As of September 30, 2010, the Private Funds were synthetically short the S&P 500 Index through an option strategy (Private Fund S&P 500 Option Strategy). As of September 30, 2010, the unrealized loss from the Private Fund S&P 500 Option Strategy was $18 million and was included in the net gains (loss) from investment activities in our consolidated statements of operations. The Private Funds did not employ the Private Fund S&P 500 Option Strategy at December 31, 2009.

Certain terms of the Private Funds contracts with derivative counterparties, which are standard and customary to such contracts, contain certain triggering events that would give the counterparties the right to terminate the derivative instruments. In such events, the counterparties to the derivative instruments could request immediate payment on derivative instruments in net liability positions. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a liability position on September 30, 2010 and December 31, 2009 was $43 million and $111 million, respectively.

At September 30, 2010 and December 31, 2009, the Private Funds had $338 million and $436 million, respectively, posted as collateral for derivative positions, including those derivative instruments with credit-risk-related contingent features; these amounts are included in cash held at consolidated affiliated partnerships and restricted cash within our consolidated balance sheet.

U.S. GAAP requires the disclosure of information about obligations under certain guarantee arrangements. Such guarantee arrangements requiring disclosure include contracts that contingently require the guarantor to make payments to the guaranteed party based on another entity s failure to perform under an agreement as well as indirect

guarantees of the indebtedness of others.

The Private Funds have entered into certain derivative contracts, in the form of credit default swaps, which meet the accounting definition of a guarantee, whereby the occurrence of a credit event with respect to the issuer of the underlying financial instrument may obligate the Private Funds to make a payment to the swap counterparties. As of September 30, 2010 and December 31, 2009, the Private Funds have entered into such credit default swaps with a maximum notional amount of $32 million and $164 million, respectively, with terms of approximately two years as of September 30, 2010. We estimate that our maximum exposure related to these credit default swaps approximates 37.5% and 33.8% of such notional amounts as of September 30, 2010 and December 31, 2009, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) September 30, 2010

7. Financial Instruments (continued)

The following table presents the notional amount, fair value, underlying referenced credit obligation type and credit ratings for derivative contracts in which the Private Funds are assuming risk (in millions of dollars):

Credit Derivative Type Derivative Risk Exposure	September 30, 2010 Notional Amount	Fair Value	December 31, 2009 Notional Amount	Fair Value	Underlying Reference Obligation
Single name credit default swaps:					
Below investment grade risk exposure	$32	$ (4)	$164	$ (16)	Corporate Credit

The following table presents the fair values of the Private Funds derivatives (in millions of dollars):

Derivatives Not Designated as Hedging Instruments	Asset Derivatives[1] September 30, 2010	December 31, 2009	Liability Derivatives[2] September 30, 2010	December 31, 2009
Equity contracts	$ 11	$ 9	$	$
Credit contracts	26	26	70	140
Sub-total	37	35	70	140
Netting across contract types[3]	(27)	(29)	(27)	(29)
Total[4]	$ 10	$ 6	$ 43	$ 111

(1) Net asset derivatives are located within other assets in our consolidated balance sheets.
(2) Net liability derivatives are located within accrued expenses and other liabilities in our consolidated balance sheets.
(3) Represents the netting of receivables balances with payable balances for the same counterparty across contract types pursuant to netting agreements.
(4) Excludes netting of cash collateral received and posted. The total collateral posted at September 30, 2010 and December 31, 2009 was approximately $338 million and $436 million, respectively, across all counterparties.

The following table presents the effects of the Private Funds derivative instruments on the statements of operations for the three and nine months ended September 30, 2010 and 2009 (in millions of dollars):

Derivatives Not Designated as Hedging Instruments	Gain (Loss) Recognized in Income[1] Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Interest rate contracts	$	$ 5	$	$ 57
Foreign exchange contracts	(16)	1	(12)	(5)
Equity contracts	2	1	2	(66)
Credit contracts	(7)	181	43	366
	$ (21)	$ 188	$ 33	$ 352

(1) Gains (losses) recognized on the Private Funds derivatives are classified in net gain from investment activities within our consolidated statements of operations.

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ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) September 30, 2010

7. Financial Instruments (continued)

At September 30, 2010, the volume of the Private Funds and the Holding Company s derivative activities based on their notional exposure, categorized by primary underlying risk, are as follows:

	Long Notional Exposure	Short Notional Exposure
Primary underlying risk		
Bank loan swaps	$ 808	$
Credit default swaps	28	(1,799)
Equity swaps	28	
Foreign currency forwards	136	
Futures index spread	40	(73)

Each Private Fund s assets may be held in one or more accounts maintained for the Private Fund by its prime broker or at other brokers or custodian banks, which may be located in various jurisdictions. The prime broker and custodian banks are subject to various laws and regulations in the relevant jurisdictions in the event of their insolvency. Accordingly, the practical effect of these laws and their application to the Fund s assets may be subject to substantial variations, limitations and uncertainties. The insolvency of any of the prime brokers, custodian banks or clearing corporations may result in the loss of all or a substantial portion of the Private Fund s assets or in a significant delay in the Private Fund having access to those assets.

Credit concentrations may arise from investment activities and may be impacted by changes in economic, industry or political factors. The Private Funds routinely execute transactions with counterparties in the financial services industry, resulting in credit concentration with respect to this industry. In the ordinary course of business, the Private Funds may also be subject to a concentration of credit risk to a particular counterparty.

The Private Funds seek to mitigate these risks by actively monitoring exposures, collateral requirements and the creditworthiness of our counterparties.

During the third quarter of fiscal 2010, the Holding Company purchased and wrote option contracts on the S&P 500 stock index futures. At September 30, 2010, the maximum payout was $180 million, assuming the value of the S&P 500 Index falls below certain limits on our put spreads, and $118 million assuming the value of the S&P 500 Index increases in value above certain limits on our call spreads. As of September 30, 2010, the unrealized gains from the S&P stock index futures was $4 million and was included in the net gains from investment activities in our consolidated statements of operations. As of September 30, 2010, the Holding Company had $33 million in liability

derivatives related to the S&P 500 Index which are not designated as hedging instruments.

b. Automotive

During the fiscal year ended December 31, 2008 (fiscal 2008), Federal-Mogul entered into a series of five-year interest rate swap agreements with a total notional value of $1,190 million to hedge the variability of interest payments associated with its variable-rate term loans. Through use of these swap agreements, Federal-Mogul has fixed its base interest and premium rate at a combined average interest rate of approximately 5.37% on the hedged principal amount of $1,190 million. Since the interest rate swaps hedge the variability of interest payments on variable rate debt with same terms, they qualify for cash flow hedge accounting treatment. As of September 30, 2010 and December 31, 2009, unrealized net losses of $81 million and $50 million, respectively, were recorded in accumulated other comprehensive loss as a result of these hedges. As of September 30, 2010, losses of $37 million are expected to be reclassified from accumulated other comprehensive loss to our consolidated statement of operations within the next 12 months.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) September 30, 2010

7. Financial Instruments (continued)

These interest rate swaps reduce Federal-Mogul s overall interest rate risk. However, due to the remaining outstanding borrowings on Federal-Mogul s debt agreements that continue to have variable interest rates, management believes that interest rate risk to Federal-Mogul could be material if there are significant adverse changes in interest rates.

Federal-Mogul s production processes are dependent upon the supply of certain raw materials that are exposed to price fluctuations on the open market. The primary purpose of Federal-Mogul s commodity price forward contract activity is to manage the volatility associated with these forecasted purchases. Federal-Mogul monitors its commodity price risk exposures regularly to maximize the overall effectiveness of its commodity forward contracts. Principal raw materials hedged include natural gas, copper, nickel, tin, zinc, high-grade aluminum and aluminum alloy. Forward contracts are used to mitigate commodity price risk associated with raw materials, generally related to purchases forecast for up to 15 months in the future.

Federal-Mogul had commodity price hedge contracts outstanding with a combined notional value of $58 million and $28 million at September 30, 2010 and December 31, 2009, respectively, substantially all of which mature within one year. Of these outstanding contracts, $57 million and $26 million in combined notional values at September 30, 2010 and December 31, 2009, respectively, were designated as hedging instruments for accounting purposes. Unrealized net gains of $7 million and $5 million were recorded in accumulated other comprehensive loss as of September 30, 2010 and December 31, 2009, respectively.

Federal-Mogul manufactures and sells its products in North America, South America, Asia, Europe and Africa. As a result, Federal-Mogul s financial results could be significantly affected by factors such as changes in foreign currency exchange rates or weak economic conditions in foreign markets in which Federal-Mogul manufactures and sells its products. Federal-Mogul s operating results are primarily exposed to changes in exchange rates between the U.S. dollar and European currencies.

Federal-Mogul generally tries to use natural hedges within its foreign currency activities, including the matching of revenues and costs, to minimize foreign currency risk. Where natural hedges are not in place, Federal-Mogul considers managing certain aspects of its foreign currency activities and larger transactions through the use of foreign currency options or forward contracts. Principal currencies hedged have historically included the euro, British pound, Japanese yen and Canadian dollar. Federal-Mogul had notional values of $19 million and $10 million of foreign currency hedge contracts outstanding at September 30, 2010 and December 31, 2009, respectively, of which all mature in less than one year and substantially all were designated as hedging instruments for accounting purposes. Immaterial unrealized net losses were recorded in accumulated other comprehensive loss as of September 30, 2010 and December 31, 2009.

For derivatives designated as cash flow hedges, changes in the time value are excluded from the assessment of hedge effectiveness. Unrealized gains and losses associated with ineffective hedges, that are determined using the hypothetical derivative method, are recognized in other income, net. Derivative gains and losses included in accumulated other comprehensive loss for effective hedges are reclassified into operations upon recognition of the hedged transaction. Derivative gains and losses associated with undesignated hedges are recognized in other income, net for outstanding hedges and cost of goods sold upon hedge maturity. Federal-Mogul s undesignated hedges are primarily commodity hedges and such hedges have become undesignated mainly due to forecasted volume declines.

Financial instruments, which potentially subject Federal-Mogul to concentrations of credit risk, consist primarily of accounts receivable and cash investments. Federal-Mogul s customer base includes virtually every significant global light and commercial vehicle manufacturer and a large number of distributors, retailers and installers of automotive aftermarket parts. Federal-Mogul s credit evaluation process and the geographical dispersion of sales transactions help to mitigate credit risk concentration. No individual customer accounted for more than 6% of Federal-Mogul s net sales during the nine months ended September 30, 2010. Federal-Mogul requires placement of cash in financial institutions evaluated as highly creditworthy.

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7. Financial Instruments (continued)

The following table presents the fair values of Federal-Mogul s derivative instruments (in millions of dollars):

	Asset Derivatives[1]		Liability Derivatives[2]	
Derivatives Designated as Cash Flow Hedging Instruments	September 30, 2010	December 31, 2009	September 30, 2010	December 31, 2009
Interest rate swap contracts	$	$	$ 81	$ 50
Commodity contracts	10	6	1	1
	$ 10	$ 6	$ 82	$ 51
Derivatives not Designated as Hedging Instruments				
Commodity contracts	$	$ 1	$	$
	$	$ 1	$	$

(1) Net asset derivatives are located within other assets in our consolidated balance sheets.
(2) Net liability derivatives are located within accrued expenses and other liabilities in our consolidated balance sheets.

The following tables present the effect of Federal-Mogul s derivative instruments in our consolidated statements of operations, consolidated statement of changes in equity and comprehensive income for the three and nine months ended September 30, 2010 and 2009 (in millions of dollars):

	For the Three Months Ended September 30, 2010				
Derivatives Designated as Hedging Instruments	Amount of (Loss) Gain Recognized in OCI on Derivatives (Effective Portion)	Location of (Loss) Gain Reclassified from AOCI into Income (Effective Portion)	Amount of (Loss) Gain Reclassified from AOCI into Income (Effective Portion)	Location of Gain Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded

					from Effectiveness Testing)
Interest rate swap contracts	$ (17)	Interest expense	$ (10)		$
Commodity contracts	9	Cost of goods sold	2	Other income, net	1
Foreign exchange contracts	(1)	Cost of goods sold			
	$ (9)		$ (8)		$ 1

For the Three Months Ended September 30, 2009

Derivatives Designated as Hedging Instruments	Amount of (Loss) Gain Recognized in OCI on Derivatives (Effective Portion)	Location of (Loss) Gain Reclassified from AOCI into Income (Effective Portion)	Amount of (Loss) Gain Reclassified from AOCI into Income (Effective Portion)
Interest rate swap contracts	$ (21)	Interest expense	$ (10)
Commodity contracts	5	Cost of goods sold	(2)
	$ (16)		$ (12)

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ICAHN ENTERPRISES L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) September 30, 2010

7. Financial Instruments (continued)

For the Nine Months Ended September 30, 2010

Derivatives Designated as Hedging Instruments	Amount of (Loss) Gain Recognized in OCI on Derivatives (Effective Portion)	Location of (Loss) Gain Reclassified from AOCI into Income (Effective Portion)	Amount of (Loss) Gain Reclassified from AOCI into Income (Effective Portion)
Interest rate swap contracts	$ (59)	Interest expense	$ (28)
Commodity contracts	7	Cost of goods sold	5
Foreign exchange contracts	1	Cost of goods sold	1
	$ (51)		$ (22)

For the Nine Months Ended September 30, 2009

Derivatives Designated as Hedging Instruments	Amount of (Loss) Gain Recognized in OCI on Derivatives (Effective Portion)	Location of (Loss) Gain Reclassified from AOCI into Income (Effective Portion)	Amount of (Loss) Gain Reclassified from AOCI into Income (Effective Portion)	Location of Gain Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Interest rate swap contracts	$ (17)	Interest expense	$ (27)		$
Commodity contracts	17	Cost of goods sold	(16)	Other income, net	2
Foreign exchange contracts		Cost of goods sold	1		

$	$ (42)	$ 2

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Gain (Loss) Recognized on Derivatives Three Months Ended September 30,		(Loss) Gain Recognized on Derivatives Nine Months Ended September 30,	
		2010	2009	2010	2009
Commodity contracts	Cost of goods sold	$	$ (2)	$	$ (6)
Commodity contracts					