

AGENDA MEMO

CITY COUNCIL MEETING DATE: FEBRUARY 1, 2006

DEPARTMENT: BUSINESS DEVELOPMENT

ITEM DESCRIPTION: Discussion and possible action regarding a Third Amendment to Indenture of Lease, Assignment of Lease, and Lessor's Consent with Four Queens, Inc. and TLC Gaming, Inc. for the parking garage located at 222 Carson Avenue

1. Four Queens, Inc. has an existing lease for the parking garage at 222 Carson Avenue (Garage) with approximately 28 years remaining and an annual lease rent payment of \$620,000.
2. TLC (which is owned 95% by the sole owner of Four Queens) has incurred tax liability from the sale of real property and would like to defer its tax liability with a 1031 exchange.
3. To effect the 1031 exchange, Four Queens will have to assign the Lease to TLC with a remaining term in excess of 30 years. As such, Four Queens has requested a five-year extension to the term of the Lease, as well as consent to the assignment and assumption of said lease to TLC for the 1031 exchange.

**THIRD AMENDMENT TO INDENTURE OF LEASE,
ASSIGNMENT OF LEASE,
AND LESSOR'S CONSENT**

THIS THIRD AMENDMENT TO INDENTURE OF LEASE, ASSIGNMENT OF LEASE AND LESSOR'S CONSENT (the "Third Amendment") is made this ~~6th~~ ^{FEBRUARY} day of ~~January~~, 2006, by and among the CITY OF LAS VEGAS, a municipal corporation of the State of Nevada ("Lessor"), FOUR QUEENS, INC., a Nevada corporation ("Lessee"), and TLC Gaming Inc., a Nevada corporation ("Assignee") with reference to the following facts:

A. Lessor and Lessee have entered into and are parties to an Indenture of Lease dated March 28, 1984, which has been supplemented and amended by (a) Memorandum of Lease Term dated April 2, 1984, (b) First Amendment to Indenture of Lease dated September 7, 1988, (c) Supplement to Indenture of Lease dated April 20, 1994, and (d) Second Amendment to Indenture of Lease dated September 6, 1995 (collectively, the "Lease").

B. Lessor and Lessee desire to extend the term of the Lease in accordance with the terms of this Third Amendment;

C. Lessee desires to assign to Assignee, and Assignee desires to accept the assignment of and assume Lessee's leasehold estate in the Lease, and the benefits and burdens of ownership with respect thereto, together with all of Lessee's right, title, interest, obligations, liabilities, covenants and agreements in, to and under the Lease, all in accordance with the terms of this Third Amendment; and

D. Lessor consents to and approves of such assignment and assumption.

NOW, THEREFORE, in consideration of the foregoing facts, the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lessor, Lessee and Assignee agree as follows:

1. Extension of Lease. Pursuant to Section 2 of the Lease and the Memorandum of Lease Term dated April 2, 1984, the original term of the Lease would have expired on April 1, 2034. Lessor and Lessee hereby amend the Lease to extend the term of the Lease for five (5) additional years, until April 1, 2039. In addition, the parties agree that notwithstanding the provisions of Section 4 of the Lease, the rental increase that will take place on April 1, 2034 pursuant to Section 4 of the Lease shall be calculated as the lesser of (a) fifteen percent (15%) of the rent then in effect, or (b) the percentage by which the applicable Consumer Price Index has increased over the previous five (5) years.

2. Assignment and Consent.

a) Assignment by Lessee. Lessee hereby assigns, transfers, conveys, sells and sets over unto Assignee Lessee's leasehold estate in the Lease, and the benefits and burdens of ownership with respect thereto, together with all of Lessee's right, title, interest, obligations, liabilities, covenants and agreements in, to and under the Lease, as amended hereby.

b) Acceptance by Assignee. Assignee hereby accepts the foregoing assignment. Assignee hereby assumes Lessee's leasehold estate in the Lease, and the benefits and burdens of ownership with respect thereto, together with all of Lessee's right, title, interest, obligations, liabilities, covenants and agreements in, to and under the Lease, and agrees to be bound by all terms, conditions and provisions of the Lease, as amended hereby

c) Consent of Lessor. Lessor acknowledges, approves of, consents to, and agrees to the assignment and assumption set forth in this Third Amendment. No further consent of the undersigned or written instrument executed by the undersigned shall be required in order to evidence the undersigned's consent to any assignment to and assumption by Assignee, it being agreed that this Third Amendment shall be sufficient for all such purposes.

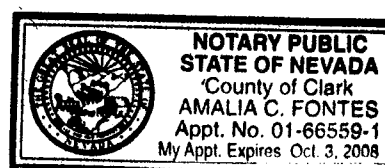
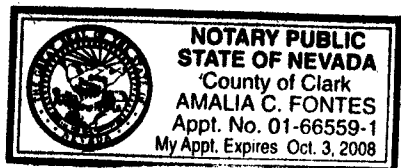
3. Exchange Cooperation Clause. Each party agrees to reasonably cooperate with the other party should a party elect to assign and assume the Lease, as amended by this Third Amendment, as part of a like-kind exchange under Internal Revenue Code Section 1031. Such cooperation may include consenting to the assignment of all or a portion of either the Lease or this Third Amendment to a third party qualified intermediary ("QI") or exchange accommodation titleholder ("EAT") or consenting to the substitution of such third party QI or EAT acting as the Lessee or Assignee, as applicable, and the execution of such documents as may be reasonably necessary to complete the exchange in accordance with applicable laws and regulations, *provided, however* that no such assignment to or substitution of an intermediary shall relieve the party to this Third Amendment seeking to effect such exchange of its obligations and liabilities under this Third Amendment or the Lease, as amended by this Third Amendment. Each provision of this Section 3 shall survive the closing.

4. No Other Amendment. Except as expressly amended hereby, the Lease shall remain in full force and effect as by its terms set forth therein.

IN WITNESS WHEREOF, Lessor, Lessee and Assignee have executed this Third Amendment to Indenture of Lease, Assignment of Lease and Lessor's Consent as of the date first set forth above

<p>Lessor: City of Las Vegas</p> <p><i>[Signature]</i> By: Oscar Goodman Its: Mayor</p> <p>Attest: <i>[Signature]</i> City Clerk</p>	<p>Lessee: Four Queens, Inc.</p> <p><i>[Signature]</i> By: Terry L. Caudill Its: President State of Nevada County of Clark Notary <i>[Signature]</i></p>	<p>Assignee: TLC Gaming, Inc.</p> <p><i>[Signature]</i> By: Terry L. Caudill Its: President State of Nevada County of Clark Notary <i>[Signature]</i></p>
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APPROVED AS TO FORM
[Signature] 1/19/06
Thomas R. Green Date
Deputy City Attorney



DISCLOSURE OF PRINCIPALS

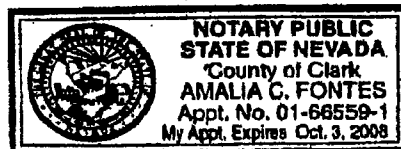
The principals and partners of Four Queens, Inc. and all persons and entities holding more than 1% (one percent) interest in Four Queens, Inc. Or any principal of Four Queens, Inc. are the following:

<u>FULL NAME</u>	<u>BUSINESS ADDRESS</u>	<u>BUSINESS PHONE</u>
1. <u>TLC CASINO ENTERPRISES, INC.</u>	<u>202 FREMONT STREET</u> <u>LAS VEGAS, NV 89101</u>	<u>(702) 387-5155</u>
2. <u>TERRY L. CAUDILL</u>	<u>202 FREMONT STREET</u> <u>LAS VEGAS, NV 89101</u>	<u>(702) 387-5155</u>
3. _____	_____	_____
4. _____	_____	_____
5. _____	_____	_____
6. _____	_____	_____
7. _____	_____	_____
8. _____	_____	_____
9. _____	_____	_____
10. _____	_____	_____

I hereby certify under penalty of perjury, that the foregoing list is full and complete.

By: Terry L. Caudill
Its: PRESIDENT

Subscribed and sworn to before me this
19th day of January, 2006
Amalia C. Fontes
Notary Public



DISCLOSURE OF PRINCIPALS

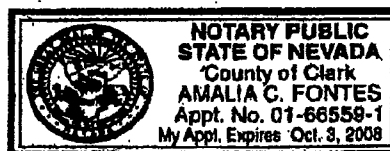
The principals and partners of TLC Gaming, Inc. and all persons and entities holding more than 1% (one percent) interest in TLC Gaming, Inc. Or any principal of TLC Gaming, Inc. are the following:

	<u>FULL NAME</u>	<u>BUSINESS ADDRESS</u>	<u>BUSINESS PHONE</u>
1.	<u>TERRY L. CAUDILL</u>	<u>202 FREMONT STRET LAS VEGAS, NV 89101</u>	<u>(702) 387-5155</u>
2.	<u>TIMOTHY G. LAGER</u>	<u>4405 W. FLAMINGO ROAD LAS VEGAS, NV 89103</u>	<u>(702) 604-3948</u>
3.	_____	_____	_____
4.	_____	_____	_____
5.	_____	_____	_____
6.	_____	_____	_____
7.	_____	_____	_____
8.	_____	_____	_____
9.	_____	_____	_____
10.	_____	_____	_____

I hereby certify under penalty of perjury, that the foregoing list is full and complete.

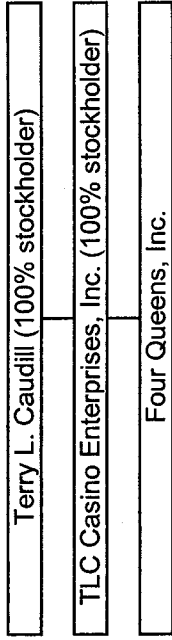
By: Terry L. Caudill
Its: PRESIDENT

Subscribed and sworn to before me this
19th day of January, 2006
Amalia C. Fontes
Notary Public



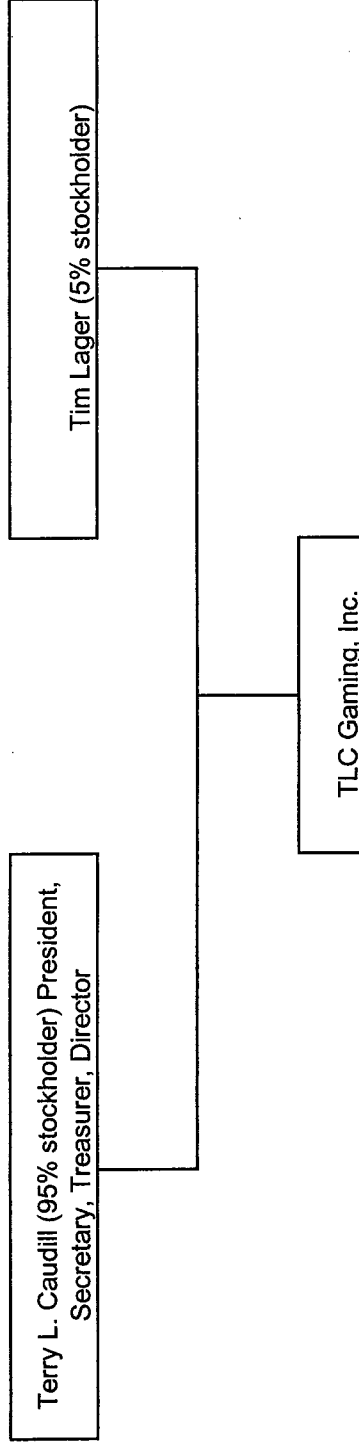
FOUR QUEENS, INC. AND TLC GAMING, INC.
OWNERSHIP FLOWCHARTS
AS OF JANUARY 19, 2006

OWNERSHIP OF FOUR QUEENS, INC.

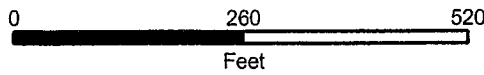


** Mr. Caudill is President, Secretary, Treasurer, and Director of both TLC Casino Enterprises, Inc. and Four Queens, Inc.


OWNERSHIP OF TLC GAMING, INC.



Site Map



Legend

 Site - APN: 139-34-210-046



Created by: eis.mxd on Aug 16 2004

Due to continuous development activity
this map is for reference only.

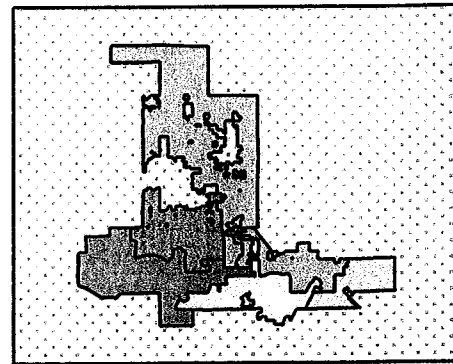


Exhibit A