

Real Estate Agreement

This Real Estate Agreement executed this 31 day of July, 2002 by and between **Andrew Batalis** (hereinafter referred to as "Seller") and **Steel City, LLC** (hereinafter referred to as "Buyer").

WITNESSETH:

WHEREAS, the Seller is the owner of certain improved real estate in Lake County, Indiana along with certain personal property for which he wishes to grant an option to purchase in future and for which the Buyer wishes to obtain an option to purchase in future;

NOW, THEREFORE, in consideration of the promises, and of the mutual covenants contained herein it is mutually agreed as follows:

1. Grant of Real Estate. The seller hereby grants an option to the Buyer to purchase the following property:

The real estate the legal description of which as follows:

Part of the Southeast 1/4 and the Southeast 1/4 of Section 4, Township 36 north, Range 7 west of the Principal Meridian, in the City of Gary, Lake County, Indiana, described as follows: Beginning at a point on the Northerly right of way line of U.S. Highway No. 20, (which highway at this point is 200 feet wide) which is 720.17 feet West of the East line of said Highway; thence North and parallel with the East line of said 1/4 1/4 Section, a distance of 350.98 feet to the Southerly right of the Baltimore and Ohio Railroad with an interior angle of 120 degrees 43' 30" to a point of being 970 feet West, by rectangular measurement, of the East line of U.S. Highway No. 20; (which Highway at this point is 150 wide) thence Easterly along the northerly right of way line of U.S. Highway No. 20, a distance of 256.05 feet, more or less, to a point where the North 1/2 of said Highway ends its 75 feet width and begins its 100 feet width thence Northerly 25 feet, more or less, to the place of beginning, excepting therefrom 153.05 feet by parallel lines of the East Side thereof.

Commonly known as 9300 Melton Road, Gary IN, 46403

Together with all improvement located herein. In addition, said grant of option shall include any equipment, furniture and fixture located at this location. In addition, the option shall include the liquor license currently held for this location, which liquor license is License No. RR45-01568.

All of said real and personal property is hereinafter sometimes called the "property".

27.00
C.C.
CASH

03
07
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05

10

2. Purchase Price; Exercise of Option.

A. Price. \$100,000.00 without Liquor License, \$50,000.00 paid on commencement and \$50,000.00 paid monthly as shown under "A" in the Manager's Agreement under reimbursement. \$180,000.00 with the Liquor License, \$50,000.00 paid on commencement, \$50,000.00 paid when Liquor License is renewed and the \$88,000.00 is paid in monthly payments as shown under "B" in the Management Agreement.

B. Definition of Purchase. The purchase is as in the Legal Description on page 1 (which is the property), the Liquor License No. RR45-01568 and the goodwill of the business.

3. Term of Option Period. The option granted Buyer hereunder by Seller shall continue in full force and effect until January 1, 2005 unless sooner terminated as provided in this paragraph, at which time said option shall be void and no further force said option shall also terminate immediately and be void and of no further force and effect upon the happening of the following events: (i) the Buyer breaching any of the terms, covenants and conditions of this Option Agreement including but not limited to permitting the creation of any lien against Seller's property; or (ii) the Buyer failing to comply with any of the terms, covenants and conditions of the Management Agreement entered into between the parties of even date including buy not limited to a violation of the terms of the liquor license. Seller recognizes his Liquor License is under an extension at this time.

4. Title Insurance. Upon the exercise of the option, Seller will furnish, at his expense, a properly prepared commitment for an owner's Policy of title insurance if the amount of the purchase price insuring title in Seller subject to unpaid real estate taxes and assessments, covenants and restrictions and easement of record. Seller will then have a reasonable time to meet such requirement, if any, as may be necessary to render his title to the real estate and meet requirements stated herein. Seller will furnish said commitment for title insurance policy within one week.

5. Possession. The parties acknowledge that Buyer is in possession of said property at the date of the execution of this option.

6. Proration. The parties acknowledge that Buyer is in possession of the real estate as of the date of the execution of this option and is required as part of that occupancy, to pay all real estate taxes and assessments from that date.

7. Closing. At the closing, Seller shall deliver to Buyer a Warranty Deed for the real property to be transferred to Buyer by Seller to subject only to unpaid real estate taxes, easement, covenants and restrictions of record and applicable zoning laws. In addition, Seller shall execute a Bill of Sale for

the personal property Andy's Lounge, the Indiana Liquor License No. RR45-01568 and the rights to the name, "Andy's Lounge". Buyer shall pay Seller the amount of the purchase price as adjusted pursuant to Paragraph 2A. at the closing in cash or by certified check.

8. Notices. All notices hereunder shall be delivered or sent by registered mail, return receipt requested to Seller at 3786 Liverpool Rd., Hobart, Indiana 46342 and to Buyer at Steel City, LLC. 1940 Douglas Dr. Portage, IN 46368.

9. Binding Effect. The Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors, and assigns.

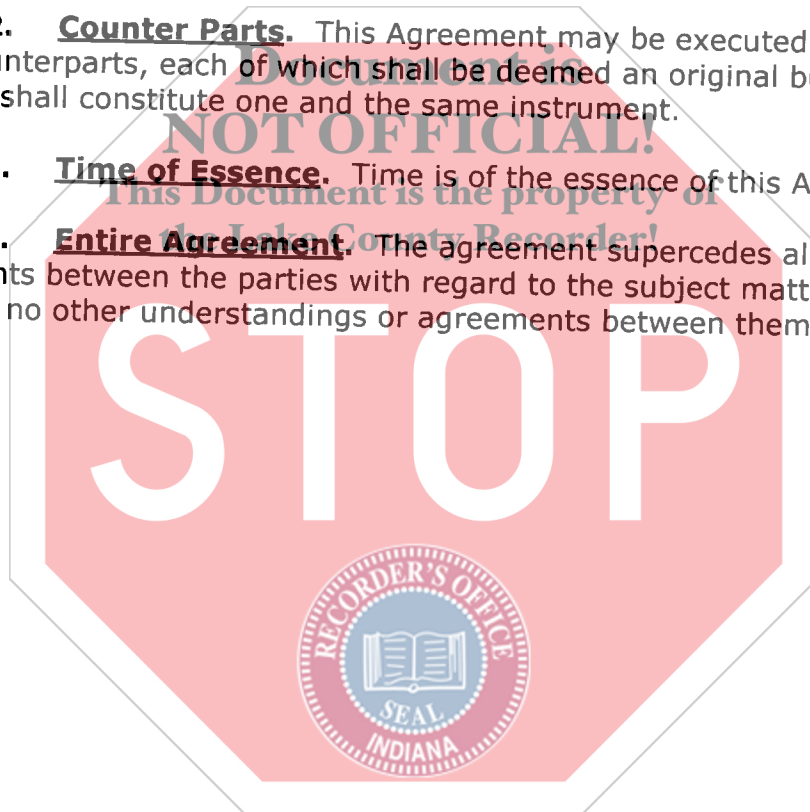
10. Headings. Headings in this Agreement are for convenience only and shall not be used to interpret or construe its provisions.

11. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Indiana. Both parties realize the liquor license is under extension, and the said property is under a restraining order.

12. Counter Parts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

13. Time of Essence. Time is of the essence of this Agreement.

14. Entire Agreement. The agreement supercedes all previous agreements between the parties with regard to the subject matter hereof and there are no other understandings or agreements between them.



STATE OF INDIANA)
) SS:
COUNTY OF LAKE)

Before me, a Notary Public in and for said County and State, on this 31 day of July, 2002, a personally appeared **Steel City, LLC.** and acknowledged the execution of the above and foregoing Real Estate Option Agreement to be his voluntary act and deed.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal.

William M. Dawson.
Notary Public

My Commission Expires: 10-04-06
County of Residence: Lake



MANAGEMENT AGREEMENT

THIS AGREEMENT made this 31 day of July, 2002, by and between Andrew Batalis (hereinafter referred to as "Owner") and Steel City, LLC (hereinafter referred to as "Manager").

WITNESSETH:

WHEREAS, Owner is the owner of a restaurant/lounge business and certain personal property and fixtures contained therein known as Andy's Lounge which occupies that part of the building commonly know as 9300 Melton Road, Gary Indiana 46403;

WHEREAS, Owner desires to hire and employ Manager to manage the restaurant/lounge operations in the building; and

WHEREAS, Manager desires to be hired and employed by Owner to manage Owner's restaurant/lounge operations in the building.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, the parties hereto do mutually covenant and agree as follows:

1. **Appointment.** Owner hereby hires and employs Manager, subject to the terms and conditions hereinafter contained, as the Manager of the restaurant/lounge business with the sole and exclusive right to direct the operations thereof.
2. **Acceptance.** The Manager hereby accepts the foregoing appointment and covenants and agrees to operate the business in accordance with the terms and conditions hereof.
3. **Term.** The term of this Agreement shall commence on July 29th 2002 shall terminate the earlier of (i) Jan., 1 2005, (ii) at such time as the Manager becomes the owner of said premises as provided by separate agreement.
4. **Reimbursement.**
 - A. The Manager hereby agrees to reimburse Owner the sum of Two Thousand Dollars (\$2,000.00) per month for each month that Manager operates the business commencing August 1, 2002 which is the term of 25 months, totaling \$50,000.00 .
 - B. The Manager hereby agrees to reimburse Owner the sum of Two Thousand Dollars (\$2,000.00) per month for each month that the Manager operates the business commencing August 1, 2002 which is a term of 44 months, totaling \$88,000.00.

C. In addition, Manager shall reimburse the Owner on a monthly prorated basis for all of the following expenses: annual Alcoholic Beverage License Permit fees; real and personal property taxes and insurance premiums for the policies provided in Paragraph 9. Owner agrees the manager can establish their own insurance, as long as the desired insurance needed is met.

5. **Manager's Obligations.** The manager shall have the right and obligation to direct the operations of the restaurant/lounge known as Andy's Lounge, 9300 Melton Road Gary, Indiana 46403. The Manager shall: (a) maintain at their expense, the business and any and all improvements, fixtures, furnishings, equipment and consumable supplies adequate to assure successful operation of said business; (b) shall employ his employees and pay at his cost persons of good moral character; (c) pay all employment reimbursement all other expenses of the business operation; and (d) pay all employment taxes, income taxes, sales use and similar tax imposed upon the operation of said business. Manager, as their compensation, shall be entitled to any and all net profits and income derived from the operation of the business under this Agreement.

8. **Purchase of Inventory.** Any inventory of alcoholic beverage ("Inventory") that are purchased by Owner at Manager's request shall be a t Manager's cost and expense. Manager at his option shall instruct Owner from time to time to purchase such quantities and otherwise comply with the terms and conditions of the Agreement. Such instructions to Owner shall be in writing and shall be delivered to or sent to the Owner, together with cash or certified check in the amount sufficient to cover the cost and expenses of such purchase. Promptly upon receipt of such instructions and money, Owner shall purchase the inventory requested. Under no circumstances shall Owner make a profit of the purchase of such Inventory.

9. **Insurance.** Owner, at Manger's cost and expense, shall procure and maintain during the term, insurance covering the building and the business. The owner agrees the manager can establish their own insurance as long as the desired needed insurance is met. Without limiting the generality of the foregoing, such insurance shall at least, include the following:

a. Fire and other casualty insurance covering the improvements on the real estate and the personal property;

b. Employer's liability and statutory workman's compensation insurance providing coverage of at least \$100,000.00 for personal injuries to Managers' employees;

c. Comprehensive general liability insurance, including Liquor Liability insurance, products liability and property damage insurance with limits of coverage of not less than \$1,000,000.00 for personal injuries to any one person, \$1,000,000.00 for

personal injuries per occurrence, \$100,000.00 for property damage per occurrence, and \$300,000.00 dram shop liability coverage. Each of the aforesaid insurance policies shall name Owner and Manager as insures and when such policies require renewal, as a condition precedent to the continued operation of this Agreement, such policies shall be renewed at Manager's expense.

10. **Indemnity.** Manager agrees to indemnify, hold harmless, protect and defend Owner, against any and all liability, claims, judgments, losses, expenses (including

reasonable attorneys' fees), penalties, fines and damages, including incidental and consequential damages and all causes of action whatsoever, arising out of or in any way connected with (a) injury to or death of persons or damage to or destruction or loss of property in any way arising out of or connected with the operation of the restaurant and bar, including but not limited, to dram shop actions; (b) any failure by manager to comply with any of the terms or conditions of this Agreement; (c) any act or omission of Manager, its officers, agents or employees; or (d) any failure by the Manager to comply with any of the terms and conditions of the Option Agreement entered into between the parties of even date.

11. **No Liens, Etc.** Manager shall do no act which can, may or shall cloud or encumber Owner's interest in and to the personal property used in the business and the real estate. this Agreement shall, in all cases, be construed solely as a contract of employment and shall not be construed as a lease of the business' personal property to the Manager. No rights shall accrue to Manager except those specified hereunder.

12. **Personal Property-Removal and Restoration.** Manager has examined the premises and the personal property therein before executing this Agreement, and is accepting the same in the present order, condition and repair. Execution of this Agreement by Manager shall be conclusive evidence as against Manager of acceptance of the premises and all personal property contained therein. Manager shall keep and maintain all of the personal property located in, on and about the premises in good and proper condition at Manager's sole expense. Any item of same needing replacement during the term of this Management Agreement shall be replaced at the sole expense of the Manager and shall remain the property of the Owner. Manager shall promptly repair or replace any personal property in the building which shall become damaged, stolen, or lost, whether through fault of the Manager or otherwise.

13. **Compliance with Applicable Law.**

A. Manager, at Manager's cost and expense, shall comply with all laws, ordinances, regulations and requirements of any and all Federal, state, municipal and other

governmental entities and the officers thereof, including but not limited to, all rules and regulations of the Indiana Alcoholic Beverage Commission, and all laws, ordinance, rules and regulations relating to fire exits and fire safety, and shall obtain all licenses and permits, except for the retailer's liquor license, and pay promptly all proper fees and charges in connection therewith.

B. Manager shall not make or permit any use of the business or premises or do or fail to do any act or be in default hereunder in such a manner as may invalidate or jeopardize Owner's liquor license. Owner realizes his liquor license is under an extension, and he may lose the license. If Manager invalidates liquor license, all payments are due in full within 2 weeks.

14. **Late Charges.** Any sum not paid within five (5) days of the due date with regard to the monthly payment and within five (5) days of the date of receipt with regard to other items to be paid by the Manager shall be subject to a five percent (5%) late charge.

15. **Notices.** Either party may send any notice required or permitted to be given hereunder upon the other party by registered or certified mail, return receipt requested, to the following addresses:

If to Owner: Andy Batalis
3786 Liverpool Rd.
Hobart, IN 46342

If to Manager: Steel City, LLC
1940 Douglas Dr
Portage, IN 46368

709 Suite 415 PLAZA DRIVE
CLESTON, IN 46304

Any notice required or permitted to be given hereunder shall be in writing and shall be effective upon the date and at the time set forth on the registered receipt. Either party may change the place to which notices shall be sent by notice as herein provided.

16. **Severability.** If any clause, sentence, word, phrase, or part of this Agreement is construed as invalid, unconstitutional, or otherwise illegal, or void, such clause, sentence, word, phrase, or part shall be stricken from this Agreement, and this Agreement shall continue to be in full force and effect as to all other remaining provisions.

17. **Amendment.** This Agreement may be modified or amended only by a written instrument, expressly so modifying or amending this Agreement and duly signed by Manager and Owner.

IN WITNESS WHEREOF, the parties hereto have signed this Agreement as of the date and year first above written.

OWNER:

By: Andrew Batalis
Andrew Batalis

MANAGER:

By: [Signature]
Steel City, LLC

Kristan M. Hanson
10-04-06
Lake, IN

