

EXCLUSIVE RIGHT TO NEGOTIATE AGREEMENT

between

The City of Beaumont, a municipal corporation

and

Hops and Spokes Brewing, a Limited Liability Company

Dated as of April 16, 2025 for reference purposes only

1. PARTIES AND EFFECTIVE DATE.

1.1 Parties. This Exclusive Right to Negotiate Agreement ("Agreement") is made this 16th day of April 2025, by and between the City of Beaumont, a municipal corporation, ("City"), and Hops & Spokes Brewing LLC ("Tenant"). For purposes of this Agreement, City's principal address is 550 E. 6th Street, Beaumont, California, 92223. Tenant's principal address is 34324 Yucaipa Boulevard "A", Yucaipa, California, 92399. City and Tenant are sometimes referred to individually as "Party" and collectively as "Parties" throughout this Agreement.

1.2 Effective Date. This Agreement shall become effective on the date when it has been approved by City's governing board and executed by the authorized representatives of City and Tenant ("Effective Date"). The term of this Agreement shall commence on the Effective Date and shall continue thereafter until terminated pursuant to Section 3.5 below.

2. RECITALS.

2.1 The City is a municipal corporation exercising powers and organized and existing under the California Constitution.

2.2 The Tenant is a Limited Liability Company currently operating a taproom in the City of Yucaipa doing business as Hops and Spokes Brewing Company. Tenant proposes to establish a second taproom, which would be supported by the Yucaipa taproom in accordance with a proposal submitted to the City in December 2024.

2.3 The City of Beaumont ("City") owns approximately 6,100 square feet of land located at 105 West 6th Street developed with an approximately 1,281 square foot building ("Site") constructed in 1946 and last hosting a dry cleaner. Whenever reference is made to "Site", it shall be interpreted to mean some or all of the land and improvements illustrated in **Exhibit A**.

2.4 The City proposes to lease the Site for economic development purposes, to create jobs, produce municipal revenues, and create dining options and communal activities for residents of Beaumont.

2.5 The City proposes to lease the Site to Tenant for a term not to exceed fifteen (15) years inclusive of any renewals, therefore the lease will not be deemed a disposition in accordance with the Surplus Land Act Guidelines Section 102(i)(2).

2.6 Subject to the terms of this Agreement, City and Tenant desire to enter into a period of exclusive negotiations for development of the Site as a taproom in accordance with the Beaumont Municipal Code. City and Tenant agree that the object of their negotiations is to prepare a Lease Agreement (hereinafter "Lease") which would provide for, among other things, the rehabilitation of the Site for operation of a taproom as more particularly described in **Exhibit B** attached hereto (the "Project").

2.7 Tenant represents and warrants to City that the Tenant has the expertise to lease the Site and develop the Project as generally described in this Agreement.

3. TERMS.

3.1 Term of Agreement. The term of this Agreement shall commence on the Effective Date and shall continue thereafter until terminated pursuant to Section 3.5 below.

3.2 Good Faith Negotiations. For the term of this Agreement, City and Tenant shall endeavor to negotiate diligently and in good faith the terms of a Lease for Tenant's occupancy and development of the Site. During the term of this Agreement, City may not negotiate with any other person or entity for occupancy of the Site, except as hereinafter set forth. The term "negotiate" as used in this Section 3.2 shall preclude City from accepting proposals to acquire and develop the Site from the City by any persons or entities other than Tenant.

City shall not be precluded by anything in this Agreement from furnishing to other persons or entities unrelated to Tenant information related to the Site; however, during the term of this Agreement City shall confirm Tenant's exclusive right to negotiate during the Term. City may also furnish any information concerning the Project or the Site, with the exception of confidential personal or financial information of the Tenant pursuant to Section 3.4.3, which it is required by law to furnish or which it would otherwise normally furnish to persons requesting information from the City concerning its activities, goals or matters of a similar nature.

3.3 Negotiation of a Lease; Obligations during the Negotiating Period. During the term of this Agreement, the Parties shall cooperate and work in good faith towards the goal of negotiating a mutually acceptable Lease for the disposition and development of the Site. The exact terms and conditions of the Lease, if any, may be determined during these negotiations. Nothing herein shall be deemed a representation by either City or Tenant that a mutually acceptable Lease will be produced or entered into and that it is possible that no lease will be agreed upon between City and Tenant. Nothing herein shall be deemed a guarantee or representation that the City Council will approve any proposed Lease. Tenant acknowledges that City's approval of the Lease may be subject to public hearings, notices and factual findings required by law, including compliance with the California Environmental Quality Act ("CEQA") and other relevant legal provisions.

By its execution of this Agreement, the City is not committing itself to or agreeing to undertake (a) any acquisition and disposition of land to the Tenant; or (b) any other acts or activities requiring the subsequent independent exercise of discretion by the City, the City, or any City or department thereof. This Agreement does not constitute a disposition of property or exercise of control over property by the City and does not require a public hearing. Execution of this Agreement by the City is merely an agreement to enter into a period of exclusive negotiations according to the terms hereof, reserving final discretion and approval by the City as to any Lease and all proceedings and decisions in connection therewith.

3.4 Scope of Negotiations/Schedule of Performance. City and Tenant acknowledge that the basic scope of negotiations and schedule of performance that shall control the negotiation of the Lease is described in **Exhibit B** attached hereto.

3.4.1 Parties to Lease. City and Tenant acknowledge and agree that the qualifications and identity of Tenant are of particular concern to City, and it is because of such qualifications and identity that the City is negotiating a Lease with the Tenant. For the purposes of this Agreement, the Tenant shall be Hops & Spokes Brewing LLC dba Hops & Spokes Brewing Company. No voluntary or involuntary successor-in-interest of the Tenant shall acquire any rights or powers under this Agreement. The Tenant may not assign or transfer all or any part of this Agreement without the prior written approval of City, which may be given or withheld in City's sole and absolute discretion.

3.4.2 Environmental Review, Analysis, and Documentation. Any environmental

review, analysis or documentation necessary to adequately assess the environmental effects of the proposed Project in accordance with CEQA, including the preparation of proposed mitigation measures for any such effects, shall be prepared at the direction of the City by persons or entities selected solely by the City, and City shall pay for all third-party costs associated therewith. Based upon the character of the proposed Project, the City does not expect significant environmental review, analysis, and documentation.

3.4.3 Tenant Financial Disclosures. The Tenant acknowledges that it may be requested to make certain confidential financial disclosures to the City, its staff or legal counsel, as part of the financial due diligence investigations of the City relating to the potential disposition of the Site to the Tenant. The parties recognize that such financial disclosures may contain sensitive information relating to other business transactions of the Tenant, that the disclosure of such information to third parties could impose commercially unreasonable and/or anti-competitive burdens on the Tenant. Accordingly, the City agrees to maintain the confidentiality of any business records as allowed by the California Public Records Act, as may be provided by the Tenant to the City or its consultants, to the maximum extent permitted by law. The City shall not provide a copy of any business record protected from disclosure under the California Public Records Act, as determined by the City's legal counsel, to a third party, unless the Tenant first consents to such disclosure in writing or, unless a court of competent jurisdiction compels disclosure.

3.4.4 Project Financing. City will endeavor to prepare an assessment of the facility conditions to determine the scope of improvements required to satisfy applicable building codes and deliver a functional and safe facility ready for operational improvements by tenant as provided in Exhibit "B". Based upon the City's review and approval of the Facility Conditions Assessment, the City in its discretion may prepare plans and specifications, solicit bids, consider and award bids, finance and complete construction in accordance with terms to be negotiated between the City and Tenant. The City reserves the right to terminate negotiations for the Lease if it determines in its sole and absolute discretion that the cost of repairs is excessive or unreasonable or not in the best interests of the City.

The City intends to provide tenant with scope of improvements that the City will undertake in accordance with the Lease. Tenant shall prepare plans for the tenant improvements, furnishings, fixtures, and equipment necessary to operate the proposed Project as provided in Exhibit "B". Tenant shall arrange for its own financing for the tenant improvements, FFE, and

working capital. The City may provide financing for some or all of this work in accordance with its existing programs. Tenant shall disclose to City, in writing, the proposed financing of Tenant's obligations and shall submit to City all financing documents if and when requested.

3.4.5 Entitlements. Prior to the disposition of the Site to the Tenant under the terms of a Lease, the Tenant shall prepare and process all necessary development applications to authorize operation of the Project.

3.4.6 Other Documents Related to Site. Notwithstanding any provision herein to the contrary, copies of any and all studies, reports, analyses or Site appraisals obtained by any Party hereunder shall promptly be submitted by the Party at whose direction they were prepared to the other Party and may thereafter be used by such Party for any purpose as if it were the Site of such other Party, on condition that such use does not violate any agreement with the applicable consultant or contractor.

3.5 Termination. This Agreement shall terminate upon the earliest to occur of the following:

(i) On December 31, 2025 unless mutually extended by either party prior to November 30, 2025; or

(ii) At such time as a Lease, acceptable in form and content to both the City and Tenant is approved by the City Council of the City of Beaumont; or

(iii) At any time, upon written notice to the other party by the party electing to terminate, upon the terminating party's good faith determination that further negotiations would be unproductive or not in their best interests; or

(iv) At any time, upon written notice to the other party by the party electing to terminate, upon the terminating party's good faith determination that the other party has failed to negotiate in good faith in accordance with the terms of this Agreement or has otherwise materially breached any term of this Agreement; or

3.6 Good Faith Deposit. [deleted]

3.7 Limitation on Remedies for Breach and Release of Claims. City and Tenant both

acknowledge that they would not have entered into this Agreement if they were to be liable to the other for an unknown number of monetary damages or other remedies. Accordingly, each Party acknowledges and agrees that its exclusive right and remedy upon the breach of this Agreement by the other Party is to terminate this Agreement, without cost, expense, or liability to either Party.

Each Party acknowledges that it is aware of the meaning and legal effect of California Civil Code Section 1542, which provides:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him would have materially affected his settlement with the debtor. "

Civil Code Section 1542 notwithstanding, it is City's and Tenant's intention to be bound by the limitation on damages and remedies set forth in this Section 3.7, and each Party hereby releases any and all claims against the other for monetary damages or other legal or equitable relief related to such breach, whether or not such released claims were known or unknown to the Parties as of their entry into this Agreement. City and Tenant each hereby waive, but only as to the claims released under this Section 3.7, the benefits of Civil Code Section 1542 and all other statutes and judicial decisions (whether state or federal) of similar effect.

3.8 Solicitation and Conflicts of Interest. Tenant represents and warrants that it has not employed or retained any company or person, other than a bona fide employee working solely for Tenant or a licensed real estate broker, to solicit or secure this Agreement. Further, Tenant warrants it has not paid nor has it agreed to pay any company or person, other than a bona fide employee working solely for Tenant or a licensed real estate broker, any fee, commission, percentage, brokerage fee, gift or other consideration contingent upon or resulting from the making of this Agreement. For any breach or violation of this warranty, City shall have the right to rescind this Agreement without liability.

For the term of this Agreement, no member, officer, or employee of City, during the term of his or her service with City, shall have any direct or indirect interest in this Agreement or obtain any present or anticipated material benefit arising therefrom.

3.9 Disclosures and Cooperation. City and Tenant shall generally cooperate with each other and supply such documents and information as may be reasonably requested by the other to facilitate the conduct of the negotiations. Without limiting the generality of the foregoing, the City particularly reserves the right to obtain further information, data, and commitments to ascertain the ability and capacity of tenant to lease the Site and develop the Project.

City shall prepare such public notices and schedule such public hearings, in accordance with applicable law, as may be necessary for the City's governing board and the City Council's consideration of any Lease that may be agreed upon between City staff and Tenant. Tenant expressly acknowledges and agrees that City will not be bound by any statement, promise or representation made by City staff during the course of negotiations of a Lease and that the City shall be legally bound only upon the approval of the Lease by City's governing board and the City Council of the City, in accordance with applicable law.

3.10 Governing Law; Jurisdiction and Venue. This Agreement shall be interpreted and enforced in accordance with the law of the State of California in effect at the time it is executed, without regard to conflicts of law provisions. Any action brought concerning this Agreement shall be brought in the appropriate court for the County of Riverside, California. Each Party hereby irrevocably consents to the jurisdiction of said court. Tenant hereby expressly waives all provisions of law providing for a change of venue due to the fact that City may be a Party to such action, including, without limitation, the provisions of California Code of Civil Procedure Section 394. Tenant further waives and releases any right it may have to have any action concerning this Agreement transferred to Federal District Court due to any diversity of citizenship which may exist between City and Tenant or due to the fact that a federal question or right is alleged or involved in such action.

3.11 No Third-Party Beneficiaries. City and Tenant expressly acknowledge and agree that they do not intend, by their execution of this Agreement, to benefit any persons or entities not signatory to this Agreement, including, without limitation, any brokers representing the Parties to this transaction. No person or entity not a signatory to this Agreement shall have any rights or causes of action against either City or Tenant arising out of or due to City's and Tenant's entry into this Agreement.

3.12 Counterpart Originals. This Agreement may be executed in two (2) counterpart

originals which, when taken together, shall constitute but the same instrument.

[Signatures on following pages]

**SIGNATURE PAGE TO
EXCLUSIVE RIGHT TO NEGOTIATE AGREEMENT**

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

TENANT:

By:  _____

Kristin Tissot

Managing Member, Hops & Spokes Brewing LLC


CITY OF BEAUMONT (CITY)

By: _____

Print Name: _____

Title: _____

APPROVED AS TO FORM:



Asst City Atty

**EXHIBIT A TO
EXCLUSIVE RIGHT TO NEGOTIATE AGREEMENT**

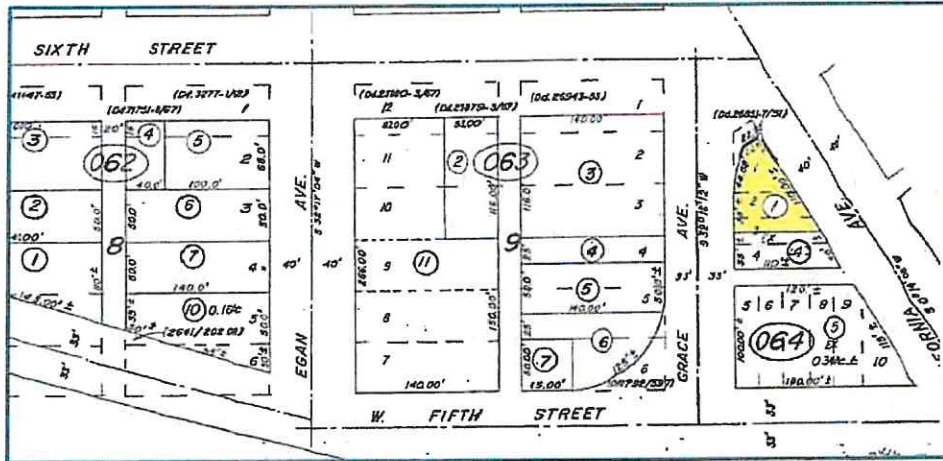


EXHIBIT B
SCOPE OF NEGOTIATIONS/SCHEDULE OF PERFORMANCE

The goal of the negotiations is to prepare a Lease Agreement ("Lease") acceptable to both parties that will then be submitted to the City Council for consideration at a public meeting as may be required by law.

Project Goal

The City encourages the development of the Site into a quality commercial project that will increase tax revenues to the City, create a significant number of job opportunities, and provide goods and services currently lacking in the community. The Tenant proposes to create a themed taproom serving locally produced beer and partnering with the City and civic groups for special events. The proposed Lease contemplates the lease of the Site to the Tenant, subject to various conditions precedent and the subsequent redevelopment of the Site. The City and Tenant shall strive to structure any public assistance to avoid the applicability of prevailing wages for the private improvements.

Responsibilities of the Parties during Exclusive Negotiation Period

The parties shall endeavor to complete the following tasks during the Exclusive Negotiation Period generally in the following order of completion:

Action	Schedule
Approval of Exclusive Right to Negotiate Agreement. The City Council considers and approves this Agreement.	Not later than May 31, 2025.
Facility Conditions Assessment. The City endeavors to complete a Facility Conditions Assessment, identifying the scope of required repairs to establish habitability in accordance with all building codes. This work includes a comprehensive assessment of the civil, structural, mechanical, electrical, plumbing, safety/accessibility, and architectural elements of the Site. The Facility Conditions Assessment to include a Repair and Modernization Plan with a prioritized list of repairs and modernization actions along with cost estimates for a publicly undertaken construction project.	Not later than May 31, 2025
Approval of Facility Conditions Assessment by City Council. The City Council will review and consider the findings and recommendations of the Facility Conditions Assessment Report. Depending upon the scope of repairs and the estimated cost of the improvements, the City Council may authorize the preparation of plans and specifications for the proposed improvements. If	Not later than June 30, 2025

appropriate, the City will provide the Tenant with a detailed scope of improvements, establishing the proposed baseline condition of the Site upon conveyance in accordance with the lease.	
Tenant Improvement Plans. The Tenant prepares tenant improvement plans for the interior in sufficient detail to determine Tenant's scope of work and the estimated cost for the purposes of the Lease. This should include the layout of the taproom, the location and character of the furnishings, fixtures, and equipment.	Within 90 days after approval by City Council of the Facility Conditions Assessment Report and direction to proceed with preparation of plans and specifications for bidding.
Business Plan. Tenant to provide a business plan for the operation and management of the taproom, including a company description, market analysis, management organization, products offered, marketing/sales plans, operations plan, financial plan, and any requested financial assistance.	Within 90 days after approval by City Council of the Facility Conditions Assessment Report and direction to proceed with preparation of plans and specifications for bidding.
Lease Terms. Tenant to propose lease terms including but not limited to base rent, percentage rent, rent escalations, additional rent, utility responsibilities, insurance and related terms. The parties shall endeavor to negotiate these terms in good faith consistent with market conditions, the goal of creating a successful business enterprise, and avoiding prevailing wage burdens, if permissible under applicable.	Within 90 days after approval by City Council of the Facility Conditions Assessment Report and direction to proceed with preparation of plans and specifications for bidding.
Complete Lease Agreement. The parties shall endeavor to complete negotiations on a Lease, submit to the City Council for approval, approve and execute.	Not later than December 31, 2025.