

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

/X/ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE
ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2000

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 0-21423

CHICAGO PIZZA & BREWERY, INC.

(Exact name of registrant as specified in its charter)

CALIFORNIA
(State or other jurisdiction of
incorporation or organization)

33-0485615
(I.R.S. Employer
Identification Number)

26131 MARGUERITE PARKWAY
SUITE A
MISSION VIEJO, CALIFORNIA 92692
(Address and zip code of Registrant's principal executive offices)

(949) 367-8616
(Registrants 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.

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As of May 1, 2000, there were 7,658,321 shares of Common Stock of the Registrant outstanding and 8,284,584 Redeemable Warrants of the Registrant outstanding.

CHICAGO PIZZA & BREWERY, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL INFORMATION

CHICAGO PIZZA & BREWERY, INC.
CONSOLIDATED BALANCE SHEETS

	MARCH 31, 2000 (UNAUDITED)	DECEMBER 31, 1999
	-----	-----
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 444,497	\$ 188,811
Accounts receivable	142,079	141,968
Inventory	471,271	455,880
Prepays and other current assets	342,230	271,854
	-----	-----
Total current assets	1,400,077	1,058,513
Property and equipment, net	14,956,121	12,529,913
Other assets	371,546	353,595
Intangible assets, net	5,160,703	5,202,085
	-----	-----
Total assets	\$ 21,888,447	\$ 19,144,106
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Accounts payable	\$ 2,196,513	\$ 1,114,757
Accrued expenses	1,895,724	1,710,984
Current portion of notes payable to related parties	357,321	350,341
Current portion of long-term debt	280,152	284,919
Current portion of obligations under capital lease	125,270	146,942
	-----	-----
Total current liabilities	4,854,980	3,607,943
Notes payable to related parties	1,276,908	1,368,807
Long-term debt	2,006,864	687,331
Obligations under capital lease	8,342	22,574
Other liabilities	212,702	109,131
	-----	-----
Total liabilities	8,359,796	5,795,786
	-----	-----
Commitments and contingencies		
Minority interest in partnership	256,582	249,159

Shareholders' equity:		
Preferred stock, 5,000,000 shares authorized, none issued or outstanding		
Common stock, no par value, 60,000,000 shares authorized and 7,658,321 shares issued and outstanding as of		
March 31, 2000 and December 31, 1999	16,076,132	16,076,132
Capital surplus	975,280	975,280
Accumulated deficit	(3,779,343)	(3,952,251)
	-----	-----
Total shareholders' equity	13,272,069	13,099,161
	-----	-----
Total liabilities and shareholders' equity	\$ 21,888,447	\$ 19,144,106
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

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CHICAGO PIZZA & BREWERY, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31,

	2000	1999
	-----	-----
Revenues	\$10,178,645	\$ 8,092,403
Cost of sales	2,801,755	2,224,396
Gross profit	7,376,890	5,868,007
Costs and expenses:		
Labor and benefits	3,687,975	2,977,630
Occupancy	833,937	709,223
Operating expenses	1,107,196	907,763
Preopening costs	146,109	195,202
General and administrative	913,049	663,694
Depreciation and amortization	425,881	354,205
	-----	-----
Total cost and expenses	7,114,147	5,807,717
	-----	-----
Income from operations	262,743	60,290
Other income (expense):		
Interest expense	(78,179)	(67,258)
Interest income	3,253	9,927
Other income (expense), net	(1,162)	768
	-----	-----
Total other income (expense)	(76,088)	(56,563)
	-----	-----
Income before minority interest, income taxes and change in accounting	186,655	3,727
Minority interest in partnership	(7,423)	(9,657)
	-----	-----
Income (loss) before income taxes and change in accounting	179,232	(5,930)
Income tax expense	(6,323)	(1,615)
	-----	-----
Income (loss) before change in accounting	172,909	(7,545)
Cumulative effect of change in accounting		(106,175)
	-----	-----
Net income (loss)	\$ 172,909	(\$ 113,720)
	=====	=====
Net income (loss) per share:		
Basic and dilutive:		
Income (loss) before cumulative effect of change in accounting	\$ 0.02	(\$ 0.00)
Cumulative effect of change in accounting		(\$ 0.02)
	-----	-----
Net income (loss)	\$ 0.02	(\$ 0.02)
	=====	=====

Weighted average number of shares outstanding:		
Basic	7,658,321	6,824,988
	=====	=====
Dilutive	7,665,388	6,824,988
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

CHICAGO PIZZA & BREWERY, INC.
 UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31,

	2000	1999
	-----	-----
Cash flows provided by (used in) operating activities:		
Net income (loss)	\$ 172,909	(\$ 113,720)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	425,881	354,205
Change in accounting principle		106,175
Minority interest in partnership	7,423	9,657
Loss on sale of assets	1,000	
Changes in assets and liabilities:		
Accounts receivable	(111)	51,265
Inventory	(15,391)	(22,934)
Prepays and other current assets	(70,376)	(125,825)
Other assets	(19,340)	(3,558)
Accounts payable	1,081,756	242,465
Accrued expenses	184,740	139,387
Other liabilities	103,571	(3,242)
	-----	-----
Net cash provided by operating activities	1,872,062	633,875
	-----	-----
Cash flows used in investing activities:		
Purchases of equipment	(2,810,319)	(1,220,770)
	-----	-----
Cash flows provided by (used in) financing activities:		
Proceeds from sale of common stock		1,000,000
Loan proceeds	1,390,500	699,604
Payments on related party debt	(84,919)	(88,439)
Payments on debt	(75,734)	(69,786)
Capital lease payments	(35,904)	(30,067)
	-----	-----
Net cash provided by financing activities	1,193,943	1,511,312
	-----	-----
Net increase in cash and cash equivalents	255,686	924,417
Cash and cash equivalents, beginning of period	188,811	1,490,705
	-----	-----
Cash and cash equivalents, end of period	\$ 444,497	\$ 2,415,122
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

CHICAGO PIZZA & BREWERY, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of Chicago Pizza & Brewery, Inc. and its subsidiaries (the "Company") for the three months ended March 31, 2000 and 1999 have been prepared in accordance with generally accepted accounting principles, and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. These financial statements have not been audited by independent accountants, but include all adjustments (consisting of normal recurring adjustments) which are, in Management's opinion, necessary for a fair presentation of the financial condition, results of operations and cash flows for such periods. However, these results are not necessarily indicative of results for any other interim period or for the full year.

Certain information and footnote disclosures normally included in financial statements in accordance with generally accepted accounting principles have been omitted pursuant to requirements of the Securities and Exchange Commission (SEC). A description of the Company's accounting policies and other financial information is included in the audited consolidated financial statements as filed with the SEC on Form 10-K for the year ended December 31, 1999. Management believes that the disclosures included in the accompanying interim financial statements and footnotes are adequate to make the information not misleading, but should be read in conjunction with the consolidated financial statements and notes thereto included in the Form 10-K. The accompanying consolidated balance sheet as of December 31, 1999 has been derived from the audited financial statements.

ORGANIZATION

Chicago Pizza & Brewery, Inc. (the "Company" or "BJ's") owns and operates 27 restaurants located in Southern California, Oregon, Washington and Colorado and an interest in one restaurant in Lahaina, Maui. Each of these restaurants is operated as either a BJ's Pizza, Grill & Brewery, a BJ's Pizza & Grill, a BJ's Pizza & Grill - OTC or a Pietro's Pizza restaurant. The menu at the BJ's restaurants feature BJ's award-winning, signature deep-dish pizza, BJ's own hand-crafted beers as well as a great selection of appetizers, entrees, pastas, sandwiches, specialty salads and desserts. The five BJ's Pizza, Grill & Brewery restaurants feature in-house brewing facilities where BJ's hand-crafted beers are produced. The eight Pietro's Pizza restaurants serve primarily Pietro's thin-crust pizza in a very casual, counter-service environment.

The Company's current focus is on the development of the larger footprint BJ's restaurants in high profile locations with favorable demographics. The Company opened a BJ's Pizza & Grill in Valencia, California in March 2000. During the first quarter 2000, the Company acquired a restaurant location in West Covina, California and anticipates opening a BJ's Pizza, Grill & Brewery in early summer 2000. The Company also signed during the first quarter 2000 a sublease to develop a BJ's Pizza & Grill in Burbank, California and acquired selected assets, including the liquor license, of the previous restaurant at this location. The expected opening of this BJ's Pizza & Grill is early summer 2000. The Company entered into a new lease for an existing restaurant location in Huntington Beach, California and anticipates opening a BJ's Pizza & Grill in mid-summer 2000. The Company is currently in negotiations for additional sites in California, Arizona and Washington.

RECENTLY ISSUED ACCOUNTING STANDARDS

As had been the practice of many restaurant entities, the Company previously deferred its restaurant preopening costs and amortized them over the twelve-month period following the opening of each new restaurant. In April 1998, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position 98-5 (SOP 98-5), Accounting for the Costs of Start-Up Activities. SOP 98-5 requires all costs of start-up activities that are not otherwise capitalizable as long-lived assets to be expensed as incurred. The Company adopted SOP 98-5 during the first quarter of 1999. This accounting standard accelerates the Company's recognition of costs

associated with the opening of new restaurants but will benefit the post-opening results of new restaurants. The Company's total deferred preopening costs were \$106,175 at January 1, 1999. As provided by SOP 98-5, the Company wrote off the balance of deferred preopening costs during the first quarter of 1999.

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Other recently issued standards of the FASB are not expected to affect the Company, as conditions to which those standards apply are absent from the Company's operations.

DIVIDEND POLICY

The Company has not paid any dividends since its inception and has currently not allocated any funds for the payment of dividends. Rather, it is the current policy of the Company to retain earnings, if any, for expansion of its operations, remodeling of existing restaurants and other general corporate purposes and to not pay any cash dividends in the foreseeable future. Should the Company decide to pay dividends in the future, such payments would be at the discretion of the Board of Directors.

LONG-TERM CONSTRUCTION LOAN

In February 2000, the Company entered into an agreement with a bank for a collateralized term loan for a maximum amount of \$4,000,000. There is an initial twelve-month draw down period and a subsequent thirty-six month term out period. Interest accrued on outstanding borrowings shall be Wall Street Journal Prime plus 2.0% or LIBOR plus 3.5%, and Wall Street Journal Prime plus 3.0%, floating or fixed at the Company's preference, during the term out period. Payment shall be interest only during the draw down period and an even amortization during the term out period, with a final maturity on February 15, 2004. A net-profit recapture is to be applied to the final year of the term loan if the Company's profits for the year ending December 31, 2000 exceed \$2,000,000. Net profit in excess of this amount is to be applied to the debt outstanding at that time under this loan agreement. At March 31, 2000, the outstanding principal balance under this borrowing arrangement was \$1,390,500. The weighted average interest rate from the date of initial drawdown through March 31, 2000 was 9.60 percent. The Company paid a one percent loan fee.

In conjunction with the loan agreement, the Company granted a security interest to the bank in all of the Company's inventory, accounts, equipment and general intangibles, whether now owned or hereinafter acquired. Also included under this security agreement are all proceeds, including insurance proceeds, from the sale, destruction, loss or other disposition of the collateralized property. The security interest extends to all records and data relating to the secured property as well as the computer software required to maintain or process any such records and data.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the Company's Unaudited Consolidated Financial Statements and notes thereto included elsewhere in this Form 10-Q. Except for the historical information contained herein, the discussion in this Form 10-Q contains certain forward looking statements that involve risks and uncertainties, such as statements of the Company's plans, objectives, expectations and intentions. The cautionary statements made in this Form 10-Q should be read as being applicable to all related forward-looking statements wherever they appear in this Form 10-Q. The Company's actual results could differ materially from those discussed here. Factors that could cause or contribute to such differences include, without limitation, those factors discussed herein and in the Company's annual report as reported on Form 10-K dated December 31, 1999 including, without limitation: (i) the Company's ability to manage growth and conversions, (ii) construction delays, (iii) marketing and other limitations as a result of the Company's historic concentration in Southern California and current concentration in the Northwest, (iv) restaurant and brewery industry competition, (v) impact of certain brewery business considerations, including without limitation, dependence upon suppliers and related hazards, (vi) increase in food costs and wages, including without limitation the recent increase in minimum wage, (vii) consumer trends, (viii) potential uninsured losses and liabilities, (ix) trademark and servicemark risks, and (x) other general economic and regulatory conditions and requirements.

RESULTS OF OPERATIONS

Three-Month Period Ended March 31, 2000 Compared to Three-Month Period Ended March 31, 1999.

Revenues. Total revenues for the three months ended March 31, 2000 increased to \$10,179,000 from \$8,092,000 for the comparable period in 1999, an increase of \$2,087,000 or 25.8%. The increase is primarily the result of:

The opening of restaurants in Arcadia and La Mesa, California in January 1999 and November 1999, respectively, and a restaurant & brewery in Woodland Hills, California in April 1999. These new locations provided an increase in revenues of \$1,976,000 during the first quarter of 2000.

An increase in the BJ's restaurants same store sales for the comparable periods of \$523,000, or 9.0%. Management believes this increase was due to (i) an increase in customer counts in the California and Colorado restaurants, and (ii) an increase in check averages produced by a price increase implemented in November 1999.

The increase in revenues resulting from the above factors was partially offset by:

The closing of two restaurants in Oregon, a BJ's in The Dalles in May 1999 and a Pietro's in Eugene in June 1999. The closures of these locations in mid-year of 1999 reduced first quarter of 2000 revenues by \$354,000 when compared with 1999, when they were open the entire three-month period.

A decrease in the Pietro's restaurants same store sales for the comparable periods of \$50,000, or 4.0%.

Cost of Sales. Cost of food, beverages and paper (cost of sales) for the restaurants increased to \$2,802,000 for the three months ended March 31, 2000 from \$2,224,000 for the comparable period of 1999, an increase of \$578,000 or 26.0%. This increase was in line with the 25.8% increase in revenues discussed above. As a percentage of sales, cost of sales was stable at 27.5% for both the 2000 and 1999 three-month periods. The Company's same-store cost of sales, as a percentage of sales, improved to 27.3% during the three months ended March 31, 2000 from 28.3% for the comparable period of 1999. The improvement in same store cost of sales was partially offset by the higher food costs associated with the opening of the new restaurants in Woodland Hills and La Mesa, California. As a percentage of their revenues, these new stores collectively incurred food costs of 29.0% for the first quarter of 2000. A higher cost of sales percentage in the early months of operations is in line with the Company's experience when opening new restaurants.

Labor. Labor costs for the restaurants increased to \$3,688,000 in the three months ended March 31, 2000 from \$2,978,000 for the comparable period in 1999, an increase of \$710,000 or 23.8%. As a percentage of revenues, labor costs decreased to 36.2% in the 2000 period from 36.8% in the 1999 period. The overall increase is attributable to the opening of the new California restaurants; labor costs at these three restaurants totaled \$984,000. The decrease as a percentage of sales was primarily due to increased sales and more efficient staffing of the Arcadia, California restaurant, which was opened in January 1999. The Company intentionally overstaffs new restaurants during the startup phase of operations to allow for newly trained employees, an initial higher customer count and to ensure a good dining experience by its customers. Same-store labor costs increased \$187,000, or 7.5%, to \$2,680,000 for the quarter ended March 31, 2000 from \$2,493,000 for the comparable period of 1999. As a percentage of revenues same-store labor costs for the three months of 1999 increased to 35.7% from 35.5% for the comparable period of 1999. Management feels the increase in same-store labor costs as a percentage of revenues is due primarily to a 4.0% decrease in sales at the northwest Pietro's restaurants.

Occupancy. Occupancy costs increased to \$834,000 during the three months ended March 31, 2000 from \$709,000 during the comparable period in 1999, an increase of \$125,000, or 17.6%. As a percentage of revenues, occupancy costs decreased to 8.2% in the 2000 period from 8.8% in the 1999 period. The primary reason for the percentage decrease in occupancy costs relative to revenues was the increase in comparable store sales. Additionally, the two Northwest stores closed during the second quarter of 1999 experienced a combined occupancy cost

percentage of 14.2% for the three-month period ended March 31, 1999.

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Operating Expenses. Operating expenses increased to \$1,107,000 during the three months ended March 31, 2000 from \$908,000 during the comparable period in 1999, an increase of \$199,000 or 21.9%. As a percentage of revenues, operating expenses decreased to 10.9% in the 2000 period from 11.2% in the 1999 period. Operating expenses include restaurant-level operating costs, the major components of which include marketing, repairs and maintenance, supplies and utilities. Management believes the primary reasons for the decrease in operating expenses as a percentage of revenues were (i) the increase in same store sales, and (ii) a focus on more efficient restaurant operations.

General and Administrative Expenses. General and administrative expenses increased to \$913,000 during the three months ended March 31, 2000 from \$664,000 during the comparable period in 1999, an increase of \$249,000 or 37.5%. As a percentage of revenues general and administrative expenses increased to 9.0% from 8.2% of the comparable period of 1999. The increase in general and administrative expenses was primarily due to acquiring resources to plan and implement the Company's growth strategy, incurring costs in locating and evaluating sites for future restaurants and developing staff and systems to manage anticipated future expansion.

Preopening Costs. During the first quarter of 1999, the company adopted Statement of Position 98-5 (SOP 98-5), Accounting for the Costs of Start-Up Activities, which requires all costs of start-up activities that are not otherwise capitalizable as long-lived assets to be expensed as incurred. The Company previously deferred its restaurant preopening costs and amortized them over the twelve-month period following the opening of each new restaurant. This new accounting standard accelerates the Company's recognition of costs associated with the opening of new restaurants. During the three month period ending March 31, 2000, the Company incurred costs of \$146,000 due to preparations for the opening of its new restaurant in Valencia, California and the restaurants being developed in West Covina and Burbank, California. These costs will fluctuate from year to year, possibly significantly, depending upon, but not limited to, the number of restaurants under development, the size and concept of the restaurants being developed and the complexity of the staff hiring and training process.

Depreciation and Amortization. Depreciation and amortization increased to \$426,000 during the three month period ended March 31, 2000 from \$354,000 during the comparable period in 1999, an increase of \$72,000 or 20.3%. This increase was primarily due to the addition of restaurant equipment, furniture and improvements and brewery equipment totaling \$4,458,000 for the restaurants opened in Arcadia, Woodland Hills and La Mesa, California.

Interest Expense. Interest expense increased to \$78,000 during the quarter ended March 31, 2000 from \$67,000 during the comparable period in 1999, an increase of \$11,000 or 16.4%. This increase was primarily due to the additional debt incurred by the Company to finance equipment for the new restaurants in Arcadia, Woodland Hills and Valencia, California, as well as the restaurants being constructed in West Covina, Burbank and Huntington Beach, California. Interest expense related to these projects was \$31,000 during the first quarter of 2000; this amount was partially offset by reduced interest expense on older debt due to normal principal amortization.

LIQUIDITY AND CAPITAL RESOURCES

The Company's operating activities, as detailed in the Consolidated Statement of Cash Flows, provided \$1,872,000 net cash during the three months ended March 31, 2000, a \$1,238,000, or 195.3%, increase over the \$634,000 generated in the comparable period of the prior year. Since the completion of the Company's initial public offering in October of 1996, the Company has invested in restaurant development. Capital expenditures for the acquisition of restaurant and brewery equipment and leasehold improvements to develop new restaurants totaled \$2,810,000 and \$1,221,000 for the three months ended March 31, 2000 and 1999, respectively, an increase of \$1,589,000, or 130.1%. These expenditures were required to develop the new restaurant in Valencia, California, as well the development of the three restaurants currently under construction and scheduled for various opening dates through mid-summer 2000. Debt reduction, including the principal portion of capitalized lease payments, for the quarter ended March 31, 2000 and 1999 totaled \$197,000 and \$188,000,

respectively.

The Company intends to continue the development of additional restaurants. Management believes that the funds available under the existing credit facilities described previously and future operating cash flow will be sufficient for the Company to fund its operations and continue to meet its business plan over the next year. However, no assurance can be given that management can successfully implement such objectives. Further, there can be no assurance that future events, including problems, delays, additional expenses and difficulties encountered in expansion and conversion of restaurants, will not require additional financing, or that such financing will be available if necessary.

IMPACT OF INFLATION

Impact of inflation on food, labor and occupancy costs can significantly affect the Company's operations. Many of the Company's employees are paid hourly rates related to the federal minimum wage, which has been increased numerous times and remains subject to future increases.

SEASONALITY AND ADVERSE WEATHER

The Company's results of operations have historically been impacted by seasonality, which directly impacts tourism at the Company's coastal locations. The summer months (June through August) have traditionally been higher volume periods than other periods of the year.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The Company is exposed to market risk from changes in commodity prices, since many of the food products purchased by the Company are affected by commodity pricing, and, therefore, are vulnerable to unpredictable price fluctuations. Over the recent past, the Company has experienced price volatility in such products as cheese and produce. The Company buys a significant portion of its product from a distributor, and has only minimal forward purchasing agreements with other suppliers. Material changes in commodity prices could negatively affect the Company's margins in the short-term.

Longer-term changes in commodity pricing would affect most of the restaurant industry as well the Company. The Company most likely would be able to mitigate increased commodity prices by increasing menu prices, thereby passing them through to consumers, and by varying its menu product mix. However, competitive circumstances could limit menu pricing and/or mix strategies, and, in those circumstances, commodity price fluctuations would negatively impact the Company's margins. Management believes, however, that were such circumstances to occur, they would not materially impact the Company's results of operations.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Restaurants such as those operated by the Company are subject to a continuous stream of litigation in the ordinary course of business, most of which the Company expects to be covered by its general liability insurance. Punitive damages awards, however, are not covered by the Company's general liability insurance. To date, the Company has not paid punitive damages with respect to any claims, but there can be no assurance that punitive damages will not be awarded with respect to any future claims or any other actions.

The Company is a defendant in a lawsuit brought by the owner and landlord of property in Aloha, Oregon where the Company formerly operated a Pietro's restaurant. This restaurant was heavily damaged by fire in February 1997, and the Company received insurance proceeds for its assets that were lost in the fire. The property owner contends that it was the Company's obligation to rebuild a restaurant at this location with the insurance proceeds. The Company has continued to pay rent since the fire, but is of the opinion that the insurance payments were made to compensate the Company for the loss of its personal property, and the obligation to repair the fire damage rests with the landlord. The Company has filed a counterclaim for breach of its lease, and to recover damages it has suffered due to the landlord's failure to rebuild.

A settlement agreement has been offered by the landlord, which contemplates a one-time payment by the Company to the landlord of \$40,000 and other minor considerations. If a settlement agreement is not completed, the case may proceed to trial. The Company has not made an accrual for any possible settlement amount and does not believe the lawsuit will have a material adverse effect on its consolidated financial position or consolidated results of operations.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

- 3.1 Amended and Restated Articles of Incorporation of the Company, as amended incorporated by reference to the Company's Registration Statement on Form SB-2, effective October 8, 1996 (SEC File No. 333-5182-LA), referred to as the "Registration Statement".
- 3.2 Bylaws of the Company, as amended, incorporated by reference to Exhibit of Form 10-Q dated March 31, 2000.
- 4.1 Specimen Common Stock Certificate of the Company (incorporated by reference to Exhibit 4.1 of the Registration Statement).
- 4.2 Warrant Agreement (incorporated by reference to Exhibit 4.2 of the Registration Statement).
- 4.3 Specimen Common Stock Purchase Warrant (incorporated by reference to Exhibit 4.3 of the Registration Statement).
- 4.4 Form of Representative's Warrant (incorporated by reference to Exhibit 4.4. of the Registration Statement).
- 10.1 Assignment and Assumption Agreement of Real Estate Lease, dated March 30, 2000 between Chicago Pizza & Brewery, Inc., C & P Properties #1 and Performance Restaurant Group, Inc. for a BJ's Pizza & Grill restaurant in Burbank, California.
- 10.2 Loan Agreement, Security Agreement and Promissory Note between Chicago Pizza & Brewery, Inc. and Washington Mutual Bank dba WM Business Bank for a secured \$4,000,000 credit facility for restaurant development.

27.1 Financial Data Schedule

(b) Reports on Form 8-K

The Company filed no reports on Form 8-K during the quarter ended March 31, 2000.

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CHICAGO PIZZA & BREWERY, INC.
(Registrant)

May 11, 2000

By: /s/ PAUL A. MOTENKO

Paul A. Motenko
Co-Chief Executive Officer, Vice
President, Secretary and Co-Chairman
of the Board of Directors

By: /s/ JEREMIAH J. HENNESSY

Jeremiah J. Hennessy
Co-Chief Executive Officer and Co-
Chairman of the Board of Directors

By: /s/ ERNEST T. KLINGER

Ernest T. Klinger
President, Chief Financial Officer and
Co-Chairman of the Board of Directors

<ARTICLE> 5

<LEGEND>

This schedule contains summary financial information extracted from Chicago Pizza & Brewery, Inc.'s Consolidated Financial Statements for the three-month periods ended March 31, 2000 and 1999 and is qualified in its entirety by reference to such financial statements.

</LEGEND>

<MULTIPLIER> 1,000

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<PERIOD-END>	MAR-31-2000	MAR-31-1999
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<EPS-DILUTED>	0.02	(0.02)

LEASE ASSIGNMENT AND ASSUMPTION AGREEMENT AND THIRD AMENDMENT OF LEASE

This Lease Assignment and Assumption Agreement and Third Amendment of Lease dated March 30, 2000 is hereby made a part of that certain LEASE and FIRST ADDENDUM TO LEASE dated September 16, 1983, the SECOND ADDENDUM TO LEASE AGREEMENT dated October 20, 1983, the SECOND ADDENDUM TO LEASE AGREEMENT dated February 20, 1984, AMENDMENT TO LEASE dated July 16, 1992, ASSIGNMENT CONSENT dated December 7, 1993, SECOND AMENDMENT TO LEASE dated September 20, 1995 and ESTOPPEL CERTIFICATE dated September 20, 1995, (collectively hereinafter referred to as "the Lease") for the real property located at 107 South First Street, Burbank California (hereinafter the "Premises"), by and between C & P Properties #1, a California limited partnership (hereinafter, "Landlord"), Performance Restaurant Group, Inc. a Ohio corporation (hereinafter, "Assignor"), and Cl&ago Pizza & Brewery, Inc., a California corporation (hereinafter, "Tenant").

It is agreed that should there be any conflict between the provisions of This Lease Assignment and Assumption Agreement and Third Amendment of Lease and that certain LEASE and FIRST ADDENDUM TO LEASE dated September 16, 1983, the SECOND ADDENDUM TO LEASE AGREEMENT dated October 20, 1983, the SECOND ADDENDUM TO LEASE AGREEMENT dated February 20, 1984, AMENDMENT TO LEASE dated July 16, 1992, ASSIGNMENT CONSENT dated December 7, 1993, SECOND AMENDMENT TO LEASE dated September 20, 1995 and ESTOPPEL CERTIFICATE dated September 20, 1995, the provisions of this Lease Assignment and Assumption Agreement and Third Amendment of Lease shall prevail.

IT IS AGREED:

A) Assignment, Assumption and Consent Tenant hereby agrees to assume of all of -----
the obligations under the Lease, and Landlord hereby consents to the assignment of the Lease to Tenant by Assignor. Upon full execution of this Lease Assignment and Assumption Agreement and Third Amendment of Lease, Tenant shall assume any and all rights and obligations under the Lease. Such Assignment shall be effective as of March 30, 2000 (hereinafter, the "Assignment Date").

IT IS FURTHER AGREED THAT THE FOLLOWING SECTIONS OF THE LEASE WILL BE MODIFIED AS PROVIDED HEREIN:

B) Section 1. of the Lease dated September 16, 1983, is hereby stricken in its entirety, and replaced with the following:

" 1. Premises. The Premises consists of the following: approximately 21,000 sq. -----
ft. of land as more particularly described in Exhibit "B" attached hereto and incorporated herein by this reference and depicted in red on the revised Exhibit "A"; the improvements (hereinafter defined) thereon as herein provided; an exclusive right of use the parking spaces around the Restaurant within the area depicted in green on the revised Exhibit "X"; and a non-exclusive right to use no less than 150 parking spaces within the adjacent office parking area depicted in yellow on the revised Exhibit "N" for use on weekends and on weekdays after 5:30 PM, as provided for in section 5 herein."

Q. Section 2 of the Lease dated September 16, 1983, is hereby stricken in its entirety, and replaced with the following:

2. "Construction."

2.1 Plans. Assignor has previously constructed or cause to be constructed, a building, landscaping and related improvements (collectively the "Improvements") for the Premises according to plans and specifications previously prepared by Assignor. The Improvements consist of a restaurant, cocktail lounge, discotheque and patio in a building containing approximately 11,000 sq. ft. Tenant may make certain improvements, modifications or alterations to the premises at its sole cost and expense, subject to Landlord's approval, according to plans and specifications to be prepared by

Tenant at its expense (hereinafter, "Plans").

2.2 Approval of Plans. Landlord shall have 15 days after receipt of the

Plans from Tenant within which to review and approve them. If Landlord notifies Tenant of Landlord's disapproval of the Plans, then Landlord shall advise tenant of the reasons for the disapproval and the items that must be modified, whereupon Landlord and Tenant shall meet and confer so as to modify the plans to be acceptable to both Landlord and tenant. Upon approval of the Plans by Landlord and Tenant, Tenant shall submit the Plans to the City and all other necessary governmental authorities and shall proceed diligently to obtain all requisite governmental approvals. If modifications are required to obtain such governmental approvals, Tenant shall prepare such modifications and the Plans shall be resubmitted for governmental approval.

2.3 Construction. Tenant shall cause construction of any modification or alteration of the Improvements to be commenced as soon as possible after the obtaining of governmental approval. Tenant shall undertake such construction in a manner that does not adversely effect the operation OF THE ADJACENT OFFICE WILDING, or impede or restrict access and traffic flow to and from the Premises.

2

2.4 Construction Costs. Tenant shall pay any and all cost associated with

the improvement, modification ' or alteration of the Premises, and shall keep the Premises free of mechanics' and materialmens' liens. Landlord is not, nor shall Landlord be construed to be, the agent of Tenant for any purpose whatsoever. At its expense, Tenant shall have the right at any time to post the Premises with appropriate notices of liquor license application, other notices as Tenant may deem appropriate, and lawful signs in size, content and at such locations as tenant may deem appropriate to advertise the pending opening of the restaurant. During construction, Landlord shall have the right to conduct inspections and review construction progress."

D). Late Charges, Section 3 of the Assignment Consent dated December 3, 1993 is

hereby stricken in it's entirety, and replaced with the following:

"3. Late Charges. Tenant hereby acknowledges that late payment by Lessee to Lessor of Base Rent, or other sums due hereunder will cause Lessor to incur costs not contemplated by tl--s Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed on Lessor by the terms of any mortgage or trust deed covering the Office Building Project. Accordingly, if any installment of Base Rent, or any other sum due from Lessee shall not be received by Lessor or Lessor's designee within ten (10) days after written notice such amount is past due, then, without any further requirement for notice to Lessee, Lessee shall pay to Lessor a late charge equal to 6% of such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of late payment by Lessee. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's default with respect to such overdue amount, nor prevent Lessor from exercising any of the other rights and remedies granted hereunder."

E) Parking, Section 5 (Termination Provisions) (including subsections 5.1 through

5.10) of the Lease dated September 16, 1983, is hereby stricken in it's entirety, and replaced with the following:

"5. Parking.

5.1 Parking During Daytime Operations During Daytime Operations (11:00 AM through

3:00 PM, Monday through Friday) Tenant shall have the exclusive right to use the parking spaces around the Restaurant within the area depicted in green on the revised ExIdbit "N". During Daytime Operations, Tenant shall engage the services of a qualified valet service to park the cars of restaurant patrons in said parking spaces on a "mandatory valet" basis.

5.2 Parking During Evening and Weekend Operations

Operations (5:30 PM through Midnight Monday through Friday and on weekends), Tenant shall have the exclusive right of use the parking spaces around the Restaurant within the area depicted in green on the revised Exhibit "N", and the non-exclusive right to use no less than 150 parking spaces within the adjacent office parking area depicted in yellow on the revised Exhibit "A". During Evening and Weekend Operations, Tenant shall engage the services of a qualified valet service to park the cars of restaurant patrons in said parking spaces on a "non-mandatory valet" basis, whereby restaurant patrons would have the option of either valet parking, or "self parking" their vehicles. However, in the event that Landlord determines in it's sole discretion that "self parking" by restaurant patrons is creating operational problems, increases insurance rates, or other problems as Landlord may perceive, then Landlord shall have the right to require Tenant to eliminate patron "self parking", and require mandatory valet service during Evening and Weekend Operations as well as during Daytime Operations.

5.3 Valet Parking Service Qualifications

Tenant shall engage the services of an experienced and reputable valet parking service who shall thereafter be the subcontractor of Tenant. Prior to the commencement of operations, Tenant shall secure from the valet parking service sub-contractor evidence of Comprehensive General Liability Insurance with a Broad Form Liability Endorsement in an amount of not less than \$1,000,000 per occurrence of bodily injury and property damage, Workers Compensation and Employer Liability Coverage at statutory limits, and other insurance coverage as may be reasonably required by Landlord naming Landlord as an additional insured, and valet parking service sub-contractor shall keep such insurance coverage in full force and effect throughout the term of this Lease, Further. Tenant shall ensure that valet parking service sub-contractor complies with any and all reasonable rules and regulation issued by Landlord."

F). Use, Section 6 of the Lease dated September 16, 1983, is hereby stricken in its entirety, and replaced with the following:

" 6. Use Tenant may use the Premises for the operation of a restaurant, micro brewery, cocktail lounge and other uses incidental thereto. After the Commencement date, Tenant shall keep the Premises open for business not less than 350 days each calendar year, from 11:00 am to 11:00 PM, however tenant may, at Tenants option, extend its hours past 11: 00 PM but in no event shall Tenant remain open past 2: 00 AM. This provision shall not apply if the Premises shall be closed and the business temporarily discontinued on account of strikes, walkouts, damage to building or equipment, the suspension or loss of the liquor or other governmental permits or licenses or any other cause beyond the reasonable control of Tenant, whether permit of the same or any other nature. Tenant may close for any reasonable period to remodel or renovate the premises. Tenant shall not use or permit the use of the Premises in any manner that will create waste or violate applicable law."

G). Minimum Annual Rent, Section 7.1 of the Lease dated September 16, 1983, is hereby stricken in it's entirety, and replaced with the following:

7.1 Minimum Annual Rent Tenant shall pay to Landlord, at Landlord's address, a minimum annual rent of \$210,000.00, payable in twelve equal monthly installments of \$17,500.00 each, on the first day of each month of the lease term. Such Minimum Annual Rent shall be paid by Assignor through the Assignment Date, and shall be paid by Tenant thereafter."

H). Gross Sales Defined, Sub-section 7.2.2 of the Lease dated September 16, 1983, is hereby stricken in it's entirety, and replaced with the following:

'72.2 Gross Sales Defined The term "Gross Sales" shall mean the aggregate

amount of all sales, whether for cash, credit, or otherwise, of food, beverages, goods, articles, any other merchandise and all charges for services performed, made and rendered in, about or in connection with the Premises by Tenant, including off-Premises sales and moneys derived at or away from the Premises made in connection with the operation thereof, plus the net amount of all receipts by Tenant from all sales made or performed by means of mechanical or other vending devices except tobacco vending machines and pay telephones. Gross sales shall be reduced by uncollectable accounts previously included in Gross sales, but not to exceed one percent (1%) of sales, per year. Gross Sales shall not include any federal, state, municipal or other sales, value added, retail, excise or similar taxes paid or incurred by Tenant whether such taxes are collected from customers or absorbed by Tenant; discounts from sales to employees; complimentary meals; tips or gratuities; proceeds of insurance policies received by Tenant; condemnation awards; bulk and intercompany transfers of food or inventory; proceeds from the sale of used restaurant equipment, fixtures or any other property that is not merchandise; or payments for gift certificates or like vouchers."

1) Sales Statements and Adjustments, Sub-section 7.2.3 of the Lease dated

September 16, 1983, is hereby stricken in its entirety, and replaced with the

following:

"7.2.3 Sales Statements and Adjustments Within 45 days after the end of each

threemonth period of each Lease Year (a "Lease Quarter"), Tenant shall deliver to Landlord a statement signed by an officer or manager of Tenant setting forth Tenant's Gross Sales for the prior Lease Quarter and Tenant shall pay to Landlord the percentage rent due for that Lease Quarter as provided in Paragraph 7.2. 1. In calculating the percentage rent that is due, tenant shall base such calculations on Tenant's accumulated business volume and accumulated rental payments from the beginning of each Lease year. If such calculations shall show a percentage rental owing for the preceding Lease Quarter, then Tenant shall pay such amount with the statement of Tenant's Gross

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Sales. If such accumulated rent calculation shall show a credit due tenant on account of percentage rent paid for preceding Lease Quarters of the Lease Year, then Landlord shall reimburse Tenant for such amounts due and if Landlord shall fail to make such reimbursement forthwith, then without limitation upon any of the rights that Tenant may have, Tenant shall have the right to deduct the amounts from the next rental payments of any kind due to Landlord as they shall fall due. Within 60 days after the close of each lease Year, Tenant shall furnish to Landlord a statement of Tenant's Gross Sales for such entire Lease Year and a computation of the rent previously remitted to Landlord for such Lease Year. If the rent theretofore paid by Tenant for such Lease Year shall be less than the total amount of rent so computed to be due, Tenant shall pay the difference to Landlord at that time. If such cumulative calculations shall show a credit due tenant on account of percentage rent paid for preceding Lease Quarters of the Lease Year, then Landlord shall reimburse Tenant for such amounts due, and if Landlord shall fail to make such reimbursement forthwith, then without limitation to any other rights which Tenant may have, Tenant shall have the right to deduct the amounts from the next rental payments due to Landlord as they shall fall due. Notwithstanding the foregoing, during the first Lease year, the last year of the Lease Term, or during any other partial Lease Year, including any year after a period in which the Restaurant facility has been closed, the Percentage Rent due shall be calculated based upon a partial year basis, whereby the Percentage Rent due shall be equal to the amount by which six percent (6%) of Tenants monthly Gross Sales exceed the Tenant's Minimum Monthly Rent due for the same period. Tenant shall keep at the Premises, or at the principal offices of Tenant full and accurate books of account, records, cash receipts, and other pertinent data showing its Gross Sales. Such books of account, records, cash receipts, and other pertinent data shall be kept for a period of two years after the end of the Lease Year to which such items are applicable. Landlord shall be entitled during the term of this Lease to inspect and examine other pertinent data so that Landlord can ascertain Tenant's Gross Sales. Tenant shall cooperate fully with Landlord in making the inspection. Landlord shall also be entitled; once during each Lease year and once within 60 days after expiration or termination of this Lease, to an

independent audit of Tenant's books of account, records, cash receipts, and other pertinent data to determine Tenant's Gross Sales, by a certified public accountant to be designated by Landlord. The audit shall be limited to the determination of Gross sales, shall be conducted at the place at which the aforesaid books are usually kept, and shall be paid for by Landlord, except in any case when Tenant has understated sales by three percent or more, in which case, Tenant shall pay Landlord's reasonable costs of audit. If the audit shows that there is any deficiency in the payment of any percentage rent, the deficiency, plus interest thereon at the rate of ten percent per annum from the due date to the date of payment, shall become immediately due and payable unless the deficiency is 10 percent or more, in which event, unless it is the result of an unavoidable error, Tenant shall pay Landlord twice the amount, of the deficiency. Landlord shall keep any information gained from such statement, inspection or audit confidential and shall not disclose such information to any other person.

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J). Common Areas, Sub-section 8.4 of the Lease dated September 16, 1983, is

hereby stricken in it's entirety, and replaced with the following:

"8.4 Common Areas Except as provided in Paragraphs 8.2 and 8.4, there shall be no

charge, fee, or special assessment imposed on or payable by Tenant in regard to the common areas of the Commercial Complex provided, however, that at its cost, Tenant shall keep the Premises and grounds (as outlined red on the revised Exhibit "A") clean, well kept and well landscaped, and shall keep its exclusive Parking Area outlined in green on Exhibit "A" in a clean and swept condition and Landlord shall remove debris and bottles from the nonexclusive Parking Area for which Tenant shall pay to Landlord a fee of \$250.00 per month. Such fee shall be paid with Rent."

K). Notice, Section 19 of the Lease dated September 16, 1983, is hereby stricken

in it's entirety, and replaced with the following:

"19. Notice Any notice, demand, request, consent, approval or communication that either party desires or is required to give the other party or any other person in connection herewith shall be in writing and either served personally or sent by certified mail, with return receipt requested or by a nationally recognized overnight delivery service. Any notice, demand, request, consent, approval or communication that either party desires or is required to give to the other party shall be addressed to the other party at the address set forth herein. Either party may change its address by notifying the other party of the change address.

Tenant:	Landlord:
Chicago Pizza & Brewery, Inc.	C & P Properties #1, a California
A California Corporation	limited liability company
26131 Marguerita Pkwy, Ste. A	101 South First Street #400
Mission Viejo, California 92692	Burbank, CA 91502
Attn: President	Attn: Michael Cusumano

Notice shall be deemed communicated upon the first to occur of (i) actual receipt of the notice, or (ii) 24 hours after the time of mailing, if mailed as provided in this paragraph."

L). Surrender of Premises, Sub-section 25.1 of the Lease dated September 16,

1983, is hereby stricken in it's entirety, and replaced with the following:

"25.1 Surrender of Premises On expiration or termination of the term, Tenant

shall surrender to Landlord the Premises and all of Tenant's improvements and alterations in good condition (except for ordinary wear and tear occurring after the last necessary maintenance made by Tenant and destruction to the Premises as discussed herein), and, except for alterations or improvements that Tenant has the right to remove under any provisions of this Lease. Tenant may remove all its Trade Fixtures within a thirty (30)

day period prior to the above-stated time. Tenant shall perform all restorations made necessary by the removal of any alterations, improvements, or Trade Fixtures within the time periods stated in this paragraph."

M). Common AreaSub-section 26.1 of the Lease dated September 16, 1983, is hereby

stricken in it's entirety, and replaced with the following:

"26.1 Commercial Complex.The Premises is located within and is part of the

Commercial Complex as described in Recital A. The Commercial Complex shall include the Premises, the Parking Area, additional parking, an office building, driveways, sidewalks and other common area as depicted on revised Exhibit A. Tenant shall have the right to use the driveways, sidewalks and other common area (collectively, "Common Area") jointly with other tenants of the Commercial Complex during the lease terms without any additional charge or fee."

N). Exhibit A Exhibit A is hereby deleted in it's entirety, and replaced with the revised Exhibit 'A' and attached hereto.

O). Exhibit C Exhibit C is hereby deleted in its entirety.

P). Section 30, Transfer Costs.The following Section 30 is added to the Lease.

"30. Transfer CostsThe assignment, assumption and transfer of this Lease from

Assignor to Tenant and the related modification of this Lease is being undertaken by Landlord as an accommodation to Assignor and Tenant, and Landlord shall assume no cost associated herewith. Further, any and all direct third party costs incurred by Landlord associated with the assignment, assumption and transfer of this Lease to Tenant, or tliis Lease Assignment and Assumption Agreement and Third Amendment of Lease, (such as fee charged by Landlord's Lender, legal fees, etc.) shall, be reimbursed to Landlord equally by Assignor and Tenant. In addition to any such fees which shall be reimbursed from Assignor and Tenant to Landlord, Assignor shall pay to Landlord a "Transfer Fee" in the amount of \$5,000.00 to reimburse Landlord for it's internal costs and expenses associated with drafting this Lease Assignment and Assumption Agreement and Third Amendment of Lease, and in consideration of the modifications made to this Lease. Said Transfer Fee shall be paid concurrently with the execution of this Agreement."

P). Section 3 1. Headings. The following Section 31 is added to Lease.

"3 1. Headings. The headings for paragraphs, article and sections of this Agreement are inserted for convenience only and do not constitute part of this Agreement and shall not be used in it's construction."

Q). Section 32. Mutual Contribution. The following Section 32 is added to Lease.

"32. Mutual Contribution. This Agreement has been drafted on the basis of the parties Mutual contributions of language and it is not to be construed against any party as being the drafter (or causing the drafting) of this Agreement."

Except as modified herein, the provisions of the Lease shall remain in full force and effect in accordance with the terms provided therein.

Landlord

C & P Properties #1, a California limited partnership
by Charles Cusumano Corporation, a California corporation
it's general partner

by Charles P.Cusumano

President

Assignor

Performance Restaurant Group, Inc. an Az corporation

by_

it's President

Tenant

Chicago Pizza & Brewery, INC., A CALIFORNIA CORPORATION

by /s/Ernest T. Klinger

it's President

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LEASE AGREEMENT

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CHARLES P. CUSUMANO and DIANNA J. CUSUMANO,

husband and wife,

collectively, Landlord

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BOBBY MCGEEIS CONGLOMERATION OF LONG BEACH, INC.,

16 a California corporation, Tenant

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I LEASE AGREEMENT

2 THIS LEASE IS EXECUTED AS of the L day of

September, 1983, by and between CHARLES P. CUSUMANO and
 3 DIANNA J. CUSUMANO, husband and wife, dealing with their
 community property, collectively as the "Landlord," and BOBBY
 4 MCGEE'S CONGLOMERATION OF LONG BEACH, INC., a California
 corporation, as the "Tenant."

5 RECITALS:

6 A. Landlord is negotiating with the. Redevelopment
 7 Agency of the City of Burbank (the "Agency") to enable
 Landlord to serve as the developer of a commercial office,
 8 restaurant and parking complex (the "Commercial Complex") to
 be construct6d on approximately 88,000 sq. ft. of land within
 9 the City Centre Redevelopment Project (the "Centre") of the
 City of Burbank,. California. The Commercial Complex is
 10 depicted in the site plan attached hereto as Exhibit "All and
 11 incorporated herein by this reference.

12 B. Landlord anticipates and shall exercise their
 best efforts and due diligence to cause a Disposition and
 Development Agreement and all other requisite instruments
 13 (collectively "Agency Development Agreements") to be entered
 into between Landlord and the Agency within 120 days of this
 14 date and by which Landlord shall acquire fee title to and
 shall be allowed to commence the construction of the
 15 commercial complex.

16 C. Tenant has agreed to construct and operate the
 restaurant portion of the Commercial Complex in accordance
 17 with the-provisions of this Lease.

18 THEREFORE, in consideration of the Recitals and the
 mutual' covenants herein contained, Landlord leases to Tenant
 19 the Premises (hereinafter described) for the purposes and
 20 pursuant to the provisions herein set forth.

AGREEMENTS:

21 1. Premises.

22 The Premises consists of the following: approx--
 23 imately 21,000 sq. ft. of land as more particularly described

in Exhibit "B" attached hereto and incorporated herein by
 24 this reference and depicted in red on Exhibit "All; the
 Improvements (hereinafter defined) which shall be constructed

25 thereon as herein provided; an exclusive right of use and easement in the
26 75 parking spaces to be constructed by Land

27 lord as closely to the Premises as is feasible approximately within the
28 area depicted in green on Exhibit "All; and a non

29 exclusive right of use and easement in the 135 parking spaces to be
30 constructed by Landlord approximately within the area

31 depicted in blue on Exhibit "A".

32 2. Construction.

33 2.1 Plans. Subject to Landlord's obligation
34 to pay its portion of the Improvements Cost as defined in

35 Exhibit "C" attached hereto and incorporated herein by this reference,
36 Tenant shall construct, or cause to be

37 constructed, a building, landscaping and related improvements
38 (collectively the "Improvements") for the Premises according

39 to plans and specifications (the "Plans") to be prepared by
40 Tenant at its expense and to be submitted to Landlord within
41 30 days of this date. The Improvements shall be designed so
42 as to accommodate the operation of a restaurant, cocktail
43 lounge and discotheque in a building containing approximately
44 11,000 sq. ft. In addition, in the areas depicted in green
45 and blue on Exhibit "All (the "Parking Area"), at their
46 expense, Landlord shall construct a parking area sufficient
47 to accommodate at least 210 automobiles, 76 within the area
48 depicted in green (for the exclusive use of Tenant) and 135
49 within the area depicted in blue (for the nonexclusive,
50 shared use of Tenant). The Parking Area and necessary
51 paving, striping, driveways and landscaping shall be built in
52 a manner satisfactory to Tenant, in accordance with the
53 requirements of the Agency and the standards generally
54 applicable to the Centre and shall be completed on or before
55 the completion of the Improvements. Landlord shall
56 bear all of the costs of constructing the Parking Area and
57 none of those costs shall be included within the Improvements
58 Cost.

59 2.2 Approval of Plans. Landlord shall have
60 15 days after receipt of the Plans from Tenant within which
61 to review and approve them. If Landlord fails to notify
62 Tenant in writing within such 15-day period of Landlord's
63 disapproval of the Plans, the Plans shall be deemed approved.
64 If Landlord notifies Tenant of Landlord's disapproval of the
65 Plans within such 15-day period, then Landlord shall advise
66 Tenant of the reasons for the disapproval and the items that
67 must be modified, whereupon Landlord and Tenant shall meet
68 and confer so as to modify the plans to be acceptable to both
69 Landlord and Tenant. If for any reason Landlord and Tenant
70 are unable to agree upon the Plans within 60 days of this
71 date, then upon written notice issued by either party to the
72 other at any time thereafter and prior to the approval of the
73 Plans by both Landlord and Tenant, this Lease shall terminate
74 without further liability to either party. Upon approval of
75 the Plans by Landlord and Tenant, Landlord promptly shall
76 submit the Plans to the Agency and all other necessary
77 governmental authorities and shall proceed diligently to
78 obtain all requisite governmental approvals. If modifica-tions are
79 required to obtain such governmental approvals, and
80 if such modifications are acceptable to Tenant, Tenant shall
81 prepare such modifications and the Plans shall be resubmitted
82 by Landlord for governmental approval. If Tenant does not
83 approve the modifications required for governmental approval
84 or such approval is not obtained within 90 days of this date,
85 then at any time thereafter and prior to such approval, by
86 written notice to Landlord, Tenant may terminate this Lease.
87 Tenant shall not unreasonably withhold its approval of such
88 modifications, albeit if the aggregate cost of the
89 modifications required for governmental approval exceeds
90 \$50,000.00, Tenant may approve or disapprove them in

28 its sole discretion.
29 2.3 Construction. Tenant shall cause
30 construction of the Improvements to be commenced as soon as
possible after the obtaining of governmental approval.
31 subject to extension for causes beyond Tenant's control, if
construction of the Improvements does not commence within 130
32 days of this date, or if construction is not completed within
six months after the date of commencement of construction,
Landlord shall have the right at any time thereafter, so long

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I as the construction has not been commenced or completed, as applicable,
within the time specified, either (a) to

2 terminate this Lease upon 30 days' written notice to Tenant, whereupon, if
the failure is that of commencement, Tenant and

3 Landlord shall be released of all obligations hereunder, or if the failure
is that of completion, Landlord shall

4 reimburse Tenant in cash for the Tenant's Improvements Costs (as defined
in Exhibit previously paid by Tenant, if

5 any, and upon Tenant's receipt of such payment, this Lease shall terminate
and the parties shall be -released of all

6 further obligations hereunder; or (b) as an alternative to termination,
upon written notice to Tenant, Landlord may

7 extend Tenant's time for commencement or completion, as applicable,
whereupon Tenant shall pay \$250.00 for each day

8 of such delay in commencement or completion, as applicable. The
improvements shall be deemed to have been completed when

9 Tenant's- architect has certified that the Improvements have been
substantially completed in accordance with the Plans.

10

2.4 Construction Costs.Upon the condition

11 that Landlord timely pays its portion of the Improvements Cost as
provided in Exhibit "C", Tenant shall keep the

12 Premises free of mechanics' and materialmens' liens. Landlord is not, nor
shall Landlord be construed to be, the

13 agent of Tenant for any purpose whatsoever. At its expense, Tenant shall
have the right at any time to post the Premises

14 with appropriate notices of liquor license application, other notices as
Tenant may deem appropriate, and lawful signs in

15 size, content and at such locations as Tenant may deem appropriate to
advertise the pending opening of the

16 restaurant. During construction, Landlord shall have the right to conduct
inspections, review construction progress

17 and otherwise proceed as provided in Exhibit "C".

18 2.5 Warranty. Tenant shall cause the

Improvements to be constructed in a good and workmanlike

19 manner in compliance with the Plans and all applicable laws, regulations
and permits. Tenant's contractor shall fully and

20 unconditionally guarantee for one year following the date of completion
all materials and workmanship involved in

21 constructing the Improvements. Any repairs to or reconstruction of the

Improvements during that one-year

22 period shall be at the sole cost of Tenant or Tenant's
23 contractor, unless caused by the negligence of Landlord.

3. Term.

24

3.1 Primary Term. This Lease shall be for a

25 primary term of twenty-five years, beginning on the Commencement Date and
ending on the last day of the twenty-fifth

26 consecutive Lease Year thereafter.

27 3.2 Lease Year. The term "Lease Year" shall
mean the fiscal year employed by Tenant for accounting

28 purposes, except that the first Lease Year shall begin on the
Commencement Date and expire on the expiration of the next

29 succeeding complete fiscal year of Tenant.

30 3.3 Commencement Date. The Commencement Date
of this Lease shall be the first to occur of the following:

31

3.3.1 the date on which Tenant shall

32 open the Premises for business to the public; or,

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1 3.3.2 the date which is 30 days follow-
2 ing the date of the completion of the Improvements and the
3 Parking Area and the issuance of certificates of occupancy
4 therefor by all applicable governmental authorities in form
5 acceptable to Tenant.

6 In order to avoid any subsequent controversy as to
7 the exact "Commencement Date," the parties hereto agree,
8 within 30 days after the Commencement Date, to execute a
9 declaration in recordable form confirming the commencement
10 and expiration dates of the primary term.

11 3.4 Extension Term. Landlord grants to
12 Tenant the option to extend the primary term for one
13 additional term of five years following expiration of the
14 primary term by giving notice of exercise of the option at
15 least six months, but not more than one year, prior to the
16 expiration of the primary term. The extension shall be upon
17 the same terms and conditions herein contained except the
18 minimum annual rent shall be the "market"* rate then
19 prevailing in comparable facilities within the Centre,
20 however, if Landlord and Tenant cannot agree as to such rate,
it shall be established by a mutually acceptable appraiser
and, provided further, if Landlord and Tenant cannot agree as
to an appraiser, then they each shall select an appraiser
who, in turn, shall select a third appraiser, which third
appraiser's decision shall be binding. The minimum annual
rent for the extension term shall not be less than
\$240,000.00 per year.

4. Guaranty. Tenant's obligations under this
Lease shall be guaranteed by Bobby McGee's, U.S.A., Inc., an
Arizona corporation, through its execution below as
guarantor. However, the guaranty shall cease and be of no
further force or effect if at any time on or after 7;j

years

from this date, Tenant's net worth exceeds \$3 million, as
19 established pursuant to generally accepted accounting
20 principles.

21 5. Termination Conditions. Tenant shall be
22 entitled to terminate this Lease by notice to Landlord
23 unless, prior to the expiration of 120 days from this date,
24 Tenant shall have received evidence satisfactory to it that
25 each of the following conditions precedent has been
26 satisfied:
27 5.1 Zoning. The Premises are zoned for use
28 as a restaurant, discotheque and cocktail lounge;
29 5.2 Approvals. All permits and licenses
30 necessary for the construction and contemplated operation and
31 use of the Improvements have been obtained from the requisite
32 governmental authorities;
33 5.3 Parking. At least 75 exclusive and 135
34 nonexclusive parking spaces within the Parking Area will be
35 available for use by Tenant, its employees, agents, customers
36 and guests, on or before the time the Improvements are
37 scheduled to be completed (albeit as to the 135
38 nonexclusive
39 parking spaces, they need only be available from 5:00 p.m. to
40 2:00 a.m. each day);
41
42

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5.4 Licenses. Tenant will be able timely to obtain from appropriate governmental authorities all permits

2 and licenses for the on-premises sale and consumption of wine, beer, cocktails and other alcoholic beverages and for

3 the operation and use of the Premises as a restaurant,

4 discotheque and cocktail lounge;

5.5 Title. Landlord shall have executed the

5 Agency Development Agreements and shall have acquired fee title to the Premises subject only to such exceptions as are

6 satisfactory to Tenant and, in that regard, at its cost, Landlord shall deliver a preliminary or condition of title

7 report for the Premises to Tenant within 15 days of the date hereof and shall provide Tenant with a complete copy of the

8 Agency Redevelopment Agreements within 10 days of their execution;

9

5.6 Tests. The results of soil and

10 engineering tests to be obtained by Landlord at its expense are acceptable to Tenant for the construction of the

11 Improvements;

12 5.7 Utilities. Gas, electricity, sewer,

water and other utilities connections will be available

13 within 5 feet of the Premises at no cost to Tenant and with

14 capacity and supply sufficient for Tenant's intended use;

5.8 Construction. Tenant has approved the

15 cost of constructing the Improvements as estimated in writing by the contractor and Tenant has confirmed that Landlord has

16 funds sufficient to pay Landlord's \$970,000.00 portion of the

17 Improvements Cost as required by Exhibit "C";

5.9 Access. The City of Burbank shall

18 provide or certify in writing to Tenant, that it shall provide ingress to
and egress from the Premises, satisfactory

19 to Tenant;

20 5.10 Signs. The City shall certify in writing
to Tenant, in a form satisfactory to Tenant, that Tenant may

21 construct: (i) a 36-foot billboard sign; and, (ii) a monument sign on the
Premises, which signs shall be located

22 at sites mutually agreeable to Landlord, Tenant and the City, and shall
have a top elevation not less than that of the

23 signs on the adjacent properties known as "Restaurant Row".

24 In the event that Tenant terminates this Lease for
failure of any of the foregoing conditions, the parties shall

25 be released of all further obligations hereunder and all funds, if any,
paid by Tenant immediately shall be refunded

26 to Tenant. The foregoing conditions are for the benefit of

27 Tenant and may be waived in writing by Tenant at any time.

28 6. Use. Tenant may use the Premises for the

operation of a restaurant, discotheque, cocktail lounge and

29 other uses incidental thereto. After the Commencement Date, Tenant shall
keep the Premises open for business not less than 350 days each calendar year,
from 11:00 a.m. to 2:00

30 p.m. during the days that luncheon is served and from 5:00 p.m. to 2:00
a.m. when luncheon is not served. Tenant shall

31 be open for lunch Monday through Friday and may be open for

32 lunch or brunch on Saturday and Sunday. This provision shall not apply if
the Premises shall be closed and the business

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temporarily discontinued on account of strikes, walkouts,
damage to building or equipment, the suspension or loss of
2 the liquor or other governmental permits or licenses or any
3 other cause beyond the reasonable control of Tenant, whether
4 permit the use of the Premises in any manner that will create
5 waste or violate applicable law.

6 7. Rent.

7 7.1 Minimum Annual Rent. Tenant shall pay to
Landlord, at Landlord's address, a minimum annual rent of
8 \$160,000.00, payable in twelve equal monthly installments of
\$13,333.34 each, on the first day of each month of the lease
9 term. If the Commencement Date is the first day of the
month, then Tenant shall pay the first monthly installment of
10 rent on-the Commencement Date. Otherwise, the first monthly
11 installment of rent shall be due on the first day of the
month following the Commencement Date and shall include
12 additional rent for the period between the Commencement Date
and the first day of the following month based on the amount
13 of the monthly installment of the minimum rent and a 30-day
14 month. Upon the termination of this Lease, the minimum
annual rent shall be prorated to the date of termination and
Landlord shall repay immediately to Tenant all minimum annual
rent prepaid and unearned.

15 7.2 Percentage Rent.

16 7.2.1 Percentage Rent Rate. In addition
to minimum annual rent, Tenant shall pay to Landlord as
17 percentage rent, a sum equal to the amount by which six
percent of Tenant's Gross Sales made from or upon the

18 Premises 'during each Lease Year exceeds the minimum annual
19 rent for such Lease Year. The percentage rent shall be
20 payable quarterly, 45 days after the end of each three-month
21 period during the lease term, subject to adjustment at the
22 end of each Lease Year as provided in Paragraph 7.2.3.

23 7.2.2 Gross Sales Defined. The term
24 "Gross Sales" shall mean the aggregate amount of all sales,
25 whether for cash, credit or otherwise, of food, beverages,
26 goods, articles, any other merchandise and all charges for
27 services performed, made and rendered in, about or in
28 connection with the Premises by Tenant, including
29 off-Premises sales and monies derived at or away from the
30 Premises made in connection with the operation thereof, plus
31 the net amount of all receipts by Tenant from all sales made
or performed by means of mechanical or other vending devices
except tobacco vending machines and pay telephones. Gross
Sales shall not include any federal, state, municipal or
other sales, value added, retail, excise or similar taxes
paid or incurred by Tenant whether such taxes are collected
from customers or absorbed by Tenant; discounts from sales to
employees; complimentary meals; tips or gratuities; proceeds
of insurance policies received by Tenant; condemnation
awards; bulk and intercompany transfers of food or inventory;
proceeds from the sale of used restaurant equipment, fixtures
or any other property that is not merchandise; or payments
for gift certificates or like vouchers.

7.2.3 Sales Statements and Adjustments.

32 Within 45 days after the end of each three-month period of

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1 each Lease Year (a "Lease Quarter"), Tenant shall deliver to
2 Landlord a statement signed by an officer or manager of
3 Tenant setting forth Tenant's Gross sales for the prior Lease
4 Quarter and Tenant shall pay to Landlord the percentage rent
5 due for that Lease Quarter as provided in Paragraph 7.2.1.
6 In calculating the percentage rent that is due, Tenant shall
7 base such calculation on Tenant's accumulated business volume
8 and accumulated rental payments from the beginning of each
9 Lease Year. If such calculations shall show a percentage
10 rental owing for the preceding Lease Quarter, then Tenant
11 shall pay such amount with the statement of Tenant's Gross
12 Sales. If such accumulated rent calculation shall show a
13 credit due Tenant on account of percentage rent paid for
14 preceding Lease Quarters of the Lease Year, then Landlord
15 shall reimburse Tenant for such amounts due and if Landlord
16 shall fail to make such reimbursement forthwith, then without
17 limitation upon any of the rights that Tenant may have,
18 Tenant shall have the right to deduct the amounts from the
19 next rental payments of any kind due to Landlord as they
20 shall fall due. Within 45 days after the close of each Lease
Year, Tenant shall furnish to Landlord a statement of
Tenant's Gross Sales for such entire Lease Year and a
computation of the rent previously remitted to Landlord for
such Lease Year. If the rent theretofore paid by Tenant for
such Lease Year shall be less than the total amount of rent
so computed to be due, Tenant shall pay the difference to
Landlord at that time if such cumulative calculations shall
show a credit due Tenant on account of percentage rent paid
for preceding Lease Quarters of the Lease Year, then Landlord
shall reimburse Tenant for such amounts due, and if Landlord
shall fail to make such reimbursement forthwith, then without
limitation to any other rights which Tenant may have, Tenant
shall have the right to deduct the amounts from the next
rental payments due to Landlord as they shall fall due.
Tenant, shall keep at the Premises, or at the principal
offices of BOBBY MCGEE'S U.S.A., INC., full and accurate
books of account, records, cash receipts, and other pertinent
data showing its Gross Sales. Such books of account,
records, cash receipts, and other pertinent data shall be
kept for a period of two years after the end of the Lease

21 Year to which such items are applicable. Landlord shall be
22 entitled during the term of this Lease to inspect and examine
23 all Tenant's books of account, records, cash receipts, and
24 other pertinent data so that Landlord can ascertain Tenant's
25 Gross Sales. Tenant shall cooperate fully with Landlord in
26 making the inspection. Landlord shall also be entitled, once
27 during each Lease Year and once within 60 days after
28 expiration or termination of this Lease, to an independent
29 audit of Tenant's books of account, records, cash receipts,
30 and other pertinent data to determine Tenant's Gross Sales,
31 by a certified public accountant to be designated by
32 Landlord. The audit shall be limited to the determination of
Gross Sales, shall be conducted at the place at which the
aforesaid books are usually kept, and shall be paid for by
Landlord, except in any case when Tenant has understated
sales by three percent or more, in which case, Tenant shall
pay Landlord's reasonable costs of audit. If the audit shows
that there is any deficiency in the payment of any percentage
rent, the deficiency, plus interest thereon at the rate of
ten percent per annum from the due date to the date of
payment, shall become immediately due and payable unless the
deficiency is 10 percent or more, in which event, unless it
is the result of unavoidable error, Tenant shall pay Landlord

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twice the amount of the deficiency. Landlord shall keep any information gained
from such statements, inspection or audit

2 confidential and shall not disclose such information to any
other person.

3 7.3 Prepaid Rent.

4 7.3.1 Tenant shall deposit with Landlord
5 the sum of \$33,325.00 upon the execution of this Lease by
Landlord (the "Initial Deposit"). Upon the commencement of
6 the construction of the Improvements, Tenant shall deposit with Landlord
the sum of \$33,325.00 (the "Additional
7 Deposit"). Landlord and Tenant agree that the initial and
Additional Deposits automatically shall be applied by
8 Landlord and credited to Tenant in payment of the initial minimum-annual
rents as they become due hereunder.

9
7.3.2 In the event this Lease is
10 cancelled because the contingencies set forth herein are not satisfied or
for any other reason other than the default of
11 Tenant, the Initial and the Additional Deposits less such amounts as
previously have been applied pursuant hereto, if
12 any, shall be refunded and paid by Landlord to Tenant within 10 days of
Landlord's receipt of a written demand therefore
13 from Tenant and Landlord shall have no further right or
14 interest in the Deposits.

8. Taxes; Assessments.

15
8.1 Personal Property Taxes. Tenant shall

16 pay before delinquency all taxes, assessments, license fees and other
charges ("taxes") that are levied and assessed

17 against Tenant's Trade Fixtures installed or located in or on the
Premises and that become payable during the Lease term.

18 on demand by Landlord, Tenant shall furnish Landlord with

19 satisfactory evidence of such payments.

8.2 Real Property Taxes. Tenant shall pay

20 before delinquency any and all real property taxes that become due during
the Lease term with respect to the

21 Premises, 50 percent of such taxes on the Parking structure within the
Commercial Complex and 50 percent of such taxes on

22 the land within the Commercial Complex (excluding the Premises). If any
tax bill or statement is received by

23 Landlord, Landlord shall forward a copy thereof to Tenant and Landlord's
failure to do so shall excuse Tenant from the

24 obligation of payment thereof until Tenant receives such statement.
Landlord shall forward such statement within the

25 time required for Tenant to contest any increase in taxes and to avoid
penalties and late charges and, if Landlord fails to

26 do so, Landlord shall pay such increase, penalty or late charge, as
applicable. Landlord agrees to attempt to have

27 the Premises assessed separately from other property not covered by this
Lease, but in the event the Premises are not

28 so separately assessed, then and in such event, the taxes on the Premises
shall be apportioned on the basis of the ratio

29 between the square footage of the land within the Premises and the total
square footage of all land within the parcel

30 assessed. Tenant shall have the right to seek a reduction of, or contest,
any taxes that are to be paid by Tenant

31 hereunder. Tenant shall bear the cost of such actions or

32 proceedings, shall hold Landlord harmless from any damage

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arising therefrom and shall pay any final judgment that may be rendered therein.

2

8.3 Substitute Taxes. Tenant shall not be

3 required to pay any municipal, county, state or federal income or
franchise taxes of Landlord, or any municipal,

4 county, state or federal estate, succession, inheritance or transfer taxes
of Landlord. If, at any time during the term,

5 the laws concerning the methods of real property taxation prevailing on
the effective date hereof are changed so that a

6 tax or excise on rents or any other such tax, however described, is levied
or assessed against Landlord as a direct

.7 substitution, in whole or in part, for any real property taxes or
assessments otherwise due, Tenant shall pay before

8 delinquency (but only to the extent that it can be ascertained that there
has been a substitution and that, as a

9 result, Tenant has been relieved from the payment of real property taxes which Tenant would otherwise have been

10 obligated to pay), the substitute tax, assessment, or excise on rents.

11

8.4 Common Areas. Except as provided in

12 Paragraph 8.2, there shall be no charge, fee, or special assessment imposed on or payable by Tenant in regard to the

13 common areas of the Commercial Complex provided, however, that at its cost, Tenant shall keep its exclusive Parking

14 Area outlined in green on Exhibit "All in a clean and swept condition and shall remove debris and bottles from the

15 nonexclusive Parking Area outlined in blue on Exhibit "A".

16 9. Utilities and Services. Tenant shall pay for all utilities and services furnished to or used by it on the

17 Premises', including, without limitation, gas, electricity, water., telephone service, trash collection and sewer service.

18 At its expense, Landlord shall provide the necessary mains and conduits for gas, electricity, sewer, water and telephone

19 to within five feet of the Premises.

20 10. Trade Fixtures. Tenant shall have the right to erect, install, maintain and operate on the Premises such

21 improvements, equipment, trade and business fixtures, signs and other personal property (collectively "Trade Fixtures")

22 as Tenant may deem appropriate for the operation of the Premises. The Trade Fixtures shall remain the property of

23 Tenant. Tenant shall provide Landlord with a written description of such Trade Fixtures at the Commencement Date and

24 thereafter within a reasonable time after the installation of additional Trade Fixtures.

25

11. Alterations. At its sole cost and expense,

26 Tenant shall have the right to make any nonstructural alterations, additions or improvements to the Premises

27 (collectively "Alterations") it deems necessary or appropriate in connection with the requirements of its

28 business, without the necessity of obtaining the written consent of Landlord and without the payment of any additional

29 rent, provided that any such Alterations shall not materially injure, deface or impair the value of the Premises. Tenant

30 shall not make any material or structural Alterations without the prior written consent of Landlord. Any Alterations made

31 by Tenant to the Premises shall remain on and be surrendered with the Premises. upon expiration or termination of the

32 Lease, except such Alterations as may be removed without

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1 substantial damage to the Premises, which may be removed by Tenant within

30 days following the termination of this

2 Lease. If Tenant makes any Alterations to the Premises, they shall not be commenced until 10 days after Landlord has

3 received notice from Tenant stating the date of commencement of the installation of the Alterations so that Landlord can

4 post and record an appropriate notice of non-responsibility. Tenant shall be solely responsible, at Tenant's expense, for

5 any and all Alterations to the Premises. Any such Alterations shall be made in compliance with-applicable law.

6

12. Maintenance and Repair.

7

Except as provided in Paragraphs 14, 15 and 26,

8 during the term hereof, at its sole cost and expense, Tenant shall maintain or cause to be maintained and kept in good

9 state of -repair and in a clean and sanitary condition, the

Premises and the -exclusive Parking Area outlined in green on

10 Exhibit "All including the paving, striping and lighting for the latter.

11

13. Exculpation; Indemnity; Insurance.

12

13.1 Exculpation of Landlord.Except for

13 damage caused by the acts or omissions of Landlord, its agents, contractors or others for whom Landlord is

14 responsible, Landlord shall not be liable to Tenant for any damage resulting from any fire or casualty; or the plumbing,

15 gas, water, steam, sprinklers or other pipe and sewage system; or the bursting, running, or leaking of any tank,

16 washstand, closet, or waste, or other pipes, in or about the Premises; water being upon or coming through any roof,

17 skylight,, vent, trap door or otherwise; or for any damage arising from the acts of neglect of occupants of the

18 Premises, of adjacent property, or of the public. Landlord shall not be liable in damages or otherwise for any

19 interruption of service of any water, gas, electricity, heated water, steam or chilled water, or of any other service

20 to the Premises, caused by fire, accident, riot, strike, labor disputes, acts of God, the making of repairs or

21 improvements, or any other causes beyond the control or

22 responsibility of Landlord.

13.2 Indemnity.Tenant shall indemnify and

23 hold harmless Landlord from any and all claims arising out of the negligence of Tenant, or its contractors, licensees,

24 agents, servants or employees, and from and against all costs, expenses,
and liabilities incurred in connection with

25 any claims or proceedings brought thereon; provided, however, that
Landlord shall be liable for such damage if it results

26 from the negligence or misconduct of Landlord or those for whom it is
responsible, and Landlord shall hold Tenant

27 harmless from all damages resulting from any such negligence or
misconduct. A party's obligation under this paragraph to

28 indemnify and hold the other party harmless shall be limited to the sum
that exceeds the amount of insurance proceeds, if

29 any, received by the party being indemnified.

30 13.3 Public Liability and Property Damage

Insurance. At its sole cost, Tenant shall maintain public

31 liability and property damage insurance with liability limits
of Two Million Dollars (\$2,000,000.00) per occurrence, and

32 property damage limits of not less than one Hundred Thousand

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Dollars (\$100,000.00) per occurrence, against all liability of Tenant and its
representatives arising out of, or in connection with, Tenant's use or occupancy
of the Premises. All public liability and property damage insurance shall

3 insure performance by Tenant of the indemnity provisions of Paragraph
13.2. Both parties shall be named as coinsureds,

4 and the policy shall contain cross-liability endorsements.

5 13.4 Tenant's Fire Insurance; At its sole
cost, Tenant shall maintain on all its Trade Fixtures in, on,

6 or about the Premises, a policy of standard fire and extended coverage
insurance, with vandalism and malicious mischief

7 endorsements, to the extent of at least 80 percent of their

8 replacement value.

13.5 Fire Insurance for Improvements. At its

9 sole cost, Tenant shall maintain on the building and improvements that are
a part of the Premises, a policy or

10 policies of standard fire and extended coverage insurance, with vandalism
and malicious mischief endorsements, to the

11 extent of one hundred percent of replacement value excluding the cost of
excavations, foundations, footings, and

12 underground tanks, conduits, pipes, pilings and other underground items.
The insurance policy or policies, or a

13 certificate of insurance evidencing such policy or policies,

14 shall be issued in the names of Tenant and Landlord as their interests
appear. The insurance policy or policies, or the certificate of insurance, shall
provide that any proceeds

15 shall be made payable as stipulated herein.

16 13.6 Payment of Premiums. Tenant shall pay

the premiums for maintaining any and all of the insurance
17 required by this Lease. Tenant's obligation to pay the insurance costs
shall be prorated for any partial year at the
18 commencement and expiration or termination of the term.
19 13.7 Waiver of Subrogation. To the extent of
the insurance proceeds paid with respect thereto, the parties
20 release each other and each other's respective authorized representatives
from any claims for injury to any person or
21 damage to the Premises and to the fixtures, personal property,
improvements and alterations of either Landlord or
22 Tenant in or on the Premises, that are caused by or result from risks
insured against under any insurance policies
23 carried by the parties and in force at the time of any such damage. Each
party shall cause each insurance policy
24 obtained by it to provide that the insurance company waives all right of
recovery by way of subrogation against either
25 party in connection with any damage covered by any policy. To the extent
of the insurance proceeds paid with respect
26 thereto, neither party shall be liable to the other for any damage caused
by fire or any other risks insured against
27 under any insurance policy required by this Lease. If any
28 insurance policy cannot be obtained with a waiver of subrogation, the
party undertaking to obtain the insurance
29 Shall notify the other party and the other party shall have a period of
10 days after receiving the notice to locate a company that is reasonably
satisfactory to the other party
30 and that will issue the insurance with a waiver of
31 subrogation. If the insurance cannot be obtained, the other party is
relieved of the obligation to obtain a waiver of subrogation rights with respect
to the particular insurance
32

I involved and this paragraph shall have no application
thereto.

2

13.8 Other Insurance Matters. All the insur-
3 ance required under this Lease shall:

4 13.8.1 Be issued by insurance companies
authorized to do business in the State where the Premises are
5 located, with a financial rating of at least B-11 status as
rated in the most recent edition of Best's Insurance Reports.
6

7 13.8.2 Be issued as a primary policy or,
in the alternative, be issued as a part of a -so-called
"blanket policy."
8

9 13.8.3 Contain an endorsement requiring
10 days' written notice from the insurance company to both
parties before cancellation or change in the coverage, scope
10 or amount of any policy.

11 Each policy, or a certificate of the policy,
together with evidence of payment of premiums, shall be
12 deposited with the other party at the commencement of the
term and, on renewal of the policy, not less than 20 days
13 before expiration of the term of the policy.

14 14. Destruction of Premises.

15 14.1 Risk Covered by Insurance. Subject to
the provisions of Paragraph 14.3 below, if, during the term,

16 the Improvements are totally or partially destroyed by a
casualty covered and proceeds paid under the insurance
17 described in Paragraph 13, Tenant shall at its expense (not
to exceed the insurance proceeds received by Tenant) repair
18 such destruction as soon as reasonably possible and this
Lease shall continue in full force and effect.

19
20 14.2 Risk Not Covered by Insurance. Subject
to the provisions of Paragraph 14.3 below, if during the
term, the Improvements are totally or partially destroyed by
21 a casualty not covered by the insurance described in
paragraph 13 or the proceeds of applicable insurance are
22 insufficient to pay all the costs of restoration, at its
option, Tenant may either (a) repair such damage as soon as
23 reasonably possible at its expense, in which event this Lease
shall continue in full force and effect, or (b) give written
24 notice to Landlord within 30 days after the date of the
occurrence of such destruction of Tenant's intention to
25 cancel and terminate this Lease as of the date of the
occurrence of such destruction. If Tenant elects to cancel
26 and terminate this Lease, Landlord shall have the right
within ten days after the receipt of such notice to give
27 written notice to Tenant of Landlord's intention to effect
restoration at Landlord's expense, in which event, this Lease
28 shall continue in full force and effect and Landlord shall
complete such restoration forthwith. If Landlord does not
29 give such notice within such ten-day period, this Lease shall
be cancelled and terminated effective as of the date of the
30 occurrence of such destruction.

31 14.3 Termination. In addition to and
independent of the provisions of Paragraphs 14.1 and 14.2
32 above, in the event of a destruction of the Premises, by

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1 written notice to Landlord, Tenant may terminate this Lease
2 if any of the following events occur:

14.3.1 applicable laws do not permit

3 restoration to substantially the condition existing prior to the
destruction; or,

4

14.3.2 the restoration cannot be

5 completed within 280 days after the date of destruction; or,

6 -14.3.3 Landlord fails to complete

restoration within ninety days after it elects to do so

7 pursuant to Paragraph 14.2 above (by notice 'E-o"Landlord at

8 any time prior to the completion of restoration).

14.4 Proration. Upon termination of this

9 Lease pursuant to the provisions of this paragraph, any advance rental or
other advance payments made by Tenant to

10 Landlord shall be prorated as of the termination date with the unearned
portion returned to Tenant in cash; the

11 insurance proceeds applicable to the Improvements constructed and paid
for by Landlord shall be paid to Landlord; the

12 insurance proceeds applicable to the Trade Fixtures and other property of
Tenant shall be paid to Tenant; and the insurance

13 proceeds derived from policies not required by this Lease shall be paid

to the party that procured the policies and

14 paid the premiums.

15 14.5 Restoration of Premises.

16 14.5.1 Adjustment of Minor Loss. If,

during the term, the Premises are destroyed by a risk covered

17 by the insurance described in Paragraph 13 and this Lease is not terminated, provided the total amount of loss does not

18 exceed One Hundred Thousand Dollars (\$100,000.00), Tenant shall make the loss adjustment with the insurance company

19 insuring the loss. The proceeds shall be paid directly to Tenant for the purpose of making the restoration of the

20 Premises.

21 14.5.2 Adjustment of Major Loss. If,

during the term, the Premises are destroyed by a risk covered

22 by the insurance described in Paragraph 13, and the total amount of loss exceeds One Hundred Thousand Dollars

23 (\$100,000.00), if this Lease is not terminated, Tenant shall make the loss adjustment with the insurance company insuring

24 the loss and on receipt of the proceeds shall immediately pay them to any appropriate institution (Insurance Trustee) named

25 by Landlord and Tenant. If the Premises are destroyed by a risk not covered by the insurance described in Paragraph 13

26 or such insurance proceeds are insufficient to pay all the costs of restoration, if this Lease is not terminated, then

27 the party or parties that have the obligation to restore the Premises (as provided in Paragraph 14.2 above), shall deposit

28 with the Insurance Trustee their respective contributions toward the cost of restoration. All sums deposited with the

29 Insurance Trustee shall be held for the following purposes and the Insurance Trustee shall have the following powers and

30 duties:

31 The sums shall be paid in installments by the

Insurance Trustee to the contractor as construction

32 progresses, for payment of the cost of restoration. A ten

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percent retention fund shall be established that will be paid to the contractor on completion of restoration, payment of

2 all costs, expiration of all applicable lien periods, and proof that the Premises are free of all mechanics' liens and

3 lienable claims.

4 Payments shall be made on presentation of

certificates or vouchers from the architect or engineer

5 showing the amount due. If the Insurance Trustee, in its reasonable discretion, retains an architect or engineer to

6 supervise construction and to authorize progress payments, the reasonable expenses and charges of the architect or

7 engineer retained by the Insurance Trustee shall be paid by the Insurance Trustee out of the trust fund.

8

If the sums held by the Insurance Trustee are not

9 sufficient to pay the actual cost of restoration, the party or parties obligated to fund the restoration shall deposit

10 the amount of the deficiency with the Insurance Trustee within 20 days after request by the insurance Trustee

11 indicating the amount of the deficiency.

12 Any sums not disbursed by the Insurance Trustee after restoration has been completed and final payment has

13 been made to the contractor shall be delivered to Landlord in proportion to Landlord's contribution to the trust fund, and

14 the balance, if any, shall be paid to Tenant.

15 All actual costs and charges of the Insurance Trustee shall be paid proportionately by the party or parties

16 obligated to fund the restoration.

17 ! if the Insurance Trustee resigns or for any reason is unwilling to act or continue to act, Landlord and Tenant

18 promptly shall substitute a new trustee in the place of the designated Insurance Trustee. The new Trustee must be an

19 institutional lender or title company doing business in the

20 city where the Premises are located.

Both parties promptly shall execute all documents

21 and perform all acts reasonably required by the Insurance

22 Trustee to perform its obligations under this paragraph.

14.6 Procedure for Restoring Premises.within

23 30 days after the date that it is obligated to restore the Premises, the party obligated to fund the restoration, at its

24 cost, shall prepare final plans and specifications and working drawings complying with laws that will be applicable

25 to the restoration of the Premises. The plans and specifications and working drawings must be approved by

26 Landlord and Tenant. Each party shall have 30 days after receipt of the plans and specifications and working drawings

27 either to approve or disapprove the plans and specifications and working drawings and shall notify the other of its

28 objections and proposed solution to each objection. The plans and specifications and working drawings shall be

29 subject to approval of the appropriate governmental bodies and they will be prepared in such a manner as to obtain that

30 approval. The restoration shall be accomplished as follows:

31 14.6.1 Unless otherwise provided above,

the party obligated to restore shall complete the restoration
32 within 90 days after final plans and specifications and

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1 working drawings have been approved by the appropriate
governmental authorities and all required permits have been
2 obtained (subject to extension for delays resulting from
3 causes beyond reasonable control).

14.6.2 The party obligated to restore
4 shall retain a licensed contractor who is bondable. The
contractor shall be required to carry public liability and
5 property damage insurance, standard fire, and extended
coverage insurance with vandalism and malicious mischief
6 endorsements, during the period of construction in accordance
with Paragraph 13. Such insurance shall contain waiver of
7 subrogation clauses in favor of Landlord and Tenant in
8 accordance with the provisions of Paragraph 13.

14.6.3 The party obligated to restore
9 shall notify the other of the date of commencement of the
restoration not later than ten days before commencement to
10 enable the posting and recording of notices of
11 non-responsibility.

14.6.4 The restoration shall be
12 accomplished in a manner that will cause the least
13 inconvenience, annoyance and disruption at the Premises.

14.6.5 On completion of the restoration,

14 a notice of completion shall be recorded in the county in which the
Premises is located (if permitted by applicable

15 law).

16 15. Condemnation.

17 15.1 Definitions.

18 15.1.1 "Condemnation" means (a) the
exercise of any governmental power, whether by legal
19 proceedings or otherwise by a condemnor, and (b) a voluntary
sale or transfer to any condemnor, either under threat of
20 condemnation or while legal proceedings for condemnation are
21 pending.

15.1.2 "Date of taking" means the date
22 the condemnor has the right to possession of the property
23 being condemned.

15.1.3 "Award" means all compensation,
24 sums or anything of value awarded, paid or received on a
25 total of partial condemnation.

15.1.4 "Condemnor" means any public or
26 quasi-public authority, private corporation or individual
27 having the power of condemnation.

15.2 Parties' Rights and obligations to be
28 Governed by Lease. If during the term of this Lease, there
is any taking of all or any part of the Premises or any
29 interest in this lease by condemnation, the rights and
obligations of the parties shall be determined pursuant to
30 this Paragraph 15.

31 15.3 Total Taking. If the Premises is totally

taken by condemnation, this Lease shall terminate on the date

32 of taking, subject to the provisions of this Paragraph 15.

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1 15.4 Partial Taking.

2 15.4.1 Effect on Lease.

3 a. Taking of Improvements.

If any portion (but less than all) of the building or other

4 Improvements on the Premises is taken by condemnation, this Lease shall remain in effect, except that Tenant can elect to

5 terminate this Lease if in its opinion the remaining portion of the Premises is rendered unsuitable for Tenant's continued

6 use of the Premises. If Tenant elects to , terminate this Lease, Tenant must exercise its right to terminate pursuant

7 'to this paragraph by giving notice to Landlord within 30 days after the nature and the extent of the taking have been

8 finally determined. If Tenant elects to terminate this Lease, as provided in this paragraph, Tenant also shall

9 notify Landlord of the date of termination, which date shall not be earlier than 30 days, nor later than 90 days, after

10 Tenant has notified Landlord of its election to terminate; except that this Lease shall terminate on the date of the

11 taking if the date of taking falls on a date before the date of termination as designated by Tenant. If Tenant does not

12 terminate this Lease within the 30-day period, this Lease shall continue in full force and effect, except that the

13 minimum annual rent shall be reduced according to Paragraph 15.4.2.

14

b. Taking of Parking. If the

15 Parking Area is taken by condemnation, this Lease shall remain in full force and effect, except that, if ten percent

16 or more of the Parking Area of the Premises is taken by condemnation, Tenant shall have the election to terminate

17 this Lease. If Tenant elects to terminate this Lease, it shall give notice to the Landlord within 30 days after the

18 nature and extent of the taking have been finally determined. Tenant, shall notify Landlord of the date of termination,

19 which date shall not be earlier than 30 days or later than 90 days after Tenant has notified Landlord of its election to

20 terminate; except that this Lease shall terminate on the date of taking if the date of taking falls on a date before the

21 date of termination designated in the notice from Tenant. if this Lease is not terminated within the 30-day period, it

22 shall continue in full force and effect, except that the minimum annual rent shall be reduced according to Paragraph

23 15.4.2.

24 15.4.2 Effect on Rent. If any portion of the Improvements is taken by condemnation and this Lease

25 remains in full force and effect, on the date of the taking, the minimum annual rent shall be reduced by an amount that is

26 in the same ratio to minimum annual rent as the total number of square feet in the Improvements taken bears to the total

27 number of square feet therein immediately before the date of taking. If any portion of the Parking Area is taken by

28 condemnation and this Lease remains in full force and effect, on the date

of taking the minimum annual rent shall be

29 reduced by the amount that is in the same ratio as the total number of parking spaces taken bears to the total number of

30 such spaces immediately before the date of taking.

31

32

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15.5 Restoration of and Addition to Premises and Other Areas.

2

15.5.1 Landlord's Election to Prevent

3 Lease Termination. If, within 30 days after the date that

the nature and extent of the taking are finally determined, Landlord notifies Tenant that Landlord, at its cost, will add on to the remaining Premises (including parking) so that the area and approximate layout of the Premises (including parking) will be substantially the same after the date of taking as they were before the date of taking, and Landlord commences the restoration immediately and completes the restoration within 90 days after Landlord notifies Tenant, this Lease shall continue in full force and effect without any reduction in minimum annual rent, except the abatement or reduction made pursuant to Paragraphs 15.4.2 and 15.5.3.

15.5.2 Restoration of Premises. if

there is a partial taking of the Premises and this Lease remains in full force and effect pursuant to Paragraph 15.4, Tenant shall accomplish all necessary restoration under the same procedures specified' in Paragraph 14.6, except that Tenant or the Insurance Trustee, as applicable, shall receive from Landlord in cash at the time of the award an amount equal to all of the costs of the restoration of the Premises.

15.5.3 Temporary Abatement or Reduc-

tion of Rent. Except for any percentage rent, rent shall be abated or reduced during the period from the date of taking until the completion of restoration, but all other obligations of Tenant under the Lease shall remain in full force and effect. The abatement or reduction of rent shall be for such time and in proportion to the extent to which Tenant's use of the Premises is impaired.

' 1 15.6 Award Distribution. The award shall

belong to and be paid to the parties as their interests appear in accordance with applicable law.

16. Assignment.

16.1 Voluntary. Tenant shall not voluntarily

sell or assign its interest in this Lease or in the Premises, or sublease all or any part of the Premises, or allow any other person or entity (except Tenant's authorized representatives) to occupy or use all or any part of the Premises, without first obtaining Landlord's prior written consent, which consent shall not be unreasonably withheld.

Any sale, assignment or sublease to a party of equal or better financial standing than Tenant would be one which Landlord would, be expected to approve.

Any

sale, assignment

or sublease which requires but does not receive Landlord's prior written consent shall be voidable by Landlord and, at Landlord's election, shall constitute a default. No such consent to any sale, assignment or sublease shall constitute a further waiver of the provisions of this paragraph. Landlord's consent to a sublease shall not relieve Tenant

30 from liability under this Lease. Any sale or assignment with
Landlord's consent shall relieve Tenant from liability
31 hereunder, otherwise a sale or assignment shall not relieve
Tenant from liability hereunder.

32

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16.2 Involuntary. No interest of Tenant in
this Lease shall be assignable by operation of law. Each of
2 the following acts shall be considered an involuntary
3 assignment:

16-2.1 If Tenant is or becomes bankrupt
4 or insolvent, makes an assignment for the benefit of
creditors, or institutes a proceeding under the Bankruptcy
5 Act in which Tenant is the bankrupt; or,

16.2.2 If a writ of attachment or
6 execution is levied on this Lease, provided that-Tenant shall
7 have 60 days in which to cause the writ of attachment or
execution to be removed; or,

16.2.3 If, in any proceeding or action
8 to which Tenant is a party, a receiver is appointed with
9 authority to take possession of the Premises, provided that,
10 if any involuntary proceeding in bankruptcy is brought
against Tenant or if a receiver is appointed, Tenant shall
11 have 60 days in which to have the involuntary proceedings
dismissed or the receiver removed.

Any involuntary assignment not cured within 30 days
12 after notice to Tenant by Landlord shall constitute a default
13 by Tenant and Landlord shall have the right to elect to
14 terminate this Lease, in which case this Lease shall not be
treated as an asset of Tenant.

15 17. Default.

16

17.1 Tenant's Default. The occurrence of any

17 of the following events shall constitute a default by Tenant:

18 17.1.1 The failure to pay rent when due
19 if such failure continues for 10 days after written notice by
Landlord to Tenant;

20 17.1.2 The failure to perform any other
provision of this Lease, if the failure to perform is not
21 cured within 20 days after written notice by Landlord to
Tenant. If the default cannot reasonably be cured within 20
22 days, Tenant shall not be in default of this Lease if Tenant
commences to cure the default within the 20-day period and
23 diligently and in good faith continues to cure the default;
24 or,

17.1.3 The abandonment of the Premises
25 (failure to occupy and operate the Premises for any 15
consecutive day period shall be deemed an abandonment if
26 without Landlord's written consent; provided, however, that
failure to occupy and operate the Premises due to the
27 suspension or loss of the liquor license or other requisite
permit or license or other prohibition or governmental
28 regulation [including, without limitation, energy
conservation or shortage) for a period of less than six
29 months in any one Lease Year shall not be an abandonment).
The failure to occupy or operate the Premises as a result of
30 a destruction or condemnation shall not be an abandonment.

31 Notices given under this paragraph shall specify
the alleged default and the applicable Lease provisions, and
32 shall demand that Tenant perform the provisions of this Lease

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and pay the rent that is in arrears, as the case may be,

2 within the applicable period of time, or quit the Premises.
3 17.2 Landlord's Remedies. In the event of a
4 default by Tenant, Landlord may at any time thereafter: (a)
5 choose not to re-enter but to hold Tenant responsible for all
6 terms of this Lease; (b) re-enter the Premises, terminate
7 this Lease and hold Tenant responsible for all actual (but
8 not any consequential or punitive) damages resulting from the
9 default; or (c) re-enter the Premises, keep this Lease
10 intact, and attempt to relet the Premises on behalf of Tenant
11 as Tenant's agent. Upon re-entering the Premises, Landlord
12 may relet the Premises or any part thereof for-such term and
13 at such rental as Landlord may deem advisable with the right
14 to make alterations and repairs to the Premises. Landlord
15 may remove therefrom all persons and property. Should
16 Landlord elect to re-enter as herein provided, rentals
17 received by Landlord shall be applied against the rental and
18 other indebtedness due from Tenant hereunder. Should rentals
19 received from such reletting during any month be less than
20 that agreed to be paid during that month by Tenant, then
21 Tenant shall immediately pay and be liable for such
22 deficiency to Landlord. Should Landlord at any time
23 terminate this Lease for any default, Landlord may recover
24 from Tenant the reasonable cost of recovering the Premises
25 and the worth at the time of such termination of the rent
reserved in this Lease for the remainder of the term over the
then reasonable rental value of the Premises for the
remainder of the term.

16 17.3 Appointment of Receiver. If Tenant is in
17 default of this Lease, Landlord shall have the right to have
18 a receiver appointed to collect rent. Neither the filing of
19 a petition for the appointment of a receiver, nor the
20 appointment itself, shall constitute an election by Landlord
21 to terminate this Lease.

20 17.4 Landlord's Default. If Landlord shall
21 fail to observe or perform any of the provisions of this see
22 Lease to be performed by Landlord and such failure is not
23 cured within 10 days after notice has been given by Tenant to
24 Landlord, then Landlord shall be in default and without
25 further notice, Tenant may at any time thereafter: recover
all damages resulting from the default whether by offset or
against rental or otherwise; effect a cure on Landlord's
behalf and all costs and expenses so incurred by Tenant
together with interest at the rate of ten percent per annum
shall be due and payable by Landlord on demand by Tenant; or
pursue any other right or remedy provided by law.

26 18. Subordination; Estoppel; Quiet Enjoyment

27 18.1 Subordination. Subject to the provisions
28 of paragraph 18.3, this Lease is and shall be subordinate to
29 any encumbrance now of record or recorded after the date of
this Lease affecting the Premises, provided such encumbrance
evidences the non-disturbance protections of Tenant set forth
below. Such subordination shall be effective without any
30 further act of Tenant. Tenant shall, from time to time on
request from Landlord, execute and deliver any documents or
31 instruments that may be required by a lender to effectuate
32 any subordination. As long as Tenant performs its
obligations under this Lease, and is not in default

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hereunder, no foreclosure of, deed given in lieu of
foreclosure of, or sale under the encumbrance, and no other
2 steps or procedures taken under the encumbrance, shall affect
Tenant's rights under this Lease, and this Lease shall

3 continue in full force and effect as a direct Lease between
4 Tenant and any person succeeding to Landlord's interest
5 hereunder (and such successor shall be deemed to have assumed
6 all of Landlord's obligations hereunder).

7 18.2 Estoppel Certificates. Each party,
8 within 10 days after notice from the other party, shall
9 execute and deliver to the other party, in recordable form, a
10 certificate stating that this Lease is unmodified and in full
11 force and effect, or in full force and effect as modified,
12 and stating the modifications. The certificate shall also
13 state the amount of minimum annual rent, the dates to which
14 the rent has been paid in advance, and the amount of any
15 prepaid rent. Failure to deliver the certificate within the
16 10 days shall be conclusive upon the party failing to deliver
17 the certificate for the benefit of the party requesting the
18 certificate and any successor to the party requesting a
19 certificate, that this Lease is in full force and effect and
20 has not been modified, except as may be represented by the
21 party requesting the certificate.

22 18.3 Quiet Enjoyment. Landlord represents and
23 warrants that within 120 days of this date, they will be the
24 owner in fee simple of the Premises, that they alone have the
25 full right to lease the Premises, and that Tenant, on paying
26 the rent and performing the obligations hereunder, shall
27 peaceably and quietly hold and enjoy the Premises during the
28 term without any hindrance, molestation or ejection by
29 Landlord. During the term, Landlord shall not grant, create
30 or suffer to exist any claim, lien, encumbrance, easement,
31 restriction or other charge or exception to the title to the
32 Premises without the prior written consent of Tenant.
Further, Landlord warrants that the Premises does not violate
any applicable building code, zoning ordinance or other
applicable law at the time this Lease is executed. If it is
determined that this warranty has been violated, then
Landlord promptly shall rectify such violation at its sole
cost and expense.

19. Notice.

Any notice, demand, request, consent, approval or
communication that either party desires or is required to
give the other party or any other person in connection
herewith shall be in writing and either served personally or
sent by certified mail, with return receipt requested. Any
notice, demand, request, consent, approval or communication
that either party desires or is required to give to the other
party shall be addressed to the other party at the address
set forth herein in Paragraph 30. Either party may change
its address by notifying the other party of the change of
address. Notice shall be deemed communicated upon the first
to occur of (i) actual receipt of the notice, or (ii) 48
hours after the time of mailing, if mailed as provided in
this paragraph.

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20. Waiver.

No delay or omission in the exercise of any right
or remedy by either party hereto on any default by the other

party hereto shall impair such a right or remedy or be construed as a
waiver. The receipt and acceptance by

Landlord of delinquent rent shall not constitute a waiver of any other
default; it shall constitute only a waiver of

timely payment for the particular rent payment involved. Landlord's
consent to or approval of any act by Tenant

6 requiring Landlord's consent or approval shall not be deemed to waive or
render unnecessary Landlord's consent to or

7 approval of any subsequent act by Tenant. Any waiver by Landlord or Tenant
of any default must be in writing and

8 shall not be a waiver of any other default concerning the

9 same or any other provision of this Lease.

10 21. Quitclaim Deed.

Tenant shall execute and deliver to Landlord on the

11 expiration or termination of this Lease, immediately on Landlord's
request, a quitclaim deed to the Premises, in

12 recordable form, designating Landlord as transferee.

13 22. Sale or Transfer of Premises. If Landlord
sells or transfers all or any portion of the Premises, on the

14 consummation of the sale or transfer, Landlord shall be released from any
liability with respect to the sold or

15 transferred property thereafter (but not previously) accruing under this
Lease. Any such sale or transfer of the Premises

16 by Landlord, except to Tenant, shall be conditioned upon and subject to
Landlord's successor assuming this Lease in its

17 entirety, In the event of any such sale, Tenant and Landlord's successor
shall execute in recordable form a

18 declaration and amendment to this Lease, whereby Landlord's successor
will assume all of Landlord's position, benefits,

19 rights, obligations, and duties under this Lease and whereby Landlord's
successor and Tenant shall be in privity of

20 contract under this Lease.

21 23. Attorneys' Fees.

22 If either party becomes a party to any litigation
concerning this Lease or the Premises by reason of any act or

23 omission of the other party or its authorized representatives, and not by
any act or omission of the party

24 that becomes a party to that litigation or any act or omission of its
authorized representatives, the party that

25 causes the other party to become involved in the litigation shall be
liable to that party for reasonable attorneys' fees

26 and court costs incurred by it in the litigation. if either party
commences an action against the other party out of or

27 in connection with this Lease, the prevailing party shall be

28 entitled to have and recover from the losing party reasonable attorneys'
fees and costs of suit.

29 24. waiver of Landlord's Lien - Tenant's Property.

30 Within ten days after receipt of a written demand

31 from Tenant, Landlord shall execute and deliver any document required by
any supplier, lessor or lender in connection with

32 the installation on the Premises of Tenant's Trade Fixtures and by which
Landlord waives any rights it may have or

acquire with respect to that property, provided the supplier, lessor or lender agrees, in writing, that, upon expiration or termination of this Lease, it will remove that property from the Premises within 10 days of the expiration of the term or within 30 days after termination of the term, but, if it does not so remove the property, it shall have waived any rights it may have to the property.

25.-. Surrender of Premises; Holding over.

25.1 Surrender of Premises.

25.1.1 On expiration or termination of the term, Tenant shall surrender to Landlord the Premises and all of Tenant's improvements and alterations in good condition (except for ordinary wear and tear occurring after the last necessary maintenance made by Tenant and destruction to the Premises. as discussed herein), and, except for alterations or improvements that Tenant has the right to remove under any provisions of this Lease. Tenant may remove all its Trade Fixtures within the above-stated time. Tenant shall perform all restorations made necessary by the removal of any alterations, improvements, or Trade Fixtures within the time periods stated in this paragraph.

25.1.2 Landlord can elect to retain or dispose of, in any manner, any alteration, improvement or Trade Fixtures that Tenant does not remove from the Premises on expiration or termination of the term as allowed or required by this Lease by giving at least 10 days' notice to Tenant. Title to any such alterations, improvements or Tenant's Trade Fixtures that Landlord elects to retain or dispose of on expiration of the ten-day period shall vest in Landlord. Tenant waives all claims against Landlord for any damage to Tenant resulting from Landlord's retention or disposition of any such alterations, improvements or Trade Fixtures.

25.2 Holding Over. If Tenant remains in possession of the Premises after expiration or termination of the term, such possession by Tenant shall be deemed to be a month-to-month tenancy terminable on 30 days' notice given at any time by either party. During any such month-to-month tenancy, Tenant shall pay all rent required by this Lease, and, if percentage rent is required by this Lease, it shall be paid monthly on or before the 15th day of each month for Gross Sales during the preceding month. All provisions of this Lease, except those pertaining to term and options to extend, if any, shall apply to the month-to-month tenancy.

26. 'Common Area.

26.1 Commercial Complex. The Premises is located within and is to be a part of the Commercial Complex as described in Recital A. The Commercial Complex shall include the Premises, the Parking Area, additional parking, an office building, driveways, lanes, sidewalks and other common areas substantially as shown on Exhibit "A". Tenant shall have a right of use and easement in the Parking Area, additional parking, driveways, lanes, sidewalks and other common areas (collectively the "Common Area") jointly with the other tenants -of the Commercial Complex at all times during the lease term without any additional charge or fee of

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1 any kind to be paid by Tenant. In addition, as provided in Paragraphs 1 and 2.1, the area depicted in green on Exhibit

2 "All shall contain not less than 75 parking spaces for the exclusive use of Tenant, its employees, agents, customers and

3 guests, and the area depicted in blue on Exhibit "All shall contain not less than 135 parking spaces for use by Tenant,

4 its employees, agents, customers and guests, in common with the other tenants of the Commercial Complex. Landlord shall

5 bear the cost of the construction of the Common Area and Tenant shall have
no obligation to contribute thereto.

6

26.2 Maintenance. Except as provided in

7 Paragraph 8.4, and except for repairs resulting from the negligence of
Tenant, its employees or customers, Tenant

8 shall have no responsibility to maintain or repair the Common Area.
Landlord shall maintain the common Area in a neat,

9 clean and orderly condition, properly surfaced, striped, lighted and
landscaped with adequate security and sufficient

10 casualty and liability insurance naming Tenant as an additional insured.
Landlord shall repair any damage to the

11 Common Area promptly, such that at all times the Common Area shall be in
good, first-class working order, condition and

12 repair and available for use by Tenant. Landlord shall not alter or
modify the Common Area so as to impair Tenant's

13 access to the Premises or the Parking Area and, without Tenant's prior
written consent, Landlord shall not

14 substantially modify the Commercial Complex from that depicted in Exhibit
"A".

15

27. Memorandum of Lease.

16

A Memorandum of Lease shall, upon the request of

17 either Landlord or Tenant, be executed by the parties and recorded in the
Office of the appropriate County Recorder.

18 The Memorandum of Lease shall expressly state that it is executed
pursuant to the provisions contained in this Lease

19 and is not intended to vary the terms and conditions of this Lease. in
the event that Landlord or Tenant shall terminate

20 this Lease pursuant to the provisions contained herein for any cause
other than Landlord's breach thereof, Tenant shall

21 forthwith prepare, execute, acknowledge and deliver to

22 Landlord a Release and Cancellation of this Lease.

23 28. Miscellaneous Provisions.

28.1 Time of Essence. Time is of the essence

24 of each provision of this Lease.

25 28.2 Consent of Parties. Whenever consent or
approval of either party is required, other than as specifi-

26 cally set forth to the contrary herein, that party shall not

27 unreasonably withhold such consent or approval.

28 28.3 Corporate Authority. If either party or
a guarantor is a corporation, that party or guarantor shall

29 deliver to the other party on the execution of this Lease, a certified
copy of a resolution of its board of directors authorizing the execution of this

Lease and naming the

30 officers that are authorized to execute this Lease on behalf
31 of the corporation.

28.4 Successors. This Lease shall be binding

32 on and inure to the benefit of the parties and their successors, except as
provided otherwise in this Lease. -23

28.5 Rent Payable in United States Currency.

Rent and all other sums payable under this Lease must be paid

2 in lawful currency of the United States of America.

3 28.6 Status of Parties on Termination of Lease
Except as provided otherwise in this Lease, if a party elects

4 to terminate this Lease as allowed in this Lease, on the date this Lease
is terminated, the parties shall be released from

5 further liabilities and obligations and Landlord shall return to Tenant
any unearned rent, as long as Tenant is not in

6 default on the date the Lease terminates.

7 28.7 Exhibits. All exhibits referred to
herein, whether or not attached to this Lease, are

8 incorporated herein by reference.

9 28.8 Negation of Partnership. Nothing in this
Lease shall be construed to render the Landlord in any way,

10 or for any purpose, a partner, joint venturer, or associate with Tenant,
nor shall this Lease be construed to authorize

11 either Landlord or Tenant to act for the other, except as expressly
stated herein. The only relationship between the

12 parties hereto is that of Landlord and Tenant.

13 28.9 Brokerage. Tenant has not employed a
finder or broker in connection with this Lease and agrees to

14 indemnify and hold Landlord harmless from any brokerage commission or
finder's fee arising as a result of the

15 employment of any finder or broker by Tenant. Similarly,

Landlord shall pay and be responsible for any finder's fee or

16 brokerage commission arising as a result of the employment of such finder
or broker by Landlord and agrees to indemnify and

17 hold Tenant harmless with respect thereto.

18 29. Interpretation of Lease.

19 29.1 State Law. This Lease shall be construed
and interpreted in accordance with the laws of the state of

20 California.

21 29.2 Integrated Agreement; Modification. This
Lease contains all the agreements of the parties concerning

22 the Premises and cannot be amended or modified, except by a

23 written agreement.

29.3 Provisions are Covenants and Conditions.

24 All provisions, whether covenants or conditions, on the part of Landlord
and Tenant shall be deemed to be both covenants

25 and conditions.

26 29.4 Definitions. As used in this Lease, the
following words and phrases shall have the following

27 meanings:

28 a. Authorized Representative. Any
officer, agent, employee or independent contract- retained.

29 or employed by either party, acting within authority given him by that
party.

30

b. Commencement Date. The date the

31 lease term commences as described in Paragraph 3.3.

32

-24-

1 C. Damage. Any material injury,
deterioration or loss to a person or property caused by

2 another's acts or omissions. Damage includes death.

3 d. Destruction. Any material damage to

4 or disfigurement of the premises.

e. Encumbrance. Any deed of trust,

5 mortgage or other written security device or agreement affecting the
Premises, and the note or other obligation

6 secured by it, that constitutes security for the payment of a

7 debt or performance of an obligation.

f. Hold Harmless. To defend and indem-

8 nify from all liability, - losses, penalties, damages as defined herein,
costs, expenses (including, without

9 limitation, attorneys' fees), causes of action, claims or
judgments arising out of or related to any damage to any

10 person or property.

11 9- Lease Year. Except for the first
Lease Year, a period of twelve consecutive calendar months as

12 described in Paragraph 3.2.

13 h. Person. One or more human beings,
legal entities, or other artificial persons, including,

14 without limitation, partnerships, corporations, trusts, estates,
associations and any combination of human beings,

15 legal entities, or other artificial persons.

16 i. Restoration. The reconstruction,
rebuilding, rehabilitation and repairs that are necessary to
17 return destroyed portions of the Premises and other property to a
complete architectural unit in substantially equal or
18 better physical condition than as immediately before the destruction.

19
j. Successor, Assignee, transferee,

20 personal representative, heir, or other person or entity
.succeeding lawfully and pursuant to the provisions of this
21 Lease to the rights or obligations of either party.

22 k. Tenant's Trade Fixtures. Tenant's
equipment, furniture, merchandise and all other property.-
23 placed in the Premises by Tenant, including without limitation, any
property installed in or on the Premises by
24 Tenant for purposes of trade, merchandise or related use.
25 29.5 Captions. The captions in this Lease
shall have no effect on its interpretation.

26
29.6 Singular and Plural. When required by

27 the context of this Lease, the singular shall include the
28 plural and the plural shall include the singular.

29.7 Joint and Several obligations. "Party"

29 shall mean Landlord or Tenant; and, if more than one person or entity is
Landlord or Tenant, the obligations imposed on
30 that party shall be joint and several.

31 29.8 Severability. The unenforceability,
32 invalidity or illegality of any provision hereof shall not

-25-
render the other provisions unenforceable, invalid or illegal.

2
30. Addresses of Landlord and Tenant:

3
4 Landlord Tenant
5 1723 West Magnolia Boulevard Suite 500
Burbank, California 91506 2701 East Camelback
6 Phoenix, -Arizona 85016

Executed by the parties hereto effective on the
7 date first above written.

8 LANDLORD:

9
10 CHARLES P. CUSUMANO
11

12 DIANNA J. CUSUMANO

13

TENANT:

BOBBY McGEE'S CONGLOMERATION
OF LONG BEACH, INC.

By

It's President

GUARANTOR:

14

BOBBY McGEE'S, U.S.A., INC.

15

16

By
Robert F. Sikora
President

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-26-

EXHIBIT B

LEGAL DESCRIPTION

Beginning at the most northerly corner of Lot 2 6f Block 68 of the Town of Burbank Tract in the City of Burbank, County-of Los Angeles, State of California, as per map recorded in Book 17f Pages 19 to 22, et seq. of Miscellaneous Records in the office of the County Recorder of said county, said corner being the southerly corner of the intersection of Olive Avenue, 100 feet wide, and First Street, 80 feet wide, as said intersection is shown on said map; thence South 410 16' 02' West along the southeasterly line of said Olive Avenue a distance of 6 feet to the TRUE POINT OF BEGINNING, thence North 480 41' 53" West a distance of 28.00 feet7, to a point on a line 28.00 feet northwesterly of and parallel with the southeasterly line of said Olive Avenue; thence South 410 16' 02" West along said parallel line

- distance of 262.97 feet to a point; thence South 520 261 53" East

- distance of 335.23 feet to a point of tangency of a curve concave northerly having a radius of 40 feet; thence southeasterly, easterly and northeasterly along said curve a distance of 60.23 feet to a point of tangency on a line that is 19 feet southeasterly of and parallel with the north , westerly line of Angeleno Avenue, 80.00 feet wide, as

shown on said map; thence North 410 16' 48" East along said parallel line a distance of 171.12 feet to a point of tangency of a curve concave westerly having a radius of 30 feet; thence northeasterly, northerly and northwesterly along said curve a distance of 47.11 feet to a point of tangency on a line 6.00 feet southwesterly of and parallel with the southwesterly line of said First Street; thence North 480 411 53" West along said parallel line a distance of 313.99 feet to the True Point of Beginning.

Checked by
Approved by

FIRST ADDENDUM TO LEASE AGREEMENT

DATE: September 16. , 1983.
PARTIES: (1) CHARLES p. CUSUMANO and DIANNA J. CUSUMANO,
husband and wife (collectively the "Landlord").
(2) BOBBY MCGEE'S CONGLOMERATION OF LONG BEACH, INC.,
a California corporation (the "Tenant").

RECITALS: Landlord and Tenant are parties to that certain
A. Lease Agreement, dated September 16, 1983,
concerning the premises therein described situate
in Burbank, California.
- B. Landlord and Tenant wish to amend the Lease
Agreement so as to confirm certain assurances
that were provided by Landlord as an inducement
for Tenant to enter into the Lease Agreement.

AGREEMENTS: Landlord and Tenant agree as follows:

1. The following new Paragraph 3.5 is added to the Lease Agreement:

"3.5 Termination for Insufficient Sales.

If at the end of the 84th month of the lease term, Tenant's annual Gross Sales from the Premises (as defined in Paragraph 7.2.2) for the immediately preceding 12 months are less than \$4.5 million, then upon written notice issued by Tenant to Landlord on or before the last day of the 85th month of the lease term, this Lease shall terminate on the last day of the 90th month of the lease term, at which time, in addition to removing its Trade Fixtures and exercising such other rights as are provided to Tenant by the terms of this Lease, Landlord shall pay to Tenant a cash termination payment of \$200,000.00. In order to assure Tenant's receipt of the termination payment, within 15 days after Landlord receives Tenant's notice of the termination of this Lease as herein provided, Landlord shall deliver to Tenant a \$200,000.00 unconditional, irrevocable letter of credit issued to Tenant by a state or national bank acceptable to Tenant. If Landlord fails to provide the letter of credit within the time required, Tenant's obligation to pay minimum annual rent, percentage rent, taxes and any other sums (collectively "Rent required by this Lease shall cease and abate, and Tenant shall not be required to pay any such Rent for the remainder of the lease term.

BUSINESS LOAN AGREEMENT

Borrower: Chicago Pizza & Brewery, Inc.
26131 Marguerite Parkway, Suite A
Mission Viejo, CA 92692

Lender: Washington Mutual Bank dba WM Business Bank
Los Angeles Business Banking Center
1000 Wilshire Boulevard, Suite 100
Los Angeles, CA 90017

THIS BUSINESS LOAN AGREEMENT dated February 15, 2000, Is made and executed between Chicago Pizza & Brewery, Inc. ("Borrower") and Washington Mutual Bank dba WM Business Bank ("Lender") on the following terms and conditions. Borrower has received prior commercial loans from Lender or has applied to Lender for a commercial loan or loans or other financial accommodations, including those which may be described an any exhibit or schedule attached to this Agreement ("Loan"). Borrower understands and agrees that: (A) In granting, renewing, or extending any Loan, Lender is relying upon Borrower's representations, warranties, and agreements as set forth In this Agreement, and (B) all such Loans shall be and remain subject to the terms and conditions of this Agreement.

TERM. This Agreement shall be effective as of February 15, 2000. and shall continue in full force and effect until such time as all of Borrower's Loans in favor of Lender have been paid in full, in principal, interest, costs, expenses, attorneys' fees, and other fees and charges, or until February 15, 2001.

Collateral Records. Borrower does now, and at all times hereafter shall, keep correct and accurate records of the Collateral, all of which records shall be available to Lender or Lender's representative upon demand for inspection and copying at any reasonable lime.The above is an accurate and complete list of all locations at which Borrower keeps or maintains business records concerning Borrower's collateral.

Collateral Schedules. Concurrently with the execution and delivery of this Agreement, Borrower shall execute and deliver to Lender schedules of in form and substance satisfactory to the Lender. Thereafter supplemental schedules shall be delivered according to the following schedule:

CONDITIONS PRECEDENT TO EACH ADVANCE. Lender's obligation to make the initial Advance and each subsequent Advance under this Agreement shall be subject to the fulfillment to Lender's satisfaction of all of the conditions set forth in this Agreement and in the Related Documents.

Loan Documents. Borrower shall provide to Lender the following documents for the Loan: (1) the Note; (2) Security Agreements granting to Lender security interests in the Collateral; (3) financing statements perfecting Lender's Security Interests; (4) evidence of insurance as required below; (5) together with all such Related Documents as Lender may require for the Loan; all in form and substance satisfactory to Lender and Lender's counsel.

Borrower's Authorization. Borrower shall have provided in form and substance satisfactory to Lender properly certified resolutions, duly authorizing the execution and delivery of this Agreement, the Note and the Related Documents, In addition, Borrower shall have provided such other resolutions, authorizations, documents and instruments as Lender or its counsel, may require.

Payment of Fees and Expenses. Borrower shall have paid to Lender all fees, charges, and other expenses which are then due and payable as specified in this Agreement or any Related Document.

REPRESENTATIONS AND WARRANTIES. The representations and warranties set forth in this Agreement, in the Related Documents, and in any document or certificate delivered to Lender under this Agreement are true and correct.

No Event of Default. There shall not exist at the time of any Advance a condition which would constitute an Event of Default under this Agreement or under any Related Document.

REPRESENTATIONS AND WARRANTIES. Borrower represents and warrants to Lender, as of the date of this Agreement, as of the date of each disbursement of loan proceeds, as of the date of any renewal, extension or modification of any Loan, and at all times any Indebtedness exists:

Organization. Borrower is a corporation for profit which is, and at all times shall be, duly organized, validly existing, and in good standing under and by virtue of the laws of the State of California. Borrower is duly authorized to transact business in all other states in which Borrower is doing business, having obtained all necessary filings, governmental licenses and approvals for each state in which Borrower is doing business. Specifically, Borrower is, and at all times shall be, duly qualified as a foreign corporation in all states in which the failure to so qualify would have a material adverse effect on its business or financial condition. Borrower has the full power and authority to own its properties and to transact the business in which it is presently engaged or presently proposes to engage. Borrower maintains an office at 26131 Marguerite Parkway, Suite A, Mission Viejo, CA 92692, Unless Borrower has designated otherwise in writing, the principal office is the office at which Borrower keeps its books and records including its records concerning the Collateral. Borrower will notify Lender of any change in the location of Borrower's principal office. Borrower shall do all things necessary to preserve and to keep in full force and effect its existence, rights and privileges, and shall comply with all regulations, rules, ordinances, statutes, orders and decrees of any governmental or quasi-governmental authority or court applicable to Borrower and Borrower's business activities.

ASSUMED BUSINESS NAMES. Borrower has filed or recorded all documents or filings required by law relating to all assumed business names used by Borrower. Excluding the name of Borrower, the following is a complete list of all assumed business names under which Borrower does business: None.

Authorization. Borrower's execution, delivery, and performance of this Agreement and all the Related Documents have been duly authorized by all necessary action by Borrower and do not conflict with, result in a violation of, or constitute a default under (1) any provision of Borrower's articles of incorporation or organization, or bylaws, or any agreement or other instrument binding upon Borrower or (2) any law, governmental regulation, court decree, or order applicable to Borrower or to Borrower's properties.

Financial Information. Each of Borrower's financial statements supplied to Lender truly and completely disclosed Borrower's financial condition as of the date of the statement, and there has been no material adverse change in Borrower's financial condition subsequent to the date of the most recent financial statement supplied to Lender. Borrower has no material contingent obligations except as disclosed in such financial statements.

Legal Effect. This Agreement constitutes, and any instrument or agreement Borrower is required to give under this Agreement when delivered will constitute, legal, valid, and binding obligations of Borrower enforceable against Borrower in accordance with their respective term.

Hazardous Substances. Except as disclosed to and acknowledged by Lender in writing, Borrower represents and warrants that: (1) During the period of Borrower's ownership of Borrower's Collateral, there has been no use, generation, manufacture, storage, treatment, disposal, release or threatened release of any Hazardous Substance by any person on, under, about or from any of the Collateral. (2) Borrower has no knowledge of, or reason to believe that there has been (a) any breach or violation of any Environmental Laws; (b) any use, generation, manufacture, storage, treatment, disposal, release or threatened release of any Hazardous Substance on, under, about or from the Collateral by any prior owners or occupants of any of the Collateral; or (c) any actual or threatened litigation or claims of any kind by any person relating to such matters. (3) Neither Borrower nor any tenant, contractor, agent or other authorized user of any of the Collateral shall use, generate, manufacture, store, treat, dispose of or release any Hazardous Substance on, under, about or from any of the Collateral; and any such activity shall be conducted in compliance with all applicable federal, state, and local laws, regulations, and ordinances, including without limitation all Environmental Laws. Borrower authorizes Lender and its agents to enter upon the Collateral to make such inspections and tests as Lender may deem appropriate to determine compliance of the Collateral with this section of the Agreement. Any inspections or tests made by Lender shall be at Borrower's expense and for Lender's purposes only and shall not be construed to create any responsibility or liability on the part of Lender to Borrower or to any other person. The representations and warranties contained herein are based on Borrower's due diligence in investigating the Collateral for hazardous waste and hazardous substances. Borrower hereby (1) releases and waives any future claims against Lender for indemnity or contribution in the event Borrower becomes liable for cleanup or other costs under any such laws, and (2) agrees to indemnify and hold harmless Lender against any and all claims, losses,

liabilities, damages, penalties, and expenses which Lender may directly or indirectly sustain or suffer resulting from a breach of this section of the Agreement or as a consequence of any use, generation, manufacture, storage, disposal, release or threatened release of a hazardous waste or substance on the properties. The provisions of this section of the Agreement, including the obligation to indemnify, shall survive the payment of the Indebtedness and the termination, expiration or satisfaction of this Agreement and shall not be affected by Lender's acquisition of any interest in any of the Collateral, whether by foreclosure or otherwise.

Litigation and Claims. No litigation, claim, investigation, administrative proceeding or similar action (including those for unpaid taxes) against Borrower is pending or threatened, and no other event has occurred which may materially adversely affect Borrower's financial condition or properties, other than litigation, claims, or other events, if any, that have been disclosed to and acknowledged by Lender in writing.

Taxes. To the best of Borrower's knowledge, all of Borrower's tax returns and reports that are or were required to be filed, have been filed, and all taxes, assessments and other governmental charges have been paid in full, except those presently being or to be contested by Borrower in good faith in the ordinary course of business and for which adequate reserves have been provided.

Information. All information heretofore or contemporaneously herewith furnished by Borrower to Lender for the purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all information hereafter furnished by or on behalf of Borrower to Lender will be,

BUSINESS LOAN AGREEMENT
(Continued)

Page 2

true and accurate in every material respect on the date as of which such information is dated or certified; and none of such information is or will be incomplete by omitting to state any material fact necessary to make such information not misleading.

Lien Priority. Unless otherwise previously disclosed to Lender in writing, Borrower has not entered into or granted any Security Agreements, or permitted the filing or attachment of any Security Interests on or affecting any of the Collateral directly or indirectly securing repayment of Borrower's Loan and Note, that would be prior or that may in any way be superior to Lender's Security Interests and rights in and to such Collateral.

BINDING EFFECT. This Agreement, the Note, all Security Agreements (if any), and all Related Documents are binding Upon the signers thereof, as well as upon their successors, representatives and assigns, and are legally enforceable in accordance with their respective terms,

AFFIRMATIVE COVENANTS. Borrower covenants and agrees with Lender that, so long as this Agreement remains in effect, Borrower will:

NOTICES OF CLAIMS AND LITIGATION. Promptly inform Lender in writing of (1) all material adverse changes in Borrower's financial condition, and (2) all existing and all threatened litigation, claims, investigations, administrative proceedings or similar actions affecting Borrower or any Guarantor which could materially affect the financial condition of Borrower or the financial condition of any Guarantor.

Financial Records. Maintain its books and records in accordance with GAAP, applied on a consistent basis, and permit Lender to examine and audit Borrower's books and records at all reasonable times.

Financial Statements. Furnish Lender with the following:

(1) Annual Statements. As soon as available, but in no event later than one-hundred-twenty (120) days after the end of each fiscal year, Borrower's balance sheet and income statement for the year ended, audited by a certified public accountant satisfactory to Lender.

(2) INTERIM STATEMENTS. As soon as available, but in no event later than 45 days after the end of each fiscal quarter, Borrower's balance sheet and profit and loss statement for the period ended, prepared by Borrower.

All financial reports required to be provided under this Agreement shall be prepared in accordance with GAAP, applied on a consistent basis, and certified by Borrower as being true and correct.

ADDITIONAL INFORMATION. Furnish such additional information and statements, as Lender may request from time to time.

FINANCIAL COVENANTS AND RATIOS. Comply with the following covenants and ratios:

TANGIBLE NET WORTH REQUIREMENTS. Maintain a minimum Tangible Net Worth of not less than: \$8,000,000.00. Other Net Worth requirements are as follows: starting with the December 31, 1999 accounting period.

Except as provided above, all computations made to determine compliance with the requirements contained in this paragraph shall be made in accordance with generally accepted accounting principles, applied on a consistent basis, and certified by Borrower as being true and correct.

Insurance. Maintain fire and other risk insurance, public liability insurance, and such other insurance as Lender may require with respect to Borrower's properties and operations, in form, amounts, coverages and with insurance companies acceptable to Lender. Borrower, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least ten (10) days prior written notice to Lender. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Borrower or any other person. In connection with all policies covering assets in which Lender holds or is offered a security interest for the Loans, Borrower will provide Lender with such lender's loss payable or other endorsements as Lender may require.

Insurance Reports. Furnish to Lender, upon request of Lender, reports on each existing insurance policy showing such information as Lender may reasonably request, including without limitation the following: (1) the name of the insurer; (2) the risks insured; (3) the amount of the policy; (4) the properties insured; (5) the then current properly values on the basis of which insurance has been obtained, and the manner of determining those values; and (6) the expiration date of the policy. In addition, upon request of Lender (however not more often than annually), Borrower will have an independent appraiser satisfactory to Lender determine, as applicable, the actual cash value or replacement cost of any Collateral. The cost of such appraisal shall be paid by Borrower.

Other Agreements. Comply with all terms and conditions of all other agreements, whether now or hereafter existing, between Borrower and any other party and notify Lender immediately in writing of any default in connection with any other such agreements.

Loan Proceeds. Use all Loan proceeds solely for Borrower's business operations, unless specifically consented to the contrary by Lender in writing.

TAXES, CHARGES AND LIENS. Pay and discharge when due all of its indebtedness and obligations, including without limitation all assessments, taxes, governmental charges, levies and liens, of every kind and nature, imposed upon Borrower or its properties, income, or profits, prior to the date on which penalties would attach, and all lawful claims that, it unpaid, might become a lien or charge upon any of Borrower's properties, income, or profits.

PERFORMANCE. Perform and comply, in a timely manner, with all terms, conditions, and provisions set forth in this Agreement, in the
Relate

Documents, and in all other instruments and agreements between Borrower and Lender. Borrower shall notify Lender immediately in writing of any default in connection with any agreement.

Operations. Maintain executive and management personnel with substantially the same qualifications and experience as the present executive and management personnel; provide written notice to Lender of any change in executive and management personnel; conduct its business affairs in a reasonable and prudent manner.

Compliance with Governmental Requirements. Comply with all laws, ordinances, and regulations, now or hereafter in effect, of all governmental authorities applicable to the conduct of Borrower's properties, businesses and operations, and to the use or occupancy of the Collateral, including without limitation, the Americans With Disabilities Act. Borrower may contest in good faith any such law, ordinance, or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Borrower has notified Lender in writing prior to doing so and so long as, in Lender's sole opinion, Lender's interests in the Collateral are not jeopardized. Lender may require Borrower to post adequate security or a surety bond, reasonably satisfactory to Lender, to protect Lender's interest.

Inspection. Permit employees or agents of Lender at any reasonable time to inspect any and all Collateral for the Loan or Loans and Borrower's other properties and to examine or audit Borrower's books, accounts, and records and to make copies and memoranda of Borrower's books, accounts, and records. If Borrower now or at any time hereafter maintains any records (including without limitation computer generated records and computer software programs for the generation of such records) in the possession of a third party, Borrower, upon request of Lender, shall notify such party to permit Lender free access to such records at all reasonable times and to provide Lender with copies of any records it may request, all at Borrower's expense.

COMPLIANCE CERTIFICATES. Unless waived in writing by Lender, provide Lender at least annually and at the time of each disbursement of Loan proceeds, with a certificate executed by Borrower's chief financial officer, or other officer or person acceptable to Lender, certifying that the representations and warranties set forth in this Agreement are true and correct as of the date of the certificate and further certifying that, as of the date of the certificate, no Event of Default exists under this Agreement.

ENVIRONMENTAL COMPLIANCE AND REPORTS. Borrower shall comply in all respects with any and all Environmental Laws; not cause or permit to exist, as a result of an intentional or unintentional action or omission on Borrower's part or on the part of any third party, on property owned and/or occupied by Borrower, any environmental activity where damage may result to the environment, Unless such environmental activity is pursuant to and in compliance with the conditions of a permit issued by the appropriate federal, state or local governmental authorities; shall furnish to Lender promptly and in any event within thirty (30) days after receipt thereof a copy of any notice, summons, lien, citation, directive, letter or other communication from any governmental agency or instrumentality concerning any intentional or unintentional action or omission on Borrower's part in connection with any environmental activity whether or not there is damage to the environment and/or other natural resources,

ADDITIONAL ASSURANCES. Make, execute and deliver to Lender such promissory notes, mortgages, deeds of trust, security agreements, assignments, financing statements, instruments, documents and other agreements as Lender or its attorneys may reasonably request to evidence and secure the Loans and to perfect all Security Interests.

LENDER'S EXPENDITURES. If any action or proceeding is commenced that would materially affect Lender's interest in the Collateral or if Borrower fails to comply with any provision of this Agreement or any Related Documents, including but not limited to Borrower's failure to discharge or pay when due any amounts Borrower is required to discharge or pay under this Agreement or any Related Documents, Lender on Borrower's behalf may (but shall not be obligated to) take any action that Lender deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on any Collateral and paying all costs for insuring, maintaining and preserving any Collateral. All such expenditures incurred or paid by Lender for such purposes will then bear interest at the rate charged under the Note from the date incurred or paid by Lender to the date of repayment by Borrower. All Such expenses will become a part of the Indebtedness and, at Lender's option, will (A) be payable on demand; (B) be added to the balance of the Note and be apportioned among and be payable with any installment

payments to become due during either (1) the term of any applicable insurance policy; or (2) the remaining term of the Note; or (C) be treated as a balloon payment which will be due and payable at the Note's maturity. Any Collateral also will secure payment of these amounts. Such right shall be in addition to all other rights and remedies to which Lender may be entitled upon Default.

NEGATIVE COVENANTS. Borrower covenants and agrees with Lender that while this Agreement is in effect, Borrower shall not, without the prior written consent of Lender:

Indebtedness and Liens: (1) Except for trade debt incurred in the normal course of business and indebtedness to Lender contemplated by this wed money, including capital leases, (2) sell, transfer, mortgage, assign, pledge, lease, grant a security interest in, or encumber any of Borrower's assets (except as allowed as permitted liens),, or (3) sell with recourse any of Borrower's accounts, except to Lender.

Transfer and Liens. Fail to continue to own all of Borrower's assets, except for routine transfers, use or depletion in the ordinary course of Borrower's business. Borrower agrees not to create or grant to any person, except Lender, any lion, SOCurity interest, encumbrance, cloud on title, mortgage, pledge or similar interest in any of Borrower's property, even in the ordinary course of Borrower's business. Borrower agrees not to sell, convoy, grant, lease, give, contribute, assign, or otherwise transfer any of Borrower's assets, except for sales of inventory or leases of goods in the ordinary course of Borrower's business.

CONTINUITY OF OPERATIONS. (1) Engage in any business activities substantially different than those in which Borrower is presently engaged, (2) cease operations, liquidate, merge, transfer, acquire or consolidate with any other entity, change its name, dissolve or transfer or sell Collateral out of the ordinary course of business, or (3) pay any dividends on Borrower's stock (other than dividends payable in its stock), provided, however that notwithstanding the foregoing, but only so long as no Event of Default has occurred and is continuing or would result from the payment of dividends, it Borrower is a "Subchapter S Corporation" (as defined in the Internal Revenue Code of 1986, as amended), Borrower may pay cash' dividends on its stock to its shareholders from time to time in amounts necessary to enable the shareholders to pay income taxes and make estimated income tax payments to satisfy their liabilities under federal and state law which arise solely from their status as Shareholders of a Subchapter 3 Corporation because of their ownership of shares of Borrower's stock, or purchase or retire any of Borrower's outstanding shares or alter or amend Borrower's capital structure.

LOANS, ACQUISITIONS AND GUARANTIES. (1) Loan, invest in or advance money or assets, (2) purchase, create or acquire any interest in any other enterprise or entity, or (3) incur any obligation as surely or guarantor other than in the ordinary course of business.

CESSATION OF ADVANCES. If Lender has made any commitment to make any Loan to Borrower, whether under this Agreement or under any other agreement, Lender shall have no obligation to make Loan Advances or to disburse Loan proceeds if: (1) Borrower or any Guarantor is in default under the terms of this Agreement or any of the Related Documents or any other agreement that Borrower or any Guarantor has with Lender; (2) Borrower or any Guarantor dies, becomes incompetent or becomes insolvent, files a petition in bankruptcy or similar proceedings, or is adjudged a bankrupt; (3) there occurs a material adverse change in Borrower's financial condition, in the financial condition of any Guarantor, or in the value of any Collateral securing any Loan; or (4) any Guarantor seeks, claims or otherwise attempts to limit, modify or revoke such Guarantor's guaranty of the Loan or any other loan with Lender; or (5) Lender in good faith deems itself insecure, even though no Event of Default shall have occurred.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the Indebtedness against any and all such accounts.

DEFAULT. Each of the following shall constitute an Event of Default under this Agreement:

PAYMENT DEFAULT. Borrower fails to make any payment when due under the Loan.

OTHER DEFAULTS. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Agreement or In any of the Related Documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

FALSE STATEMENTS. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Agreement, the Note, or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

INSOLVENCY. The dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

DEFECTIVE COLLATERALIZATION. This Agreement or any of the Related Documents ceases to be in full force and effect (including failure of any collateral document to create a valid and perfected security interest or lien) at any time arid for any reason.

CREDITOR OR FORFEITURE PROCEEDINGS. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the Loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not hpply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and it Borrower gives Lender wrinen notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surely bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

EVENTS AFFECTING GUARANTOR. Any of the preceding events occurs with respect to any Guarantor of any of the Indebtedness or any Guarantor dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any Guaranty of the Indebtedness . In the event of a death, Lender, at its option, may, but shall not be required to, permit the Guarantor's estate to assume unconditionally the obligations arising under the guaranty in a manner satisfactory to Lender, and, in doing so, cure any Event of Default.

CHANGE IN OWNERSHIP. Any change in ownership of twenty-five percent (25%) or more of the common stock of Borrower.

ADVERSE CHANGE. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of the Loan is impaired.

INSECURITY. Lender in good faith believes itself insecure.

Right to Cure. If any default, other than a default on Indebtedness, is curable and if Borrower or Grantor, as the case may be, has not been given a notice of a similar default within the preceding twelve (12) months, it may be cured (and no Event of Default will have occurred) if Borrower or Grantor, as the case may be, after receiving written notice from Lender demanding cure of such default: (1) cure the default within fifteen (15) days; or (2) if the cure requires more than fifteen (15) days, immediately initiate steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continue and complete all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

EFFECT OF AN EVENT OF DEFAULT. If any Event of Default shall occur, except where otherwise provided in this Agreement or the Related Documents, all commitments and obligations of Lender under this Agreement or the Related Documents or any other agreement immediately will terminate (including any obligation to make further Loan Advances or disbursements), and, at Lender's option, all Indebtedness immediately will become due and payable, all without notice of any kind to Borrower, except that in the case of an Event of Default of the type described in the "Insolvency" subsection above, such acceleration shall be automatic and not optional. In addition, Lender shall have all the rights and

remedies provided in the Related Documents or available at law, in equity, or otherwise. Except as may be prohibited by applicable law, all of Lender's rights and remedies shall be cumulative and may be exercised singularly or concurrently. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Borrower or of any Grantor shall not affect Lender's right to declare a default and to exercise its rights and remedies.

YEAR 2000. Unless Lender has provided Borrower with a written waiver of the following "Year 2000" provisions, the following provisions shall apply:

Borrower represents, warrants and covenants that it has, or will have by a date that is acceptable to Lender: (i) undertaken a detailed inventory, review, and assessment of all areas within its business and operations that could be adversely affected by the failure of Borrower to be Year 2000 compliant on a timely basis, (ii) developed a detailed plan and timeline and committed adequate resources for becoming Year 2000 compliant on a timely basis, and (iii) implemented that plan in accordance with that timetable in all material respects. Borrower covenants and agrees that Borrower shall from time to time upon Lender's request furnish periodic updates to Lender regarding Borrower's progress on its Year 2000 compliance efforts, and provide copies to Lender of any internal and third-party assessments of Borrower's Year 2000 compliance efforts. Borrower covenants to be and reasonably anticipates that it will be Year 2000 compliant on a timely basis.

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BUSINESS LOAN AGREEMENT
(CONTINUED)

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Borrower has made (or will make, by a date acceptable to Lender) written inquiry (or, if acceptable to Lender, oral inquiry) of each of its key suppliers, vendors, and customers as to whether such persons will be Year 2000 compliant in all material respects on a timely basis. Based on that inquiry, and to the best of Borrower's knowledge only, Borrower believes that all such persons will be Year 2000 compliant in all material respects on a timely basis. For purposes of this provision, "key suppliers, vendors, and customers" refers to those suppliers, vendors, and customers of Borrower whose business failure would, with reasonable probability, result in a material adverse change in the business, properties, condition (financial or otherwise), or prospects of Borrower, or Borrower's ability to repay the indebtedness evidenced by this Note.

"Year 2000 compliant" means, with regard to any entity, that all software, embedded microchips, and other processing capabilities utilized by, and material to the business operations or financial condition of, such entity are able to interpret and manipulate data on and involving all calendar dates correctly and without causing any abnormal ending scenario, including in relation to dates in and after the Year 2000.

It shall be an event of default under this Note if (x) any of Borrower's representations and warranties regarding Year 2000 shall cease to be true (whether or not true when made) and, as a result, Lender reasonably believes that Borrower's financial condition or its ability to pay its debts as they become due will thereby be materially impaired, (y) Borrower fails to comply with any of its Year 2000 covenants, or (z) Borrower fails to be Year 2000 compliant in any material respect on a timely basis.

DEBT COVERAGE RATIO. Debt Coverage Ratio to be at least 2.00 to 1.00, tested on a quarterly basis. "Debt Coverage Ratio" shall mean the ratio of Cash Flow to Debt Service. "Cash Flow" shall mean all revenues after taxes, plus depreciation and amortization. "Debt Service" shall mean the current portion due on all indebtedness.

ADDITIONAL FINANCIAL PROVISIONS. Borrower agrees that while this Agreement is in effect, Borrower shall comply with the following:

Annual submission of SEC form 10K due within 120 days of each Year end and Quarterly submission of SEC 10Q form due within 60 days of quarter end.

Submission of quarterly and year end operating statements for each location within 45 days of period end.

Annual projection for the following twelve month period, will be due by January 31, 2001 for the period starting January 1, 2001 through December 31, 2001.

Quarterly Mystery Shopping Report due within 45 days of quarter end.

ADDITIONAL FINANCIAL COVENANTS. Borrower agrees that while this Agreement is in effect, Borrower shall comply with the following:

Maximum Dividends/Distributions shall not be more than 10% of Net Profit on the December 31, 1999 fiscal year end Certified Public Accountant audited statement,

No additional third party debt above \$160,000.00 without Lender approval.

Net Profit re-capture is to be applied to the final year of proposed term loan if fiscal year end 2000 profits exceed \$2,000,000.00. The projected annual Net Profit amount for determining the following year's re-capture base is to be set by Lender within 30 days of receipt of Borrower prepared projections. Net Profit in excess of \$2,000,000.00 is to be applied to Lender debt obligations. Covenant adjusted annually based on Borrower projections.

Sale of selected Pietro's locations is allowed.

FEES. A commitment fee of 1.00% (40,000.00) is to be paid on the date of the first advance.

LEVERAGE RATIO. Maintain a maximum Leverage Ratio of 1.00 to 1.00. This Leverage Ratio will be evaluated as of quarter end. "Leverage Ratio" shall mean total liabilities less subordinated debt divided by Net Worth less intangible assets plus subordinated debt.

CAPITAL EXPENDITURES. Make or contract to make capital expenditures, including leasehold improvements, and any fiscal year in excess of \$5,500,000.00.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Agreement:

Amendments. This Agreement, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement. No alteration of or amendment to this Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

ATTORNEYS' FEES; EXPENSES. Borrower agrees to pay upon demand all of Lender's costs and expenses, including Lender's attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Agreement. Lender may hire or pay someone else to help enforce this Agreement, and Borrower shall pay the costs and expenses of such enforcement. Costs and expenses include Lender's attorneys' fees and legal expenses whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated POST-judgment collection services. Borrower also shall pay all court costs and such additional fees as may be directed by the Court.

CAPTION HEADINGS. Caption headings in this Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of this Agreement.

CONSENT TO LOAN PARTICIPATION. Borrower agrees and consents to Lender's sale or transfer, whether now or later, of one or more participation interests in the Loan to one or more purchasers, whether related or unrelated to Lender. Lender may provide, without any limitation whatsoever, to any one or more purchasers, or potential purchasers, any information or knowledge Lender may have about Borrower or about any other matter relating to the Loan, and Borrower hereby waives any rights to privacy Borrower may have with respect to such matters. Borrower additionally waives any and all notices of sale of participation interests, as well as all notices of any repurchase of such participation interests. Borrower also agrees that the purchasers of any such participation interests will be considered as the absolute owners of such interests in the Loan and will have all the rights granted under the participation agreement or agreements governing the sale of such participation interests. Borrower further waives all rights of offset or counterclaim that it may have now or later against Lender or against any purchaser of such a participation interest and unconditionally agrees that either Lender or such purchaser may enforce Borrower's obligation under the Loan irrespective of the failure or insolvency

of any holder of any interest in the Loan. Borrower further agrees that the purchaser of any such participation interests may enforce its interests irrespective of any personal claims or defenses that Borrower may have against Lender.

GOVERNING LAW. THIS AGREEMENT WILL BE GOVERNED BY, CONSTRUED AND ENFORCED IN ACCORDANCE WITH FEDERAL LAW AND THE LAWS OF THE STATE OF CALIFORNIA. THIS AGREEMENT HAS BEEN ACCEPTED BY LENDER IN THE STATE OF CALIFORNIA.

NO WAIVER BY LENDER. Lender shall not be deemed to have waived any rights under this Agreement unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Agreement shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by Lender, nor any course of dealing between Lender and Borrower, or between Lender and any Grantor, shall constitute a waiver of any of Lender's rights or of any of Borrower's or any Grantor's, obligations as to any future transactions. Whenever the consent of Lender is required under this Agreement, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

Notices. Any notice required to be given under this Agreement shall be given in writing, and shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Agreement. Any party may change its address for notices under this Agreement by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Borrower agrees to keep Lender informed at all times of Borrower's current address. Unless otherwise provided or required by law, if there is more than one Borrower, any notice given by Lender to any Borrower is deemed to be notice given to all Borrowers.

Severability. If a court of competent jurisdiction finds any provision of this Agreement to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Agreement. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Agreement shall not affect the legality, validity or enforceability of any other provision of this Agreement.

SUBSIDIARIES AND AFFILIATES OF BORROWER. To the extent the context of any provisions of this Agreement makes it appropriate, including without limitation any representation, warranty or covenant, the word "Borrower" as used in this Agreement shall include all of Borrower's subsidiaries and affiliates. Notwithstanding the foregoing however, under no circumstances shall this Agreement be construed to require Lender to make any Loan or other financial accommodation to any of Borrower's subsidiaries or affiliates.

SUCCESSORS AND ASSIGNS. All covenants and agreements contained by or on behalf of Borrower shall bind Borrower's successors and assigns and shall inure to the benefit of Lender, its successors and assigns. Borrower shall not, however, have the right to assign Borrower's rights under

BUSINESS LOAN AGREEMENT
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SURVIVAL OF REPRESENTATIONS AND WARRANTIES. Borrower understands and agrees that in extending Loan Advances, Lender is relying on all representations, warranties, and covenants made by Borrower in this Agreement or in any certificate or other instrument delivered by Borrower to Lender under this Agreement or the Related Documents. Borrower further agrees that regardless of

any investigation made by Lender, all such representations, warranties and covenants will survive the extension of Loan Advances and delivery to Lender of the Related Documents, shall be continuing in nature, shall be deemed made and redated by Borrower at the time each Loan Advance is made, and shall remain in full FORCE AND effect until such time as Borrower's Indebtedness shall be paid in full, or until this Agreement shall be terminated in the manner provided above, whichever is the last to occur.

TIME IS OF THE ESSENCE. Time is of the essence in the performance of this Agreement.

DEFINITIONS. The following capitalized words and terms shall have the following meanings when used in this Agreement. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Agreement shall have the meanings attributed to such terms in the Uniform Commercial Code. Accounting words and terms not otherwise defined in this Agreement shall have the meanings assigned to them in accordance with generally accepted accounting principles as in effect on the date of this Agreement:

Advance. The word "Advance" means a disbursement of Loan funds made, or to be made, to Borrower or on Borrower's behalf on a line of credit or multiple advance basis under the terms and conditions of this Agreement.

Agreement. The word "Agreement" means this Business Loan Agreement, as this Business Loan Agreement may be amended or modified from time to time, together with all exhibits and schedules attached to this Business Loan Agreement from time to time.

Borrower. The word "Borrower" means Chicago Pizza & Brewery, Inc., and all other persons and entities signing the Note in whatever capacity.

Collateral. The word "Collateral" means all properly and assets granted as collateral security for a Loan, whether real or personal property, whether granted directly or indirectly, whether granted now or in the future, and whether granted in the form of a security interest, mortgage, collateral mortgage, deed of trust, assignment, pledge, chattel mortgage, crop pledge, chattel mortgage, collateral chattel mortgage, chattel trust, factor's lien, equipment trust, conditional sale, trust receipt, lien, charge, lien or title retention contract, lease or consignment intended as a security device, or any other security or lien interest whatsoever, whether created by law, contract, or otherwise,

Default. The word "Default" means the Default set forth in this Agreement in the section titled "Default".

ENVIRONMENTAL LAWS. The words "Environmental Laws" mean any and all state, federal and local statutes, regulations and ordinances relating to the protection of human health or the environment, including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 ("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., Chapters 6.5 through 7.7 of Division 20 of the California Health and Safety Code, Section 25100, et seq., or other applicable state or federal laws, rules, or regulations adopted pursuant thereto.

Event of Default. The words "Event of Default" mean any of the Events of Default set forth in this Agreement in the Default section of this Agreement.

GAAP. The word "GAAP" means generally accepted accounting principles.

GRANTOR. The word "Grantor" means each and all of the persons or entities granting a Security Interest in any Collateral for the Loan, including without limitation all Borrowers granting such a Security Interest.

GUARANTOR. The word "Guarantor" means any guarantor, surety, or accommodation party of any or all of the Loan.

GUARANTY. The word "Guaranty" means the guaranty from Guarantor to Lender, including without limitation a guaranty of all or part of the Note.

INDEBTEDNESS. The word "Indebtedness" means the indebtedness evidenced by the Note or Related Documents, including all principal and interest together with all other indebtedness and costs and expenses for which Borrower is responsible under this Agreement or under any of the Related Documents.

LENDER. The word "Lender" means Washington Mutual Bank dba WM Business Bank, its successors and assigns.

LOAN. The word "Loan" means any and all loans and financial accommodations from Lender to Borrower whether now or hereafter existing, and however evidenced, including without limitation those loans and financial accommodations described herein or described on any exhibit or schedule attached to this Agreement from time to time.

NOTE. The word "Note" means the Note executed by Borrower in the principal amount of \$4,000,000.00 dated February 15, 2000, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the note or credit agreement.

PERMITTED LIENS. The words "Permitted Liens" mean (1) liens and security interests securing Indebtedness owed by Borrower to Lender; (2) liens for taxes, assessments, or similar charges either not yet due or being contested in good faith; (3) liens of materialmen, mechanics, warehousemen, or carriers, or other like liens arising in the ordinary course of business and securing obligations which are not yet delinquent; (4) purchase money liens or purchase money security interests upon or in any property acquired or held by Borrower in the ordinary course of business to secure indebtedness outstanding on the date of this Agreement or permitted to be incurred under the paragraph of this Agreement titled "Indebtedness and Liens"; (5) liens and security interests which, as of the date of this Agreement, have been disclosed to and approved by the Lender in writing; and (6) those liens and security interests which in the aggregate constitute an immaterial and insignificant monetary amount with respect to the net value of Borrower's assets.

RELATED DOCUMENTS. The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Loan.

SECURITY AGREEMENT. The words "Security Agreement" mean and include without limitation any agreements, promises, covenants, arrangements, understandings or other agreements, whether created by law, contract, or otherwise, evidencing, governing, representing, or creating a Security Interest.

Security Interest. The words "Security Interest" mean, without limitation, any and all types of collateral security, present and future, whether in the form of a lien, charge, encumbrance, mortgage, deed of trust, security deed, assignment, pledge, crop pledge, chattel mortgage, collateral chattel mortgage, chattel trust, factor's lien, equipment trust, conditional sale, trust receipt, lien or title retention contract, lease or consignment intended as a security device, or any other security or lien interest whatsoever whether created by law, contract, or otherwise.

BORROWER ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS BUSINESS LOAN AGREEMENT AND BORROWER AGREES TO ITS TERMS. THIS BUSINESS LOAN AGREEMENT IS DATED FEBRUARY 15, 2000.

BORROWER:

CHICAGO PIZZA & BREWERY, INC.

By:

ERNEST T. KLINGER PRESIDENT OF CHICAGO PIZZA &
BREWERY, INC.

LENDER:

WASHINGTON MUTUAL BANK dba WM BUSINESS BANK

X

AUTHORIZED SIGNER

PROMISSORY NOTE

Borrower: CHICAGO PIZZA & BREWERY, INC.
26131 MARGUERITE PARKWAY, SUITE A
MISSION VIEJO, CA 92692

Lender: WASHINGTON MUTUAL BANK DBA WM BUSINESS BANK
LOS ANGELES BUSINESS BANKING Center
1000 WILSHIRE BOULEVARD, SUITE 100
LOS ANGELES, CA 90017

Principal Amount: \$4,000,000.00 Initial Rate: 10.750%
Date of Note: February 15, 2000

PROMISE TO PAY. Chicago Pizza & Brewery, Inc. ("Borrower") promises to pay to Washington Mutual Bank dba WM Business Bank ("Lender"), or order, In lawful money of the United States of America, the principal amount of Four Million & 00/100 Dollars (\$4,000,000.00) or so much as may be outstanding, together with interest on the unpaid outstanding principal balance of each advance. Interest shall be calculated from the date of each advance until repayment of each advance.

PAYMENT. Borrower will pay this loan In one payment of all outstanding principal plus all accrued unpaid Interest on February 15, 2001. In addition, Borrower will pay regular monthly payments of all accrued unpaid Interest due as of each payment date, beginnin4 March 31, 2000, with all subsequent interest payments to be due on the last day of each month after that. Unless otherwise agreed or required by applicable law, payments will be applied first to accrued unpaid interest, then to principal, and any remaining amount to any unpaid collection costs and late charges. The annual interest rate for this Note is computed on a 365/360 basis; that is, by applying the ratio of the annual interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

VARIABLE INTEREST RATE. The interest rate on this Note is subject to change from time to time based on changes in an independent index which is the annual interest rate, adjusted daily, published from time to time in The Wall Street Journal (Western Edition) as the "Prime Rate" in the "Money Rates" section, as of any date of determination (the "Index"). The Index is not necessarily the lowest rate charged by Lender on its loans. It the Index becomes unavailable during the term of this loan, Lender may designate a substitute index after notice to Borrower. Lender will tell Borrower the current Index rate upon Borrower's request. The interest rate change will not occur more often than each day. Borrower understands that Lender may make loans based on other rates as well. The Index currently is 8.750%. The interest rate to be applied to the unpaid principal balance of this Note will be at a rate of 2.000 percentage points over the Index, resulting In an initial rate of 10.750%. NOTICE: Under no circumstances will the interest rate on this Note be more than the maximum rate allowed by applicable law.

PREPAYMENT. Borrower agrees that all loan fees and other prepaid finance charges are earned fully as of the dale of the loan and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise required by law. Except for the foregoing, Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments of accrued unpaid interest, Rather, early payments will reduce the principal balance due. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: Washington Mutual Bank dba WM Business Bank, Los Angeles Business Banking Center, 1000 Wilshire Boulevard, Suite 100, Los Angeles, CA 90017.

LATE CHARGE. It a payment is 11 days or more late, Borrower will be charged

5.000% of the unpaid portion of the regularly scheduled payment or \$25.00, whichever is greater.

INTEREST AFTER DEFAULT. Upon Borrower's failure to pay all amounts declared due pursuant to this section, including failure to pay upon final maturity, Lender, at its option, may, if permitted under applicable law, increase the variable interest rate on this Note to 8.000 percentage points over the Index.

DEFAULT. Each of the following shall constitute an event of default ("Event of Default") under this Note:

PAYMENT DEFAULT. Borrower fails to make any payment when due under this Note.

OTHER DEFAULTS. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

FALSE STATEMENTS. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

INSOLVENCY. The dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

CREDITOR OR FORFEITURE PROCEEDINGS. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

EVENTS AFFECTING GUARANTOR. Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness. In the event of a death, Lender, at its option, may, but shall not be required to, permit the guarantor's estate to assume unconditionally the obligations arising under the guaranty in a manner satisfactory to Lender, and, in doing so, cure any Event of Default.

CHANGE IN OWNERSHIP. Any change in ownership of twenty-five percent (25%) or more of the common stock of Borrower.

ADVERSE CHANGE. A material adverse change occurs in Borrower's financial condition, or LENDER BELIEVES THE PROSPECT OF PAYMENT OR performance of this Note is impaired.

INSECURITY. Lender in good faith believes itself insecure.

CURE PROVISIONS. If any default, other than a default in payment, is curable and if Borrower has not been given a notice of a breach of the same provision of this Note within the preceding twelve (12) months, it may be cured (and no event of default will have occurred) if Borrower, after receiving written notice from Lender demanding cure of such default: (1) cures the default within fifteen (15) days; or (2) if the cure requires more than fifteen (15) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

LENDER'S RIGHTS. Upon default, Lender may declare the entire unpaid principal balance on this Note and all accrued unpaid interest immediately due, and then Borrower will pay that amount.

ATTORNEYS' FEES; EXPENSES. Lender may hire or pay someone else to help collect the loan if Borrower does not pay. Borrower will pay Lender that amount. This includes, subject to any limits under applicable law, Lender's attorneys' fees and Lender's legal expenses, whether or not there is a lawsuit, including attorneys' fees, expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. Borrower also will pay any court costs, in addition to all other sums provided by law.

GOVERNING LAW. THIS NOTE WILL BE GOVERNED BY, CONSTRUED AND ENFORCED IN ACCORDANCE WITH FEDERAL LAW AND THE LAWS OF THE STATE OF CALIFORNIA. THIS NOTE HAS BEEN ACCEPTED BY LENDER IN THE STATE OF CALIFORNIA.

DISHONORED ITEM FEE. Borrower will pay a fee to Lender of \$12.50 if Borrower makes a payment on Borrower's loan and the check or preauthorized charge with which Borrower pays is later dishonored.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts.

PROMISSORY NOTE
(Continued)

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LINE OF CREDIT. This Note evidences a straight line of credit. Once the total amount of principal has been advanced, Borrower is not entitled to further loan advances. Advances under this Note, as well as directions for payment from Borrower's accounts, may be requested orally or in writing by Borrower or by an authorized person. Lender may, but need not, require that all oral requests be confirmed in writing. Borrower agrees to be liable for all sums either: (A) advanced in accordance with the instructions of an authorized person or (B) credited to any of Borrower's accounts with Lender. The unpaid principal balance owing on this Note at any time may be evidenced by endorsements on this Note or by Lender's internal records, including daily computer print-outs. Lender will have no obligation to advance funds under this Note if: (A) Borrower or any guarantor is in default under the terms of this Note or any agreement that Borrower or any guarantor has with Lender, including any agreement made in connection with the signing of this Note; (B) Borrower or any guarantor ceases doing business or is insolvent; (C) any guarantor seeks, claims or otherwise attempts to limit, modify or revoke such guarantor's guarantee of this Note or any other loan with Lender; (D) Borrower has applied funds provided pursuant to this Note for purposes other than those authorized by Lender; or (E) Lender in good faith believes itself insecure.

YEAR 2000. Unless Lender has provided Borrower with a written waiver of the following "Year 2000" provisions, the following provisions shall apply:

Borrower represents, warrants and covenants that it has, or will have by a date that is acceptable to Lender: (i) undertaken a detailed inventory, review, and assessment of all areas within its business and operations that could be adversely affected by the failure of Borrower to be Year 2000 compliant on a timely basis, (ii) developed a detailed plan and timeline and committed adequate resources for becoming Year 2000 compliant on a timely basis, and (iii) implemented that plan in accordance with that timetable in all material respects. Borrower covenants and agrees that Borrower shall from time to time upon Lender's request furnish periodic updates to Lender regarding Borrower's progress on its Year 2000 compliance efforts, and provide copies to Lender of any internal and third-party assessments of Borrower's Year 2000 compliance efforts. Borrower covenants to be and reasonably anticipates that it will be Year 2000 compliant on a timely basis.

Borrower has made (or will make, by a date acceptable to Lender) written inquiry (or, if acceptable to Lender, oral inquiry) of each of its key suppliers, vendors, and customers as to whether such persons will be Year 2000 compliant in

all material respects on a timely basis. Based on that inquiry, and to the best of Borrower's knowledge only, Borrower believes that all such persons will be Year 2000 compliant in all material respects on a timely basis. For purposes of this provision, "key suppliers, vendors, and customers" refers to those suppliers, vendors, and customers of Borrower whose business failure would, with reasonable probability, result in a material adverse change in the business, properties, condition (financial or otherwise), or prospects of Borrower, or Borrower's ability to repay the indebtedness evidenced by this Note.

"Year 2000 compliant" means, with regard to any entity, that all software, embedded microchips, and other processing capabilities utilized by, and material to the business operations or financial condition of, such entity are able to interpret and manipulate data on and involving all calendar dates correctly and without causing any abnormal ending scenario, including in relation to dates in and after the Year 2000.

It shall be an event of default under this Note if (x) any of Borrower's representations and warranties regarding Year 2000 shall cease to be true (whether or not true when made) and, as a result, Lender reasonably believes that Borrower's financial condition or its ability to pay its debts as they become due will thereby be materially impaired, (y) Borrower fails to comply with any of its Year 2000 covenants, or (z) Borrower fails to be Year 2000 compliant in any material respect on a timely basis.

TERM OUT PERIOD. Borrower and Lender agree that at maturity any outstanding balance on the non-revolving line of credit shall be converted to a term loan for 36 months with a rate of Wall Street Journal Prime plus 3% floating on the full amount or Wall Street Journal Prime plus 3% fixed on the full amount for the first year, 2% for the second year, or a 1% prepayment penalty for the third year.

PAYMENT ON DEMAND. Borrower will pay this loan on demand, if no demand is made, in one payment of all outstanding principal plus all accrued interest unpaid on February 15, 2001.

ADDENDUM "A". An exhibit, titled "Addendum "A"," is attached to this Note and by this reference is made a part of this Note just as if all the provisions, terms and conditions of the Exhibit had been fully set forth in this Note.

SUCCESSOR INTERESTS. The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and Lender's successors and assigns.

GENERAL PROVISIONS. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive any applicable statute of limitations, presentment, demand for payment, and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Note are joint and several.

PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE, INCLUDING THE VARIABLE INTEREST RATE PROVISIONS. BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.

BORROWER:

CHICAGO PIZZA & BREWERY, INC.

ERNEST T. KLINGER, PRESIDENT OF CHICAGO PIZZA &
BREWERY, INC.

ADDENDUM "A"

LIBOR/RATE ADDENDUM

This Addendum A is attached to and made a part of the Promissory Note (the "Note") dated February 15, 2000, between Chicago Pizza & Brewery, Inc. ("Borrower") and Washington Mutual Bank, doing business as WM Business Bank ('Lender'). This Addendum is subject to all the terms and conditions of the remainder of the Note.

LENDER AND BORROWER agree as follows:

I. Advances under the Note shall bear interest at the "Applicable Interest Rate." The Applicable Interest Rate means, for the period from and including the date hereof and including the Maturity Date, a rate per annum at Borrower's option equal to one of the following:

a. PRIME RATE: the interest rate described in the "Variable Interest Rate" section of the Note.

b. LIBOR RATE: an interest rate (rounded upward to the next 1/100 of 1.0%) equal to the sum of (i) the LIBOR Base Rate, and (ii) the LIBOR Spread. For purposes of this definition:

(1) "LIBOR BASE RATE" means, with respect to a particular LIBOR Advance, the rate (expressed as a decimal) reported as the London Interbank Offered Rate in the Money Rates section of the Wall Street Journal published on the Business Day next preceding the date such LIBOR advance is made (which rate may be reported as of an earlier date) for maturities equal to the requested Interest Period. If the Wall Street Journal ceases reporting London Interbank Offered Rates comparable to those currently reported, the LIBOR Base Rate applicable hereunder shall be modified, and Lender shall select another reasonably comparable rate or index.

(ii) "LIBOR SPREAD" means three point five percent (3.5%) per year.

2. Definitions: As used in this Addendum, the following terms shall have the meanings set forth below:

BUSINESS DAY: means a day on which banks are not required or authorized to close in Los Angeles, California and on which dealings are carried on in the London Interbank market.

"INTEREST PERIOD" means, for each LIBOR Advance, the period beginning on the date such LIBOR Advance is made or continued as and ending on (but excluding) the day which numerically corresponds to such date one, two, three or six months thereafter, (or, if such month has no numerically corresponding day, on the last Business Day of such month), as the Borrower may select in its relevant request pursuant to Section 3 or 4, below, provided, however, that i) the Borrower shall not be permitted to select Interest Periods to be in effect at any one time which have expiration dates occurring on more than six (6) different date: ii) if such Interest Period would otherwise end on a day which is not a business Day, such Interest Period shall end on the Next following Business Day (less such next following Business Day is the first day of a calendar month in which case such Interest Period shall end on the Business Day next preceding such numerically corresponding day); ili) no Interest period for any LIBOR advance may end later than the stated Maturity Date.

"LIBOR BORROWING REQUEST" means a request made by Borrower for a LIBOR Advance pursuant to the provisions of this Addendum.

3. LIBOR BORROWING REQUEST. Each request by Borrower for a LIBOR Advance shall conform to the following:

a. Each request for a LIBOR Advance shall be made by Borrower in the manner specified by Lender and shall be submitted to Lender so as to be received by Lender not later than 11:00 a.m. on the third Business Day prior to the date

of the proposed borrowing.

b. Each LIBOR Advance shall be in the minimum amount of Two Hundred Fifty Thousand and No/100 Dollars (\$250,000.00) or multiples of (\$250,000.000) subject to the maximum amount available under the Note and the Loan Agreement.

C. Each LIBOR Borrowing Request shall specify the Interest Period for the requested LIBOR Advance.

4. REPAYMENT/PREPAYMENT. Borrower shall repay the outstanding principal

amount of each LIBOR Advance, together with any accrued and unpaid interest thereon, on the last day of the Interest Period for such LIBOR Advance, as the case may be, unless Borrower elects to continue/convert such Advance, and gives notice to Lender not less than three Business Days prior to the last day of the Interest Period that all or any portion greater than \$250,000.00 of such Advance shall be converted into an Advance bearing interest under a different option hereunder, or continued as an Advance of the same type as that for which the Interest Period is then ending. Notwithstanding anything to the contrary contained in the Note, including without limitation the Section entitled "Prepayment," neither the principal balance of any LIBOR Advance may be prepaid prior to the last day of the applicable Interest Period.

2.

5. UNAVAILABILITY OF SELECTED RATE. Notwithstanding any election of a LIBOR

Advance for an Interest Period pursuant to this Addendum, if-

a. on or prior to the determination OF THE APPLICABLE INTEREST RATE FOR such Advance, the Lender determines (which determination shall be conclusive and binding) that quotations of interest rates for the relevant deposits are not being provided in the relevant market in the relevant amount and Interest Period-, or

b. on or prior to the first day of an Interest Period, the Lender determines (which determination shall be conclusive and binding) that, as a result of conditions in or generally affecting the relevant market, the rates of interest or the basis on which the applicable interest rate is to be computed do not accurately reflect the cost to the Lender of making or maintaining such Advance for such Interest Period; then Lender shall give the Borrower prompt notice thereof by telephone and the request by the Borrower for such Advance for such Interest Period shall not be effective, and such Advance shall be made as an Advance bearing interest at the most favorable rate available to Borrower under either remaining interest rate option hereunder.

6. INCREASED COSTS. If, due to either (i) the introduction after the date

of this Addendum of or any change after the date of this Addendum (including any change by way of imposition or increase of reserve requirements or assessments) in or in the interpretation of any law or regulation, or (ii) the compliance with any guideline or request issued or made after the date of this Addendum by any central bank- or other governmental authority (whether or not having the force of law), there shall be any increase in the cost to the Lender of making, or maintaining LIBOR Advances, then the Borrower shall from time to time, upon demand by the Lender, pay to the Lender additional amounts sufficient to reimburse the Lender for all such increased costs. A certificate as to the amount of such increased costs, submitted to the borrower by the Lender, shall be conclusive and binding absent manifest error.

7. INCREASED CAPITAL REQUIREMENTS. If either (1) the introduction after the

date of this Addendum of, or the application after the date of this Addendum as a result of phase- in or transitional rules of, or any change after the date of this Addendum in or in the interpretation of, any law or regulation or (ii) compliance by the Lender with any

guideline or request issued or made after the date of this Addendum or deemed applicable after the date hereof as a result of phase-in or transitional rules by any central bank or other governmental authority (whether or not having the force of law) affects the amount of capital required to be based upon the making of LIBOR Advances pursuant to this Addendum, then, upon demand by the Lender, the Borrower shall immediately pay to the Lender, from time to time as specified by the Lender the costs of maintainu'nc, such increased capital. A certificate as to such amounts submitted to the Borrower by the Lender shall be conclusive and binding absent manifest error.

3.

8. ILLEGALITY. Notwithstanding any other provision of this Addendum, if the introduction of or any change in or in the interpretation of any law or regulation shall make it unlawful, or any central bank or other governmental authority shall assert that it is unlawful, for the Lender to make or maintain LIBOR Advances, Lender may, by notice to the Borrower, suspend the right of the borrower to elect such Advances and, if necessary in the reasonable opinion of the Lender to comply with such law or regulation, convert all outstanding LIBOR Advances (as the case may be) to Advances bearing interest at the most favorable rate available to Borrower under either remaining interest rate option hereunder.

9. DEFAULT RATE. Notwithstanding anything to the contrary contained in the Note, including without limitation the Section of the Note entitled "Lender's Rights," in the event of any default under the Note, all outstanding LIBOR Advances shall thereafter during the continuance of such default bear interest at a rate equal to six percent (6.000%) in excess of the LIBOR Rate-

THIS ADDENDUM IS DATED this
17th day of February, 2000

Borrower:

Chicago Pizza & Brewery, Inc.

By -

Ernest T. Klinger.

Its:
President

LENDER:

WASHINGTON MUTUAL BANK, doing business as WM Business Bank

By:

Its: Vice President

Grantor: CHICAGO PIZZA & BREWERY, INC.
26131 Marguerite Parkway, Suite A
Mission Viejo, CA 92692

Lender: WASHINGTON MUTUAL BANK DBA WM BUSINESS BANK
LOS ANGELES BUSINESS BANKING CENTER
1000 WILSHIRE BOULEVARD, SUITE 100
LOS ANGELES, CA 90017

THIS COMMERCIAL SECURITY AGREEMENT dated February 15, 2000, Is made and executed between Chicago Pizza & Brewery, Inc. ("Grantor") and Washington Mutual Bank dba WM Business Bank ("Lender").

GRANT OF SECURITY INTEREST. For valuable consideration, Grantor grants to Lender a security Interest In the Collateral to secure the Indebtedness and agrees that Lender shall have the rights stated in this Agreement with respect to the Collateral, In addition to all other rights which Lender may have by law.

COLLATERAL DESCRIPTION. The word "Collateral" as used in this Agreement means the following described property, Whether now owned or hereafter acquired, whether now existing or hereafter arising, and wherever located, in which Grantor is giving to Lender a security interest for the payment of the Indebtedness and performance of all other obligations under the Note and this Agreement:

ALL INVENTORY, CHATTEL PAPER, ACCOUNTS, EQUIPMENT AND GENERAL INTANGIBLES

In addition, the word "Collateral" also includes all the following, whether now owned or hereafter acquired, whether now existing or hereafter arising, and wherever located:

(A) All accessions, attachments, accessories, tools, parts, supplies, replacements and additions to any of the collateral described herein, whether added now or later.

(B) All products and produce of any of the property described in this Collateral section.

(C) All accounts, general intangibles, instruments, rents, monies, payments, and all other rights, arising out of a sale, lease, or other disposition of any of the property described in this Collateral section.

(D) All proceeds (including insurance proceeds) from the sale, destruction, loss, or other disposition of any of the property described in this Collateral section, and sums due from a third party who has damaged or destroyed the Collateral or from that party's insurer, whether due to judgment, settlement or other process.

(E) All records and data relating to any of the property described in this Collateral section, whether in the form of a writing, photograph, microfilm, microfiche, or electronic media, together with all of Grantor's right, title, and interest in and to all computer software required to utilize, create, maintain, and process any Such records or data on electronic media.

Despite any other provision of this Agreement, Lender is not granted, and will not have, a nonpurchase money security interest in household goods, to the extent such a security interest would be prohibited by applicable law. In addition, if because Of the type of any Property, Lender is required to give a notice of the right to cancel under Truth in Lending for the Indebtedness, then Lender will not have a security interest in such Property unless and until such a notice is given.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Grantor's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Grantor holds jointly with someone else and all accounts Grantor may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Grantor authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the Indebtedness against any and all such accounts.

GRANTOR'S REPRESENTATIONS AND WARRANTIES WITH RESPECT TO THE COLLATERAL. With respect to the Collateral, Grantor represents and warrants to Lender that:

PERFECTION OF SECURITY INTEREST. Grantor agrees to execute financing statements

and to take whatever other actions are requested by Lender to perfect and continue Lender's security interest in the Collateral. Upon request of Lender, Grantor will deliver to Lender any and all of the documents evidencing or constituting the Collateral, and Grantor will note Lender's interest upon any and all chattel paper If not delivered to Lender for possession by Lender.

NOTICES TO LENDER. Grantor will notify Lender in writing at Lender's address shown above (or such other addresses as Lender may designate from time to time) prior to any (1) change in Grantor's name, (2) change in Grantor's assumed business name(s), (3) change in the management of Grantor, (4) change in the authorized signer(s), (5) change in Grantor's principal office address, (6) conversion of Grantor to a new or different type of business entity, or (7) change in any other aspect of Grantor that directly or indirectly relates to any agreements between Grantor and Lender. No change in Grantor's name will take effect until after Lender has been notified.

NO VIOLATION. The execution and delivery of this Agreement will not violate any law or agreement governing Grantor or to which Grantor is a party, and its certificate or articles of incorporation and bylaws do not prohibit any term or condition of this Agreement.

ENFORCEABILITY OF COLLATERAL. To the extent the Collateral consists of accounts, chattel paper, or general intangibles, as defined by the Uniform Commercial Code, the Collateral is enforceable in accordance with its terms, is genuine, and fully complies with all applicable laws and regulations concerning form, content and manner of preparation and execution, and all persons appearing to be obligated on the Collateral have authority and capacity to contract and are in fact obligated as they appear to be on the Collateral. At the time any Account becomes subject to a security interest in favor of Lender, the Account shall be a good and valid account representing an undisputed, bona fide indebtedness incurred by the account debtor, for merchandise held subject to delivery instructions or previously shipped or delivered pursuant to a contract of sale, or for services previously performed by Grantor with or for the account debtor. So long as this Agreement remains in effect, Grantor shall not, without Lender's prior written consent, compromise, settle, adjust, or extend payment under or with regard to any such Accounts. There shall be no setoffs or counterclaims against any of the Collateral, and no agreement shall have been made under which any deductions or discounts may be claimed concerning the Collateral except those disclosed to Lender in writing.

LOCATION OF THE COLLATERAL. Except in the ordinary course of Grantor's business, Grantor agrees to keep the Collateral (or to the extent the Collateral consists of intangible property such as accounts or general intangibles, the records concerning the Collateral) at Grantor's address shown above or at such other locations as are acceptable to Lender. Upon Lender's request, Grantor will deliver to Lender in form satisfactory to Lender a schedule of real properties and Collateral locations relating to Grantor's operations, including without limitation the following: (1) all real property Grantor owns or is purchasing; (2) all real property Grantor is renting or leasing; (3) all storage facilities Grantor owns, rents, leases, or uses; and (4) all other properties where Collateral is or may be located.

REMOVAL OF THE COLLATERAL. Except in the ordinary course of Grantor's business, including the sales of inventory, Grantor shall not remove the Collateral from its existing location without Lender's prior written consent. Grantor shall, whenever requested, advise Lender of the exact location of the Collateral.

TRANSACTIONS INVOLVING COLLATERAL. Except for inventory sold or accounts collected in the ordinary course of Grantor's business, Grantor shall not sell, offer to sell, or otherwise transfer or dispose of the Collateral. While Grantor is not in default under this Agreement, Grantor may sell inventory, but only in the ordinary course of its business and only to buyers who qualify as a buyer in the ordinary course of business. A sale in the ordinary course of Grantor's business does not include a transfer in partial or total satisfaction of a debt or any bulk sale. Grantor shall not pledge, mortgage, encumber or otherwise permit the Collateral to be subject to any lien, security interest, encumbrance, or charge, other than the security interest provided for in this Agreement, without the prior written consent of Lender. This includes security interests even if junior in right to the security interests granted under this Agreement. Unless waived by Lender, all proceeds from any disposition of the Collateral (for whatever reason) shall be held in trust for Lender and shall not be commingled with any other funds; provided however, this requirement shall not constitute consent by Lender to any sale or other disposition. Upon receipt, Grantor shall immediately deliver any such proceeds to Lender.

TITLE. Grantor represents and warrants to Lender that Grantor holds good and marketable title to the Collateral, free and clear of all liens and encumbrances except for the lien of this Agreement. No financing statement covering any of the Collateral is on file in any public office other than those which reflect the security interest created by this Agreement or to which Lender has specifically consented. Grantor shall defend Lender's rights in the Collateral against the claims and demands of all other persons.

REPAIRS AND MAINTENANCE. Grantor agrees to keep and maintain, and to cause others to keep and maintain, the Collateral in good order, repair and condition at all times while this Agreement remains in effect. Grantor further agrees to pay when due all claims for work done on, or services rendered or material furnished in connection with the Collateral so that no lien or encumbrance may ever allach to or be filed against the Collateral.

INSPECTION OF COLLATERAL. Lender and Lender's designated representatives and agents shall have the right at all reasonable times to examine and

COMMERCIAL SECURITY AGREEMENT
(Continued)

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inspect the Collateral wherever located.

TAXES, ASSESSMENTS AND LIENS. Grantor will pay when due all taxes, assessments and liens upon the Collateral, its use or operation, upon this Agreement, upon any promissory note or notes evidencing the Indebtedness, or upon any of the other Related Documents. Grantor may withhold any such payment or may elect to contest any lien if Grantor is in good faith conducting an appropriate proceeding to contest the obligation to pay and so long as Lender's interest in the Collateral is not jeopardized in Lender's sole opinion. If the Collateral is subjected to a lien which is not discharged within fifteen (15) days, Grantor shall deposit with Lender cash, a sufficient corporate surety bond or other security satisfactory to Lender in an amount adequate to provide for the discharge of the lien plus any interest, costs, attorneys' fees or other charges that could accrue as a result of foreclosure or sale of the Collateral. In any contest Grantor shall defend itself and Lender and shall satisfy any final adverse judgment before enforcement against the Collateral. Grantor shall name Lender as an additional obligee under any surety bond furnished in the contest proceedings. Grantor further agrees to furnish Lender with evidence that such taxes, assessments, and governmental and other charges have been paid in full and in a timely manner. Grantor may withhold any such payment or may elect to contest any lien if Grantor is in good faith conducting an appropriate proceeding to contest the obligation to pay and so long as Lender's interest in the Collateral is not jeopardized.

COMPLIANCE WITH GOVERNMENTAL REQUIREMENTS. Grantor shall comply promptly with all laws, ordinances, rules and regulations of all governmental authorities, now or hereafter in effect, applicable to the ownership, production, disposition, or use of the Collateral. Grantor may contest in good faith any such law, ordinance or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Lender's interest in the Collateral, in Lender's opinion, is not jeopardized.

HAZARDOUS SUBSTANCES. Grantor represents and warrants that the Collateral never has been, and never will be so long as this Agreement remains a lien on the Collateral, used in violation of any Environmental Laws or for the generation, manufacture, storage, transportation, treatment, disposal, release or threatened release of any Hazardous Substance. The representations and warranties contained herein are based on Grantor's due diligence in investigating the Collateral for Hazardous Substances. Grantor hereby (1) releases and waives any future claims against Lender for indemnity or contribution in the event Grantor becomes liable for cleanup or other costs under any Environmental Laws, and (2) agrees to indemnify and hold harmless Lender against any and all claims and losses resulting from a breach of this provision of this Agreement. This obligation to indemnify shall survive the payment of the Indebtedness and the satisfaction of this Agreement.

MAINTENANCE OF CASUALTY INSURANCE. Grantor shall procure and maintain all risks insurance, including without limitation fire, theft and liability coverage together with such other insurance as Lender may require with respect to the Collateral, in form, amounts, coverages and basis reasonably acceptable to

Lender and issued by a company or companies reasonably acceptable to Lender. Grantor, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least ten (10) days' prior written notice to Lender and not including any disclaimer of the insurer's liability for failure to give such a notice. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Grantor or any other person. In connection with all policies covering assets in which Lender holds or is offered a security interest, Grantor will provide Lender with such loss payable or other endorsements as Lender may require. If Grantor at any time fails to obtain or maintain any insurance as required under this Agreement, Lender may (but shall not be obligated to) obtain such insurance as Lender deems appropriate, including if Lender so chooses "single interest insurance," which will cover only Lender's interest in the Collateral.

APPLICATION OF INSURANCE PROCEEDS. Grantor shall promptly notify Lender of any loss or damage to the Collateral. Lender may make proof of loss if Grantor fails to do so within fifteen (15) days of the casualty. All proceeds of any insurance on the Collateral, including accrued proceeds thereon, shall be held by Lender as part of the Collateral. If Lender consents to repair or replacement of the damaged or destroyed Collateral, Lender shall, upon satisfactory proof of expenditure, pay or reimburse Grantor from the proceeds for the reasonable cost of repair or restoration. If Lender does not consent to repair or replacement of the Collateral, Lender shall retain a sufficient amount of the proceeds to pay all of the indebtedness, and shall pay the balance to Grantor. Any proceeds which have not been disbursed within six (6) months after their receipt and which Grantor has not committed to the repair or restoration of the Collateral shall be used to prepay the Indebtedness.

INSURANCE RESERVES. Lender may require Grantor to maintain with Lender reserves for payment of insurance premiums, which reserves shall be created by monthly payments from Grantor of a sum estimated by Lender to be sufficient to produce, at least fifteen (15) days before the premium due date, amounts at least equal to the insurance premiums to be paid. If fifteen (15) days before payment is due, the reserve funds are insufficient, Grantor shall upon demand pay any deficiency to Lender. The reserve funds shall be held by Lender as a general deposit and shall constitute a non-interest-bearing account which Lender may satisfy by payment of the insurance premiums required to be paid by Grantor as they become due. Lender does not hold the reserve funds in trust for Grantor, and Lender is not the agent of Grantor for payment of the insurance premiums required to be paid by Grantor. The responsibility for the payment of premiums shall remain Grantor's sole responsibility.

INSURANCE REPORTS. Grantor, upon request of Lender, shall furnish to Lender reports on each existing policy of insurance showing such information as Lender may reasonably request including the following: (1) the name of the insurer; (2) the risks insured; (3) the amount of the policy; (4) the property insured; (5) the then current value on the basis of which insurance has been obtained and the manner of determining that value; and (6) the expiration date of the policy. In addition, Grantor shall upon request by Lender (however not more often than annually) have an independent appraiser satisfactory to Lender determine, as applicable, the cash value or replacement cost of the Collateral.

GRANTOR'S RIGHT TO POSSESSION AND TO COLLECT ACCOUNTS. Until default and except as otherwise provided below with respect to accounts, Grantor may have possession of the tangible personal property and beneficial use of all the Collateral and may use it in any lawful manner not inconsistent with this Agreement or the Related Documents, provided that Grantor's right to possession and beneficial use shall not apply to any Collateral where possession of the Collateral by Lender is required by law to perfect Lender's Security interest in such Collateral. Until otherwise notified by Lender, Grantor may collect any of the Collateral consisting of accounts. At any time and even though no Event of Default exists, Lender may exercise its rights to collect the accounts and to notify account debtors to make payments directly to Lender for application to the Indebtedness. If Lender at any time has possession of any Collateral, whether before or after an Event of Default, Lender shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral if Lender takes such action for that purpose as Grantor shall request or as Lender, in Lender's sole discretion, shall deem appropriate under the circumstances, but failure to honor any request by Grantor shall not of itself be deemed to be a failure to exercise reasonable care. Lender shall not be required to take any steps necessary to preserve any rights in the Collateral against prior parties, nor to protect, preserve or maintain any security interest given to secure the Indebtedness.

LENDER'S EXPENDITURES. If any action or proceeding is commenced that would materially affect Lender's interest in the Collateral or if Grantor fails to comply with any provision of this Agreement or any Related Documents, including but not limited to Grantor's failure to discharge or pay when due any amounts Grantor is required to discharge or pay under this Agreement or any Related Documents, Lender on Grantor's behalf may (but shall not be obligated to) take any action that Lender deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on the Collateral and paying all costs for insuring, maintaining and preserving the Collateral. All such expenditures incurred or paid by Lender for such purposes will then bear interest at the rate charged under the Note from the date incurred or paid by Lender to the date of repayment by Grantor. All such expenses will become a part of the indebtedness and, at Lender's option, will (A) be payable on demand; (B) be added to the balance of the Note and be apportioned among and be payable with any installment payments to become due during either (1) the term of any applicable insurance policy; or (2) the remaining term of the Note; or (C) be treated as a balloon payment which will be due and payable at the Note's maturity. The Collateral also will secure payment of these amounts. Such right shall be in addition to all other rights and remedies to which Lender may be entitled upon Default.

DEFAULT. Each of the following shall constitute an Event of Default under this Agreement:

PAYMENT DEFAULT. Grantor fails to make any payment when due under the Indebtedness.

OTHER DEFAULTS. Grantor fails to comply with or to perform any other term, obligation, covenant or condition contained in this Agreement or in any of the Related Documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Grantor.

FALSE STATEMENTS. Any warranty, representation or statement made or furnished to Lender by Grantor or on Grantor's behalf under this Agreement, the Note, or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

DEFECTIVE COLLATERALIZATION. This Agreement or any of the Related Documents ceases to be in full force and effect (including failure of any collateral document to create a valid and perfected security interest or lien) at any time and for any reason.

INSOLVENCY. The dissolution or termination of Grantor's existence as a going business, the insolvency of Grantor, the appointment of a receiver for any part of Grantor's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Grantor.

CREDITOR OR FORFEITURE PROCEEDINGS. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Grantor or by any governmental agency against any collateral securing the Indebtedness. This includes a garnishment of any of Grantor's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Grantor as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Grantor gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

COMMERCIAL SECURITY AGREEMENT
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EVENTS AFFECTING GUARANTOR. Any of the preceding events occurs with respect to guarantor, endorser, surety, or accommodation party of any at the Indebtedness or guarantor, endorser, surety, or accommodation party dies or becomes incompetent,

ADVERSE CHANGE. A material adverse change occurs in Grantor's financial

condition, or Lender believes the prospect of payment or performance of the Indebtedness is impaired.

INSECURITY. Lender in good faith believes itself insecure.

CURE PROVISIONS. If any default, other than a default in payment, is curable and if Grantor has not been given a notice of a breach of the same provision of this Agreement within the preceding twelve (12) months, it may be cured (and no event of default will have occurred) if Grantor, after receiving written notice from Lender demanding cure of such default: (1) cures the default within fifteen (15) days; or (2) if the cure requires more than fifteen (15) days, immediately initiates steps which Lender deems in Lender's sale discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

RIGHTS AND REMEDIES ON DEFAULT. If an Event of Default occurs under this Agreement, at any time thereafter, Lender shall have all the rights of a secured party under the California Uniform Commercial Code. In addition and without limitation, Lender may exercise any one or more of the following rights and remedies:

ACCELERATE INDEBTEDNESS. Lender may declare the entire Indebtedness, including any prepayment penalty which Grantor would be required to pay, immediately due and payable, without notice of any kind to Grantor.

Assemble Collateral. Lender may require Grantor to deliver to Lender all or any portion of the Collateral and any and all certificates of title and other documents relating to the Collateral. Lender may require Grantor to assemble the Collateral and make it available to Lender at a place to be designated by Lender. Lender also shall have full power to enter upon the property of Grantor to take possession of and remove the Collateral. If the Collateral contains other goods not covered by this Agreement at the time of repossession, Grantor agrees Lender may take such other goods, provided that Lender makes reasonable efforts to return them to Grantor after repossession.

SELL THE COLLATERAL. Lender shall have full power to sell, lease, transfer, or otherwise deal with the Collateral or proceeds thereof in Lender's own name or that of Grantor. Lender may sell the Collateral at public auction or private sale. Unless the Collateral threatens to decline speedily in value or is of a type customarily sold on a recognized market, Lender will give Grantor reasonable notice of the time after which any private sale or any other intended disposition of the Collateral is to be made. The requirements of reasonable notice shall be met if such notice is given at least fifteen (15) days, or such lesser time as required by state law, before the time of the sale or disposition. All expenses relating to the disposition of the Collateral, including without limitation the expenses of retaking, holding, insuring, preparing for sale and selling the Collateral, shall become a part of the Indebtedness secured by this Agreement and shall be payable on demand, with interest at the Note rate from date of expenditure until repaid.

APPOINT RECEIVER. Lender shall have the right to have a receiver appointed to take possession of all or any part of the Collateral, with the power to protect and preserve the Collateral, to operate the Collateral preceding foreclosure or sale, and to collect the Rents from the Collateral and apply the proceeds, over and above the cost of the receivership, against the Indebtedness. The receiver may serve without bond if permitted by law. Lender's right to the appointment of a receiver shall exist whether or not the apparent value of the Collateral exceeds the Indebtedness by a substantial amount. Employment by Lender shall not disqualify a person from serving as a receiver.

COLLECT REVENUES, APPLY ACCOUNTS. Lender, either itself or through a receiver, may collect the payments, rents, income, and revenues from the Collateral. Lender may at any time in Lender's discretion transfer any Collateral into Lender's own name or that of Lender's nominee and receive the payments, rents, income, and revenues therefrom and hold the same as security for the Indebtedness or apply it to payment of the Indebtedness in such order of preference as Lender may determine. Insofar as the Collateral consists of accounts, general intangibles, insurance policies, instruments, chattel paper, choses in action, or similar property, Lender may demand, collect, receipt for, settle, compromise, adjust, sue for, foreclose, or realize on the Collateral as Lender may determine, whether or not Indebtedness or Collateral is then due. For these purposes, Lender may, on behalf of and in the name of Grantor, receive, open and dispose of mail addressed to Grantor; change any address to which mail and payments are to be sent; and endorse notes, checks, drafts, money orders,

documents of title, instruments and items pertaining to payment, shipment, or storage of any Collateral. To facilitate collection, Lender may notify account debtors and obligors on any Collateral to make payments directly to Lender.

OBTAIN DEFICIENCY. If Lender chooses to sell any or all of the Collateral, Lender may obtain a judgment against Grantor for any deficiency remaining on the Indebtedness due to Lender after application of all amounts received from the exercise of the rights provided in this Agreement. Grantor shall be liable for a deficiency even if the transaction described in this subsection is a sale of accounts or chattel paper.

OTHER RIGHTS AND REMEDIES. Lender shall have all the rights and remedies of a secured creditor under the provisions of the Uniform Commercial Code, as may be amended from time to time. In addition, Lender shall have and may exercise any or all other rights and remedies it may have available at law, in equity, or otherwise.

ELECTION OF REMEDIES. Except as may be prohibited by applicable law, all of Lender's rights and remedies, whether evidenced by this Agreement, the Related Documents, or by any other writing, shall be cumulative and may be exercised singularly or concurrently. Election by Lender to pursue any remedy will not bar any other remedy, and an election to make expenditures or to take action to perform an obligation of Grantor under this Agreement, after Grantor's failure to perform, shall not affect Lender's right to declare a default and exercise its remedies.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Agreement:

AMENDMENTS. This Agreement, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement. No alteration of or amendment to this Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

ATTORNEYS' FEES; EXPENSES. Grantor agrees to pay upon demand all of Lender's costs and expenses, including Lender's attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Agreement. Lender may hire or pay someone else to help enforce this Agreement, and Grantor shall pay the costs and expenses of such enforcement. Costs and expenses include Lender's attorneys' fees and legal expenses whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Grantor also shall pay all court costs and such additional fees as may be directed by the court.

CAPTION HEADINGS. Caption headings in this Agreement. are for convenience purposes only and are not to be used to interpret or define the provisions of this Agreement.

GOVERNING LAW. THIS AGREEMENT WILL BE GOVERNED BY, CONSTRUED AND ENFORCED IN ACCORDANCE WITH FEDERAL LAW AND THE LAWS OF THE STATE OF CALIFORNIA. THIS AGREEMENT HAS BEEN ACCEPTED BY LENDER IN THE STATE OF CALIFORNIA.

PREFERENCE PAYMENTS. Any monies Lender pays because of an asserted preference claim in Grantor's bankruptcy will become a part of the Indebtedness and, at Lender's option, shall be payable by Grantor as provided in this Agreement.

NO WAIVER BY LENDER. Lender shall not be deemed to have waived any rights under this Agreement unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Agreement shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by Lender, nor any course of dealing between Lender and Grantor, shall constitute a waiver of any of Lender's rights or of any of Grantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Agreement, the granting Of Such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

NOTICES. Any notice required to be given under this Agreement shall be given in writing, and shall be effective when actually delivered, when actually received

by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Agreement. Any party may change its address for notices under this Agreement by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Grantor agrees to keep Lender informed at all times of Grantor's current address. Unless otherwise provided or required by law, if there is more than one Grantor, any notice given by Lender to any Grantor is deemed to be notice given to all Grantors.

POWER OF ATTORNEY. Grantor hereby appoints Lender as Grantor's irrevocable attorney-in-fact for the purpose of executing any documents necessary to perfect or to continue the security interest granted in this Agreement. Lender may at any time, and without further authorization from Grantor, file a carbon, photographic or other reproduction of any financing statement of this Agreement for use as a financing statement. Grantor will reimburse Lender for all expenses for the perfection and the continuation of the perfection of Lender's security interest in the Collateral.

WAIVER OF CO-OBLIGOR'S RIGHTS. If more than one person is obligated for the Indebtedness, Grantor irrevocably waives, disclaims and relinquishes all claims against such other person which Grantor has or would otherwise have by virtue of payment of the Indebtedness or any part thereof, specifically including but not limited to all rights of indemnity, contribution or exoneration.

COMMERCIAL SECURITY AGREEMENT
(Continued)

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SEVERABILITY. If a court of competent jurisdiction finds any provision of this Agreement to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Agreement. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Agreement shall not affect the legality, validity or enforceability of any other provision of this Agreement.

SUCCESSORS AND ASSIGNS. Subject to any limitations stated in this Agreement on transfer of Grantor's interest, this Agreement shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Collateral becomes vested in a person other than Grantor, Lender, without notice to Grantor, may deal with Grantor's successors with reference to this Agreement and the Indebtedness by way of forbearance or extension without releasing Grantor from the obligations of this Agreement or liability under the Indebtedness.

SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All representations, warranties, and agreements made by Grantor in this Agreement shall survive the execution and delivery of this Agreement, shall be continuing in nature, and shall remain in full force and effect until such time as Grantor's Indebtedness shall be paid in full.

TIME IS OF THE ESSENCE. Time is of the essence in the performance of this Agreement.

DEFINITIONS. The following capitalized words and terms shall have the following meanings when used in this Agreement. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Agreement shall have the meanings attributed to such terms in the Uniform Commercial Code:

ACCOUNT. The word "Account" means a trade account, account receivable, other receivable, or other right to payment for goods sold or services rendered owing to Grantor (or to a third party grantor acceptable to Lender),

AGREEMENT. The word "Agreement" means this Commercial Security Agreement, as

this Commercial Security Agreement may be amended or modified from time to time, together with all exhibits and schedules attached to this Commercial Security Agreement from time to time.

BORROWER. The word "Borrower" means Chicago Pizza & Brewery, Inc., and all other persons and entities signing the Note in whatever capacity.

COLLATERAL. The word "Collateral" means all of Grantor's right, title and interest in and to all the Collateral as described in the Collateral Description section of this Agreement.

DEFAULT. The word "Default" means the Default set forth in this Agreement in the section titled "Default".

ENVIRONMENTAL LAWS. The words "Environmental Laws" mean any and all state, federal and local statutes, regulations and ordinances relating to the protection of human health or the environment, including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 ("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., Chapters 6.5 through 7.7 of Division 20 of the California Health and Safety Code, Section 25100, et seq., or other applicable state or federal laws, rules, or regulations adopted pursuant thereto.

EVENT OF DEFAULT. The words "Event of Default" mean any of the Events of Default set forth in this Agreement in the Default section of this Agreement.

GRANTOR. The word "Grantor" means Chicago Pizza & Brewery, Inc.

HAZARDOUS SUBSTANCES. The words "Hazardous Substances" mean materials that, because of their quantity, concentration or physical, chemical or infectious characteristics, may cause or pose a present or potential hazard to human health or the environment when improperly used, treated, stored, disposed of, generated, manufactured, transported or otherwise handled. The words "Hazardous Substances" are used in their very broadest sense and include without limitation any and all hazardous or toxic substances, materials or waste as defined by or listed under the Environmental Laws. The term "Hazardous Substances" also includes, without limitation, petroleum and petroleum by-products or any fraction thereof and asbestos.

INDEBTEDNESS. The word "Indebtedness" means the indebtedness evidenced by the Note or Related Documents, including all principal and interest together with all other indebtedness and costs and expenses for which Grantor is responsible under this Agreement or under any of the Related Documents.

LENDER. The word "Lender" means Washington Mutual Bank dba WM Business Bank, its successors and assigns.

NOTE. The word "Note" means the Note executed by Grantor in the principal amount of \$4,000,000.00 dated February 15, 2000, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the note or credit agreement.

RELATED DOCUMENTS. The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Indebtedness,

GRANTOR HAS READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS COMMERCIAL SECURITY AGREEMENT AND AGREES TO ITS TERMS. THIS AGREEMENT IS DATED FEBRUARY 15, 2000.

GRANTOR:

CHICAGO PIZZA & BREWERY, INC.

BY:

Ernest T. Klinger, President of Chicago Pizza & Brewery, Inc.

Corporation: Chicago Pizza & Brewery, Inc.
26131 Marguerite Parkway, Suite A
Mission Viejo, CA 92692

Lender: Washington Mutual Bank dba WM Business Bank
Los Angeles Business Banking Center
1000 Wilshire Boulevard, Suite 100
Los Angeles, CA 90017

1, THE UNDERSIGNED, DO HEREBY CERTIFY THAT:

THE CORPORATION'S EXISTENCE. The complete and correct name of the Corporation is Chicago Pizza & Brewery, Inc. ("Corporation"). The Corporation is a corporation for profit which is, and at all times shall be, duly organized, validly existing, and in good standing under and by virtue of the laws of the State of California. The Corporation is duly authorized to transact business in all other states in which the Corporation is doing business, having obtained all necessary filings, governmental licenses and approvals for each state in which the Corporation is doing business. Specifically, the Corporation is, and at all times shall be, duly qualified as a foreign corporation in all states in which the failure to so qualify would have a material adverse effect on its business or financial condition. The Corporation has the full power and authority to own its properties and to transact the business in which it is presently engaged or presently proposes to engage. The Corporation maintains an office at 26131 Marguerite Parkway, Suite A, Mission Viejo, CA 92692. Unless the Corporation has designated otherwise in writing, the principal office is the office at which the Corporation keeps its books and records. The Corporation will notify Lender of any change in the location of the Corporation's principal office. The Corporation shall do all things necessary to preserve and to keep in full force and effect its existence, rights and privileges, and shall comply with all regulations, rules, ordinances, statutes, orders and decrees of any governmental or quasi-governmental authority or court applicable to the Corporation and the Corporation's business activities.

RESOLUTIONS ADOPTED. At a meeting of the Directors of the Corporation, or if the Corporation is a close corporation having no Board of Directors then at a meeting of the Corporation's shareholders, duly called and held on February 15, 2000, at which a quorum was present and voting, or by other duly authorized action in lieu of a meeting, the resolutions set forth in this Resolution were adopted.

OFFICERS. The following named persons are officers of Chicago Pizza & Brewery, Inc.:

NAMES	TITLES	AUTHORIZED	ACTUAL SIGNATURES
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ERNEST T. KLINGER	PRESIDENT	Y	/s/Ernest T. Klinger
PAUL A. MOTENKO	COCHIEF EXECUTIVE OFFICER	Y	/s/Paul A. Motenko
JEREMIAH J. HENNESSY	COCHIEF EXECUTIVE OFFICER	Y	/s/Jeremiah J. Hennessy

ACTIONS AUTHORIZED. Any one (1) of the authorized persons listed above to any agreements of any nature with Lender, and those agreements will bind the Corporation. Specifically, but without limitation, any one (1) of such authorized persons are authorized, empowered, and directed to do the following for and on behalf of the Corporation:

BORROW MONEY. To borrow from time to time from Lender, on such terms as may be agreed upon between the Corporation and Lender, such sum or sums of money as in their judgment should be borrowed, without limitation.

EXECUTE NOTES. To execute and deliver to Lender the promissory note or notes, or other evidence of the Corporation's credit accommodations, on Lender's forms, at such rates of interest and on such terms as may be agreed upon, evidencing the sums of money so borrowed or any of the Corporation's indebtedness to Lender, and also to execute and deliver to Lender one or more renewals, extensions, modifications, refinancings, consolidations, or substitutions for one or more of the notes, any portion of the notes, or any other evidence of credit

accommodations.

GRANT SECURITY. To mortgage, pledge, transfer, endorse, hypothecate, or otherwise encumber and deliver to Lender any property now or hereafter belonging to the Corporation or in which the Corporation now or hereafter may have an interest, including without limitation all real property and all personal property (tangible or intangible) of the Corporation, as security for the payment of any loans or credit accommodations so obtained, any promissory notes so executed (including any amendments to or modifications, renewals, and extensions of such promissory notes), or any other or further indebtedness of the Corporation to Lender at any time owing, however the same may be evidenced. Such property may be mortgaged, pledged, transferred, endorsed, hypothecated or encumbered at the time such loans are obtained or such indebtedness is incurred, or at any other time or times, and may be either in addition to or in lieu of any properly theretofore mortgaged, pledged, transferred, endorsed, hypothecated or encumbered.

EXECUTE SECURITY DOCUMENTS. To execute and deliver to Lender the forms of mortgage, deed of trust, pledge agreement, hypothecation agreement, and other security agreements and financing statements which Lender may require and which shall evidence the terms and conditions under and pursuant to which such liens and encumbrances, or any of them, are given; and also to execute and deliver to Lender any other written instruments, any chattel paper, or any other collateral, of any kind or nature, which Lender may deem necessary or proper in connection with or pertaining to the giving of the liens and encumbrances. Notwithstanding the foregoing, any one of the above authorized persons may execute, deliver, or record financing statements.

NEGOTIATE ITEMS. To draw, endorse, and discount with Lender all drafts, trade acceptances, promissory notes, or other evidences of indebtedness payable to or belonging to the Corporation or in which the Corporation may have an interest, and either to receive cash for the same or to cause such proceeds to be credited to the Corporation's account with Lender, or to cause such other disposition of the proceeds derived therefrom as they may deem advisable.

FURTHER ACTS. In the case of lines of credit, to designate additional or alternate individuals as being authorized to request advances under such lines, and in all cases, to do and perform such other acts and things, to pay any and all fees and costs, and to execute and deliver such other documents and agreements as the officers may in their discretion deem reasonably necessary or proper in order to carry into effect the provisions of this Resolution.

ASSUMED BUSINESS NAMES. The Corporation has filed or recorded all documents or filings required by law relating to all assumed business names used by the Corporation. Excluding the name of the Corporation, the following is a complete list of all assumed business names under which the Corporation does business: NONE.

NOTICES TO LENDER. The Corporation will notify Lender in writing at Lender's address shown above (or such other addresses as Lender may designate from time to time) prior to any (A) change in the Corporation's name, (B) change in the Corporation's assumed business name(s), (C) change in the management of the Corporation, (D) change in the authorized signer(s), (E) change in the Corporation's principal office address, (F) conversion of the Corporation to a now or different type of business entity, or (G) change in any other aspect of the Corporation that directly or indirectly relates to any agreements between the Corporation and Lender. No change in the Corporation's name will take effect until after Lender has been notified.

CERTIFICATION CONCERNING OFFICERS AND RESOLUTIONS. The officers named above are duly elected, appointed, or employed by or for the Corporation, as the case may be, and occupy the positions set opposite their respective names. This Resolution now stands of record on the books of the Corporation, is in full force and effect, and has not been modified or revoked in any manner whatsoever.

NO CORPORATE SEAL. The Corporation has no corporate seal, and therefore, no seal is affixed to this Resolution.

CONTINUING VALIDITY. Any and all acts authorized pursuant to this Resolution and performed prior to the passage of this Resolution are hereby ratified and approved. This Resolution shall be continuing, shall remain in full force and effect and Lender may rely on it until written notice of its revocation shall have been delivered to and received by Lender at Lender's address shown above (or such addresses as Lender may designate from time to time). Any such notice shall not affect any of the Corporation's agreements or commitments in effect at

the time notice is given.

IN TESTIMONY WHEREOF, I have hereunto set my hand.

I have read all the provisions of this Resolution, and I personally and on behalf of the Corporation certify that all statements and representations made In this Resolution are true and correct. This Corporate Resolution to Borrow / Grant Collateral Is dated February 15, 2000.

CORPORATE RESOLUTION TO BORROW / GRANT COLLATERAL
(Continued)

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CERTIFIED TO AND ATTESTED BY:

X /s/Ernest T. Klinger

NOTE: If the officers signing this Resolution are designated by the foregoing document as one of the officers authorized to act on the Corporation's behalf, It is advisable to have this Resolution signed byat least one non-authorized officer of the Corporation.