AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON AUGUST 22, 1996

REGISTRATION NO. 333-5182-LA

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 2
TO
FORM SB-2

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

CHICAGO PIZZA & BREWERY, INC.
(Exact name of small business issuer as specified in its charter)

26131 MARGUERITE PARKWAY, SUITE A
MISSION VIEJO, CALIFORNIA 92692
(714) 367-8616
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

CALIFORNIA	5812	33-0485615
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

PAUL A. MOTENKO
CHIEF EXECUTIVE OFFICER
CHICAGO PIZZA & BREWERY, INC.
26131 MARGUERITE PARKWAY
SUITE A
MISSION VIEJO, CALIFORNIA 92692
(714) 367-8616
(Name and address, including zip code, and telephone number, including area code, of agent for service)

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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:
AS SOON AS PRACTICABLE AFTER THIS REGISTRATION STATEMENT BECOMES EFFECTIVE.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. / /

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box: /X/

If this Form is filed to register additional securities for an Offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same Offering. / /

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same Offering. / /

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. / /

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER SECURITY (1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (1)
Common Stock, no par value ("Common Stock")	3,491,864 shares (2)	$6.00	$20,951,184.00
Common Stock Purchase Warrants (the "Redeemable Warrants")	11,739,584 warrants (3)	$0.25	$2,934,896.00
Common Stock issuable upon exercise of the Redeemable Warrants	11,739,584 shares (4)	$6.60	$77,481,254.00
Representative's Warrants	1 warrant (5)	$50.00	$50.00
Common Stock issuable upon exercise of Representative's Warrant	150,000 shares	$7.20	$1,080,000.00
Redeemable Warrants issuable upon exercise of the Representative's Warrants	150,000 warrants	$0.30	$45,000.00
Common Stock issuable upon exercise of Redeemable Warrants issuable upon exercise of the Representative's Warrants	150,000 shares	$6.60	$990,000.00
Total Registration Fee			

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT OF REGISTRATION FEE
Common Stock, no par value ("Common Stock")	$7,224.53
Common Stock Purchase Warrants (the "Redeemable Warrants")	$1,012.03
Common Stock issuable upon exercise of the Redeemable Warrants	$26,717.67
Representative's Warrants	$.02
Common Stock issuable upon exercise of Representative's Warrant	$372.41
Redeemable Warrants issuable upon exercise of the Representative's Warrants	$15.52
Common Stock issuable upon exercise of Redeemable Warrants issuable upon exercise of the Representative's Warrants	$341.38
Total Registration Fee	$35,683.56*

* Previously paid.

(1) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(a) under the Securities Act of 1933.

(2) Includes: (i) 1,500,000 shares of Common Stock registered for the account of the Registrant, (ii) 1,766,864 shares of Common Stock registered for the

account of certain Selling Security Holders (as hereinafter defined) and (iii) 225,000 shares of Common Stock which the Underwriters have the option to purchase to cover over-allotments, if any.

(3) Includes: (i) 1,500,000 redeemable warrants registered for the account of the Registrant (the "Redeemable Warrants"), (ii) 10,014,584 selling security holders' Redeemable Warrants (the "Selling Security Redeemable Warrants") which include 4,700,000 special warrants which convert into Redeemable Warrants upon sale by the current holders and (iii) 225,000 Redeemable Warrants which the Underwriters have the option to purchase to cover over-allotments, if any.

(4) Includes: (i) 1,500,000 shares of Common Stock issuable upon exercise of Redeemable Warrants registered for the account of the Registrant, (ii) 10,014,584 shares of Common Stock issuable upon exercise of Selling Security Holder Redeemable Warrants and (iii) 225,000 shares of Common Stock issuable upon exercise of Redeemable Warrants which the Underwriters have the option to purchase to cover over-allotments, if any.

(5) To be issued to the Representative of the Underwriters.

Pursuant to Rule 416 under the Securities Act of 1933, there are also being registered hereby such additional indeterminate number of shares of Common Stock as may become issuable by reason of stock splits, stock dividends and similar anti-dilutive adjustments as set forth in the Redeemable Warrants and the Representative's Warrants.

EXPLANATORY NOTE

This Registration Statement contains two prospectuses.

The first prospectus forming a part of this Registration Statement is to be used in connection with the underwritten public offering of: 1,725,000 shares of the Registrant's Common Stock (including 225,000 shares of Common Stock subject to the Underwriters' over-allotment option); 1,725,000 of the Registrant's Redeemable Warrants (including 225,000 Redeemable Warrants subject to the Underwriters' over-allotment option); 1,725,000 shares of Common Stock issuable upon exercise of the Registrant's Redeemable Warrants (including 225,000 shares of Common Stock issuable upon exercise of the Redeemable Warrants subject to the Underwriters' over-allotment option); 150,000 Representative's Warrants; 150,000 shares of Common Stock issuable upon exercise of the Representative's Warrants; 150,000 Redeemable Warrants issuable upon exercise of the Representative's Warrants; and 150,000 Shares of Common Stock issuable upon exercise of the Redeemable Warrants issuable upon exercise of the Representative's Warrants, and immediately follows.

The second prospectus forming a part of this Registration Statement is to be used in connection with the sale from time to time by certain nonaffiliated selling security holders and by one independent director of the Company (the "Selling Director") (the Selling Director and the nonaffiliated selling security holders are collectively referred to herein as the "Selling Security Holders") of in the aggregate: 1,766,864 shares of Common Stock (the "Selling Security Holders' Shares"); 10,014,584 Selling Security Holders' Redeemable Warrants (the "Selling Security Holders' Redeemable Warrants") which include 4,700,000 special warrants which convert into Redeemable Warrants upon sale by current holders; and 10,014,584 shares of Common Stock issuable by the Company upon exercise of the Selling Security Holders' Redeemable Warrants. With respect to the Selling Director, only 39,258 shares of Common Stock which the Selling Director purchased in a January 1995 private placement by the Company and 300,000 warrants are included in the Selling Security Holders Shares and Selling Security Holders Redeemable Warrants, respectively. The second prospectus will consist of (i) the cover page and inside cover page immediately following the first prospectus, (ii) pages 1 through 67 of the first prospectus (other than the sections entitled "Resale of Outstanding Securities" and "Underwriting") and pages F-1 through F-31 of the first prospectus, (iii) pages SS-1 through SS-3 (which will appear in place of the section entitled "Resale of Outstanding Securities"), (iv) pages SS-3 through SS-4 (which will appear in place of the section entitled "Underwriting") and (v) the back cover page, which is the last

page of the second prospectus.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION, DATED AUGUST 22, 1996

PROSPECTUS

[LOGO]

CHICAGO PIZZA & BREWERY, INC.

1,500,000 SHARES OF COMMON STOCK AND
1,500,000 REDEEMABLE WARRANTS

Chicago Pizza & Brewery, Inc. (the "Company" or "BJ's") hereby offers 1,500,000 shares (the "Shares") of common stock of the Company, no par value (the "Common Stock"), and 1,500,000 redeemable warrants of the Company (the "Redeemable Warrants") (the Shares and the Redeemable Warrants are sometimes collectively referred to herein as the "Securities"). The Shares and the Redeemable Warrants will be separately tradeable immediately upon issuance and may be purchased separately. It is currently anticipated that the initial public offering price will be between $5.00 and $6.00 per Share and $0.25 per Redeemable Warrant, respectively. Each Redeemable Warrant entitles the holder thereof to purchase one share of Common Stock at a purchase price equal to 110 percent of the initial public offering price of the Shares, subject to adjustment, at any time during the 54-month period commencing one year after the date of this Prospectus, and is redeemable by the Company at a redemption price of $.25 per Redeemable Warrant commencing one year after the date of this Prospectus, provided that the average closing bid price of the Common Stock equals or exceeds 140 percent of the initial public offering price per share for any 20 trading days within a period of 30 consecutive trading days ending on the fifth trading day prior to the date of the notice of redemption. See "Description of Securities -- Redeemable Warrants."

THESE SECURITIES INVOLVE A HIGH DEGREE OF RISK AND IMMEDIATE SUBSTANTIAL DILUTION.
SEE "RISK FACTORS" AND "DILUTION" COMMENCING ON PAGES 11 AND 21, RESPECTIVELY.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS (1)	PROCEEDS TO COMPANY (2)
Per Share.....	$	$	$
Per Redeemable Warrant.....	$	$	$
Total (3).....	$	$	$

(1) Does not include additional compensation to the Representative in the form of a nonaccountable expense allowance. For indemnification arrangements

with, and additional compensation payable to, the Underwriters, see "Underwriting."

(2) Before deducting expenses of this Offering payable by the Company, estimated at approximately $1,058,750 in the aggregate, including the Representative's nonaccountable expense allowance. See "Underwriting."

(3) For the purpose of covering over-allotments, if any, the Company has granted to the Underwriters an option, exercisable within 45 days from the date of this Prospectus, to purchase up to 225,000 additional shares of Common Stock and/or up to 225,000 additional Redeemable Warrants. If such over-allotment options are exercised in full, the total Price to Public, Underwriting Discounts and Commissions, and Proceeds to Company will be $, $ and $, respectively. See "Underwriting."

The Securities are offered by the Underwriters, when, as and if delivered to and accepted and subject to their right to withdraw, cancel, or modify this Offering and to reject any orders in whole or in part. It is expected that delivery of the Securities will be made on or about , 1996.

THE BOSTON GROUP, L.P.

The date of this Prospectus is , 1996

(THIS IS A NARRATIVE DESCRIPTION OF THE PHOTOS)

[On the front cover will be the logo with pictures of pizza boxes as well as of a menu cover. On the first inside flap there will be a picture of the Westwood restaurant. On the further inside flap of the inner flap will be a map of locations and a picture collage of the Westwood restaurant interior with photos of the brewmaster looking through a microscope as well as photos of food. On the other inside front flap there will be a picture of the Brea microbrewery and a collage with employees pouring beer, photographs of food, the Brea restaurant exterior and employees in uniform. On the inside back cover will be a photograph of the bar at Brea with the microbrewery showing in the background.]

Prior to this Offering, there has been no public market for the Securities and there is no assurance that such a market for the Securities will develop or, if a market develops, that it will be sustained. The Company has applied for approval for listing of the Common Stock and Redeemable Warrants on the Nasdaq Small-Cap Market ("Nasdaq") under the symbols CHGO and CHGOW, respectively. The initial public offering prices for the Shares and Redeemable Warrants and the exercise price of the Redeemable Warrants have been determined by negotiation between the Company and The Boston Group, L.P., as representative of the several Underwriters (the "Representative"), and are not necessarily related to the Company's asset value, net worth or other established criteria of value. See "Risk Factors" and "Underwriting."

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK AND/OR THE REDEEMABLE WARRANTS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED IN THE OVER-THE-COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Company intends to furnish its security holders annual reports containing audited consolidated financial statements with a report thereon by independent accountants, and such other periodic reports as the Company may determine to be appropriate or as required by law.

PROSPECTUS SUMMARY

THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE DETAILED INFORMATION AND COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES THERETO APPEARING ELSEWHERE IN THIS PROSPECTUS.

THE COMPANY

Chicago Pizza & Brewery, Inc. (the "Company" or "BJ's") owns eight restaurants in Southern California (the "California Restaurants") and an interest in one restaurant in Lahaina, Maui, each of which are currently operated as either a BJ'S PIZZA, GRILL & BREWERY or a BJ'S PIZZA & GRILL. The Company recently acquired 19 additional restaurants in Oregon and Washington (the "Northwest Restaurants") which it plans to convert into BJ's restaurants. The Company has recently completed a refurbishment program and the expansion of its menu around its core pizza products in its California Restaurants. In addition, the Company has introduced handcrafted, micro-brewed beers in its California Restaurants and has built a micro-brewery in Brea, California. The Company plans to refurbish the Northwest Restaurants and add its award-winning pizza products, some or all of the expanded BJ's menu and handcrafted, micro-brewed beers to the menu offerings at the Northwest Restaurants. If this plan can be successfully executed, all 28 of the Company's restaurants will fit into one of the three following BJ's concepts:

- BJ'S PIZZA, GRILL & BREWERY is designed to provide a dining experience in an operating micro-brewery environment where a variety of proprietary, hand-crafted beers are produced on-site. The menu features the core pizza products surrounded by a selection of appetizers, entrees, pastas, sandwiches, specialty salads and desserts. Currently, the Company operates one of its California Restaurants as, and plans to convert four of its Northwest Restaurants into, the BJ'S PIZZA, GRILL & BREWERY concept, as well as developing a BJ'S PIZZA, GRILL & BREWERY restaurant in Boulder, Colorado.

- BJ'S PIZZA & GRILL is designed to provide a casual dining experience with table-service featuring a menu of pizza, pasta, sandwiches, salads and desserts. Currently, the Company operates seven of its California Restaurants and the Lahaina, Maui restaurant as, and plans to convert seven of its Northwest Restaurants into, the BJ'S PIZZA & GRILL concept.

- BJ'S PIZZA is designed to provide an informal dining experience with counter-service and a menu featuring pizza and a limited selection of pastas, sandwiches and salads. Currently, the Company plans to operate none of the California Restaurants as, and plans to convert eight of the Northwest Restaurants into, the BJ'S PIZZA concept.

Management believes that having three concepts, which can be utilized in alternative locations, facilities and markets, provides the Company a broader scope of potential acquisitions and development sites.

According to certain newspaper polls, BJ's pizza is considered among the best in Orange County, California. It has won numerous awards over the past years from publications such as the Orange County edition of the Los Angeles Times, Orange Coast Magazine, Daily Pilot and The Metropolitan, and BJ's pizza was featured in 1994 on the TV show "Live in LA" as one of the five best pizzas in the Los Angeles area. Finally, BJ's pizza was voted number one by the readers of the Orange County Register, a leading Orange County, California-based newspaper and by the readers of the Maui News.

The Company was formed in 1991 to assume the management of five "BJ's Chicago Pizzeria" restaurants and to develop additional BJ's restaurants. Between 1992 and 1995, the Company developed five additional restaurants, purchased three of those original five restaurants that it managed and discontinued one of those that it had developed. As a result of these transactions, at the end of 1995, the Company owned restaurants in California located in La Jolla Village, Laguna Beach, Belmont Shore, Seal Beach, Huntington Beach and Balboa in Newport Beach, as well as an interest in a restaurant in Lahaina, Maui.

Beginning in November 1995, the Company embarked on a campaign to broaden its customer base by: (i) surrounding its core pizza product with a more expansive menu including appetizers, grilled sandwiches, specialty salads and

pastas, ii) adding hand-crafted, micro-brewed beers through on-site micro-breweries in certain locations and the sale of internally-produced beer through other Company restaurants and iii) differentiating the BJ's identity and expanding merchandising opportunities through a comprehensive new logo and identity program, a new interior design concept and redesigned signage.

The Company has also sought to expand through acquisitions and conversions, such as the acquisition of the Northwest Restaurants and the Brea, California restaurant. The Company intends to seek other acquisitions if financing is available.

During late 1995 and early 1996, the Company converted the restaurants in Balboa in Newport Beach, La Jolla Village, Laguna Beach, Belmont Shore, Seal Beach and Huntington Beach, California to the BJ'S PIZZA & GRILL concept and opened a new BJ'S PIZZA & GRILL restaurant in Westwood Village in Los Angeles, California. Management believes that customer frequency and sales volumes at the converted restaurants have been significantly enhanced in the comparable period of 1995 to 1996, primarily due to the conversion to this expanded concept.

The first BJ'S PIZZA GRILL & BREWERY opened in Brea, California in April 1996. This 10,000-square-foot restaurant features elaborate brick walls and archways, high molded tin ceilings, warm lighting and industrial railings. The on-premises brewing equipment includes a 30-barrel, copper-clad kettle, 60-barrel, stainless steel fermentation tank, kegging equipment and a 40,000-pound-capacity corrugated metal grain silo located at the front entrance to the restaurant. Management believes the brewery capacity is sufficient to supply beer for all of the Company's existing Southern California restaurants. Management believes the low production cost relative to purchased beer and the premium price often obtained for micro-brewed beer can significantly improve gross margins.

The Company's current objectives after the closing of this Offering are to remodel and refurbish each of the Northwest Restaurants into one of the three BJ's concepts over the next 12 to 18 months while it consolidates the management of the Northwest Restaurants and the rest of the Company's operations and attempts to reduce overhead. The Company also plans to acquire and develop additional BJ's restaurants in order to expand operations to other cities and towns consistent with the Company's location strategy and market niche. In this regard, the Company has executed a lease for an approximately 5,500-square-foot facility in the Pearl Street Mall, a popular, high-traffic pedestrian promenade in Boulder, Colorado. The Company expects to open a BJ'S PIZZA, GRILL & BREWERY in this location in Fall of 1996. No assurance can be given that the Company's objectives can be achieved or that sufficient capital will be available to finance the Company's business plan. See "Risk Factors."

The Company is organized under the laws of the State of California. The Company's offices are located at 26131 Marguerite Parkway, Suite A, Mission Viejo, California 92692. Its telephone number is (714) 367-8616.

THE OFFERING (1)

Securities Offered by the Company.....	1,500,000 shares of Common Stock and 1,500,000 Redeemable Warrants. The Common Stock and Redeemable Warrants can be purchased and will be tradable separately upon issuance. See "Description of Securities."
Terms of the Redeemable Warrants.....	Each Redeemable Warrant entitles the holder thereof to purchase one share of Common Stock at a price equal to 110% of the initial public offering price of the Shares, subject to adjustment, during the 54-month period commencing one year after the date of this Prospectus.
Redemption of the Redeemable Warrants....	Commencing one year after the date of this Prospectus, the Redeemable Warrants will be subject to redemption at the Company's option at

	$.25 per Redeemable Warrant if the average closing bid price of the Common Stock equals or exceeds 140 percent of the initial public offering price per Share for any 20 trading days within a period of 30 consecutive trading days ending on the fifth trading day prior to the date of the notice of redemption. In the event of a proposed redemption by the Company, the Company will provide the holders with a 30-day notice, during which period the holders will have the right to exercise the Redeemable Warrants in lieu of redemption. See "Description of Securities -- Redeemable Warrants."
Shares of Common Stock Outstanding:	
Before the Offering	4,608,321 shares (1)
After the Offering	6,108,321 shares (1)
Redeemable Warrants Outstanding:	
Before the Offering	10,014,584 Redeemable Warrants (1)
After the Offering	11,514,584 Redeemable Warrants (1)
Use of Proceeds	To refurbish certain existing restaurants, to convert the Northwest Restaurants to one of the BJ's concepts, to repay certain indebtedness, to acquire and/or develop additional restaurants and to use for working capital purposes. See "Use of Proceeds."
Risk Factors	An investment in the Common Stock and Redeemable Warrants involves a high degree of risk and immediate substantial dilution. See "Risk Factors" and "Dilution."
Securities Being Registered for the Account of the Selling Security Holders	1,766,864 shares of Common Stock, 10,014,584 Redeemable Warrants (hereinafter "Selling Security Holders' Redeemable Warrants") and 10,014,584 shares of Common Stock issuable upon exercise of such Selling Security Holders'

	Redeemable Warrants are being registered and may be sold by the Selling Security Holders. The Company will not receive any of the proceeds from sales by the Selling Security Holders, although it will receive the exercise price if the Selling Security Holders' Redeemable Warrants are exercised. The Selling Security Holders' Shares and the Selling Security Holders' Redeemable Warrants are not being underwritten by the Underwriters. See "Resale of Outstanding Securities" and "Underwriting."
Nasdaq Small-Cap Market Symbols (2):	
Common Stock	CHGO
Redeemable Warrants	CHGOW

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(1) Unless the context otherwise requires, the term "Company" refers to Chicago Pizza & Brewery, Inc. and its subsidiaries, Chicago Pizza Northwest, Inc.("CPNI"), a Washington corporation, and Blue Max, Inc., a Hawaii corporation, as well as BJ's Lahaina, L.P., a California limited partnership which owns the Company's Lahaina, Maui restaurant with the Company as managing general partner and Blue Max, Inc. as the co-general partner. Unless the context otherwise requires, all share and per-share information in this Prospectus gives effect to a 19,000-for-one stock split effected in December 1994 and a .34896-for-one reverse stock split effected in May 1995. Unless otherwise indicated, such share and per-share information does not give effect to: (i) the exercise of the Underwriters' over-allotment options to purchase up to 225,000 Shares; (ii) the issuance of 1,500,000 shares of Common Stock issuable upon exercise of the Redeemable Warrants being offered by the Company; (iii) the issuance of 10,014,584 shares of Common Stock

issuable upon exercise of the Selling Security Holders' Redeemable Warrants (see "Shares Eligible for Future Sale"); (iv) the issuance of 225,000 shares of Common Stock issuable upon exercise of the Redeemable Warrants included in the Underwriters' over-allotment option; (v) the issuance upon exercise of the Representative's Warrants of 150,000 shares of Common Stock; (vi) the issuance upon exercise of Redeemable Warrants issuable upon exercise of the Representative's Warrants of 150,000 shares of Common Stock or (vii) 600,000 shares of Common Stock reserved for issuance pursuant to the Company's 1996 Stock Option Plan.

(2) There is no assurance that the Common Stock or Redeemable Warrants will be approved for listing in the Nasdaq Small-Cap Market or that a trading public market will develop, or, if developed, will be sustained. See "Risk Factors -- Absence of Public Market" and "Lack of Correlation between Offering Price and Value of Shares or Company."

SUMMARY COMBINED AND CONSOLIDATED FINANCIAL AND RESTAURANT DATA

The following table sets forth summary combined (1994) and consolidated (1995) financial and restaurant data of Chicago Pizza & Brewery, Inc., excluding the assets of Chicago Pizza Northwest, Inc. ("CPNI"), the Company's wholly-owned subsidiary which owns the 26 restaurants acquired from Pietro's Corp., a Washington corporation. See "Management's Discussion and Analysis of Financial Condition and Results of Operation -- Pietro's Corp.'s Business Related to Purchased Assets." Chicago Pizza & Brewery, Inc., is referred to as the "Parent." The 26 restaurants acquired and owned by CPNI on March 29, 1996 are referred to as the "Purchased Assets." The following tables also set forth summary financial and restaurant operating data for the Parent and the Purchased Assets on a pro forma combined basis as if the Purchased Assets were acquired on January 1, 1995. The summary financial data in the table are derived from the financial statements of the Parent and the Purchased Assets and the pro forma financial statements. The data should be read in conjunction with the financial statements, related notes and other financial information included elsewhere herein. The pro forma financial statements may not be indicative of the results which may be obtained by the Company in any future period.

	THE PARENT (1) YEAR ENDED DECEMBER 31,		PURCHASED ASSETS (2)(5) YEAR ENDED DECEMBER 25,	PRO FORMA COMBINED YEAR ENDED DECEMBER 31,
	1994	1995	1995	1995
	(DOLLARS IN THOUSANDS, EXCEPT PER-SHARE AND RESTAURANT OPERATING DATA)			
STATEMENT OF OPERATIONS DATA: (1)				
Revenues	$ 6,453	$ 6,586	$ 14,634	$ 21,220
Cost of sales	1,638	1,848	4,277	6,125
Gross profit	4,815	4,738	10,357	15,095
Cost and expenses	5,338	5,789	10,808	16,597
Loss from operations	(523)	(1,051)	(451)	(1,502)
Net loss	(550)	(1,606)	(451)	(2,057)
Pro forma net loss (3)				(2,057)
Pro forma net loss per common share (4)				(.45)
Pro forma weighted average common shares outstanding (4)				4,608,321
RESTAURANT OPERATING DATA (5):				
Average sales per restaurant open for				

full period (6).....	$ 888,000	$ 854,000	$ 578,000	$ 616,000
Total number of restaurants open at end of each period.....	10	7	26	33
Average sales per square foot for restaurants open for full period (7)...	$ 332	$ 320	$ 114	$ 130

	PARENT (1) AS OF DECEMBER 31, 1995	PURCHASED ASSETS (2) AS OF DECEMBER 25, 1995	PRO FORMA COMBINED AS OF DECEMBER 31, 1995
BALANCE SHEET DATA: (1)			
Working capital (deficit).....	$ 22	$ (247)	$ (225)
Intangible assets, net.....	5,558		5,558
Total assets.....	9,943	1,541	11,484
Total long-term debt (including current portion).....	4,127		4,127
Minority interest (8).....	253		253
Shareholders' equity.....	4,023	1,091	5,114

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(1) Statement of Operations Data includes the operating results for the combined (1994) and consolidated (1995) information for the Parent and the combined information for the Purchased Assets.

Balance Sheet Data includes the consolidated balance sheet information for the Parent and the combined balance sheet information for the Purchased Assets. The 1994 information for the Parent is presented on a combined basis due to common ownership and control. The Parent acquired the Purchased Assets on March 29, 1996.

(2) The Purchased Assets represent the 26 restaurants acquired (the "Pietro's Acquisition") from the former Pietro's Corp., a Washington corporation ("Pietro's"). The financial results for the Purchased Assets represent the Pietro's Corp.'s Business Related to Purchased Assets acquired by the Parent. On May 15, 1996 the Parent agreed to sell seven of the restaurants purchased from Pietro's. The sale was completed during the second quarter of 1996. The operating results of those seven restaurants are still included in the table. The Company recognized no gain or loss on the sale and adjusted the goodwill recorded in the acquisition of the Purchased Assets. The sales for the seven restaurants which the Company sold totaled approximately $3,492,000 and $3,683,000 for the years ended December 25, 1995 and December 26, 1994, respectively. Operating profit for the seven restaurants excluding overhead allocation totaled approximately $268,000 and $313,000 for the years ended December 25, 1995 and December 26, 1994, respectively. Loss after overhead allocation relating to the seven restaurants totaled approximately $327,000 and $454,000 for the years ended December 25, 1995 and December 26, 1994, respectively. See the Combined Financial Statements, Pietro's Corp.'s Business Related to Purchased Assets.

(3) Presented on page 26 of this Prospectus is a more detailed Combined Pro Forma Statement of Operations showing the net loss as if the Parent had acquired the Purchased Assets as of the beginning of the period (January 1, 1995).

(4) In December 1994, the Parent effected a 19,000-for-one stock split of its Common Stock. In May, 1995, the Parent effected a .34896-for-one reverse stock split of its Common Stock. The weighted-average shares outstanding are based on the pro forma weighted-average shares outstanding of 4,608,321.

(5) Restaurant Operating Data includes the financial results for restaurants open for the entire comparable period. The following restaurants were opened

or closed during the period and are therefore excluded due to noncomparability: Huntington Beach; Seal Beach; and Lahaina, Maui. The Parent managed but did not subsequently purchase the Santa Ana and San Juan Capistrano restaurants; instead, they were closed in 1995 along with the La Jolla -- Prospect restaurant. The Purchased Assets include 26 former Pietro's restaurants, but the Woodstock restaurant, which opened in 1995 is excluded as noncomparable.

(6) Determined as total sales divided by the number of all restaurants open for the full period. Restaurants open for the full period in both years presented totaled four for the Parent and 25 for the Purchased Assets. The seven restaurants owned and operated by the Parent for all of 1995 averaged $916,000 in sales for that period.

(7) Determined as total sales divided by total square feet for all restaurants open for the full period. Restaurants open for the full period in both years presented totaled four for the Parent and 25 for the Purchased Assets. The seven restaurants owned and operated by the Parent for all of 1995 averaged sales of $323 per square foot for that period.

(8) The minority interest represents the 46.32% limited partners' share in equity and the accumulated results from operations for the Lahaina, Maui restaurant, not owned directly by the Parent.

	THE PARENT (1) SIX-MONTH PERIODS ENDED JUNE 30,		PURCHASED ASSETS (2) THREE-MONTH PERIOD ENDED	PRO FORMA COMBINED JUNE 30,
	1995	1996	MARCH 29, 1996	1996 (3)
	(DOLLARS IN THOUSANDS, EXCEPT PER-SHARE AND RESTAURANT OPERATING DATA)			
STATEMENT OF OPERATIONS DATA: (1)				
Revenues	$ 3,207	$ 8,308	$ 3,780	$ 12,088
Cost of sales	894	2,614	1,188	3,802
Gross profit	2,313	5,694	2,592	8,286
Cost and expenses	2,745	6,382	2,758	9,140
Loss from operations	(432)	(688)	(166)	(854)
Net loss	(798)	(1,075)	(166)	(1,241)
Pro forma net loss (3)				(1,241)
Pro forma net loss per common share (4)				(0.27)
Pro forma weighted average common shares outstanding (4)				4,608,321
RESTAURANT OPERATING DATA: (5)				
Average sales per restaurant open for full period	$ 434,000(6)	$ 517,000(6)	N/A	$ 373,000(7)
Total number of restaurants open at end of each period	7	28	N/A	28
Average sales per square foot for restaurants open for full period	$ 153(8)	$ 182(8)	N/A	$ 79(9)

	PARENT (1) AS OF JUNE 30, 1996	ADJUSTED (10) AS OF JUNE 30, 1996
BALANCE SHEET DATA: (1)		
Working capital (deficit)	$ (5,206)(11)	$ 4,280
Intangible assets, net	5,790	5,790
Total assets	14,890	20,571
Total long-term debt (including current portion)	8,146	4,416
Minority interest (12)	254	254
Shareholders' equity	2,999	12,485

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(1) The results of operations of the Purchased Assets for the period from March 30, 1996 (the day after the date of acquisition) to June 30, 1996, are included in the results of operation of the Parent for the six-month period ended June 30, 1996. The Balance Sheet Data for the Parent as of June 30, 1996 include the balance sheet information for the Parent and the Purchased Assets.

(2) The data shown in this column represents operating data of the Purchased Assets from January 1 through March 29, 1996, the date the Purchased Assets were acquired by the Company. The Purchased Assets represent the 26 restaurants acquired from the former Pietro's. The financial results for the Purchased Assets represent the Pietro's Corp.'s Business Related to Purchased Assets acquired by the Parent. On May 15, 1996 the Parent agreed to sell seven of the restaurants purchased from Pietro's. The sale was completed during the second quarter of 1996. The operating results of those seven restaurants are included in the table until the date of sale. The Company recognized no gain or loss on the sale and adjusted the goodwill recorded in the acquisition of the Purchased Assets. The sales for the seven restaurants sold totaled approximately $841,000 for the three-month period ended March 29, 1996 and $1,533,000 for the six-month period ended June 30, 1996. Operating profit excluding overhead allocation totaled approximately $31,000 for the three-month period ended March 29, 1996 and $9,000 for the six-

month period ended June 30, 1996. Loss after overhead allocation relating to the seven restaurants totaled approximately $54,000 for the three-month period ended March 29, 1996 and $133,000 for the six-month period ended June 30, 1996. See the Combined Financial Statements, Pietro's Corp.'s Business Related to Purchased Assets.

(3) Presented on page 26 of this Prospectus is pro forma net loss as if the Parent had acquired the Purchased Assets as of the beginning of the period (January 1, 1995).

(4) In December 1994, the Parent effected a 19,000-for-one stock split of its Common Stock. In May 1995, the Parent effected a .34896-for-one reverse stock split of its Common Stock. The weighted average shares outstanding are based on the pro forma weighted average shares outstanding.

(5) Restaurant Operating Data includes the financial results for restaurants open for the entire comparable periods. The Westwood Village in Los Angeles, Brea and restaurants comprising the Purchased Assets were opened during the periods. The La Jolla -- Prospect restaurant was closed. Both openings and closures were excluded due to noncomparability. With respect to the Purchased Assets, the seven restaurants sold during the second quarter 1996 and the Woodstock, Oregon restaurant, were excluded due to noncomparability.

(6) Determined as total sales divided by the number of all restaurants open for the full period. Restaurants open for the full periods presented for the Parent totaled seven for the Parent, and none for the Purchased Assets.

(7) Determined as total sales divided by the number of all restaurants open for the full period. Restaurants open for the full periods presented in the Pro Forma Combined Data totaled seven for the Parent and 18 for the Purchased Assets.

(8) Determined as total sales divided by total square feet for all restaurants open for the full period. Restaurants open for the full periods presented for the Parent totaled seven for the Parent and none for the Purchased Assets, because the operations of the Purchased Assets are only included for the period from March 30, 1996 to June 30, 1996.

(9) Determined as total sales divided by total square feet for all restaurants open for the full period. Restaurants open for the full periods presented in the Pro Forma Combined Data totaled seven for the Parent and 18 for the Purchased Assets, because the pro forma data includes the operations of the Parent and the Purchased Assets for the full period from January 1, 1996 through June 30, 1996.

(10) As adjusted to reflect the issuance and sale of the 1,500,000 shares of Common Stock at the assumed public offering price of $5.50 per share and 1,500,000 warrants at $0.25 per warrant, net of estimated expenses of the offering, the repayment of certain indebtedness with such proceeds, and the conversion of $3,000,000 in certain Notes Payable to Related Parties and accrued interest of $75,000 thereon into 750,000 shares of Common Stock and 4,500,000 Special Warrants (as hereinafter defined). See also Note 10 below. The as adjusted amounts do not reflect the issuance and sale of up to 225,000 shares of Common Stock by the Company to cover over-allotments, if any, or the exercise of the Representative's Warrants. See "Use of Proceeds."

(11) Working capital includes certain Notes Payable to Related Parties resulting from the Purchased Asset acquisition totaling $3,000,000 which are convertible at the time of the Offering to 750,000 shares and 4,500,000 Special Warrants (as hereinafter defined). These securities are collateralized by the stock of the Purchased Assets and have a stated interest rate of ten percent per annum. See the Combined Financial Statements and "Certain Transactions -- Pietro's Acquisition."

(12) The minority interest represents the 46.32% limited partners' share in the equity and the accumulated results from operation for the Lahaina, Maui restaurant, not owned directly by the Parent.

RISK FACTORS

AN INVESTMENT IN THE SECURITIES OFFERED HEREBY INVOLVES A HIGH DEGREE OF RISK AND IMMEDIATE SUBSTANTIAL DILUTION. IN ADDITION TO THE OTHER INFORMATION CONTAINED IN THE PROSPECTUS, PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS BEFORE MAKING AN INVESTMENT.

LIMITED OPERATING HISTORY. The Company was founded in 1991 to assume the management of five BJ's Chicago Pizzeria restaurants and opened its first new BJ's restaurant in 1992. Of the seven restaurants developed by the Company, as opposed to pre-existing restaurants for which the Company assumed management,

one was opened in 1992, one in 1993, three in 1994, and two in 1996. The Company has also only recently acquired an additional 26 restaurants, 19 of which the Company has retained. Development efforts for the retained restaurants have yet to begin. Accordingly, the Company has a limited operating history and there can be no assurance that its restaurants, or the Company as a whole, will be profitable in the future. See "Business."

PAST OPERATING LOSSES. The Company sustained net losses of $550,000 and $1,606,000 for the years ended December 31, 1994 and 1995, respectively, and a net loss of $1,075,000 for the six-month period ended June 30, 1996. See generally "Management's Discussion and Analysis of Financial Condition and Results of Operations." In addition, the Pietro's Corp.'s Business Related to Purchased Assets sustained net losses of $833,000 and $451,000 for the years ended December 26, 1994 and December 25, 1995, respectively, and a net loss of $166,000 for the three-month period ended March 29, 1996, the date of acquisition by the Company. See "Management's Discussion and Analysis of Financial Condition and Results of Operations." The Company will continue to sustain losses unless it can successfully increase revenues and reduce food and administrative costs in accordance with management's business strategy.

IMPACT UPON FUTURE NET INCOME OR LOSS OF THE COMPANY BY CURRENT ACCOUNTING OF DEBT FINANCING COST. In order to finance the Pietro's Acquisition, the Company sold certain Convertible Notes (as hereinafter defined) totaling in the aggregate $3,000,000, which Convertible Notes convert into Shares and warrants upon the close of this Offering. In connection with this financing, which financing was obtained through the Representative, the Company paid the Representative 13% of the total $3,000,000 investment, or $390,000. See "Certain Transactions -- Pietro's Acquisition." The $390,000 debt financing cost is currently being amortized over twelve months; however, upon conversion of the Convertible Notes simultaneously with the closing of this Offering, the unamortized debt financing cost totaling $292,500 as of June 30, 1996 is currently anticipated to be expensed in the third quarter of 1996 and will significantly impact the net income or loss of the Company.

LACK OF DIVERSIFICATION. The Company currently intends to operate pizzeria restaurants and brew-pubs only. As a result, changes in consumer preferences, including changes in consumer preferences away from restaurants of the type operated by the Company, may have a disproportionate and materially adverse impact on the Company's business, operating results and prospects.

IMMEDIATE SUBSTANTIAL DILUTION. The initial public offering price per Share will exceed the net tangible book value per share of the Common Stock. Accordingly, the purchasers of the Shares will experience immediate substantial dilution of $4.46 per share or 81.1% of their investment based upon the pro forma net tangible book value of the Company at June 30, 1996. In addition, the purchasers of the Securities offered hereby will bear a disproportionate part of the financial risk associated with the Company's business while effective control will remain with the existing shareholders and Management. See "Dilution."

RECENTLY FORMED REPRESENTATIVE MAY BE UNABLE TO COMPLETE OFFERING OR MAKE A MARKET. The Representative was formed in March 1995, has acted as the managing underwriter for four public offerings and has acted as a member of an underwriting syndicate on three occasions. Nonetheless, due to the Representative's limited history, there can be no assurance that the Offering will be

completed or, if completed, that an active trading market for the Common Stock will develop. The Representative is not affiliated with the Company or any controlling person of the Company. See "Underwriting."

NEED FOR ADDITIONAL FINANCING. Although the Company expects that the net proceeds of this Offering will be sufficient to fund the Company's cash requirements for the conversion of the Northwest Restaurants and operation of its existing restaurants for at least 18 months following the completion of this Offering, this estimate is based on numerous assumptions regarding the Company's operations, including certain assumptions as to the Company's revenues, net income and other factors, and there is no assurance that such assumptions will prove to be accurate or that unbudgeted costs will not be incurred. Future events, including the problems, delays, additional expenses and difficulties frequently encountered in the expansion and conversion of facilities, as well as changes in economic, regulatory or competitive conditions, may lead to cost increases that could make the net proceeds of this Offering insufficient to fund the Company's operations in which case the Company would require additional financing. There can be no assurance that the Company will be able to obtain such additional financing, or that such additional financing will be available on terms acceptable to the Company and at the times required by the Company. Failure to obtain such financing may adversely impact the growth, development or general operations of the Company. If, on the other hand, such financing can be obtained, it may result in additional leverage or dilution of existing shareholders. See "Management's Discussion and Analysis of Financial Condition and Results of Operation -- Liquidity and Capital Resources."

UNCERTAIN ABILITY TO MANAGE GROWTH AND CONVERSIONS. A significant element of the Company's business plan is to expand through acquisitions and conversions. For example, the Company has recently acquired 26 restaurants located throughout Washington and Oregon under a plan of reorganization, 19 of which the Company retained and currently plans to convert into BJ's restaurants. In addition, the Company only recently opened its Westwood Village (Los Angeles) and Brea, California restaurants. An additional restaurant is being developed in Boulder, Colorado. The Company's ability to successfully convert recently acquired restaurants and to expand will depend on a number of factors, including the selection and availability of suitable locations, the hiring and training of sufficiently skilled management and other personnel, the availability of adequate financing, distributors and suppliers, the obtaining of necessary governmental permits and authorizations, and contracting with appropriate development and construction firms, some of which are beyond the control of the Company. There is no assurance that the Company will be able to successfully convert recently acquired restaurants or to open any new restaurants and/or brew-pubs, or that any new restaurants and/or brew-pubs will be opened at budgeted costs or in a timely manner, or that such restaurants can be operated profitably.

LIMITATIONS AND VULNERABILITY AS A RESULT OF GEOGRAPHIC CONCENTRATION OF MANAGEMENT'S EXPERIENCE. Until recently, Management's experience was limited to operating the restaurants in Southern California and one restaurant in Lahaina, Maui. Because the Company's Management has limited operating experience outside of Southern California, there is no assurance that the Company will be successful in other geographic areas. For example, the Company's experience with construction and development outside the Southern California area is limited, which may increase associated risks of development and construction as the Company expands outside this area. Expansion to other geographic areas may require substantially more funds for advertising and marketing since the Company will not initially have name recognition or word of mouth advertising available to it in areas outside of Southern California. The centralization of the Company's management in Southern California may be a problem in terms of its current and future expansion to new geographic areas, because the Company lacks experience with local distributors, suppliers and consumer factors and other issues as a result of the distance between the Company's main headquarters and its restaurant sites. These factors could impede the growth of the Company.

GEOGRAPHIC CONCENTRATION OF COMPANY'S OPERATIONS The Company's operations are concentrated in Southern California, Lahaina, Maui, Oregon and Washington.

Adverse economic conditions in any of these areas could adversely impact the Company.

RESTAURANT INDUSTRY COMPETITION. The restaurant industry is intensely competitive with respect to price, service quality, location, ambiance and food quality, both within the casual dining field and in general. As a result, the rate of failure for restaurants is very high, and the business of owning and operating restaurants involves greater risks than for businesses generally. There are many competitors of the Company in the casual dining segment that have substantially greater financial and other resources than the Company and may be better established in those markets where the Company has opened or intends to open restaurants. There is no assurance that the Company will be able to compete successfully with its competitors.

SPECIAL BREWERY BUSINESS CONSIDERATIONS. A key element of the Company's business plan involves the development and/or acquisition of brew-pub-themed restaurants which will brew beer on site or offer beer produced in a centralized micro-brewery or offer a variety of micro-brew beers produced by others that have limited availability. To the extent that the Company brews its own beer, its business will be highly dependent upon the suppliers of various raw ingredients and other materials, delivery service and the Company's ability to retain or replace its expert brewmaster to oversee the Company's brewing operations. In addition, to the extent that the Company sells beer produced by its facility to others, the Company will require independent distributors, the loss of which could adversely impact the Company. Further, brewery operations are subject to specific hazards, including contamination of brews by microorganisms and risks of equipment failure. Although Management has procured insurance to cover such risks, there can be no assurance that such insurance coverage will be adequate or will continue to be available on price or other terms satisfactory to the Company.

UNCERTAINTY WITH RESPECT TO GROWTH OF THE MICRO-BREWING INDUSTRY. The sale and consumption of micro-brewed beer has increased over the past several years. There can be no assurance that the demand for micro-brewed beer will continue to grow at the present rate or at all, or that circumstances could develop to cause the demand for micro-brewed beer to diminish. To meet the demand for micro-brewed beer, new breweries are being developed. If the demand for micro-brewed beer does not keep up with increases in supply, the Company's limited brewery operations will face heightened competition and may not be able to sell sufficient quantities of its products to achieve profitability.

SIGNIFICANT IMPACT OF BEER AND LIQUOR REGULATIONS. Currently, the sale of beer and wine accounts for approximately ten percent of total revenue at the Southern California restaurants. In light of the Company's current focus upon the development and/or acquisition of brew-pub-themed restaurants, Management believes that the sale of beer and other alcoholic beverages will constitute a greater percentage of sales in the future. The Company is required to operate in compliance with federal licensing requirements imposed by the Bureau of Alcohol, Tobacco and Firearms of the United States Department of Treasury, as well as the licensing requirements of states and municipalities where its restaurants are or will be located. Failure to comply with federal, state or local regulations could cause the Company's licenses to be revoked and force it to cease the brewing and/or sale of alcoholic beverages at its restaurants. Additionally, state liquor laws may prevent or impede the expansion of the Company's restaurants into certain markets. The liquor laws of certain states prevent the Company from selling at wholesale the beer brewed at its restaurants. Any difficulties, delays or failures in obtaining such licenses, permits or approvals could delay or prevent the opening of a restaurant in a particular area.

BEER EXCISE TAX. The federal government currently imposes an excise tax of $7.00 per barrel on each barrel of beer produced for domestic consumption, up to 60,000 barrels per year. Individual states also impose excise taxes on alcoholic beverages in varying amounts. In the future the excise tax rate could be increased by either the federal or state governments, or both. Future increases in excise taxes on alcoholic beverages could adversely affect the Company.

DEPENDENCE UPON CONSUMER TRENDS. The Company's restaurants are, by their nature, dependent upon consumer trends with respect to the public's tastes, eating habits (including increased awareness of nutrition), public perception toward alcohol consumption and discretionary spending priorities, all of which can shift rapidly. In general, such trends are significantly affected by many factors, including the national, regional or local economy, changes in area demographics, public perception and attitudes, increases in regional competition, food, liquor and labor costs, traffic patterns, weather, natural disasters and the availability and relative cost of automobile fuel. Any negative change in any of the above factors could negatively affect the Company and its operations.

DEPENDENCE ON KEY PERSONNEL. As of the date of the Prospectus there are three members of senior Management of the Company: Paul Motenko, who serves as Chairman of the Board, Chief Executive Officer, Vice President and Secretary of the Company; Jeremiah J. Hennessy, who serves as President, Chief Operating Officer and Director of the Company; and Laura Parisi who serves as Chief Financial Officer and Assistant Secretary of the Company. The Company currently has employment agreements only with Mr. Motenko and Mr. Hennessy. See "Management -- Employment Agreements." The Company's success depends to a significant extent on the performance and continued service of its senior management and certain key employees. Competition for employees with such specialized training is intense and there can be no assurance that the Company will be successful in retaining such personnel. In addition, there can be no assurance that employees will not leave the Company or compete against the Company. See "Management." The Company does not currently have any key person life insurance but has applied for $1,000,000 in key person life insurance for each of Mr. Motenko and Mr. Hennessy. If the services of any members of Management become unavailable for any reason, it could affect the Company's business and prospects adversely.

RISKS ASSOCIATED WITH LEASED PROPERTIES. The Company's 28 restaurants are all on leased premises. Certain of these leases expire in the near term and there is no automatic renewal or option to renew. See "Business -- Property and Leases." No assurance can be given that leases can be renewed, or, if renewed, rents will not increase substantially, either of which could adversely affect the Company. Other leases are subject to renewal at fair market value, which could involve substantial rent increases. In addition, there is a potential eminent domain proceeding against one of the Company's restaurants in Oregon which, if completed, could require the Company to close the restaurant and lose its potential revenues and investment therein.

PIETRO'S ACQUISITION OUT OF BANKRUPTCY. The Company recently acquired 26 restaurants pursuant to a plan of reorganization filed by Pietro's with the U.S. Bankruptcy Court. The Company has sold 7 of the 26 restaurants. The Company currently plans to retain the remaining 19 restaurants. Pietro's was unable to operate its restaurants on a profitable basis, and there is no assurance that the Company will be able to operate these restaurants on a profitable basis in the future. See "Certain Transactions -- Sale of Restaurants."

INCREASES IN FOOD COSTS. The Company's gross margins are highly sensitive to changes in food costs, which sensitivity requires Management to be able to anticipate and react to such changes. Various factors beyond the Company's control, including adverse weather, labor strikes and delays in any of the restaurants' frequent deliveries, may negatively affect food costs, quality and availability. While in the past, Management has been able to anticipate and react to increasing food costs through, among other things, purchasing practices, menu changes and price adjustments, there can be no assurance that it will be able to do so in the future.

INCREASE IN MINIMUM WAGE. On August 20, 1996, President Clinton signed legislation which will increase the federal minimum wage from $4.25 an hour to $4.75 effective October 1, 1996 and again to $5.15 effective September 1, 1997. In addition, California faces an initiative on the November ballot that proposes

another two-step increase making the state minimum wage $5.75 an hour by early 1998. A substantial majority of employees working in restaurants operated by the Company receive salaries equal to the federal minimum wage and an increase in the minimum wage is expected to increase the operating expenses of the Company.

POTENTIAL UNINSURED LOSSES. The Company has comprehensive insurance, including general liability, fire and extended coverage, which the Company considers adequate. However, there are certain types of losses which may be uninsurable or not economically insurable. Such hazards may include earthquake, hurricane and flood losses. While the Company currently maintains limited earthquake coverage, it may not be economically feasible to do so in the future. If such a loss should occur, the Company would, to the extent that it is not covered for such loss by insurance, suffer a loss of the capital invested in, as well as anticipated profits and/or cash flow from, such damaged or destroyed properties. Punitive damage awards are generally not covered by insurance; thus, any awards of punitive damages as to which the Company may be liable could adversely affect the ability of the Company to continue to conduct its business, to expand its operations or to develop additional restaurants. There is no assurance that any insurance coverage maintained by the Company will be adequate, that it can continue to obtain and maintain such insurance at all or that the premium costs will not rise to an extent that they adversely affect the Company or the Company's ability to economically obtain or maintain such insurance. See "Business -- Insurance."

POTENTIAL "DRAM SHOP" LIABILITY. Restaurants in most states, including those in which the Company operates, are subject to "dram shop" laws, rules and regulations, which impose liability on licensed alcoholic beverage servers for injuries or damages caused by their negligent service of alcoholic beverages to a visibly intoxicated person or to a minor, if such service is the proximate cause of the injury or damage and such injury or damage is reasonably foreseeable. While the Company has limited amounts of liquor liability insurance and intends to maintain liquor liability insurance as part of its comprehensive general liability insurance which it believes should be adequate to protect against such liability, there is no assurance that it will not be subject to a judgment in excess of such insurance coverage or that it will be able to obtain or continue to maintain such insurance coverage at reasonable costs, or at all. The imposition of a judgment substantially in excess of the Company's current insurance coverage would have a materially adverse effect on the Company and its operations. The failure or inability of the Company to maintain or increase insurance coverage could materially and adversely affect the Company and its operations. In addition, punitive damage awards are generally not covered by such insurance. Thus, any awards of punitive damages as to which the Company may be liable could adversely affect the ability of the Company to continue to conduct its business, to expand its operations or to develop additional restaurants.

TRADEMARK AND SERVICEMARK RISKS. The Company has not had a challenge to its use of the "BJ's" servicemark as of this time. However, to date, the Company has used the servicemark only in Southern California and Lahaina, Maui and will only recently be attempting to use such servicemark in Washington and Oregon. In addition, the Company has not secured clear rights to the use of the "BJ's" servicemark or any other name, servicemark or trademark used in the Company's business operations. Since there are other restaurants using the "BJ's" name throughout the United States there can be no assurance that the Company will ever be able to secure any such proprietary rights or that the Company may not be subject to claims with respect to the Company's use of the "BJ's" name. See "Business -- Trademarks and Copyrights."

EFFECTS OF COMPLIANCE WITH GOVERNMENT REGULATION. The Company is subject to various federal, state and local laws, rules and regulations affecting its businesses and operations. Each of the Company's restaurants is and shall be subject to licensing regulation and reporting requirements by numerous governmental authorities which may include alcoholic beverage control, building, land use, environmental protection, health and safety and fire agencies in the state or municipality in which the restaurant is located. Difficulties in

obtaining or failures to obtain the necessary licenses or approvals could delay or prevent the development or operation of a given restaurant or limit, as with the inability to obtain a liquor or restaurant license, its products and services available at a given restaurant. Any problems which the Company may encounter in renewing such licenses in one jurisdiction may adversely affect its licensing status on a federal, state or municipal level in other relevant jurisdictions. See "-- Significant Impact of Beer and Liquor Regulation."

HIGHER COSTS ASSOCIATED WITH POTENTIAL HEALTH CARE REFORM. The Company currently pays full and in some cases a portion of health insurance coverage for corporate, managerial and certain non-managerial restaurant personnel. Many proposals being discussed at the state and federal level for universal or broadened health care coverage could impose costly requirements to provide additional coverage, which could adversely impact the Company. At the present time it is unclear what, if any, reforms in health care coverage will be adopted at the federal or state level.

POTENTIAL IMPACT OF RECENT TAX LAW DEVELOPMENTS. In June 1995 the Internal Revenue Service announced a new initiative aimed at improving tip reporting in the restaurant industry, known as the Tip Reporting Alternative Commitment ("TRAC"). TRAC is a voluntary agreement between a restaurant and the IRS under which the restaurant agrees to educate employees about tip reporting and assume responsibility for tracking employees' charge-card tips. In return, a restaurant that signs and complies with a TRAC receives assurance that the IRS will not bill the restaurant for Federal Insurance Contributions Act ("FICA") taxes on previously unreported tips unless the IRS has first determined that individual employees owe FICA taxes. While entering a TRAC may minimize potential exposure for back FICA taxes on unreported tips, it will increase expenses for training and recordkeeping, as well as result in a likely increase in FICA payroll taxes due to an increase in the amount of tips reported, offset by an income tax credit equal to the full amount of FICA payroll taxes paid to the extent of the Company's federal income tax liability. Management of the Company has not made a determination of whether or not to apply to enter into a TRAC.

LIMITED CONTROL AND INFLUENCE ON THE COMPANY BY NEW INVESTORS. Upon the consummation of this Offering, the officers and directors of the Company will, in the aggregate, beneficially own approximately 26.2% of the Common Stock (8.5% assuming exercise in full of the Redeemable Warrants, the Selling Security Holders' Redeemable Warrants, and all other outstanding warrants and options). As a result, it is anticipated that these individuals will be in a position to materially influence, if not control, the outcome of all matters requiring shareholder or board approval, including the election of directors. See "Management," "Principal Shareholders" and "Description of Securities -- Common Stock." Such influence and control is likely to continue for the foreseeable future and significantly diminishes control and influence which future shareholders may have on the Company.

POSSIBLE ADVERSE IMPACT OF FUTURE SALES OF RESTRICTED SHARES ON MARKET PRICE. All outstanding shares prior to this Offering are restricted securities under Rule 144 under the Securities Act of 1933. However, of these restricted securities, the 1,766,864 shares held by the Selling Security Holders may be sold at any time in the over the counter market and an additional 2,730,052 shares will be eligible for resale in the near future under Rule 144. 1,317,714 of such 2,730,052 shares include shares held by officers and directors who, with the exception of the Selling Director's shares and warrants included in the Selling Securities Holders' Shares and Selling Security Holders' Redeemable Warrants, have agreed not to sell their shares for one year after the date hereof without the written consent of the Representative. See "Underwriting." In general, under Rule 144, a person (or persons whose shares are aggregated) holding restricted securities who has satisfied a two-year holding period may, commencing 90 days after the date hereof, under certain circumstances, sell within any three-month period that number of shares which does not exceed the greater of 1% of the then outstanding shares of Common Stock or the average

weekly reported trading volume during the four calendar weeks prior to filing a Rule 144 notice. Rule 144 also permits, under certain circumstances, the sale of shares without any quantity limitation by a person who has satisfied a three-year holding period and who is not, and has not been for the preceding three months, an affiliate of the Company. The Securities and Exchange Commission (the "Commission") has proposed to shorten the two year and three year holding periods of Rule 144 to one year and two years, respectively. If such holding periods are shortened, the holders of restricted securities could accelerate the date that they could sell their shares. Future sales under Rule 144 or by the Selling Security Holders including sales of the Selling Security Holders' Redeemable Warrants (and the shares issuable upon exercise of the Selling Security Holders' Redeemable Warrants) may have an adverse effect on the market price of the shares of Common Stock or Redeemable Warrants should a public market develop for such Securities.

NO DIVIDENDS. It is the current policy of the Company that it will retain earnings, if any, for expansion of its operations, remodeling or conversion of existing restaurants and other corporate purposes and it will not pay any cash dividends in respect of the Common Stock in the foreseeable future. See "Dividend Policy."

ABSENCE OF PUBLIC MARKET. Prior to this Offering, there has been no public market for the Common Stock or the Redeemable Warrants. While the Company has applied for approval for listing the Common Stock and Redeemable Warrants on the Nasdaq Small-Cap Market, there is no assurance that a regular public market for the Common Stock or Redeemable Warrants will develop as a result of this Offering or, if a regular public market does develop, that it will continue. In the absence of such a market, investors may be unable to readily liquidate their investment in the Common Stock or Redeemable Warrants.

NO ASSURANCE OF CONTINUED NASDAQ INCLUSION. In order to qualify for continued listing on Nasdaq, a company, among other things, must have $2,000,000 in total assets, $1,000,000 in capital and surplus and a minimum bid price of $1.00 per share. If the Company is unable to satisfy the maintenance requirements for quotation on Nasdaq, of which there can be no assurance, it is anticipated that the Securities would be quoted in the over-the-counter market National Quotation Bureau ("NQB") "pink sheets" or on the NASD OTC Electronic Bulletin Board. As a result, an investor may find it more difficult to dispose of, or obtain accurate quotations as to the market price of the Securities which may materially adversely affect the liquidity of the market of the Securities.

POSSIBLE ADVERSE IMPACT OF PENNY STOCK REGULATION. If the Securities are delisted from Nasdaq, they might be subject to the low-priced security or so-called "penny stock" rules that impose additional sales practice requirements on broker-dealers who sell such securities. For any transaction involving a penny stock the rules require, among other things, the delivery, prior to the transaction, of a disclosure schedule required by the Commission relating to the penny stock market. The broker-dealer also must disclose the commissions payable to both the broker-dealer and the registered representative and current quotations for the securities. Finally, monthly statements must be sent disclosing recent price information for the penny stocks held in the customer's account.

Although the Company believes that the Securities are not a penny stock due to their continued listing on Nasdaq, in the event the Securities subsequently become characterized as a penny stock, the market liquidity for the Securities could be severely affected. In such an event, the regulations relating to penny stocks could limit the ability of broker-dealers to sell the Securities and, thus, the ability of purchasers in this offering to sell their Securities in the secondary market.

LACK OF CORRELATION BETWEEN OFFERING PRICE AND VALUE OF SHARES OR COMPANY. The initial public offering price of the Shares and Redeemable

Warrants will be determined by negotiation between the Company and the Representative, as representative of the Underwriters, and does not necessarily bear any relationship to the Company's book value, assets, past operating results, financial condition or any other established criteria of value. There is no assurance that the Common Stock or Redeemable Warrants will trade at market prices in excess of the initial public offering price as prices for the Common Stock or Redeemable Warrants in any public market which may develop will be determined in the marketplace and may be influenced by many factors, including the depth and liquidity of the market for the Common Stock or Redeemable Warrants, investor perception of the Company and general economic and market conditions. See "Underwriting" for a discussion of the factors considered in determining the initial public offering price.

REPRESENTATIVE'S POTENTIAL INFLUENCE ON THE MARKET. Almost all of the Selling Security Holders are clients of the Representative and are obligated to sell their respective Securities through the Representative. It is also anticipated that a significant number of the Securities being offered hereby will be sold to clients of the Representative. Although the Representative has advised the Company that it currently intends to make a market in the Securities following this Offering, it has no legal obligation, contractual or otherwise, to do so. The Representative, if it becomes a market maker, could be a significant influence in the market for the Securities, if one develops. The prices and the liquidity of

the Securities may be significantly affected by the degree, if any, of the Representative's participation in such market. There is no assurance that any market activities of the Representative, if commenced, will be continued.

POSSIBLE ADVERSE IMPACT OF SELLING SECURITY HOLDERS' SHARES AND REDEEMABLE WARRANTS ON MARKET PRICE. As part of the Registration Statement of which this Prospectus is a part, the Company is registering 1,766,864 shares of Common Stock, 10,014,584 Selling Security Holders' Redeemable Warrants owned by the Selling Security Holders, and 10,014,584 shares of Common Stock issuable upon exercise of such Selling Security Holders' Redeemable Warrants (collectively referred to herein as the "Selling Security Holders' Securities"). See "Resale of Outstanding Securities." Concurrently with this Offering, the Selling Security Holders or their respective transferees, may sell the Selling Security Holders' Securities. The sale of the Selling Security Holders' Securities may be effected from time to time in transactions (which may include block transactions by or for the account of Selling Security Holders) in the over-the-counter market or negotiated transactions, through the writing of options on the Selling Security Holders' Securities, through a combination of such methods of sale or otherwise. Sales of Selling Security Holders' Shares or the shares issuable upon exercise of the Selling Security Holders' Redeemable Warrants may depress the price of the Common Stock in any market that may develop for the Common Stock and sales of the Selling Security Holders' Redeemable Warrants may depress the price of the Redeemable Warrants in any market that may develop for the Redeemable Warrants.

CURRENT PROSPECTUS AND STATE REGISTRATION TO EXERCISE WARRANTS. The Redeemable Warrants and the Selling Security Holders' Redeemable Warrants are not exercisable unless, at the time of the exercise, the Company has a current prospectus covering the shares of Common Stock issuable upon exercise of the Redeemable Warrants and the Selling Security Holders' Redeemable Warrants and such shares have been registered, qualified or deemed to be exempt under the securities or "blue sky" laws of the jurisdiction of residence of the exercising holder of the Redeemable Warrants. In addition, in the event that any holder of the Redeemable Warrants attempts to exercise any Redeemable Warrants at any time after nine months from the date of this Prospectus, the Company may be required to file a post-effective amendment and deliver a current prospectus before the Redeemable Warrants may be exercised. Although the Company has undertaken to use its best efforts to have all the shares of Common Stock issuable upon exercise of the Redeemable Warrants registered or qualified on or before the exercise date and to maintain a current prospectus relating thereto until the expiration of the Redeemable Warrants, there is no assurance that it will be able to do so. The value of the Redeemable Warrants may be greatly reduced if a current

prospectus covering the Common Stock issuable upon the exercise of the Redeemable Warrants is not kept effective or if such Common Stock is not qualified or exempt from qualification in the jurisdictions in which the holders of the Redeemable Warrants then reside.

The Redeemable Warrants will be separately tradeable immediately upon issuance and may be purchased separately from the Shares. Although the Securities will not knowingly be sold to purchasers in jurisdictions in which the Securities are not registered or otherwise qualified for sale, investors may purchase the Redeemable Warrants in the secondary market or may move to jurisdictions in which the shares underlying the Redeemable Warrants are not registered or qualified during the period that the Redeemable Warrants are exercisable. In such event, the Company would be unable to issue shares to those persons desiring to exercise their Redeemable Warrants unless and until the shares could be qualified for sale in jurisdictions in which such purchasers reside, or an exemption from such qualification exists in such jurisdictions, and holders of the Redeemable Warrants would have no choice but to attempt to sell the Redeemable Warrants in a jurisdiction where such sale is permissible or allow them to expire unexercised. See "Description of Securities -- Redeemable Warrants."

ADVERSE EFFECT TO HOLDERS OF REDEEMABLE WARRANTS AS A RESULT OF POSSIBLE REDEMPTION OF SUCH WARRANTS. The Redeemable Warrants are subject to redemption by the Company, at any time, commencing one year after the date of this Prospectus, at a price of $.25 per Redeemable Warrant if

the average closing bid price for the Common Stock equals or exceeds 140 percent of the initial public offering price per share for any 20 trading days within a period of 30 consecutive trading days ending on the fifth trading day prior to the date of the notice of redemption. If, prior to exercise, the Company provides holders of the Redeemable Warrants with the 30-day notice of redemption and during such notice period, the Redeemable Warrants are not exercised, the holders thereof would lose their right to exercise their respective Redeemable Warrants and the benefit of the difference between the market price of the underlying Common Stock as of such date and the exercise price of such Redeemable Warrants, as well as any possible future price appreciation in the Common Stock. Upon the receipt of a notice of redemption of the Redeemable Warrants, the holders thereof would be required to: (i) exercise the Redeemable Warrants and pay the exercise price at a time when it may be disadvantageous for them to do so; (ii) sell the Redeemable Warrants at the market price, if any, when they might otherwise wish to hold the Redeemable Warrants; or (iii) accept the redemption price, which is likely to be substantially less than the market value of the Redeemable Warrants at the time of redemption. Notwithstanding the above, 4,700,000 of such Redeemable Warrants ("Special Warrants") are not redeemable until sold by the current holders or their affiliates. See "Description of Securities -- Redeemable Warrants" and "Underwriting."

POSSIBLE ADVERSE IMPACT ON POTENTIAL BIDS TO ACQUIRE SHARES DUE TO ISSUANCE OF PREFERRED OR COMMON STOCK. The Board of Directors of the Company has authority to issue up to 5,000,000 shares of preferred stock of the Company (the "Preferred Stock") and to fix the rights, preferences, privileges and restrictions of such shares without any further vote or action by the shareholders. In addition, the Company has authorized 60,000,000 shares of Common Stock. Only 6,108,321 shares of Common Stock will be outstanding immediately after the completion of this Offering, assuming no exercise of the Underwriters' over-allotment options and assuming that the Representative's Warrants and all other stock options and warrants then to be outstanding are not exercised. An additional 12,864,584 shares of Common Stock are reserved for issuance pursuant to the Underwriters' over-allotment options, Redeemable Warrants, the Selling Security Holders' Redeemable Warrants, the Representative's Warrants, the Redeemable Warrants issuable upon exercise of the Representative's Warrants and options that may be granted under the 1996 Stock Option Plan. Thus, an additional 41,027,095 shares of Common Stock remain available for issuance at the discretion of the Board of Directors. The potential issuance of authorized and unissued Preferred Stock or Common Stock of the Company may result in special rights and privileges, including voting

rights, to individuals designated by the Company and have the effect of delaying, deferring or preventing a change in control of the Company. As a result, such potential issuance may adversely affect the marketability and potential market price of the shares, as well as the voting and other rights of the holders of the Common Stock. The Company currently has no plans to issue shares of Preferred Stock or additional shares of Common Stock. See "Description of Securities -- Common Stock."

POSSIBLE DILUTIVE EVENT AS A RESULT OF LACK OF PREEMPTIVE RIGHTS. The holders of Common Stock do not have any subscription, redemption or conversion rights, nor do they have any preemptive or other rights to acquire or subscribe for additional, unissued or treasury shares. Accordingly, if the Company were to elect to sell additional shares of Common Stock, or securities convertible into or exercisable to purchase shares of Common Stock, following this Offering, persons acquiring Common Stock in this Offering would have no right to purchase additional shares, and as a result, their percentage equity interest in the Company would be diluted. See "Description of Securities -- Common Stock."

USE OF PROCEEDS

The net proceeds to the Company from the sale of the Securities offered hereby at an assumed offering price of $5.50 per share and $0.25 per warrant, after deducting underwriting discounts and other estimated expenses of the Offering, are estimated to be approximately $6,703,750 ($7,829,313 if the Underwriters' over-allotment options are exercised in full). The Company intends to apply such proceeds for the general purposes set forth below:

APPLICATION OF NET PROCEEDS	DOLLAR AMOUNT	APPROXIMATE PERCENTAGE OF NET PROCEEDS
Conversion of 19 Northwest Restaurants (1)	$4,500,000	67.1%
Repayment of Debt (2)	730,000	10.9%
Development of Boulder, Colorado Restaurant (3)	800,000	11.9%
Working Capital	673,750	10.1%
Total	$6,703,750	100.0%

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(1) Depending on which of the three BJ's concepts a particular restaurant is converted to, conversion expenditures are estimated to range from $100,000 for a BJ'S PIZZA restaurant to as high as $500,000 for a full BJ'S PIZZA, GRILL & BREWERY restaurant.

(2) To repay: (i) $526,000 of the $3,270,000 outstanding note payable to Roman Systems, which note matures on April 1, 2004 and bears interest at a rate of 7%. See "Certain Transactions -- Acquisition of Restaurants and Intellectual Property," (ii) a $100,000 note due and payable to Ms. Katherine Anderson, a limited partner of BJ's Lahaina, L.P., the California limited partnership which operates the Company's Lahaina, Maui restaurant, which note matures on September 5, 1996 and bears interest at a rate of 19%, (iii) a $79,000 note due on demand and payable to Paul Motenko, which note bears interest at a rate of 6% and (iv) a $25,000 note due and payable to Harold Motenko, which note matures on March 22, 1998 and bears interest at a rate of 12%. See "Certain Transactions -- Certain Other Transactions and Conflicts of Interest."

(3) Represents estimated costs of improvements and equipment purchases for the Boulder, Colorado restaurant not currently expected to be financed through

loans or other financing, as well as amounts expected to be applied toward, among other things, advertising, preopening expenses (including hiring and training of personnel) and related expenses in connection with the Boulder, Colorado site.

The foregoing represents the Company's best estimate of its use of the net proceeds of this Offering based upon its present plans, the state of its business operations and current conditions in the restaurant industry. The Company reserves the right to change the use of the net proceeds if unanticipated developments in the Company's business, business opportunities, or changes in economic, regulatory or competitive conditions make shifts in the allocation of net proceeds necessary or desirable. The net proceeds from the exercise of the Representative's Warrants, if any, will be added to the general funds of the Company and used for working capital and other general corporate purposes. Amounts received by the Company upon exercise of the Underwriters' over-allotment options, if any, will be used for working capital and other general corporate purposes. Pending any uses, the Company will invest the net proceeds from this Offering in short-term, interest-bearing securities or accounts.

The Company will not receive any proceeds from the sale of the Selling Security Holders' Securities, although it will receive the exercise price of the Selling Security Holders' Redeemable Warrants when and if they are exercised.

DIVIDEND POLICY

The Company has not paid any dividends since its inception. Currently, the Company does not have any funds available for the payment of dividends. In any case, it is the current policy of the Company that it will retain earnings, if any, for expansion of its operations, remodeling of existing restaurants and other general corporate purposes and that it will not pay any cash dividends in respect of the shares 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.

DILUTION

As of June 30, 1996, the Company had a pro forma net tangible deficit book value of $9,144, or approximately $0.00 per share of Common Stock. The pro forma net tangible book value assumed the conversion of $3,000,000 of debt pursuant to the Note Purchase Agreements (as hereinafter defined) by and between the Company and ASSI, Inc. and the Company and Norton Herrick upon the consummation of this Offering. (See "Certain Transactions -- Pietro's and Other Proposed Acquisitions") This pro forma net tangible book value per share of Common Stock is equal to the net tangible assets of the Company (total assets less total liabilities and intangible assets), divided by the number of shares of Common Stock outstanding. After giving effect to the issuance of the 1,500,000 Shares of Common Stock offered hereby (without giving any effect to the net proceeds from the sale of the Shares and Redeemable Warrants subject to the underwriters' over-allotment option) at an assumed offering price of $5.50 per share, and after deduction of estimated offering expenses and the Underwriters' discount, the pro forma net tangible book value of the Company at June 30, 1996 would have been $6,368,356 or approximately $1.04 per share of Common Stock, representing an immediate dilution (i.e., the difference between the purchase price per Share and the pro forma net tangible book value per share after the Offering) to new investors of $4.46 or 81.1% per share and an immediate increase in net tangible book value of $1.04 per share to existing shareholders, as illustrated by the following table:

Assumed initial public offering price per share of Common	

Stock		$5.50
Pro forma net tangible deficit book value per share after conversion of debt into Common Stock at June 30, 1996	$0.00	
Increase per share of Common Stock attributable to new investors	1.04	
Pro forma net tangible book value per share of Common Stock after the Offering		1.04
Dilution per share of Common Stock to new investors		$4.46

If the net proceeds of $326,250 from the sale of the Redeemable Warrants (after deducting the underwriting discounts and the Representative's nonaccountable expense allowance, but attributing no other costs of this Offering to the Redeemable Warrants) had been attributed to the net tangible book value of the shares of Common Stock after this Offering, the pro forma net tangible book value after this Offering would increase by approximately $.05 per share of Common Stock and decrease the dilution to new public investors by approximately $.05 per share of Common Stock.

In the event that the Underwriters exercise their over-allotment options in full, the pro forma net tangible book value of the Company after this Offering (after deducting the Underwriters' discount and the Representative's nonaccountable expense allowance, but attributing no other costs of this Offering to the over-allotment shares) would be approximately $7,820,168 (including the net proceeds of $326,250 from the sale of the Redeemable Warrants) or $1.23 per share of Common Stock, which would result in immediate dilution in net tangible book value to the public investors of approximately $4.27 per share of Common Stock.

The following table sets forth the number of shares of Common Stock owned by the current shareholders of the Company, the number of shares of Common Stock to be purchased from the

Company by the purchasers of the shares of Common Stock offered hereby and the respective aggregate consideration paid or to be paid to the Company and the average price per share of Common Stock.

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE
	NUMBER	PERCENT	AMOUNT	PERCENT	PER SHARE
Current shareholders (1)	4,608,321	75.4%	$ 9,229,154	52.8%	$2.00
New investors (2)	1,500,000	24.6%	$ 8,250,000	47.2%	$5.50
Total	6,108,321	100.0%	$ 17,479,154	100.0%	

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(1) Includes outstanding Common Stock at June 30, 1996 of 3,788,878 shares, plus the issuance of Woodbridge Holdings, Inc.'s 69,443 shares and the assumed conversion of the debt to Common Stock for ASSI, Inc. and Norton Herrick to 750,000 shares upon the closing of this Offering. See "Certain Transactions."

(2) Does not include the issuance and sale of 1,500,000 Redeemable Warrants, or up to 225,000 additional Shares of Common Stock and Redeemable Warrants issuable by the Company upon the exercise of the Underwriters' over-allotment option, which would raise the total shares of Common Stock purchased by new investors to 1,725,000 (27.2%) and the total consideration paid to the Company by new investors to $9,918,750 (51.8%).

CAPITALIZATION

The following table sets forth the capitalization of the Company as of June 30, 1996, as adjusted to give effect to the conversion of $3,000,000 of debt to Common Stock and warrants (see "Certain Transactions --Pietro's Acquisition") and to the issuance and sale of the 1,500,000 Shares of Common Stock and the 1,500,000 Redeemable Warrants offered hereby by the Company at an assumed Offering price of $5.50 per share and $0.25 per warrant, after the deduction of the estimated expenses of the Offering, and the application of the net proceeds thereof as set forth in "Use of Proceeds." The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and the related notes thereto included elsewhere in this Prospectus.

	JUNE 30, 1996		
	COMPANY	ADJUSTMENTS	AS ADJUSTED
	(DOLLARS IN THOUSANDS)		
Long-term debt, including current portion and capital leases	$ 1,353		$ 1,353
		(3,000)(2)	
Notes payable to related parties	6,793	(730)(1)	3,063
Total debt	8,146		4,416
Minority interest	254		254
Equity:			
Preferred stock, no par value, 5,000,000 shares authorized; none issued and outstanding	--		--
Common stock, no par value, 60,000,000 shares authorized; 4,608,321 shares		69(2)	
issued, and pro forma 6,108,321		2,775(2)	
shares to be outstanding (3)	5,568	6,377(4)	14,789
Capital surplus:			
Warrants: 10,014,584 warrants issued;		6(2)	
and pro forma 11,514,584 warrants to		225(2)	
be outstanding	330	327(4)	888
Accumulated deficit	(2,899)	(293)(2)	(3,192)
Total equity	2,999		12,485
Total capitalization	$ 11,398		$ 17,155

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(1) The Company will use a portion of the net proceeds to pay (i) $526,000 of

the $3,270,000 note payable to Roman Systems, Inc., (ii) a $100,000 note payable to Ms. Katherine Anderson, (iii) a $79,000 note payable to Paul Motenko and (iv) a $25,000 note payable to Harold Motenko.

(2) Conversion of $3,000,000 debt and related accrued interest thereon under certain Convertible Notes to 750,000 shares of Common Stock and 4,500,000 warrants. See "Certain Transactions -- Pietro's Acquisition." The expensing of the unamortized debt issue cost of $292,500 and the related impact on accumulated deficit is anticipated to be charged to operations in the third quarter of 1996 upon the closing of this Offering.

(3) Excludes (i) 1,500,000 shares of Common Stock issuable by the Company upon the full exercise of the Redeemable Warrants offered hereby, (ii) 225,000 shares of Common Stock and 225,000 Redeemable Warrants issuable by the Company upon the full exercise of the Underwriters' over-allotment options, (iii) 150,000 shares of Common Stock issuable by the Company upon the full exercise of the Representative's Warrants, (iv) 150,000 shares of Common Stock issuable by the Company upon the full exercise of the Redeemable Warrants issuable upon exercise of the Representative's Warrants, (v) 10,014,584 shares of Common Stock issuable by the Company upon the full exercise of the Selling Security Holders' Redeemable Warrants and (vi) 600,000 shares reserved for issuance under the Company's proposed 1996 Stock Option Plan. See "Underwriting."

(4) The net proceeds of this Offering which include 1,500,000 Shares of Common Stock and the issuance and sale of the 1,500,000 Redeemable Warrants offered hereby.

In December 1994 and May 1995, the Company effected a 19,000-for-one stock split and a .34896-for-one reverse stock split of its Common Stock, respectively. Unless the context otherwise requires, all share and per-share data in this Prospectus have been revised to reflect these stock splits.

SELECTED COMBINED AND CONSOLIDATED FINANCIAL DATA

The selected financial data presented below for, and as of the year ended December 31, 1995 and the end of, each of the years in the two-year period ended December 31, 1995, are derived from the combined (1994) and consolidated (1995) financial statements of the Company and the financial statements of the Pietro's Corp. Business Related to Purchased Assets ("Purchased Assets"), which financial statements have been audited by Coopers & Lybrand L.L.P., independent accountants. The financial statements as of December 31, 1995, and for each of the years in the two-year period ended December 31, 1995, and the reports thereon, are included elsewhere in this Prospectus. The consolidated financial data for the six-month periods ended June 30, 1995 and June 30, 1996, are derived from unaudited consolidated financial statements of the Company. The combined financial data for the Purchased Assets on page 25 hereof for the three-month periods ended March 27, 1995 and March 29, 1996, are derived from the unaudited combined financial statements of the Purchased Assets. The consolidated financial data for the Company for the six-month period ended June 30, 1996 includes the results of operations of the Purchased Assets for the period from March 30, 1996 through June 30, 1996. All of the unaudited financial statement data referred to above, in the opinion of the Company's management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations. The operating results for the six-month periods ended June 30, 1995 and 1996 are not necessarily indicative of the operating results for the full year. The selected combined and consolidated financial data should be read in conjunction with the Company and the Purchased Assets Combined and Consolidated Financial Statements and related notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Prospectus. See Note 1 of Notes to Combined and Consolidated Financial

Statements.

CHICAGO PIZZA & BREWERY, INC. (THE "PARENT")

	YEAR ENDED DECEMBER 31,		SIX-MONTH PERIODS ENDED JUNE 30,	
	1994	1995	1995	1996
	(IN THOUSANDS)			
STATEMENT OF OPERATIONS DATA: (1)				
Revenues	$ 6,453	$ 6,586	$ 3,207	$ 8,308
Cost of sales	1,638	1,848	894	2,614
Gross profit	4,815	4,738	2,313	5,694
Costs and expenses:				
Labor	2,706	2,647	1,269	3,088
Occupancy	654	654	314	696
Operating expenses	1,331	1,250	650	1,388
General & administrative	474	879	330	833
Depreciation & amortization	173	359	182	377
Total costs and expenses	5,338	5,789	2,745	6,382
Loss from operations	(523)	(1,051)	(432)	(688)
Other income (expense):				
Interest expense, net	(119)	(472)	(381)	(386)
Other	(34)	(104)	0	7
Total other expense	(153)	(576)	(381)	(379)
Loss before minority interest and taxes	(676)	(1,627)	(813)	(1,067)
Minority interest in partnerships	132	27	17	(1)
Loss before taxes	(544)	(1,600)	(796)	(1,068)
Income tax expense	(6)	(6)	(2)	(7)
Net loss	$ (550)	$ (1,606)	$ (798)	$ (1,075)
BALANCE SHEET DATA (END OF PERIOD): (1)				
Working capital (deficit)		$ 22		$ (5,206)
Intangible assets, net		5,558		5,790
Total assets		9,943		14,890
Total long-term debt (including current portion)		4,127		8,146
Minority interest (2)		253		254
Shareholders' equity		4,023		2,999

PURCHASED ASSETS (3)

	YEAR ENDED DECEMBER 26, 1994	YEAR ENDED DECEMBER 25, 1995	THREE-MONTH PERIOD ENDED MARCH 27, 1995
	(IN THOUSANDS)		
STATEMENT OF OPERATIONS DATA: (4)			
Revenues	$ 14,609	$ 14,634	$ 3,671
Cost of sales	4,403	4,277	1,121
Gross profit	10,206	10,357	2,550
Costs and expenses:			
Labor	4,755	4,836	1,201
Occupancy	1,402	1,434	350
Operating expenses	2,276	2,361	644
General & administrative	1,944	1,596	403
Depreciation & amortization	662	581	140
Total costs and expenses	11,039	10,808	2,738

Net loss	$ (833)	$ (451)	$ (188)
BALANCE SHEET DATA (END OF PERIOD): (4)			
Working capital (deficit)		$ (247)	
Total assets		1,541	
Equity		1,091	

	THREE-MONTH PERIOD ENDED MARCH 29, 1996
STATEMENT OF OPERATIONS DATA: (4)	
Revenues	$ 3,780
Cost of sales	1,188
Gross profit	2,592
Costs and expenses:	
Labor	1,290
Occupancy	352
Operating expenses	620
General & administrative	382
Depreciation & amortization	114
Total costs and expenses	2,758
Net loss	$ (166)
BALANCE SHEET DATA (END OF PERIOD): (4)	
Working capital (deficit)	$ (105)
Total assets	1,463
Equity	1,125

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(1) Statement of Operations Data for the Parent includes the operating results for the combined (1994) and consolidated (1995) information for the Parent and the combined information for the Purchased Assets from March 30, 1996 through June 30, 1996. The Balance Sheet Data includes the consolidated balance sheet information for the Parent and the combined balance sheet information for the Purchased Assets as of June 30, 1996. The 1994 information for the Parent is presented on a combined basis due to common ownership and control. The Parent acquired the Purchased Assets on March 29, 1996.

(2) The minority interest represents the 46.32% limited partners' share in equity and the accumulated results from operations for the Lahaina, Maui restaurant, not owned directly by the Parent.

(3) The Purchased Assets represent the 26 restaurants acquired (the "Pietro's Acquisition") from the former Pietro's Corp., a Washington corporation ("Pietro's"). The financial results for the Purchased Assets represent the Pietro's Corp.'s Business Related to Purchased Assets acquired by the Parent. On May 15, 1996 the Parent agreed to sell seven of the restaurants purchased from Pietro's. The sale was completed during the second quarter of 1996. The operating results of those seven restaurants are included in the table. The Company recognized no gain or loss on the sale and adjusted the goodwill recorded in the acquisition of the Purchased Assets. The sales for the seven restaurants which the Company sold totaled approximately $3,492,000 and $3,683,000 for the years ended December 25, 1995 and December 26, 1994, respectively. Operating profit excluding overhead allocation for the seven restaurants totaled approximately $268,000 and $313,000 for the years ended December 25, 1995 and December 26, 1994, respectively. Loss after overhead allocation relating to the seven restaurants totaled

approximately $327,000 and $454,000 for the years ended December 25, 1995 and December 26, 1994, respectively. See the Combined Financial Statements, Pietro's Corp.'s Business Related to Purchased Assets. The sales for the seven restaurants sold totaled approximately $841,000 and $940,000 for the three-month periods ended March 31, 1996 and 1995, respectively. Operating profit excluding overhead allocation totaled approximately $31,000 and $95,000 for the three-month periods ended March 31, 1996 and 1995, respectively. Loss after overhead allocation relating to the seven restaurants totaled approximately $54,000 and $42,000 for the three-month periods ended March 31, 1996 and 1995, respectively. See the Combined Financial Statements, Pietro's Corp.'s Business Related to Purchased Assets.

(4) Statement of Operations and Balance Sheet Data for the Purchased Assets include the combined information for the Purchased Assets as of the dates and for each of the periods presented.

PRO FORMA COMBINED FINANCIAL DATA FOR THE COMPANY

The following unaudited pro forma combined financial information reflects the acquisition of the Purchased Assets by the Company. The pro forma statement of operations for the six-month period ended June 30, 1996 and the year ended December 31, 1995 assumes the transaction occurred January 1, 1995.

The historical financial information of the Company for the six-month period ended June 30, 1996 and the year ended December 31, 1995 has been derived from the consolidated and combined financial statements included elsewhere in this Prospectus. The pro forma financial information should be read in conjunction with the accompanying notes thereto and with the financial statements of the Company and the Purchased Assets included elsewhere in this Prospectus. The pro forma combined financial information does not purport to be indicative of operating results which would have been achieved had the acquisition of the Purchased Assets occurred as of the dates indicated and should not be construed as representative of future operating results. In the opinion of Management, all adjustments have been made to reflect the effects of the acquisition.

PRO FORMA COMBINED STATEMENT OF OPERATIONS
(IN THOUSANDS)

	HISTORICAL YEAR ENDED DECEMBER 31, 1995	PRO FORMA ADJUSTMENTS PURCHASED ASSETS (1)	PRO FORMA YEAR ENDED DECEMBER 31, 1995 (5)	HISTORICAL SIX-MONTH PERIOD ENDED JUNE 30, 1996	PRO FORMA ADJUSTMENTS PURCHASED ASSETS (2)	PRO FORMA SIX-MONTH PERIOD ENDED JUNE 30, 1996 (5)
Revenues	$ 6,586	$14,634	$21,220	$ 8,308	$ 3,780	$12,088
Cost of sales	1,848	4,277	6,125	2,614	1,188	3,802
Gross profit	4,738	10,357	15,095	5,694	2,592	8,286
Costs and expenses:						
Labor	2,647	4,836	7,483	3,088	1,290	4,378
Occupancy	654	1,434	2,088	696	352	1,048
Operating expenses	1,250	2,361	3,611	1,388	620	2,008
General & administrative	879	1,596(4)	2,475	833	382(4)	1,215
Depreciation & amortization	359	581	940	377	114	491
Total costs and expenses	5,789	10,808	16,597	6,382	2,758	9,140
Loss from operations	(1,051)	(451)	(1,502)	(688)	(166)	(854)
Minority interest in partnership	27	0	27	(1)	0	(1)
Other income (expense):						
Interest expense, net	(472)	0	(472)	(386)	0	(386)
Other	(104)	0	(104)	7	0	7
Loss before taxes	(1,600)	(451)	(2,051)	(1,068)	(166)	(1,234)
Provision for taxes (3)	(6)	0	(6)	(7)	0	(7)

Net loss.....	$(1,606)	$ (451)	$(2,057)	$(1,075)	$ (166)	$(1,241)

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(1) To adjust operating results for the year ended December 31, 1995 to include Pietro's Corp.'s business related to the Purchased Assets described further elsewhere in this Prospectus.

(2) Reflects the results of the operations of the Purchased Assets for the three-month period from January 1 to March 29, 1996.

(3) No income tax benefit has been provided for the results of the operations of the Company and the Purchased Assets as it is more likely than not that the deferred tax assets originated in the net operating losses will not be realized.

(4) Reflects overhead allocation from Pietro's Corp.

(5) On May 15, 1996 the Parent agreed to sell seven of the restaurants purchased from Pietro's Corp. The Company recognized no gain or loss on the sale of these restaurants and adjusted the goodwill related to the acquisition of the Purchased Assets. The sales for the seven restaurants sold totaled approximately $3,492,000 and $1,533,000 for the year ended December 31, 1995 and the six-month period ended June 30, 1996, respectively. Operating profit before allocation of overhead for the locations to be sold total $268,000 and $4,000 for the year ended December 31, 1995 and the six-month period ended June 30, 1996, respectively. Losses after allocation of overhead for the locations to be sold totaled $327,000 and $146,000 for the year ended December 31, 1995 and the six-month period ended June 30, 1996, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the Company's financial condition and results of operations, for the years ended December 31, 1994 and 1995 and the six-month periods ended June 30, 1995 and 1996 concern the Company including the assets of CPNI as of March 30, 1996. The Company including the assets of CPNI as of March 30, 1996, is referred to as the "Parent." This discussion and analysis should be read in conjunction with the Parent's combined financial statements and related notes thereto included elsewhere in this Prospectus.

GENERAL

Chicago Pizza & Brewery, Inc. (the "Company") was formed in 1991 by Mr. Jeremiah Hennessy and Mr. Paul Motenko (the "Owners") to operate and manage five existing restaurants that operated as BJ's Chicago Pizzeria restaurants (now all operated as BJ'S PIZZA & GRILL restaurants) in Southern California. These five restaurants were owned by Roman Systems, Inc. ("Roman Systems"). The Company began managing these five restaurants in 1991 pursuant to a Management Agreement (the "Management Agreement") with Roman Systems. Pursuant to the Management Agreement, the Company had the right to open, operate and manage BJ's restaurants. In 1992, the Owners formed CPA-BG, Inc. ("CPA-BG") and opened two restaurants with CPA-BG as the general partner of BJ's Belmont Shore, L.P. and BJ's La Jolla, L.P. in 1992 and 1993, respectively. In 1994, the Company opened BJ's restaurants in Huntington Beach and Seal Beach, California. Additionally in

1994, the Company, through a limited partnership interest in BJ's Lahaina, L.P., opened a BJ's restaurant in Lahaina, Maui. The general partners of BJ's Lahaina, L.P. were CPA010, Inc. ("CPA010"), owned by Messrs. Motenko and Hennessy, and Blue Max, Inc. ("Blue Max"). In addition to its limited partnership interest, the Company managed the Lahaina, Maui restaurant.

Effective January 1, 1995, pursuant to the Asset Purchase Agreement between the Company and Roman Systems (the "Asset Purchase Agreement"), the Company purchased three of the existing BJ's restaurants operated and managed under the Management Agreement (Balboa in Newport Beach, La Jolla Village and Laguna Beach, California) and terminated the Management Agreement. As part of the Asset Purchase Agreement, the Company assumed responsibility for closing the other two Roman Systems BJ's restaurants in Santa Ana and San Juan Capistrano, California and assumed certain liabilities related thereto. The Santa Ana and San Juan Capistrano, California restaurants were closed in 1995.

Effective January 1, 1995, the Company purchased the limited partnership interests of BJ's Belmont Shore, L.P. and BJ's La Jolla, L.P. The general partnership interests of CPA-BG were transferred to the Company for no consideration prior to the acquisition of the limited partnership interests. The stock of the corporate general partners of BJ's Lahaina, L.P., CPA010 and Blue Max, was also transferred to the Company for no consideration. Additionally, in 1995 the Company closed the BJ's restaurant located on Prospect Street in La Jolla, California ("La Jolla -- Prospect"). As of December 31, 1995, the Company owned seven BJ's restaurants, all in Southern California and a 53.68% interest in the BJ's restaurant in Lahaina, Maui. The Company subsequently opened BJ's restaurants in Westwood Village in Los Angeles, California in March 1996, and Brea, California in April 1996.

On March 29, 1996, the Company acquired 26 restaurants located in Oregon and Washington by providing the funding for Pietro's Plan of Reorganization, dated February 29, 1996, as modified (the "Debtor's Plan") and thereby acquired all of the stock in the reorganized entity known as Chicago Pizza Northwest, Inc. The Debtor's Plan was confirmed by an order of the Bankruptcy Court on March 18, 1996 and the Company funded the Debtor's Plan on March 29, 1996. The Company's consolidated balance sheet as of June 30, 1996 includes CPNI and the Statement of Operations for the six-month period ended June 30, 1996 includes the results of CPNI for the period March 30, 1996 through June 30, 1996.

As a result of these transactions the Company owned the following restaurants during 1995 and 1996, except for the Lahaina, Maui restaurant in which the Company owned an interest:

LOCATION	ACQUIRED FROM	DATE ACQUIRED
Seal Beach, California	N.A. (3)	February 22, 1994
Lahaina, Maui	N.A. (3)	June 22, 1994
Huntington Beach, California	N.A. (3)	August 30, 1994
Balboa in Newport Beach, California	Roman Systems	January 1, 1995
Laguna Beach, California	Roman Systems	January 1, 1995
La Jolla Village, La Jolla, California	Roman Systems	January 1, 1995
Belmont Shore, California	BJ's Belmont Shore, L.P.	January 1, 1995
La Jolla -- Prospect, California (1)	BJ's La Jolla, L.P.	January 1, 1995
Westwood Village in Los Angeles, California	N.A. (3)	March 15, 1996
Brea, California	N.A. (3)	March 29, 1996
Milwaukie, Oregon	Pietro's Corp.	March 29, 1996
Salem, Oregon	Pietro's Corp.	March 29, 1996
Eugene, Oregon	Pietro's Corp.	March 29, 1996
Portland, Oregon	Pietro's Corp.	March 29, 1996
Eugene, Oregon	Pietro's Corp.	March 29, 1996
Salem, Oregon	Pietro's Corp.	March 29, 1996
Gresham, Oregon	Pietro's Corp.	March 29, 1996
Eugene, Oregon	Pietro's Corp.	March 29, 1996
Woodstock, Oregon	Pietro's Corp.	March 29, 1996
Jantzen Beach, Oregon	Pietro's Corp.	March 29, 1996
Portland, Oregon	Pietro's Corp.	March 29, 1996
Portland, Oregon	Pietro's Corp.	March 29, 1996
Portland, Oregon	Pietro's Corp.	March 29, 1996
Hood River, Oregon	Pietro's Corp.	March 29, 1996
The Dalles, Oregon	Pietro's Corp.	March 29, 1996
Aloha, Oregon	Pietro's Corp.	March 29, 1996

North Bend, Oregon	Pietro's Corp.	March 29, 1996
McMinnville, Oregon	Pietro's Corp.	March 29, 1996
Redmond, Oregon (2)	Pietro's Corp.	March 29, 1996
Albany, Oregon (2)	Pietro's Corp.	March 29, 1996
Madras, Oregon (2)	Pietro's Corp.	March 29, 1996
Bend, Oregon (2)	Pietro's Corp.	March 29, 1996
Richland, Washington (2)	Pietro's Corp.	March 29, 1996
Kennewick, Washington (2)	Pietro's Corp.	March 29, 1996
Longview, Washington	Pietro's Corp.	March 29, 1996
Yakima, Washington (2)	Pietro's Corp.	March 29, 1996

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(1) Closed June 1995.

(2) In May of 1996, the Company entered into an agreement to sell these restaurants. The sale of these restaurants was completed during the second quarter of 1996. See "Certain Transactions -- Sale of Restaurants."

(3) These restaurants were developed by the Company rather than purchased.

The above list does not include the Boulder, Colorado restaurant, which the Company is currently developing and expects to open in Fall of 1996.

The Parent's revenues are derived primarily from food and beverage sales at its restaurants. The Parent's expenses consist primarily of food and beverage costs, labor costs (consisting of wages and benefits), operating expenses (consisting of marketing costs, repairs and maintenance, supplies, utilities and other operating expenses), occupancy costs, general and administrative expenses and depreciation and amortization expenses.

Certain preopening costs, including direct and incremental costs associated with the opening of a new restaurant, are amortized over a period of one year from the opening date of such restaurant. These costs include primarily those incurred to train a new restaurant management team, food, beverage and supply costs incurred to test all equipment and systems, and any rent or operating expenses incurred prior to opening. As of June 30, 1996, approximately $309,000 of preopening costs had been incurred in connection with the opening of the restaurants in Westwood Village in Los Angeles, California; Brea, California; and Boulder, Colorado. Construction costs, including leasehold capital improvements are amortized over the remaining useful life of the related asset, or, for leasehold improvements, over the initial term, if less.

The Company's conversion of five of its restaurants from "BJ's Chicago Pizzerias" to BJ'S PIZZA & GRILL restaurants resulted in above-normal food and labor costs in late 1995, and the first quarter of 1996 -- results which are similar to that normally experienced in the opening of a new restaurant. Management believes that the conversions were a significant contributing factor to substantial comparable store sales increases experienced by the affected restaurants during the first quarter of 1996. The Parent utilizes a calendar year-end for financial reporting purposes.

RESULTS OF OPERATIONS

SIX-MONTH PERIOD ENDED JUNE 30, 1996 COMPARED TO SIX-MONTH PERIOD ENDED JUNE 30, 1995

REVENUES. Total revenues for the six-month period ended June 30, 1996 increased to $8,308,000, from $3,207,000 for the comparable period in 1995, an increase of $5,101,000 or 159.1%. The Northwest Restaurants, acquired on March 29, 1996, accounted for $3,557,000 of revenues from the date of acquisition through June 30, 1996. Excluding the Northwest Restaurants, total revenues for the six-month period ended June 30, 1996 increased to $4,751,000 from $3,207,000, an increase of $1,544,000 for the comparable period in 1995. The increase was achieved despite the La Jolla -- Prospect restaurant being closed

during 1996. Approximately $1,130,000 of the increase was due to the opening of the Westwood Village, Los Angeles, California and Brea, California restaurants in March and April, 1996, respectively. Revenues for the seven stores open the entire comparable period increased from $3,035,000 to $3,621,000 or 19.3%. Management primarily attributes the increase in revenues in these stores to the following factors, in order of their significance: (i) the introduction of the new BJ's menu and concept, (ii) the winter storms experienced during the first quarter of 1995 which resulted in reduced customers during that period, and (iii) the refurbishment of the La Jolla Village restaurant in November, 1995.

COST OF SALES. Cost of food, beverages and paper for the restaurants increased to $2,614,000 for the six months ended June 30, 1996 from $894,000 for the comparable period in 1995, an increase of $1,720,000 or 192.4%. As a percentage of revenues, cost of sales increased to 31.5% for the period ended June 30, 1996 from 27.9% for the comparable period in 1995. The Northwest Restaurants, acquired on March 29, 1996, accounted for $1,150,000 of cost of sales from the date of acquisition through June 30, 1996. Excluding the Northwest Restaurants, cost of sales for the six-month period ended June 30, 1996 increased to $1,464,000 from $894,000 for the comparable period in 1995, an increase of 63.8%. Excluding the Northwest Restaurants, as a percentage of revenues, cost of sales increased to 30.8% for the six-month period ended June 30, 1996 from 27.9% for the comparable period in 1995. Management believes that food cost as a percentage of sales increased primarily due to costs incurred, as anticipated, during the testing and initial implementation phase of the menu expansion and special promotional pricing of certain of the new menu items through May, 1996. While the Company will continue to test and implement new menu items, Management anticipates that the

impact of the menu testing and implementation upon cost of sales as a percentage of revenue will decline. However, a portion of the increased food cost percentage is associated with higher relative costs of certain of the new menu items, which will have an ongoing impact on cost of sales.

LABOR. Labor costs for the restaurants increased to $3,088,000 for the six-month period ended June 30, 1996 from $1,269,000 for the comparable period in 1995, an increase of $1,819,000 or 143.3%. The Northwest Restaurants, acquired on March 29, 1996, accounted for $1,199,000 of labor costs from the date of acquisition through June 30, 1996. Excluding the Northwest Restaurants, labor costs for the six-month period ended June 30, 1996 increased to $1,889,000 from $1,269,000 for the comparable period in 1995, an increase of 48.9%. Excluding the Northwest Restaurants, as a percentage of revenues, labor costs increased to 39.8% for the six-month period ended June 30, 1996 from 39.6% for the comparable period in 1995. This increase resulted from the implementation of the new menu and expanded concepts which required the re-training of every employee in the restaurants. In addition, the Company temporarily increased the number of staff members per shift in both the kitchen and dining room in order to maintain a high level of service during the transition period. As of June 1996, labor costs have been reduced to levels which Management believes are more representative of ongoing staffing requirements. The above-described increase in labor cost as a percentage of sales was partially offset due to the increased revenues for the six-month period ended June 30, 1996 relative to the comparable period in 1995.

OCCUPANCY. Occupancy costs increased to $696,000 for the six-month period ended June 30, 1996 from $314,000 for the comparable period in 1995, an increase of $382,000 or 121.7%. The Northwest Restaurants, acquired on March 29, 1996, accounted for $350,000 of occupancy costs from the date of acquisition through June 30, 1996. Excluding the Northwest Restaurants, occupancy costs for the

six-month period ended June 30, 1996 increased to $346,000 from $314,000 for the comparable period in 1995, an increase of 10.2%. The $32,000 increase was due to the opening of the Westwood, Los Angeles, California and Brea, California restaurants in March and April, 1996, respectively, offset partially by the discontinuation of the La Jolla -- Prospect restaurant in June 1995. Excluding the Northwest Restaurants, as a percentage of revenues, occupancy costs decreased to 7.3% for the six-month period ended June 30, 1996 from 9.8% for the comparable period in 1995. This decrease was due to increased revenues.

OPERATING EXPENSES. Operating expenses increased to $1,388,000 for the six-month period ended June 30, 1996 from $650,000 for the comparable period in 1995, an increase of $738,000 or 113.5%. The Northwest Restaurants, acquired on March 29, 1996, accounted for $576,000 of operating expenses from the date of acquisition through June 30, 1996. Excluding the Northwest Restaurants, operating expenses for the six-month period ended June 30, 1996 increased to $812,000 from $650,000 for the comparable period in 1995. The $162,000 or 24.9% increase resulted primarily from the opening of the Westwood, Los Angeles, California and Brea, California restaurants in March and April, 1996, respectively. Excluding the Northwest Restaurants, as a percentage of revenue, operating expenses decreased to 17.1% for the six-month period ended June 30, 1996 from 20.3% for the comparable period in 1995, primarily due to increased revenue. Operating expenses include restaurant-level operating costs, the major components of which include marketing, repairs and maintenance, supplies, utilities and the amortization of pre-opening expenses.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses increased to $833,000 for the six-month period ended June 30, 1996 from $330,000 for the comparable period in 1995, a $503,000 or 152.4% increase. The Northwest Restaurants, acquired on March 29, 1996, accounted for $365,000 of general and administrative expenses from the date of acquisition through June 30, 1996, including an $83,000 reserve for severance pay due to the elimination of duplicate overhead expenses. Excluding the Northwest Restaurants, general and administrative expenses for the six-month period ended June 30, 1996 increased to $468,000 from $330,000 for the comparable period in 1995. Excluding the Northwest Restaurants, as a percentage of revenue, general and administrative expenses decreased to 9.8% for the six-month period through June 30, 1996 from

10.3% for the comparable period in 1995. The decrease resulted from increased revenues, offset partially by additional administrative expenses related to the increased company size in preparation for substantial growth and the Offering, including the hiring of several key employees.

With the opening of the Westwood Village and Brea restaurants in California which management believes will increase revenues, and the elimination of duplicate overhead between the Southern California and Northwest locations, which management believes will decrease general and administrative expenses, management anticipates that general and administrative expenses as a percentage of sales will continue to decrease. This is a forward-looking statement, and there can be no assurance that total revenues will increase, or that general and administrative expenses will decrease, since each of these items are subject to a number of risk factors, as described herein. See "Risk Factors."

DEPRECIATION AND AMORTIZATION. Depreciation and amortization increased to $377,000 for the six-month period ended June 30, 1996 from $182,000 for the comparable period in 1995, an increase of $195,000 or 107.1%. The Northwest Restaurants, acquired on March 29, 1996, accounted for $124,000 of depreciation

and amortization from the date of acquisition through June 30, 1996. Excluding the Northwest Restaurants, depreciation and amortization for the six-month period ended June 30, 1996 increased to $253,000 from $182,000 for the comparable period in 1995. The increase was primarily due to the depreciation related to the remodeling of the La Jolla Village restaurant in November 1995 and the opening of the Westwood Village, Los Angeles, California and Brea, California restaurants in March and April, 1996, respectively.

INTEREST EXPENSE. Interest expense increased to $386,000 for the six-month period ended June 30, 1996 from $381,000 for the comparable period in 1995, an increase of $5,000 or 1.3%. During 1995 the Company issued 222,462 shares of stock as additional interest valued at $.75 per share in conjunction with a January 1995 debt private placement. For accounting purposes the value of these shares was treated as interest expense. The debt was fully paid during 1995. During 1996, the Company incurred $3,000,000 in convertible debt accruing interest at 10% per annum. In addition, the costs associated with obtaining this debt financing are being charged to interest expense over the period from March 1996 through February 1997. During the six-month period ended June 30, 1996 $97,500 of these costs were charged to interest expense.

YEAR ENDED DECEMBER 31, 1995 COMPARED TO YEAR ENDED DECEMBER 31, 1994

REVENUES. Revenues for the year ended December 31, 1995 increased to $6,586,000, from $6,453,000 for the comparable period in 1994, an increase of $133,000 or 2.1%. The increase resulted from the opening of the Seal Beach, California, Lahaina, Maui and Huntington Beach, California restaurants in February, June and August, 1994, respectively, and was partially offset by the closure of the Santa Ana, San Juan Capistrano and La Jolla -- Prospect, California restaurants in 1995. The operations of the Santa Ana and San Juan Capistrano restaurants were reserved as of January 1, 1995 as part of the purchase price of the Roman Systems acquisition. Revenues for the year ended December 31, 1994 include revenues derived from these three restaurants closed in 1995.

Sales at the four restaurants (Balboa in Newport Beach, La Jolla Village, Laguna Beach and Belmont Shore, California) open during the entire period decreased to $3,415,000 in 1995 from $3,553,000 in 1994, a decrease of 3.9%. This decrease was due to the following factors in order of their significance:

(i) The harsh winter of 1995 depressed sales, particularly at the beach restaurants (Laguna Beach and Balboa in Newport Beach, California). Sales at these restaurants decreased 4.3% from 1994 to 1995.

(ii) Several competitive restaurants opened in the Fall of 1994 in the area surrounding the La Jolla Village restaurant, impacting its 1995 sales prior to the remodeling in November 1995. Sales at La Jolla Village during 1995 prior to and during the remodeling decreased 16.7% from the comparable period in 1994. A portion of this decrease was due to the closure of La Jolla Village for

two weeks during the remodeling. Sales during December 1995, immediately subsequent to the remodeling of the restaurant and introduction of the new menu, increased 37.5% from December 1994.

COST OF SALES. Cost of food, beverages and paper increased to $1,848,000 for the year ended December 31, 1995, from $1,638,000 for the comparable period in 1994, an increase of $210,000 or 12.8%. As a percentage of revenues, cost of sales increased to 28.1% for the fiscal year ended December 31, 1995, from 25.4% for the comparable period in 1994. Management believes that this increase is primarily due to the new menu development and implemenation during the latter part of 1995. Additionally, extraordinarily high produce costs resulting from flooding in California during the winter of 1995 contributed to the increase.

LABOR. Labor costs for the restaurants decreased to $2,647,000 for the year ended December 31, 1995, from $2,706,000 for the comparable period in 1994 a decrease of $59,000 or 2.2%. As a percentage of revenues, labor costs decreased to 40.2% for the year ended December 31, 1995, from 41.9% for the comparable period in 1994. This decrease resulted from the closure of the Santa Ana, San Juan Capistrano and La Jolla -- Prospect, California restaurants in 1995. The cost of closing the restaurants as well as the loss from operations for Santa Ana and San Juan Capistrano restaurants were reserved as part of the purchase price for the Roman Systems acquisition. In 1994, these restaurants were included in results from operations. In addition to the reduction of the Company's labor force due to the Company's discontinuation of these restaurants, such restaurants had relatively low sales volumes which resulted in higher labor costs as a percentage of sales.

OCCUPANCY. Occupancy costs remained constant at $654,000 for the year ended December 31, 1995 and the comparable period in 1994 due to the following offsetting factors: (i) an increase in occupancy due to a full year of operations for the Seal Beach and Huntington Beach, California restaurants, as well as the Lahaina, Maui restaurant and (ii) a decrease in occupancy due to the closure of the Santa Ana and San Juan Capistrano, California restaurants as discussed above as well as the Company's closure of the La Jolla -- Prospect, California restaurant in 1995. As a percentage of revenues, occupancy costs decreased to 9.9% for the year ended December 31, 1995, from 10.1% for the comparable period in 1994.

OPERATING EXPENSES. Operating expenses decreased to $1,250,000 for the year ended December 31, 1995, from $1,331,000 for the comparable period in 1994, a decrease of $81,000 or 6.1%. As a percentage of revenues, operating expenses decreased to 19.0% for the fiscal year ended December 31,1995, from 20.6% for the comparable period in 1994. Management believes that the decrease was primarily attributable to the closure of the Santa Ana and San Juan Capistrano, California restaurants as discussed above, the closure of the La Jolla -- Prospect, California restaurant in mid-1995 and preopening costs of $112,000 incurred during 1994 relating to the Lahaina, Maui, and Seal Beach and Huntington Beach, California restaurants. Operating expenses include restaurant-level operating costs, the major components of which are marketing, repairs and maintenance, supplies and utilities.

GENERAL AND ADMINISTRATIVE. General and administrative expenses increased to $879,000 for the fiscal year ended December 31, 1995, from $474,000 for the comparable period in 1994, an increase of $405,000 or 85.4%. As a percentage of revenues, general and administrative expenses increased to 13.3% for the year ended December 31, 1995, from 7.3% in 1994. The increase resulted from administrative expenses related to the increased company size in preparation for substantial growth and the IPO, including the hiring of several key employees.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization expense increased to $359,000 for the year ended December 31, 1995, from $173,000 for the comparable period in 1994, an increase of $186,000. The increase resulted from the amortization of goodwill resulting from the January 1, 1995 acquisition of Roman Systems, BJ's Belmont Shore, L.P., and BJ's La Jolla, L.P.

INTEREST EXPENSE. Interest expense increased to $472,000 for the year ended December 31, 1995 from $119,000 in 1994. The $353,000 increase resulted from interest debt incurred for the Roman Systems acquisition. See the Consolidated Financial Statements and "Certain Transactions -- Private Placements."

MINORITY INTEREST. The combined net loss related to restaurants owned by limited partnerships decreased to $27,000 for the year ended December 31, 1995, from $132,000 in 1994, due to the acquisition of BJ's Belmont, L.P. and BJ's La Jolla, L.P., eliminating the minority interest. Additionally, the net loss in BJ's Lahaina, L.P. decreased to $35,000 for the year ended 1995, from $141,000 in 1994.

LIQUIDITY AND CAPITAL RESOURCES

The Company historically has operated without working capital, but it does not have significant inventory or trade receivables and customarily receives several weeks of credit in purchasing food and supplies. The Company's working capital deficit is primarily due to its operating losses, acquisition costs and restaurant development costs. Net cash used in operating activities for the year ended December 31, 1994 and the year ended December 31, 1995, and the six-month period ended June 30, 1996 were approximately $257,000, $973,000 and $221,000, respectively.

To date the Company has primarily financed its operations, acquisitions, development and expansion from private placements completed in January, March and September 1995, and convertible notes issued in March 1996 (See "Certain Transactions"). These funds have been used primarily for acquiring and/or developing the Roman Systems restaurants, the Brea restaurant, the Northwest Restaurants, menu and restaurant development costs, restaurant refurbishment, and working capital. Capital expenditures for the year ended December 31, 1994 and December 31, 1995 and the six-month period ended June 30, 1996 were approximately $997,000, $5,132,000 and $4,917,000, respectively.

In connection with the development of the Huntington Beach restaurant in 1994, the Company issued a demand note payable to a related party in the amount of $350,000 with interest accruing at a rate of 6%. This demand note is collateralized by the Huntington Beach restaurant and equipment. $150,000 of this demand note was repaid in the second quarter of 1996. An additional $100,000 of this demand note was repaid in July 1996.

In connection with the 1995 Roman Systems acquisition, the Company, in addition to a $550,000 cash down payment and assumption of certain liabilities, issued a note in favor of the sellers in the amount of $3,700,000, which note accrues interest at a rate of 7% per annum and matures on April 1, 2004. This note is payable in monthly principal and interest installments of $38,195. Under this note the Company is also required to make additional payments of $25,000 per month toward the total outstanding principal until an aggregate of $875,000 in additional principal payments under the note have been made. The Company intends to use $526,000 of proceeds derived from this Offering to pay the remaining portion of this $875,000 principal obligation. See "Use of Proceeds." This note is collateralized by the restaurants in Balboa in Newport Beach, La Jolla Village and Laguna Beach, California.

In connection with the 1996 Brea acquisition, the Company issued a note in favor of the seller in the amount of $228,000 and assumed a bank note payable in the amount of $751,000, collateralized by a $200,000 certificate of deposit maturing March 1, 1998. During April 1996 the $228,000 note was repaid. The $751,000 is payable in monthly principal installments of $12,513 plus interest accrued at the bank's reference rate plus 2% and matures March 1, 2001.

In connection with the Pietro's Acquisition, the Company funded the Debtor's Plan of Reorganization in the amount of $2,350,000 and assumed notes payable to federal and state taxing authorities in the aggregate amount of $506,000. The Company is required to pay these notes in the following principal installments: (i) $32,670 per quarter from July 1, 1996 until April 1, 1997, (ii) $20,071 per quarter from July 1, 1997 until June 30, 2001, and (iii) varying payments totaling $34,122 from October 1, 2001 until April 1, 2002. In addition, the Company is required to make interest payments at the rate of 8.25%.

Also in connection with the Pietro's Acquisition, the Company sold an

aggregate of $3,000,000 in Convertible Notes. Upon the closing of this Offering, the entire principal and interest of the Convertible Notes convert into Shares and Warrants. See "Certain Transactions -- Pietro's and Other Proposed Acquisitions."

With respect to the leases for the La Jolla -- Prospect, California and the Richland, Washington restaurants, which restaurants were closed and sold by the Company, respectively, the Company remains liable in the event of default by the current lessees. Contingent liability for the full remaining term of the leases is estimated at $716,000 and $466,000 for the La Jolla -- Prospect and Richland locations, respectively. The Company may also be liable for additional expenses, such as, insurance, real estate taxes, utilities and maintenance and repairs. Management currently has no reason to believe that such expenses, if incurred, will be significant.

With respect to the La Jolla -- Prospect property, the tenant has paid all rents for a year and Management currently has no reason to believe that the tenant will not continue to pay rent as due in the future.

With respect to the Richland, Washington site, Abby's Inc. ("Abby's"), an affiliate of A-II, L.L.C., an Arizona LLC, which is the purchaser (the "Purchaser") of the site has agreed to guarantee payment under the lease. Both Abby's and the Purchaser have agreed to indemnify the Company with respect to such related liabilities. Finally, in the event of a default, the landlord of the Richland site has agreed to exhaust all remedies against the Purchaser and Abby's prior to pursuing any remedies against the Company. Management currently has no reason to believe that the Purchaser and/or Abby's is not capable of performing under the lease.

During 1995 and early 1996 the Company developed and implemented its extended menu, restaurant concept change and brewery concept for the BJ'S PIZZA, GRILL & BREWERY and BJ'S PIZZA & GRILL restaurants. Expenditures for the new menu items included food development costs, menu development costs, menu design and printing, management and staff training and new kitchen equipment to facilitate new menu items. Expenditures for the BJ'S PIZZA, GRILL & BREWERY and BJ'S PIZZA & GRILL restaurant concepts included new interior design, logo design, signage design and uniform design. Expenditures for the brewery concept included the hiring of a director of brewing operations, beer menu development costs and brewery design. Management believes it has completed the menu development and restaurant concept development phase of its business plan and that the costs associated with many of these changes are non-recurring.

Management believes the Company can be profitable through increased sales relating to its extended menu, reduced costs associated with Company produced beer and vendor volume purchasing associated with the recent Northwest Restaurant acquisition, its recent restaurant openings in Westwood Village, Los Angeles and Brea, California, the future opening of the restaurant in Boulder, Colorado, the reduction of overhead through consolidation of the general and administrative expenses of the Company's Southern California operations and its Northwest operations and the conversion and refurbishment of the Northwest Restaurants.

The Company currently intends to utilize capital primarily for the conversion and refurbishment of restaurants in the Northwest, development of the restaurant in Boulder, Colorado, repayment of certain debts and for working capital purposes. Management currently anticipates a total of $5,300,000 in additional capital expenditure requirements, including approximately $4,500,000 for the Northwest Restaurant conversions and $800,000 for the Boulder, Colorado restaurant development. Management believes the proceeds from this Offering will be sufficient for the Company to meet its business plan over the next 18 months. 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. See "Risk Factors -- Need for Additional Financing."

IMPACT OF INFLATION

Impact of inflation on food, labor and occupancy costs can significantly affect the Parent's operations. Many of the Parent's employees are paid hourly rates related to the federal minimum wage, which has been increased numerous times and remains subject to increase. Management believes that food costs, which increased in the first quarter due to the expanded menu, will stabilize and efficiencies may be obtained in purchasing and brew-pub operations.

SEASONALITY AND ADVERSE WEATHER

The Parent's results of operations have historically been impacted by seasonality, which directly impacts tourism at the Parent's coastal locations. Further, Management believes that adverse weather impacted the 1995 first quarter operating results, causing a significant decrease in the Parent's revenues. For those locations open during the entire years 1994 and 1995 (Balboa in Newport Beach and La Jolla Village, Laguna and Belmont Shore, California), the sales for the first quarter of 1995 decreased by approximately $87,000 or 10.5%, compared with the same period in 1994. Management believes that improved weather conditions during the first half of 1996 partially contributed to the increase in sales of 22.1% for the first half of 1996, compared with the same period in 1995 for the same four restaurants.

IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

RECENTLY ISSUED ACCOUNTING STANDARDS. In March 1995, the Financial Accounting Standards Board ("FASB") issued SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS No. 121"). SFAS No. 121 establishes accounting standards for the impairment of long-lived assets, certain identifiable intangibles, and goodwill related to those assets to be held and used, and for long-lived assets and certain identifiable intangibles to be disposed of. The Company is required to adopt the provisions of SFAS No. 121 for 1996, and currently believes that upon its adoption there should be no impact on the Company's result of operations.

In November 1995, the FASB also issued SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"). SFAS No. 123 establishes new accounting standards for the measurement and recognition of stock-based awards. SFAS No. 123 permits entities to continue to use the traditional accounting for stock-based awards prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees" however, under this option, the Company will be required to disclose the pro forma effect of stock-based awards on net income and earnings per share as if SFAS No. 123 had been adopted. SFAS No. 123 is effective for 1996. The Company intends to continue to use the provisions of APB Opinion No. 25 in accounting for stock-based awards. As such, SFAS No. 123 will have no impact on the Company's results of operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
PIETRO'S CORP.'S BUSINESS RELATED TO PURCHASED ASSETS

The following discussion and analysis of Pietro Corp.'s Business Related to Purchased Assets' combined financial condition and results of operations for the three months ended March 29, 1996 and March 27, 1995, and the fiscal years ended December 25, 1995 and December 26, 1994 should be read in conjunction with the Purchased Assets' combined financial statements and related notes thereto included elsewhere in this Prospectus. After March 29, 1996, the financial

condition and results of operations of the Purchased Assets are included in the consolidated financial data of the Company.

GENERAL

Pietro's Corp., a Washington State corporation ("Debtor" or "Pietro's") filed a petition for reorganization in the United States Bankruptcy Court for the Western District of Washington at Seattle under Chapter 11 of title 11 of the United States Code on September 26, 1995 (the "Petition Date"). The Company provided the funding for the "Debtor's Plan of Reorganization, Dated February 29, 1996" as modified (the "Plan") and thereby acquired all of the stock in the reorganized entity known as Chicago Pizza Northwest, Inc. ("CPNI"), a Washington corporation and defined in the Plan as the "Reorganized Debtor." The Plan was confirmed by an order of the Bankruptcy Court entered on March 18, 1996.

During the course of the bankruptcy case, the Debtor disposed of some assets, rejected certain store leases, satisfied certain liabilities and substantially reduced its operations. For example, although as of the Petition Date the Debtor consisted of 46 stores and a distribution center, the Reorganized Debtor consisted of only 26 stores. To the extent the store closings resulted in claims against the Debtor, such claims became general unsecured claims against the Debtor only and will be satisfied pursuant to the terms of the Plan. The Plan also specifies the treatment for the claims of secured creditors, unsecured creditors, and creditors holding claims relating to the administration and operation of the Debtor's business and the bankruptcy case. Except for certain causes of action and other assets which are specified in the Plan, all of the remaining property of the Debtor's bankruptcy estate vests in CPNI as Reorganized Debtor. The assets vest in CPNI free and clear of all of the Debtor's pre-confirmation liabilities except that CPNI is liable to pay the Debtor's ordinary course post-petition operation expenses outstanding on the Effective Date (hereinafter defined) and to fund approximately $506,000 in Plan payments relating to the Debtor's pre-petition tax liability.

The Plan provided that the Company invest $2,850,000 to fund the Plan. The aggregate funding amount consists of approximately $2,350,000 which was deposited into a "Reorganization Fund" and of $456,000 and $50,000 to be paid over six years and one year, respectively, with respect to certain prepetition priority tax debts of Debtor. The Reorganization Fund will be used to pay the Debtor's administrative (post-petition), priority and lease cure claims in full and the balance will be distributed to the Debtor's unsecured creditors on a pro rata basis. Holders of common stock of the Debtor will receive nothing.

Through the deposit of funds and assumption of tax liabilities, the Company funded the Plan as described above on March 29, 1996 (the "Effective Date"). On the Effective Date, the outstanding common stock of the Debtor was cancelled and common stock in CPNI as the Reorganized Debtor, and a wholly-owned subsidiary of the Company, was issued.

The financial statements of the Pietro's Corp.'s Business Related to the Purchased Assets includes 26 pizza restaurants located throughout the States of Oregon and Washington. Pietro's owned and operated these and other restaurants. The combined financial statements include the accounts of the Purchased Assets, including allocations of overhead from Pietro's, for accounting, legal, information processing, administrative, financing and marketing services. Such allocation is computed based on the net sales related to the Purchased Assets as a percentage of the Company's total restaurant net sales. Management believes such allocation is reasonable as each individual restaurant will incur a

portion of cost relative to its sales volume. The Purchased Assets, as a combined entity, have no separate legal status. All significant inter-company transactions and balances have been eliminated in combination.

On May 15, 1996, CPNI agreed to sell seven of the restaurants purchased from Pietro's Corp. for approximately $1,000,000. The sales transactions were completed during the second quarter of 1996. The operating results of those

seven restaurants are also included in the Selected Combined Financial and Restaurant Data.

CPNI's revenues are derived exclusively from food and beverage sales at its 26 restaurants. The expenses consist primarily of food and beverage costs, labor costs, operating costs (consisting of marketing costs, repairs and maintenance, supplies, utilities and other operating expenses) occupancy costs, general and administrative expenses and depreciation and amortization expenses related to the acquired operation. There were no pre-opening costs incurred in the periods presented for CPNI.

CPNI's balance sheet and related statistical data have been presented as Pietro Corp.'s Business Related to Purchased Assets as defined in its Combined Financial Statements included in this Prospectus.

Several important factors to consider in evaluating the results of operations of CPNI are (i) 1995 and 1994 restaurant operations reflect the Pietro's concept, (ii) Management intends to use a portion of the proceeds from this Offering to convert each restaurant acquired from what Management believes is an outdated Pietro's concept to a BJ'S PIZZA, GRILL & BREWERY, a BJ'S PIZZA & GRILL or a BJ'S PIZZA restaurant over the next 18 months, (iii) Management believes that conversion of the current BJ's restaurants to one of the three BJ's concepts may increase sales based on higher present sales volumes and (iv) the Company has already sold 7 of the 26 restaurants acquired under the Plan.

The sales for the seven restaurants sold totaled approximately $3,492,000 and $3,683,000 for the years ended December 25, 1995 and December 26, 1994, respectively. Operating profit excluding overhead allocation totaled approximately $268,000 and $313,000 for the years ended December 25, 1995 and December 26, 1994, respectively. Loss after overhead allocation relating to the seven restaurants totaled approximately $327,000 and $454,000 for the years ended December 25, 1995 and December 26, 1994, respectively.

RESULTS OF OPERATIONS

THREE-MONTH PERIOD ENDED MARCH 27, 1996 COMPARED TO THREE-MONTH PERIOD ENDED MARCH 29, 1995

REVENUES. Revenues for the three months ended March 29, 1996 increased to $3,780,000 from $3,671,000 for the comparable period of 1995, an increase of $109,000 or 3.0%. This increase is primarily due to the opening of the Woodstock, Oregon restaurant in June 1995.

COSTS OF SALES. Cost of food, beverages and paper supplies (cost of sales) increased to $1,188,000 for the three months ended March 31, 1996, from $1,121,000 for the comparable period in 1995, an increase of $67,000 or 6.0%. As a percentage of revenues, cost of sales increased to 31.4% for the period ended March 29, 1996, from 30.5% for the comparable period in 1995. This increase is due to conversion to a third-party distributor from an internal distribution system in which the operating expenses were treated as part of corporate overhead.

LABOR. Restaurant labor and benefits expense increased to $1,290,000 for the three-month period ended March 27, 1996, from $1,201,000 for the comparable period to 1995, an increase of $89,000 or 7.4%. As a percentage of revenues, restaurant labor and benefits increased to 34.1%, for the period ended March 29, 1996, from 32.7% for the comparable period in 1995. This increase is principally due to the labor required to convert from a central commissary to dough preparation in stores and labor costs associated with the Woodstock, Oregon restaurant opened in June 1995.

OCCUPANCY. Occupancy costs remained relatively constant for the three-month period ended March 31, 1996, as compared to the same period for the prior year 1995, at approximately $350,000.

OPERATING EXPENSES. Operating expenses, including marketing and advertising, decreased to $620,000 for the three-month period ended March 29, 1996, from $644,000 for the comparable period in 1995, a decrease of $24,000 or 3.7%. Management believes this decrease is principally due to a change in marketing strategy that relies less on coupon distribution, which was reduced significantly over the prior period. As a percentage of revenues, operating expenses decreased to 16.4%, for the period ended March 29, 1996, from 17.5% for the comparable period in 1995.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization expenses decreased to $114,000 for the three-month period ended March 27, 1996, from $140,000 for the comparable period in 1995. The $26,000 or 18.6% decrease resulted from certain assets which became fully depreciated.

YEAR ENDED DECEMBER 25, 1995 COMPARED TO YEAR ENDED DECEMBER 26, 1994

REVENUES. Revenues for the year ended December 25, 1995 increased to $14,634,000 from $14,609,000 for the comparable period of 1994, an increase of $25,000 or 0.2%. An increase of $183,000 resulted from the opening of the Woodstock, Oregon delivery only restaurant, in June 1995, partially offset by a decrease in comparable store sales of $158,000 or 1.1% due to an increase in the amount of discount coupons redeemed.

COST OF SALES. Cost of food, beverages and paper supplies (cost of sales) for the restaurants decreased to $4,277,000 for the year ended December 25, 1995, from $4,403,000 for the comparable period in 1994, a decrease of $126,000 or 2.9%. As a percentage of revenues, cost of sales decreased to 29.2% for the fiscal year ended December 25, 1995, from 30.1% for the comparable period in 1994. Management believes that price increases on the salad bar and pan pizza partially offset by an increase in discount coupon redemption was mainly responsible for this percentage decrease.

LABOR. Labor for the year ended December 25, 1995 increased to $4,836,000 from $4,755,000 for the comparable period in 1994, an increase of $81,000 or 1.7%. As a percentage of revenue, labor increased to 33%, from 32.5% for the comparable period in 1994, due primarily to the opening of a restaurant in Woodstock, Oregon in 1995. As a percentage of revenue the Woodstock, Oregon restaurant's labor cost was 38.6% in 1995, 5.5 percentage points higher than the Purchased Assets average of 33.1%. This increase was due to training costs incurred after the opening of the restaurant.

OCCUPANCY. Occupancy costs increased to $1,434,000 for the year ended December 31, 1995, from $1,402,000 in the comparable period in 1994. The $32,000 or 2.3% increase resulted from scheduled lease increases totaling $25,000 and the addition of the Woodstock, Oregon restaurant.

OPERATING EXPENSES. Operating expenses, increased to $2,361,000 for the year ended December 25, 1995, from $2,276,000 for the comparable period in 1994. The $85,000 or 3.7% increase was due primarily to increased marketing costs relating to coupon distribution and the opening of the Woodstock, Oregon restaurant in June 1995. As a percentage of revenues, operating expenses increased to 16.1%, from 15.6% for the comparable period in 1994.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization expenses decreased to $581,000 for the year ended December 25, 1995, from $662,000 for the comparable period in 1994. The $81,000 or 12.2% decrease resulted from certain assets which became fully depreciated.

THE COMPANY

HISTORY AND BACKGROUND

Chicago Pizza & Brewery, Inc. (the "Company") was formed in 1991 by Mr. Jeremiah Hennessy and Mr. Paul Motenko (the "Owners") to operate and manage five existing restaurants that operated as BJ's Chicago Pizzeria restaurants (now all

operated as BJ'S PIZZA & GRILL restaurants) in Southern California. These five restaurants were owned by Roman Systems, Inc. ("Roman Systems"). The Company began managing these five restaurants in 1991 pursuant to a Management Agreement (the "Management Agreement") with Roman Systems. Pursuant to the Management Agreement, the Company had the right to open, operate and manage BJ's restaurants. In 1992, the Owners formed CPA-BG, Inc. ("CPA-BG") and opened two restaurants with CPA-BG as the general partner of BJ's Belmont Shore, L.P. and BJ's La Jolla, L.P. in 1992 and 1993, respectively. In 1994, the Company opened BJ's restaurants in Huntington Beach and Seal Beach, California. Additionally in 1994, the Company, through a limited partnership interest in BJ's Lahaina, L.P., opened a BJ's restaurant in Lahaina, Maui. The general partners of BJ's Lahaina, L.P. were CPA010, Inc. ("CPA010"), owned by Messrs. Motenko and Hennessy, and Blue Max, Inc. ("Blue Max"). In addition to its limited partnership interest, the Company managed the Lahaina, Maui restaurant.

Effective January 1, 1995, pursuant to the Asset Purchase Agreement between the Company and Roman Systems (the "Asset Purchase Agreement"), the Company purchased three of the existing BJ's restaurants operated and managed under the Management Agreement (Balboa in Newport Beach, La Jolla Village, and Laguna Beach, California) and terminated the Management Agreement. As part of the Asset Purchase Agreement, the Company assumed responsibility for closing the other two Roman Systems BJ's restaurants in Santa Ana and San Juan Capistrano, California and assumed certain liabilities related thereto. The Santa Ana and San Juan Capistrano, California restaurants were closed in 1995.

Effective January 1, 1995, the Company purchased the limited partnership interests of BJ's Belmont Shore, L.P. and BJ's La Jolla, L.P. The general partnership interests of CPA-BG were transferred to the Company for no consideration prior to the acquisition of the limited partnership interests. The stock of the corporate general partners of BJ's Lahaina, L.P., CPA010 and Blue Max, was also transferred to the Company for no consideration. Additionally, in 1995 the Company closed the BJ's restaurant located on Prospect Street in La Jolla, California ("La Jolla -- Prospect"). As of December 31, 1995, the Company owned seven BJ's restaurants, all in Southern California and a 53.68% interest in the BJ's restaurant in Lahaina, Maui. The Company subsequently opened BJ's restaurants in Westwood Village in Los Angeles, California in March 1996, and Brea, California in April 1996.

On March 29, 1996, the Company acquired 26 restaurants located in Oregon and Washington by providing the funding for Pietro's Plan of Reorganization, dated February 29, 1996, as modified (the "Debtor's Plan") and thereby acquired all of the stock in the reorganized entity known as Chicago Pizza Northwest, Inc. The Debtor's Plan was confirmed by an order of the Bankruptcy Court on March 18, 1996 and the Company funded the Debtor's Plan on March 29, 1996. In May, 1996 the Company agreed to sell seven of the 26 restaurants acquired from Pietro's. The sale was completed during the second quarter of 1996.

As a result of these transactions the Company owns eight restaurants in Southern California and an interest in one restaurant in Lahaina, Maui, all operated as BJ's restaurants, and 19 restaurants in

Oregon and Washington, which restaurants will continue to operate under the "Pietro's" name awaiting conversion to either the BJ'S PIZZA, GRILL & BREWERY, BJ'S PIZZA & GRILL or BJ'S PIZZA concept.

	DATE ACQUIRED	CURRENTLY OPERATES AS (5)	PLANNED TO OPERATE AS (5)
CALIFORNIA (1)			
Balboa in Newport Beach.....	1/95	Grill	Grill
La Jolla Village.....	1/95	Grill	Grill
Laguna Beach.....	1/95	Grill	Grill

Belmont Shore	1/95		Grill	Grill
Seal Beach	2/94	(6)	Grill	Grill
Huntington Beach	8/94	(6)	Grill	Grill
Westwood Village, Los Angeles	3/96	(6)	Grill	Grill
Brea	3/96	(6)	Brewery	Brewery
HAWAII				
Lahaina, Maui	6/94	(6)	Grill	Grill
OREGON (2)				
Hood River	3/96		Pietro's	Brewery
Gresham	3/96		Pietro's	Brewery
Eugene I (3)	3/96		Pietro's	Brewery
Milwaukie	3/96		Pietro's	Brewery
Salem I	3/96		Pietro's	Grill
Jantzen Beach (4)	3/96		Pietro's	Grill
The Dalles	3/96		Pietro's	Grill
Eugene II	3/96		Pietro's	Grill
Eugene III	3/96		Pietro's	Grill
Salem II	3/96		Pietro's	Pizza
Portland (Stark)	3/96		Pietro's	Grill
Portland (Lloyd Center)	3/96		Pietro's	Pizza
Portland (Burnside)	3/96		Pietro's	Pizza
Portland (Lombard)	3/96		Pietro's	Pizza
Aloha	3/96		Pietro's	Pizza
North Bend	3/96		Pietro's	Pizza
McMinnville	3/96		Pietro's	Pizza
Woodstock	3/96		Pietro's	Pizza
WASHINGTON (2)				
Longview	3/96		Pietro's	Grill

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(1) Does not include the La Jolla -- Prospect restaurant which was closed in 1995. Also does not include the Roman Systems restaurants located in Santa Ana and San Juan Capistrano, California, which restaurants were closed in 1995.

(2) Does not include restaurants which were purchased in March 1996 and which the Company sold during the second quarter of 1996. (Oregon -- Bend, Albany, Redmond and Madras; Washington -- Richland, Kennewick and Yakima). See "Certain Transactions -- Sale of Restaurants."

(3) May require an extension of lease from landlord in order to justify the expense of conversion to a BJ'S PIZZA, GRILL & BREWERY. In the event an extension is not granted, the Company will convert the site to a BJ'S PIZZA & GRILL.

(4) May be taken by government under power of eminent domain.

(5) "Grill" means the BJ'S PIZZA & GRILL concept. "Brewery" means the BJ'S PIZZA, GRILL & BREWERY concept. "Pizza" means the BJ'S PIZZA concept. See "Business -- Business and Strategy."

(6) Developed by the Company.

The above list does not include the Boulder, Colorado restaurant which the Company is currently developing and expects to open in the Fall of 1996.

BUSINESS

BUSINESS AND STRATEGY

Chicago Pizza & Brewery, Inc. (the "Company" or "BJ's") owns eight restaurants in Southern California (the "California Restaurants") and an interest in one restaurant in Lahaina, Maui, each of which are currently operated as either a BJ'S PIZZA, GRILL & BREWERY or a BJ'S PIZZA & GRILL. The Company recently acquired 19 additional restaurants in Oregon and Washington (the "Northwest Restaurants") which it plans to convert into BJ's restaurants. The Company has recently completed a refurbishment program and the expansion of its menu around its core pizza products in its California Restaurants. In

addition, the Company has introduced handcrafted, micro-brewed beers in its California Restaurants and has built a micro-brewery in Brea, California. The Company plans to refurbish the Northwest Restaurants and add its award-winning pizza products, some or all of the expanded BJ's menu and handcrafted, micro-brewed beers to the menu offerings at the Northwest Restaurants. If this plan can be successfully executed, all 28 of the Company's restaurants will fit into one of the three following BJ's concepts:

- BJ'S PIZZA, GRILL & BREWERY is designed to provide a dining experience in an operating micro-brewery environment where a variety of proprietary, hand-crafted beers are produced on-site. The menu features the core pizza products surrounded by a selection of appetizers, entrees, pastas, sandwiches, specialty salads and desserts. Currently, the Company operates one of its California Restaurants as, and plans to convert four of its Northwest Restaurants into, the BJ'S PIZZA, GRILL & BREWERY concept, as well as developing a BJ'S PIZZA, GRILL & BREWERY restaurant in Boulder, Colorado.

- BJ'S PIZZA & GRILL is designed to provide a casual, dining experience with table service featuring a menu of pizza, pasta, sandwiches, salads and desserts. Currently, the Company operates seven of its California Restaurants and the Lahaina, Maui restaurant as, and plans to convert seven of its Northwest Restaurants into, the BJ'S PIZZA & GRILL concept.

- BJ'S PIZZA is designed to provide an informal dining experience with counter-service and a menu featuring pizza and a limited selection of pastas, sandwiches and salads. Currently, the Company plans to operate none of the California Restaurants as, and plans to convert eight of the Northwest Restaurants into, the BJ'S PIZZA concept.

Management believes that having three concepts, which can be utilized in alternative locations, facilities and markets, provides the Company a broader scope of potential acquisitions and development sites.

According to certain newspaper polls, BJ's pizza is considered among the best in Orange County, California. It has won numerous awards over the past years from publications such as the Orange County edition of the Los Angeles Times, Orange Coast Magazine, Daily Pilot and The Metropolitan, and BJ's pizza was featured in 1994 on the TV show "Live in LA" as one of the five best pizzas in the Los Angeles area. Finally, BJ's pizza was voted number one by the readers of the Orange County Register, a leading Orange County, California-based newspaper and by the readers of the Maui News.

The Company was formed in 1991 to assume the management of five "BJ's Chicago Pizzeria" restaurants and to develop additional BJ's restaurants. Between 1992 and 1995, the Company developed five additional restaurants, purchased three of those original five restaurants that it managed and discontinued one of those that it had developed. As a result of these transactions, at the end of 1995 the Company owned restaurants in California located in La Jolla Village, Laguna Beach, Belmont Shore, Seal Beach, Huntington Beach, and Balboa in Newport Beach, as well as a 53.68% interest in a restaurant in Lahaina, Maui.

The Company has embarked on a campaign to broaden its customer base by: i) surrounding its core pizza product with a more expansive menu including appetizers, grilled sandwiches, specialty salads and pastas, ii) adding hand-crafted, micro-brewed beers through on-site micro-breweries in certain locations and the sale of internally-produced beer through other Company restaurants and

iii) differentiating the BJ's identity and expanding merchandising opportunities through a comprehensive new logo and identity program, new uniforms a new interior design concept and redesigned signage.

The Company has also sought to expand through acquisitions and conversions, such as the acquisition of the Northwest Restaurants and the Brea, California

restaurant. The Company intends to seek other acquisitions if financing is available.

During late 1995 and early 1996, the Company converted the restaurants in Balboa in Newport Beach, La Jolla Village, Laguna Beach, Belmont Shore, Seal Beach and Huntington Beach, California to the BJ'S PIZZA & GRILL concept and opened a new BJ'S PIZZA & GRILL restaurant in Westwood Village in Los Angeles, California. Management believes that customer frequency and sales volumes at the converted restaurants have been significantly enhanced in the comparable period of 1995 to 1996, primarily due to the conversion to this expanded concept. The four California Restaurants open for the entire first half of 1994, 1995 and 1996 (Balboa in Newport Beach, California, La Jolla Village, Laguna Beach and Belmont Shore, California) had a decrease of sales of 6.4% in the first half of 1995 compared to 1994. Management believes this was primarily due to rains and flooding in the first half of 1995. However, with the introduction of the new menu and the refurbishment of the La Jolla Village restaurant at year end 1995, same store sales in these four restaurants increased 22.1% from the first half of 1996 compared to the first half of 1995. Same store sales volumes at the seven restaurants operating during the entire first half of 1995 and 1996 were up 19.3% in 1996 over the prior year. The La Jolla Village restaurant, which had the most significant physical upgrade, experienced sales increases of 45.7% in the comparable periods.

The first BJ'S PIZZA GRILL & BREWERY opened in Brea, California in April 1996. This 10,000-square-foot restaurant features elaborate brick walls and archways, high molded tin ceilings, warm lighting and industrial railings. The on-premises brewing equipment includes a 30-barrel, copper-clad kettle, 60-barrel, stainless steel fermentation tanks, kegging equipment, and a 40,000-pound-capacity corrugated metal grain silo located at the front entrance to the restaurant. Management believes the brewery capacity is sufficient to supply beer for all of the Company's existing Southern California restaurants. Management believes the relatively low production cost and high premium pricing associated with micro-brewed beer can significantly improve margins.

The March, 1996 multi-unit Pietro's Acquisition was a key step in the strategy to quickly develop a market presence for the thick crust, Chicago style pizza and micro-brewery concept. Management believes that the Company will significantly benefit from the Pietro's Acquisition as 19 restaurants in the Northwest market will provide the Company with an immediate and significant presence in that market area, without the more cumbersome and time-consuming licensing and permitting issues which would be involved in the development of individual restaurants. These 19 restaurants will continue to operate under the "Pietro's" name awaiting conversion to either BJ'S PIZZA, GRILL & BREWERY, BJ'S PIZZA & GRILL or BJ'S PIZZA concept. Management believes that it can significantly capitalize on the Pietro's Acquisition based upon the following factors:

1. ESTABLISHED CUSTOMER BASE. Each of the restaurants purchased already has a customer base which Management feels can be expanded with the renovation and introduction of the BJ's menu and concept.

2. REDUCTION OR ELIMINATION OF DISCOUNTING. Pietro's relied heavily on discounting to maintain its share of the pizza market. Discounts were as high as 25% of total sales. BJ's does very little discounting, relying instead on the quality of its product and service to compete in the marketplace. As Pietro's restaurants are converted to BJ's restaurants, Management intends to reduce or eliminate the use of discounting, which Management believes will have a positive effect on gross profit margins.

3. POSITIVE IMPACT UPON MARKETING COSTS AS A RESULT OF REDUCED DISCOUNTING. Due to its widespread use of discount coupons, Pietro's marketing costs, consisting mainly of printing and

distribution, have been extremely high. Marketing costs averaged 7.5% of

sales. BJ's marketing costs average under 2% of sales. Management believes that the anticipated reduction in discounting upon conversion of the units to BJ's restaurants will also significantly reduce marketing costs.

4. CAPITALIZATION UPON INCREASED PURCHASING VOLUMES. Management will attempt, and believes that it can achieve, significant cost reductions from capitalizing on the increased purchasing volumes resulting from the operation of the 19 additional restaurants.

5. ELIMINATION OF DUPLICATE OVERHEAD. Management is in the process of eliminating duplicate overhead in accounting, finance, purchasing and executive management. Management believes that such reductions will reduce overhead in total and as a percentage of sales. This is a forward looking statement, and there can be no assurance that total overhead expenses will decrease for the reasons described herein. See "Risk Factors."

6. ECONOMIC BENEFITS OF INTERNALLY PRODUCED BEER. The installation of micro-breweries in several of the converted Pietro's restaurants should provide the economic benefits of internally produced beer, not only to those restaurants but to other converted restaurants as well. Management intends to distribute the beer produced at BJ's micro-breweries, subject to local regulations, to as many of the other converted restaurants as possible.

7. INCREASED SALES THROUGH RENOVATION AND CONVERSION. Annual sales at BJ's seven Southern California and one Lahaina, Maui unit open during 1995 averaged $323 per square foot while sales at the Pietro's restaurants acquired by the Company averaged $114 per square foot. Management believes that through renovation and conversion of the acquired restaurants to BJ's restaurants, the sales volumes could increase to be more consistent with the volumes of the other BJ's restaurants.

The Company's current objectives after the closing of this Offering are to remodel and refurbish those restaurants acquired from Pietro's to one of the three "BJ's" concepts over the next 12 to 18 months. The Company has designated approximately $4.5 million of the net proceeds of this Offering for use in refurbishment and redesign of these restaurants. The Company also plans to acquire and develop additional "BJ's" restaurants in order to expand operations to other cities and towns consistent with the Company's location strategy and market niche. In this regard, the Company has executed a lease for an approximately 5,500-square-foot facility in the Pearl Street Mall, a popular, high-traffic pedestrian promenade in Boulder, Colorado. The Company expects to open this BJ'S PIZZA, GRILL & BREWERY in Fall of 1996. No assurance can be given that the Company's objectives can be achieved or that sufficient capital will be available to finance the Company's business plan. See "Risk Factors."

MENU

The BJ's menu has been developed on a foundation of excellence. BJ's core product, its deep-dish, Chicago-style pizza, has been highly acclaimed since it was originally developed in 1978. This unique version of Chicago-style pizza is unusually light, with a crispy, flavorful crust. Management believes BJ's lighter crust helps give it a broader appeal than some other versions of deep-dish pizza. The pizza is topped with high-quality meats, fresh vegetables and whole-milk mozzarella cheese. BJ's pizza consistently has been awarded "best pizza" honors by restaurant critics and public opinion polls in Orange County, California. In addition, BJ's recently won the award for "best pizza on Maui" in a poll conducted by the Maui News.

Management's objective in developing BJ's expanded menu was to ensure that all items on the menu maintained and enhanced BJ's reputation for quality. BJ's pasta sauces, soups and salad dressings are made fresh in each restaurant. Sandwiches are made from freshly grilled chicken and turkey roasted in BJ's ovens. BJ's developed a dessert several years ago which has become another signature item. The "Pizookie" is a freshly baked-to-order cookie, served hot out of the oven in a deep-

dish pizza pan, topped with gourmet vanilla bean ice cream. Since its introduction in 1992, the Pizookie has become extremely popular and brings people back to BJ's for a whole meal or just for the dessert itself.

Many of BJ's food portions have been increased in conjunction with the new menu, creating a real value orientation. Because of the relatively low food cost associated with pizza, BJ's highest volume item, Management believes it will still be able to maintain favorable gross profit margins while providing a value to the consumer. When the new menu items were first developed in late 1995 and early 1996, they were introduced at promotional prices. Management believes this artificially low pricing contributed to the higher food cost percentage incurred during that time period. Prices on most of the new items were increased effective May 1996. While the menu is still very value-oriented, the new pricing is more consistent with Management's gross profit margin objectives.

BJ's restaurants provide a constantly evolving selection of domestic, imported and micro-brewed beers. In addition, subject to local regulations and the capacity of the restaurants, BJ's restaurants will feature a selection of beers brewed at one or more of BJ's micro-breweries. Management believes that this will provide two major benefits:

1. The quality and freshness of the BJ's brewed beers will be under the constant supervision of the Company's Director of Brewing Operations. This should have a positive impact on both the actual quality and the perceived quality of the beer.

2. Management believes that the production costs of the internally brewed beer will be significantly less than purchased beer. The relatively low production costs and premium pricing often associated with micro-brewed beers should have a significant, positive impact on gross profit margins.

MARKETING

To date, the majority of marketing has been accomplished through community-based promotions and customer referrals. Management's philosophy has been to "spend its marketing dollars on the plate," or use funds that would typically be allocated to marketing to provide a better product and value to its existing guests. Management believes this will result in increased frequency of visits and greater customer referrals. During the roll-out of the new menu, however, the Company has utilized more media advertising than usual in order to gain increased awareness of the significant changes on the menu and in the restaurants. BJ's expenditures on advertising and marketing are typically 1% to 1.5% of sales.

BJ's is very much involved in the local community and charitable causes, providing food and resources for many worthwhile events. Management feels very strongly about its commitment to helping others, and this philosophy has benefited the Company in its relations with its surrounding communities.

The Company distributes very few coupons and does not try to compete with other pizza chains that rely on heavy discounting. This philosophy has enabled BJ's to maintain its quality image and its gross profit margins through a period of "price wars" which have plagued the pizza industry.

Pietro's had traditionally marketed itself through the widespread use of discount coupons. Expenditures for advertising were approximately 7.5% of sales and discounted items accounted for 25% of sales. The resulting reductions in margins forced Pietro's management to reduce the quality of its product in order to maintain a reasonable food cost. Management believes that these pizza "price wars" ultimately resulted in reduced value perceptions among Pietro's clientele, and Pietro's lacked the financial resources to strategically overcome this obstacle. Through the refurbishment of the Northwest Restaurants, and the introduction of BJ's quality food and service, Management believes that discounting will be reduced or eliminated, and expenditures on marketing should fall to a range more typical for a BJ's operation. This could have a substantial positive impact on the Company's profitability.

OPERATIONS

The Company's policy is to staff the restaurants with enthusiastic people, who can be an integral part of BJ's fun, casual atmosphere. Prior experience in the industry, is only one of the qualities Management looks for in its employees. Enthusiasm, motivation and the ability to interact well with the Company's clientele are the most important qualities for BJ's management and staff.

Both management and staff undergo thorough formal training prior to assuming their positions at the restaurants. Management has designated certain managers, servers and cooks as "trainers," who are responsible for properly training and monitoring all new employees. In addition, the Company's Director of Operations, Director of Food and Beverage, and Director of Service supervise the training functions in their particular areas.

A typical BJ's restaurant is staffed with a general manager, two assistant managers, between 15 and 25 servers and drivers, 7 to 10 cooks and 5 to 10 support staff. The staffing levels at BJ'S PIZZA, GRILL & BREWERY in Brea, California are much more substantial, with a general manager, three assistant managers, a kitchen manager, 65 servers and drivers, 23 cooks, 23 support staff, and 15 bar staff.

Staffing at Pietro's typically consisted of a general manager, two to three assistant or shift managers, five drivers and 10 to 15 service/kitchen personnel. Management believes that as the Pietro's restaurants are converted into BJ's restaurants, they will be staffed in a manner similar to the current BJ's restaurants. Staffing levels at each restaurant will be dependent upon the variation of the BJ's concept to which that particular restaurant is converted.

The Company purchases its food product from several key suppliers. A majority of food and operating supplies for the California restaurants is purchased from Jacmar Sales, with which the Company has had a long-term, valuable relationship. A majority of food and operating supplies for the Northwest Restaurants is purchased from McDonald Wholesale Company. Product specifications are very strict, because the Company insists on using fresh, high-quality ingredients.

Pietro's formerly operated a commissary and distribution center which, as its number of units was reduced, became an economic and operational burden. In January 1996, Pietro's discontinued the commissary and distribution center and contracted with an outside distributor to provide and distribute product to its restaurants and, as a result, direct food costs have increased. The reduction in overhead, however, has effectively offset this increase.

As the Pietro's restaurants are converted into BJ's restaurants, the Company hopes to capitalize on the reduced costs usually associated with higher purchasing volumes.

COMPETITION

The restaurant industry is highly competitive. A great number of restaurants and other food and beverage service operations compete both directly and indirectly with the Company in many areas including: food quality and service, the price-value relationship, beer quality and selection, and atmosphere, among other factors. Many competitors who use concepts similiar to that of the Company are well-established, and often have substantially greater resources.

Because the restaurant industry can be significantly affected by changes in consumer tastes, national, regional or local economic conditions, demographic trends, traffic patterns, weather and the type and number of competing restaurants, any changes in these factors could adversely affect the Company. In addition, factors such as inflation and increased food, liquor, labor and other employee compensation costs could also adversely affect the Company. The Company believes, however, that its ability to offer high-quality food at moderate

prices with superior service in a distinctive dining environment, will be the key to overcoming these obstacles.

GOVERNMENT REGULATIONS

The Company is subject to various federal, state and local laws, rules and regulations that affect its business. Each of the Company's restaurants is subject to licensing and regulation by a number of

governmental authorities, which may include alcoholic beverage control, building, land use, health, safety and fire agencies in the state or municipality in which the restaurant is located. Difficulties obtaining the required licenses or approvals could delay or prevent the development of a new restaurant in a particular area or could adversely affect the operation of an existing restaurant. Similar difficulties, such as the inability to obtain a liquor, restaurant license or a given restaurant's products and services could also limit restaurant development and/or profitability. Management believes, however, that the Company is in compliance in all material respects with all relevant laws, rules, and regulations. Furthermore, the Company has never experienced abnormal difficulties or delays in obtaining the required licenses or approvals required to open a new restaurant or continue the operation of its existing restaurants. Additionally, Management is not aware of any environmental regulations that have had or that it believes will have a materially adverse effect upon the operations of the Company.

Alcoholic beverage control regulations require each of the Company's restaurants to apply to a federal and state authority and, in certain locations, municipal authorities for a license and permit to sell alcoholic beverages on the premises. Typically, licenses must be renewed annually and may be revoked or suspended for cause by such authority at any time. Alcoholic beverage control regulations relate to numerous aspects of the daily operations of the Company's restaurants, including minimum age of patrons and employees, hours of operation, advertising, wholesale purchasing, inventory control and handling, and storage and dispensing of alcoholic beverages. The Company has not encountered any material problems relating to alcoholic beverage licenses or permits to date and does not expect to encounter any material problems going forward. The failure to receive or retain, or a delay in obtaining, a liquor license in a particular location could adversely affect the Company's ability to obtain such a license elsewhere.

The Company is subject to "dram-shop" statutes in California and other states in which it operates. Those statutes generally provide a person who has been injured by an intoxicated person, the right to recover damages from an establishment that has wrongfully served alcoholic beverages to such person. The Company carries liquor liability coverage as part of its existing comprehensive general liability insurance which it believes is consistent with coverage carried by other entities in the restaurant industry and will protect the Company from possible claims. Even though the Company carries liquor liability insurance, a judgment against the Company under a dram-shop statute in excess of the Company's liability coverage could have a materially adverse effect on the Company. To date, the Company has never been the subject of a "dram-shop" claim.

Various federal and state labor laws, rules and regulations govern the Company's relationship with its employees, including such matters as minimum wage requirements, overtime and working conditions. Significant additional, governmental mandates such as an increased minimum wage, an increase in paid leaves of absence, extensions in health benefits or increased tax reporting and payment requirements for employees who receive gratuities, could negatively impact the Company's restaurants.

EMPLOYEES

As of June 30, 1996, the Company employed 455 employees at its eight California Restaurants and one Hawaii restaurant. Additionally, 477 are employed at the recently acquired restaurants in Washington and Oregon. The Company also

employs nine administrative and field supervisory personnel at its corporate offices. Historically, the Company has experienced relatively little turnover of key management employees. The Company believes that it maintains favorable relations with its employees, and currently no unions or collective bargaining arrangements exist.

INSURANCE

The Company maintains worker's compensation insurance and general liability coverage which it believes will be adequate to protect the Company, its business, its assets and its operations. There is no assurance that any insurance coverage maintained by the Company will be adequate, that it can continue to obtain and maintain such insurance at all or that the premium costs will not rise to an

extent that they adversely affect the Company or the Company's ability to economically obtain or maintain such insurance. The Company does not currently have any key person life insurance but has applied for $1,000,000 in key person life insurance for each of Mr. Motenko and Mr. Hennessy.

TRADEMARKS AND COPYRIGHTS

The Company has not secured any rights in connection with its trademarks, servicemarks or any other proprietary rights related to the use of the BJ'S PIZZA, GRILL & BREWERY, BJ'S PIZZA & GRILL and BJ'S PIZZA names. There are other restaurants using the BJ's name throughout the United States, thus, no assurance can be given that the Company will be able to secure any such rights in the future or that the use of the BJ's name may not be subject to claims by third parties.

PROPERTY AND LEASES

The Company's corporate headquarters in California are located in a 2,219-square-foot leased facility in Mission Viejo, California. The initial term of the lease expires on December 31, 1998. Chicago Pizza Northwest, Inc., the Company's subsidiary in Washington has headquarters in a 5,337-square-foot leased facility in Bothell, Washington. This lease expires on April 30, 1999 and is currently being renegotiated.

All of the Company's 28 restaurants, and the Colorado restaurant to be opened in the Fall of 1996, are on leased premises and are subject to varying lease-specific arrangements. For example, some of the leases require a flat rent, subject to regional cost-of-living increases, while others additionally include a percentage of gross sales. In addition, certain of these leases expire in the near future, and there is no automatic renewal or option to renew. No assurance can be given that leases can be renewed, or, if renewed, that rents will not increase substantially, both of which would adversely affect the Company. Other leases are subject to renewal at fair market value, which could involve substantial increases.

With respect to future restaurant sites, the Company believes the locations of its restaurants are important to its long-term success and will devote significant time and resources to analyzing prospective sites. The Company's strategy is to open its restaurants in high-profile locations with strong customer traffic during day, evening and weekend hours. The Company has developed specific criteria for evaluating prospective sites, including demographic information, visibility and traffic patterns. In connection with a potential brew-pub joint venture the Company is consulting with ASSI, Inc., a Nevada corporation with experience in the hospitality industry as well as direct experience in real estate, construction and development in Las Vegas, Nevada. See "Certain Transactions."

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 general liability insurance. To date, the Company has not paid punitive damages in respect of any claims, but there can be no assurance that punitive damages will not be given with respect to any of such claims or in any other actions which may arise in any future action.

MANAGEMENT

EXECUTIVE OFFICERS AND DIRECTORS

The following table sets forth certain information concerning the Company's directors and/or executive officers.

NAME	AGE	POSITION
Paul A. Motenko	41	Chairman of the Board, Chief Executive Officer, Vice President and Secretary
Jeremiah J. Hennessy	37	President, Chief Operating Officer and Director
Laura Parisi	37	Chief Financial Officer, Assistant Secretary
Alexander M. Puchner	35	Director of Brewing Operations and Director
Barry J. Grumman	45	Director
Stanley B. Schneider (1)	60	Director
Stephen P. Monticelli (1)	41	Director
Steven F. Mayer (1)	36	Director

(1) Mr. Schneider has been nominated by Messrs. Motenko and Hennessy. Mr. Monticelli was nominated by ASSI, Inc. and Mr. Mayer was nominated by Mr. Herrick, both pursuant to the Note Purchase Agreements. See "Certain Transactions -- Pietro's Acquisition."

The directors serve until the next annual meeting of shareholders and the election and qualification of their successors. The officers are elected by the directors and serve at the discretion of the Board of Directors. The Company has agreed to grant to the Representative, effective upon the closing of this Offering, the right to nominate from time to time one individual to be a director of the Company or to have an individual selected by the Representative attend all meetings of the Board of Directors of the Company as a non-voting advisor. At this time the Representative has waived its right to nominate a director. See "Underwriting."

PAUL A. MOTENKO has been the Chief Executive Officer, Chairman of the Board, Vice President and Secretary of the Company since its inception in 1991. He is also Chairman of the Board and Secretary of CPNI. He is a certified public accountant and was a founding partner in the firm Motenko, Bachtelle & Hennessy from 1980 to 1991. In this capacity, Mr. Motenko provided accounting and

consulting services to several restaurant companies, including BJ's Chicago Pizzeria. From 1976 to 1980, Mr. Motenko was employed as an accountant and consultant for several accounting firms, including Kenneth Leventhal and Company and Peat, Marwick, Main. Mr. Motenko graduated with high honors from the University of Illinois in 1976 with a Bachelor of Science in accounting.

JEREMIAH J. HENNESSY has been the President, Chief Operating Officer and a Director of the Company since its inception in 1991. He is also Chief Executive Officer and a Director of CPNI. Mr. Hennessy is a certified public accountant and was a partner in the firm Motenko, Bachtelle & Hennessy from 1988 to 1991. His public accounting practice involved extensive work for food service and restaurant clientele. He served as a controller for a large Southern California construction company and has extensive background in construction and development. Mr. Hennessy has also worked in various aspects of the restaurant industry for Marie Callendar's and Knott's Berry Farm. Mr. Hennessy graduated Magna Cum Laude from National University in 1983 with a Bachelor of Science in accounting.

LAURA PARISI has been the Chief Financial Officer and Assistant Secretary of the Company, having served in such capacity since December 1995. She is also Treasurer and a Director of CPNI. Previously, Ms. Parisi was Vice President of Finance for Ruby's Diner, Inc. from 1994 to 1995, and before

that served as Corporate Accounting Controller and in other senior-level positions for Restaurant Enterprises Group, Inc. from 1985 to 1994. Ms. Parisi received degrees in accounting and business administration from Illinois State University in 1980. Ms. Parisi is a certified public accountant.

BARRY J. GRUMMAN has been the Senior Partner in the Law Offices of Grumman & Rockett, a Los Angeles law firm specializing in civil litigation, since 1977. Mr. Grumman is a principal of FM Records, Inc., a Los Angeles record company. Mr. Grumman also has extensive experience as an investor in private companies and has invested in companies which have gone public. Mr. Grumman was named a Director of the Company in November 1994.

ALEXANDER M. PUCHNER is Director of Brewing Operations for the Company, having been appointed to such position in January 1996. From 1994 to 1995, Mr. Puchner served as brew master for Laguna Beach Brewing Co. and from 1993 to 1994 as brewmaster for the Huntington Beach Beer Co. from 1988 to 1993, Mr. Puchner served as Product Manager for Aviva Sports/Mattel Inc. and Marketing Research Manager for Mattel Inc. Mr. Puchner was awarded a silver medal in the American pale ale category at the 1994 Great American Beer Festival. Mr. Puchner has also earned over 40 awards as a homebrewer, including in the 1991 and 1992 National Homebrew Competition. Mr. Puchner received a Bachelor of Arts from Cornell University in 1983 and a Master of Business Administration degree from the University of Chicago in June 1986.

STANLEY B. SCHNEIDER is a certified public accountant and founding member and the managing partner of Gursey, Schneider & Co., an independent public accounting firm founded in 1964 that specializes in general accounting services, litigation support, audits, tax consulting and compliance as well as business management and management advisory services. Mr. Schneider serves as a director of Perceptronics, Inc., a Woodland Hills based high-tech defense firm; American Recreation Centers Co., the largest publicly-owned bowling center company in the United States; Jerry's Famous Deli, Inc., a Los Angeles-based restaurant company; Golden West Baseball Co., the corporate co-owner of the California

Angels; Golden West Broadcasters, Inc., a broadcast media holding company; The Autry Museum of Western Heritage and P.A.T.H., an organization dedicated to helping the homeless in Los Angeles. Mr. Schneider obtained a Bachelor of Science in accounting from the University of California at Los Angeles in 1958.

STEPHEN P. MONTICELLI is the President of Mosaic Ventures, LLC, a venture capital firm based in San Francisco and currently serves on the Board of Directors of Meris Laboratories, Inc., a publicly-traded clinical laboratory company listed on Nasdaq and of Vestro Natural Foods, Inc., a publicly-traded natural foods company, also listed on Nasdaq. From 1991 to 1995, Mr. Monticelli was a Managing Director of Baccharis Capital, Inc., a venture capital and buyout firm located in Menlo Park, California. From 1987 to 1991, Mr. Monticelli was a Principal in the private ventures group of The Fremont Group (formerly known as Bechtel Investments, Inc.), a private family investment firm. Prior to 1987, he was a management consultant with Marakon Associates and a certified public accountant with Deloitte & Touche. He received a Bachelor of Science and a Master of Business Administration degree from the Haas School of Business at the University of California at Berkeley.

STEVEN F. MAYER is currently the president and managing director of Aries Capital Group, L.L.C., a private investment firm. From April 1992 until June 1994, when he left to co-found Aries Capital Group, Mr. Mayer was an investment banker with Apollo Advisors, L.P. ("Apollo") and Lion Advisors, L.P. ("Lion"), affiliated private investment firms, Prior to that time, Mr. Mayer was a lawyer with Sullivan & Cromwell specializing in mergers, acquisitions, divestitures, leveraged buyouts and corporate finance. While at Apollo and Lion, Mr. Mayer was responsible for equity and debt investments in a wide range of industries, including the aluminum, apparel, automobile parts manufacturing, bedding, cable television, cosmetics, environmental services, furniture distribution, homebuilding, hotel, plastics, radio, real estate, retail and textile industries. Mr. Mayer is a current or former member of the Boards of Directors of Mednet, MPC Corporation, a publicly traded managed prescription care company, Electropharmacology, Inc., a publicly traded medical device manufacturer, BDK Holdings, Inc., a textile manufacturer, Roland International Corporation, a real estate holding company and The

Greater LA Fund, a non-profit investment group affiliated with Rebuild LA. In addition, Mr. Mayer has served as the chairman or a member of numerous creditors' committees. Mr. Mayer is a graduate of Princeton University and Harvard Law School.

SIGNIFICANT EMPLOYEES

The following table sets forth certain information concerning certain significant employees of the Company.

NAME	AGE	POSITION
Robert B. DeLiema	47	Director of Marketing and Southern California Regional Operations
Salvador A. Navarro	41	Director of Food and Beverage
Stephen White	42	Director of Operations

ROBERT B. DELIEMA has been the Director of Marketing and Southern California Regional Operations for the Company since February 1996. Previously, Mr. Deliema

owned and operated a graphic design, advertising and marketing firm from 1981 to 1996. From 1970-1981, Mr. DeLiema was a principal and Vice President of Operations for Meyerhof's, a restaurant holding company, where Mr. DeLiema concentrated on the Back Bay Rowing and Running Club restaurants. Mr. DeLiema received a Bachelor of Arts in 1970 from the University of California at Santa Barbara.

SALVADOR A. NAVARRO has served as the Director of Food and Beverage for the Company since 1995. Previously, Mr. Navarro was Central Operations Manager for Knott's Berry Farms in Buena Park, California and served as the Director of Food and Beverages for Southwest Foods, Inc.'s Claim Jumper Restaurants from 1978 to 1994.

STEPHEN WHITE has been the Director of Operations of the Company since July 1994. Mr. White has been in the restaurant business his entire working life. From 1992 until joining the Company, Mr. White was an independent consultant to the restaurant industry. From 1980 to 1992, Mr. White was employed with Southwest Foods, Inc.'s Claim Jumper Restaurants in Irvine, California as Corporate General Manager and Vice President of Operations. At Claim Jumper, Mr. White designed and implemented new menus, quality assurance procedures, personnel training, purchasing and operations protocols.

COMPENSATION OF BOARD OF DIRECTORS

Directors previously have received no cash compensation for serving on the Board of Directors. Beginning in August 1996, the Company will pay fees to its non-employee directors for serving on the Board of Directors and for their attendance at Board and committee meetings. The Company pays each non-employee director an annual fee of $1,000, plus $750 per board meeting attended in person, $400 per telephonic board meeting over 30 minutes, $200 per telephonic board meeting under 30 minutes, $500 per committee meeting in person, $300 per telephonic committee meeting over 30 minutes, and $100 per telephonic committee meeting under 30 minutes.

EXECUTIVE COMPENSATION

The following table sets forth information concerning compensation of the Chief Executive Officer and each other executive officer who received annual compensation in excess of $100,000 for the fiscal year ended December 31, 1995:

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION (1)	YEAR	ANNUAL COMPENSATION SALARY	ANNUAL COMPENSATION BONUS	LONG-TERM COMPENSATION STOCK OPTIONS (SHARES)	LONG-TERM COMPENSATION ALL OTHER COMPENSATION
Paul A. Motenko..... Chief Executive Officer	1995	$101,289	$ 50,000(2)	-0-	$8,858(3)
Jeremiah J. Hennessy..... Chief Operating Officer	1995	$101,289	$ 50,000(2)	-0-	$8,417(4)

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(1) No other executive officer received salary and bonuses in excess of $100,000 in respect of the year ended December 31, 1995.

(2) Paid in respect of the acquisition from Roman Systems, Inc. See "Certain Transactions -- Acquisition of Restaurants and Intellectual Property."

(3) The amount shown above is the estimated value of perquisites and other personal benefits, including health insurance (approximately $7,757) and

life insurance (approximately $1,101).

(4) The amount shown above is the estimated value of perquisites and other personal benefits, including health insurance (approximately $7,316), and life insurance (approximately $1,101).

EMPLOYMENT AGREEMENTS

The terms summarized below are qualified in their entirety by the respective employment agreements filed as exhibits to the registration statement of which this Prospectus is a part.

The Company has entered into identical eight-year term employment agreements with Paul Motenko and Jeremiah J. Hennessy (sometimes referred to herein as the "Executives"), effective as of March 25, 1996. Pursuant to such agreements, Messrs. Motenko and Hennessy are each to receive annual cash compensation of $135,000, subject to escalation annually in accordance with the Consumer Price Index (the "CPI"). In addition, Messrs. Motenko and Hennessy's employment agreements entitle each of them to receive two annual bonuses based on the Company's financial performance, one for attainment of specified earnings before interest, amortization, depreciation and income taxes ("EBITDA"), and one for attainment of specified pre-tax income.

The EBITDA bonus would entitle Messrs. Motenko and Hennessy each to receive the following amounts if the following EBITDA amounts are attained for each fiscal year during the term of their respective employment agreements:

EBITDA	CUMULATIVE CASH BONUS
$2,000,000	$ 25,000
$3,000,000	$ 35,000
$6,000,000	$ 80,000
$9,000,000	$150,000

The pre-tax income bonus would entitle each of Messrs. Motenko and Hennessy to receive the following amounts if the following pre-tax income amounts (as determined by the Company's independent public accountants in accordance with GAAP) are attained for each fiscal year during the term of their respective employment agreements, commencing with the fiscal year ending December 31, 1997:

PRE-TAX INCOME	CUMULATIVE CASH BONUS
$2,000,000	$ 25,000
$4,000,000	$ 75,000
$8,000,000	$150,000

The pre-tax income levels required to receive each bonus level for each fiscal year following the 1997 fiscal year will be increased by 20% per year.

Pursuant to their respective employment agreements, Messrs. Motenko and Hennessy are each entitled to certain other fringe benefits including use of a Company automobile or automobile allowance, life insurance coverage, disability insurance, family health insurance and the right to participate in the Company's customary executive benefit plans. Messrs. Motenko and Hennessy's employment agreements further provide that following the voluntary or involuntary termination of their employment by the Company, each of them is entitled to two

demand registration rights with respect to the Common Stock held by or issuable to him. Upon the occurrence of any Termination Event (as hereinafter defined), the Company may terminate the employment agreements. If such termination occurs, Mr. Motenko or Mr. Hennessy, as the case may be, will be entitled to receive all amounts payable by the Company under his respective employment agreement to the date of termination. If the Company terminates the employment agreement for a reason other than the occurrence of a Termination Event or if Mr. Motenko or Mr. Hennessy terminates the employment agreement because of a breach by the Company of its obligations thereunder or for Good Reason (as hereinafter defined), Mr. Motenko or Mr. Hennessy, as the case may be, will be entitled to receive any and all payments and benefits which would have been due to him by the Company up to and including March 24, 2004 or any extension thereof had he not been terminated and any and all damages resulting therefrom.

"Termination Event" means any of the following: (i) the willful and continued failure by the Executive to substantially perform his duties under the Employment Agreement (other than any such failure resulting from the Executive's incapacity due to physical or mental illness) after demand for substantial performance is delivered by the Company specifically identifying the manner in which the Company believes the Executive has not substantially performed his duties; (ii) the Executive being convicted of a crime constituting a felony; (iii) the Executive intentionally committing acts or failing to act, either of which involves willful malfeasance with the intent to maliciously harm the business of the Company; (iv) the Executive's willful violation of the confidentiality provisions under the Employment Agreement; or (v) death or physical or mental disability which results in the inability of the Executive to perform the required services for an aggregate of 180 calendar days during any period of 12 consecutive months. No act, or failure to act, on the Executive's part shall be considered "willful" unless intentionally done, or intentionally omitted to be done, by him not in good faith and without reasonable belief that his action or omission was in the best interest of the Company. Notwithstanding the foregoing, a Termination Event shall not have been deemed to have occurred unless and until there shall have been delivered to the Executive a copy of a resolution, duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice to the Executive and an opportunity for him, together with his counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive conducted, or failed to conduct, himself in a manner set forth above in clauses (i)-(iv), and specifying the particulars thereof in detail.

For purposes of the Employment Agreement, "Good Reason" shall mean (i) any removal of the Executive from, or any failure to re-elect the Executive to his current office except in connection with termination of the Executive's employment for disability; provided, however, that any removal of the

Executive from, or any failure to re-elect the Executive to his current office (except in connection with termination of the Executive's employment for disability) shall not diminish or reduce the obligations of the Company to the Executive under the employment agreement; (ii) a reduction of ten percent (10%) or more in the Executive's then current base salary; (iii) any failure by the Company to comply with any of its obligations to the Executive under the employment agreement; (iv) for any reason within 120 days following a Change of Control (as defined in the employment agreement); or (v) the failure of the Company to obtain the assumption of the employment agreement by any successor to the Company, as provided in the employment agreement.

OPTIONS

There are currently no arrangements to issue options other than pursuant to the Company's 1996 Stock Option Plan.

1996 STOCK OPTION PLAN

The Company has adopted a 1996 Stock Option Plan (the "1996 Plan"). The following summary of the 1996 Plan is qualified in its entirety by the proposed form of Stock Option Plan filed as an exhibit to the Registration Statement of which this Prospectus is a part.

The 1996 Plan is designed to promote and advance the interests of the Company and its stockholders by (1) enabling the Company to attract, retain and reward managerial and other key employees and non-employee directors and (2) strengthening the mutuality of interests between participants in the 1996 Plan and the stockholders of the Company in its long-term growth, profitability and financial success by offering stock options.

SUMMARY OF THE 1996 PLAN. The 1996 Plan empowers the Company to award or grant from time to time until May 31, 2006, to officers, directors, outside consultants and employees of the Company and its subsidiaries, Incentive and Non-Qualified Stock Options ("Options") authorized by the Stock Option Committee of the Board of Directors (the "Committee"), which will administer the 1996 Plan.

ADMINISTRATION. The 1996 Plan will be administered by the Committee. The 1996 Plan provides that the Committee must consist of at least two directors of the Company who are "disinterested directors" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Committee has the sole authority to construe and interpret the 1996 Plan, to make rules and procedures relating to the implementation of the 1996 Plan, to select participants, to establish the terms and conditions of Options and to grant Options, with broad authority to delegate its responsibilities to others, except with respect to the selection for participation of, and the granting of Options to, persons subject to Sections 16(a) and 16(b) of the Exchange Act. Members of the Committee will not be eligible to receive discretionary Options under the 1996 Plan. On or after August 15, 1996, the requirement that all members of the Board of Directors or the Committee be "disinterested persons" shall not apply. However, all members of the Committee must be "non-employee directors" within the meaning of Rule 16b-3(b)(3)(i) promulgated by the Securities and Exchange Commission.

ELIGIBILITY CONDITIONS. All employees (including officers) of the Company, its subsidiaries, non-employee directors and outside consultants will be eligible to receive Options under the 1996 Plan. Non-employee directors and outside consultants are only eligible to receive Non-Qualified Stock Options under the 1996 Plan. Except for Non-Qualified Stock Options granted to non-employee directors, the selection of recipients of, and the nature and size of, Options granted under the 1996 Plan will be wholly within the discretion of the Committee. Subject to specific formula provisions relating to the grant of options to non-employee directors and except with respect to the exercisability of Incentive Stock Options and the total shares available for option grants under the 1996 Plan, there is no limit on the number of shares of Common Stock or type of option in respect of which Options may be granted to or exercised by any person.

SHARES SUBJECT TO 1996 PLAN. The maximum number of shares of Common Stock in respect of which Options may be granted under the 1996 Plan (the "Plan Maximum") is 600,000. However,

options for no more than 250,000 shares may be issued to any optionee in any calendar year. For the purpose of computing the total number of shares of Common Stock available for Options under the 1996 Plan, the above limitations shall be reduced by the number of shares of Common Stock subject to issuance upon

exercise or settlement of Options previously granted, determined at the date of the grant of such Options. However, if any Options previously granted are forfeited, terminated, settled in cash or exchanged for other Options or expire unexercised, the shares of Common Stock previously subject to such Options shall again be available for further grants under the 1996 Plan. The shares of Common Stock which may be issued to participants in the 1996 Plan upon exercise of an Option may be either authorized and unissued Common Stock or issued Common Stock reacquired by the Company. No fractional shares may be issued under the 1996 Plan.

The maximum numbers of shares of Common Stock issuable upon the exercise of Options granted under the 1996 Plan are subject to appropriate equitable adjustment in the event of a reorganization, stock split, stock dividend, combination of shares, merger, consolidation or other recapitalization of the Company.

TRANSFERABILITY. No Option granted under the 1996 Plan, and no right or interest therein shall be assignable or transferable by a participant except by will or the laws of descent and distribution.

TERM, AMENDMENT AND TERMINATION. The 1996 Plan will terminate on May 31, 2006, except with respect to Options then outstanding. The Board of Directors of the Company may amend or terminate the 1996 Plan at any time, except that, (i) to the extent restricted by Rule 16b-3 promulgated under the Exchange Act, as amended and in effect from time to time (or any successor rule), the Board of Directors may not, without approval of the stockholders of the Company, make any amendment that would (1) increase the total number of shares available for issuance (except as permitted by the 1996 Plan to reflect changes in capital structure), (2) materially change the eligibility requirements, or (3) materially increase the benefits accruing to participants under the 1996 Plan, and (ii) prior to August 15, 1996, the provisions of the 1996 Plan governing the award of options to Non-Employee Directors may not be amended more than once every six months other than to comport with changes to the Code, the Employee Retirement Income Security Act of 1974, as amended ("ERISA") or the regulations promulgated thereunder.

INCENTIVE STOCK OPTIONS. Options designated as Incentive Stock Options, within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), in an amount up to the Plan Maximum may be granted under the 1996 Plan. The number of shares of Common Stock in respect of which Incentive Stock Options are first exercisable by any participant in the 1996 Plan during any calendar year shall not have a fair market value (determined at the date of grant) in excess of $100,000 (or such other limit as may be imposed by the Code). To the extent the fair market value of the shares for which options are designated as Incentive Stock Options that are first exercisable by any optionee during any calendar year exceed $100,000, the excess amount shall be treated as Non-Qualified Stock Options. Incentive Stock Options shall be exercisable for such period or periods, not in excess of ten years after the date of grant, as shall be determined by the Committee.

NON-QUALIFIED STOCK OPTIONS. Non-Qualified Stock Options may be granted for such number of shares of Common Stock and will be exercisable for such period or periods as the Committee shall determine.

OPTIONS TO NON-EMPLOYEE DIRECTORS. The 1996 Plan also provides for the grant of Options to non-employee directors of the Company without any action on the part of the Board or the Committee, only upon the terms and conditions set forth in the 1996 Plan. Each non-employee director shall automatically receive Non-Qualified Options to acquire 25,000 shares of Common Stock upon appointment, and shall receive Options to acquire an additional 10,000 shares of Common Stock for each additional year that the non-employee director continues to serve on the Board of Directors. Each Option shall become exercisable as to 50% of the shares of Common Stock subject to the Option on the first anniversary date of the grant and 50% on the second anniversary date of the grant, and will expire on the earlier of ten years from the date the Option was granted, upon expiration of the 1996

Plan or three months after the optionee ceases to be a director of the Company (one year if due to the director's death or disability). The exercise price of such Options shall be equal to 100% of the fair market value of the Common Stock subject to the Option on the date on which such Options are granted. Each Option shall be subject to the other provisions of the 1996 Plan.

OPTION EXERCISE PRICES. The exercise price of any Option granted under the 1996 Plan shall be at least 85% of the fair market value of the Common Stock on the date of grant, except that the exercise price of any Option granted to any participant in the 1996 Plan who owns in excess of 10% of the outstanding voting stock of the Company shall be 110% of the fair market value of the Common Stock on the date of grant. The exercise price of any Incentive Stock Options shall be at least 100% of the fair market value on the date of grant. Fair market value per share of Common Stock shall be determined as the closing price per share on the last trading day if the Common Stock is listed on an established stock exchange, or as the average of the closing bid and asked prices per share if the Common Stock is quoted by the Nasdaq National Market, or as the amount determined in good faith by the Committee if the Common Stock is neither listed for trading on an exchange or quoted by the Nasdaq National Market. Options granted effective as of the closing date of this Offering will have an exercise price equal to the initial public offering price per share.

EXERCISE OF OPTIONS. Each option shall become exercisable according to the terms specified in the Option Agreement. No Option may be exercised, except as provided below, unless the holder thereof remains in the continuous employ or service of the Company. No Options shall be exercisable after the earlier of ten years from grant or three months after employment or service as a director of the Company or its subsidiary terminates (one year if such termination is due to the participant's death or disability). Options shall be exercisable upon the payment in full of the applicable option exercise price in cash or, if approved by the Committee, by instruction to a broker directing the broker to sell the Common Stock for which such Option is exercised and remit to the Company the aggregate exercise price of the Option or, in the discretion of the Plan Administrator, upon such terms as the Committee shall approve, in shares of the Common Stock then owned by the optionee (at the fair market value thereof at exercise date). The Plan Administrator also has discretion to extend or arrange for the extension of credit to the optionee to finance the purchase of shares on exercise.

GRANT OF OPTIONS. In addition to the Options for 25,000 shares of Common Stock each granted to the Company's four non-employee directors, the Company has granted Options to acquire a total of 453,500 shares of Common Stock to certain employees, including executive officers of the Company, effective as of the closing date of this Offering, at an exercise price equal to the initial public offering price per share. The exercise price of such Options shall be equal to 100% of the fair market value of the Common Stock subject to the Option on the date on which such Options are granted. No more than 250,000 shares may be granted to any optionee under any option in any calendar year. Each Option shall become exercisable according to the terms specified in the individual Option Agreement.

The following executive officers and non-officer directors of the Company will receive Incentive Stock Options for the following amounts of shares of Common Stock:

NAME	DOLLAR VALUE	NUMBER OF SHARES

Laura Parisi	*	75,000
Alexander M. Puchner	*	75,000
Non-officer directors as a group (4)	*	100,000
Executive officers and directors as a group (8 persons)	*	250,000

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* Not yet determinable.

LIMITATION OF LIABILITY AND INDEMNIFICATION OF DIRECTORS

Pursuant to provisions of the California General Corporation Law, the Articles of Incorporation of the Company, as amended, include a provision which eliminates the personal liability of its directors to the Company and its shareholders for monetary damage to the fullest extent permissible under

California law. This limitation has no effect on a director's liability (i) for acts or omissions that involve intentional misconduct or a knowing and culpable violation of law, (ii) for acts or omissions that a director believes to be contrary to the best interests of the Company or its shareholders or that involve the absence of good faith on the part of the director, (iii) for any transaction from which a director derived an improper personal benefit, (iv) for acts or omissions that show a reckless disregard for the director's duty to the Company or its shareholders in circumstances in which the director was aware, or should have been aware, in the ordinary course of performing his or her duties, of a risk of a serious injury to the Company or its shareholders, (v) for acts or omissions that constitute an unexcused pattern of inattention that amounts to an abdication of the director's duty to the Company or its shareholders, (vi) under Section 310 of the California General Corporation Law (concerning contracts or transactions between the Company and a director) or (vii) under Section 316 of the California General Corporation Law (concerning directors' liability for improper dividends, loans and guarantees). The provision does not eliminate or limit the liability of an officer for any act or omission as an officer, notwithstanding that the officer is also a director or that his actions, if negligent or improper, have been ratified by the Board of Directors of the Company. Further, the provision has no effect on claims arising under federal or state securities or blue sky laws and does not affect the availability of injunctions and other equitable remedies available to the Company's shareholders for any violation of a director's fiduciary duty to the Company or its shareholders.

The Company's Articles of Incorporation authorize the Company to indemnify its officers, directors and other agents to the fullest extent permitted by California law. The Company's Articles of Incorporation also authorize the Company to indemnify its officers, directors and agents for breach of duty to the corporation and its shareholders through bylaw provisions, agreements or both, in excess of the indemnification otherwise provided under California law, subject to certain limitations. The Company has entered into indemnification agreements with its non-employee directors whereby the Company will indemnify each such person (an "indemnitee") against certain claims arising out of certain past, present or future acts, omissions or breaches of duty committed by an indemnitee while serving in his employment capacity. Such indemnification does not apply to acts or omissions which are knowingly fraudulent, deliberately dishonest or arise from willful misconduct. Indemnification will only be provided to the extent that the indemnitee has not already received payments in respect of a claim from the Company or from an insurance company. Under certain circumstances, such indemnification (including reimbursement of expenses incurred) will be allowed for liability arising under the Securities Act.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling the Company

pursuant to the foregoing provisions, the Company has been informed that, in the opinion of the Commission, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

The Company intends to purchase a directors' and officers' liability policy insuring directors and officers of the Company effective upon the closing of this Offering.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding the beneficial ownership of the Company's Common Stock as of June 30, 1996 as to (a) each director, (b) each executive officer identified in the Summary Compensation Table, (c) all officers and directors of the Company as a group and (d) each person who beneficially owns 5% or more of the outstanding shares of Common Stock.

	SHARES BENEFICIALLY OWNED (1)		
NAME AND ADDRESS (2)	NUMBER OF SHARES	PERCENT OWNED PRIOR TO THE OFFERING (3)	PERCENT OWNED AFTER THE OFFERING (3)
Paul Motenko	658,857(4)	14.30%	10.79%
Jeremiah Hennessy	658,857(4)	14.30%	10.79%
Louis Habash	526,172(5)	11.42%	8.61%
ASSI, Inc.	500,000(6)	10.85%	8.19%
Norton Herrick	250,000	5.42%	4.09%
Barry Grumman	285,579(7)	6.20%	4.68%
Laura Parisi	(80)	0%	0%
Alexander M. Puchner	(80)	0%	0%
Stanley B. Schneider	(80)	0%	0%
Stephen P. Monticelli	(80)	0%	0%
Steven Mayer	(80)	0%	0%
All directors and executive officers as a group (8 persons)	1,603,293	34.79%	26.25%

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(1) The persons named in the table, to the Company's knowledge, have sole voting and sole investment power with respect to all shares of Common Stock shown as beneficially owned by them, subject to community property laws where applicable and the information contained in the footnotes hereunder. For purposes of this table, information as to shares of Common Stock assumes that the Underwriters' over-allotment options are not exercised and that the Representative's Warrants are not exercised.

(2) The address of the aforementioned individuals is at the Company's principal executive offices at 26131 Marguerite Parkway, Suite A, Mission Viejo, California 92692.

(3) Shares of Common Stock which a person had the right to acquire within 60 days are deemed outstanding in calculating the percentage ownership of the person, but not deemed outstanding as to any other person. The Percent Owned Prior to the Offering is calculated based on 4,608,321 shares of Common Stock outstanding as of the date hereof, which amount includes: (i) 500,000 shares of Common Stock to be issued to ASSI, Inc. and (ii) 250,000 shares of Common Stock to be issued to Mr. Norton Herrick, all of which are to be issued upon the completion of this Offering in connection with the financing of the Pietro's Acquisition. See "Certain Transactions -- Pietro's Acquisition." The Percent Owned After the Offering is calculated based upon 6,108,321 shares of Common Stock outstanding, assuming the issuance and sale of all of the 1,500,000 Company Shares by the Company and no exercise of the Underwriters' over-allotment options or the Representative's Warrants, and

does not include shares issuable upon exercise of any warrants issued by the Company.

(4) Certain of the shares beneficially owned by Messrs. Motenko and Hennessy have been pledged to the Sellers in the Roman Systems, Inc. acquisition. See "Certain Transactions -- Acquisition of Restaurants and Intellectual Property."

(5) Includes 26,172 shares held by Mr. Habash personally and 500,000 shares to be issued to ASSI, Inc., a Nevada corporation controlled by Mr. Habash. (See Footnote 3 above.)

(6) ASSI, Inc. is controlled by Louis Habash, and its shares are also included in Mr. Habash's beneficial ownership.

(7) Includes 184,862 shares of Common Stock which were issued to and retained by Mr. Grumman upon completion of the Company's acquisition of certain partnership interests owned by Mr. Grumman, 10,000 of which are held in a Professional Corporation Money Purchase Plan of which Mr. Grumman is the beneficiary. Does not include warrants to acquire up to 300,000 shares of Common Stock issued to Mr. Grumman in May 1995 which are not currently exercisable but are included in the Selling Security Holders' Redeemable Warrants. See "Certain Transactions -- Private Placements."

(8) Does not include shares of Common Stock purchasable upon exercise of options which will be granted to these individuals.

As a result of their share ownership and positions with the Company, Messrs. Hennessy and Motenko may be deemed "parents" of the Company as defined pursuant to the rules and regulations of the Securities and Exchange Commission. However, in connection with the Pietro's Acquisition and certain consulting arrangements, the Company has issued a significant percentage of shares and warrants which may result in a change of control. See "Certain Transactions."

RESALE OF OUTSTANDING SECURITIES

This Prospectus relates to the sale by the Company of 1,500,000 shares of Common Stock and 1,500,000 Redeemable Warrants for aggregate gross consideration of $8,625,000 assuming an Offering price of $5.50 per Share and $0.25 per Redeemable Warrant. A separate Prospectus is being filed with the Registration Statement of which this Prospectus is a part, which relates in part to the sale by the Selling Security Holders of 1,766,864 shares of Common Stock, 10,014,584 Selling Security Holders' Redeemable Warrants, and 10,014,584 shares of Common Stock issuable upon exercise of the Selling Security Holders' Redeemable Warrants. None of the Selling Security Holders' Shares, Selling Security Holders' Redeemable Warrants, or shares issuable upon exercise of the Selling Security Holders' Redeemable Warrants are being underwritten by the Underwriters.

The Company will not receive any of the proceeds of the sale of the Selling Security Holder's Shares, Selling Security Holders' Redeemable Warrants or shares issuable upon exercise of the Selling Security Holders' Redeemable Warrants, although it will receive the exercise price of such Selling Security Holders' Redeemable Warrants when and if they are exercised. Except for Messrs. Grumman and Schneider, and as described in "Certain Transactions," none of the Selling Security Holders had any position, office or material relationship with the Company or its affiliates during the last three years. Of the Selling Security Holders, Mr. Barry Grumman has been an independent director of the Company since 1994 and Mr. Stanley Schneider has been an independent director of the Company since August 1996.

Prior to this offering, the Selling Security Holders collectively held

1,766,864 shares of Common Stock of the Company and warrants to purchase 10,014,584 shares of Common Stock of the Company. Assuming the sale of all such Selling Security Holders' Shares and Selling Security Holders' Redeemable Warrants which the respective Selling Security Holders are registering pursuant to the separate Prospectus referred to above, the Selling Security Holders will own approximately 1,008,820 shares of Common Stock of the Company after the completion of such offering.

CERTAIN TRANSACTIONS

ACQUISITION OF RESTAURANTS AND INTELLECTUAL PROPERTY

"BJ's Chicago Pizzeria" restaurants, as the Company's restaurants were originally known, were established in Southern California in 1978 by entities controlled by Michael L. Phillips ("Phillips") and William A. Cunningham, Jr. ("Cunningham"). Phillips and Cunningham built the chain to five locations in Southern California by 1991.

The Company was formed in October 1991 by Paul Motenko ("Motenko") and Jerry Hennessy ("Hennessy") to assume the management of the five existing "BJ's Chicago Pizzeria" restaurants. In addition, the Company obtained the right to use the trademarks, servicemarks, recipes and other intellectual property ("BJ's Intellectual Property") from the owners of the five restaurants for use in the development of additional "BJ's Chicago Pizzeria" restaurants. This arrangement was pursuant to a management agreement ("Management Agreement") which gave the Cunningham and Phillips entities certain guaranteed payments and rights in newly developed BJ's restaurants. From the date of the Management Agreement through December 1994, the Company opened five additional restaurants, the first in July 1992 followed by one more in 1993 and three in 1994. As discussed in detail below, in January 1995 the Management Agreement was terminated in connection with the closing of the Company's acquisition of the BJ's Intellectual Property and three of the restaurants managed by the Company for the prior owners (the "Acquisition").

Pursuant to the terms of an Asset Purchase Agreement, dated as of November 7, 1994 (the "Acquisition Agreement"), Roman Systems, Inc., a California corporation, Bristol Restaurants, a California general partnership, William A. Cunningham, Jr. and Michael L. Phillips (collectively, "Sellers") transferred to the Company the three BJ's Chicago Pizzeria Restaurants located in Balboa in Newport Beach, California, La Jolla and Laguna Beach, California, and all of the right, title and interest of the Sellers in trademarks, trademark registrations, servicemarks, menus, recipes, trade secrets and other know-how or intangible property utilized in the operation of the BJ's Chicago Pizzeria Restaurants that Sellers may own (the "BJ's Intellectual Property"). Two other restaurants, located in Santa Ana and San Juan Capistrano, California, owned by Sellers were not transferred. The Santa Ana and San Juan, Capistrano restaurants were operated by the Company until such restaurants were sold in 1995.

Pursuant to the terms of the Acquisition Agreement, the payment by the Company for the Acquisition was scheduled to occur in three parts: (i) a $550,000 payment was made to Sellers by the Company simultaneously with the closing of the Acquisition; (ii) a payment to Sellers of $38,195 per month for 108 consecutive months starting April 30, 1995, for a total of $4,125,060; and (iii) a total of $875,000 was payable by the Company to Sellers from 15% of adjusted net proceeds of additional equity offerings of the Company, provided that any amounts which were not paid from a percentage of offerings by July 11, 1995 were to be paid at the rate of $25,000 per month until the payments to Sellers from 15% of adjusted net equity offering proceeds plus the monthly $25,000 payments totaled the $875,000 owed by the Company to Sellers. In addition to the aforementioned consideration for the Acquisition, simultaneously with the closing of the Acquisition the Company also issued 500,000 shares of Common Stock of the Company to each of Mr. Cunningham and Mr. Phillips, which as a result of the May 1995 stock split are currently equivalent to 174,480 shares of Common Stock of the Company outstanding to each of Mr. Phillips and Mr. Cunningham. The Company also assumed certain liabilities of the Sellers, including approximately $873,000 in loans, accrued salaries, certain accounts

payable, sales tax payable and accrued operating expenses of the purchased restaurants.

In regard to the Acquisition, the Company has granted Phillips a limited license to operate up to four pizzeria restaurants in areas outside of California and Hawaii or other areas where they may compete with the Company's restaurants. These restaurants operated by Phillips or his family may use the intellectual property associated with the operation of BJ's Chicago Pizzeria restaurants, except for the name "BJ's" or any name so similar as to confuse the public. The Company has been granted a right of first refusal to purchase the restaurants of Phillips or his family if they are sold. A similar license has been given to Cunningham for up to two restaurants. Pursuant to the Acquisition,

the Company is obligated to provide Phillips and Cunningham, and their respective spouses, with health insurance, or reimburse them for the cost of mutually satisfactory arrangements regarding health insurance coverage, until they each turn 65 years of age.

The Company assumed responsibility for the operation and divestment costs of restaurants excluded from the purchase (Santa Ana and San Juan Capistrano, California). At the time of purchase, January 1, 1995, a reserve for restaurant closure totaling $157,000 was established for the operating and divestment costs incurred by the restaurants excluded from the sale.

In connection with the Acquisition, Motenko and Hennessy have pledged all of their stock for the benefit of Sellers. In the event of default, Sellers have the right and ability to vote all of the stock so pledged by Motenko and Hennessy. In addition, in event of a default, Sellers have the right to foreclose upon and cause to be sold for their benefit half of the stock of Motenko and Hennessy so pledged. An event of default will occur if, on four occasions in any one calendar year, the Company shall fail to make a scheduled payment due to Sellers which failure remains uncured for 30 days after the Company's receipt of written notice of the failure until such time as Sellers have received the $875,000 payment noted above. After such time, a default shall be considered to have occurred under the Note if the Company shall fail to make a scheduled payment under the Note which remains uncured for six months after the debt is received after written notice of such failure. All payments have been timely. The pledge shall remain in force and effect until the earlier of the date upon which all amounts owed to Sellers in respect to the Acquisition have been fully paid or both of the following have occurred: (i) the Company has made the $875,000 payment to Sellers as specified above, and (ii) the Company has registered its stock pursuant to the Securities Exchange Act of 1934 and its Common Stock is listed or reported by a national/regional securities exchange or market quotation system.

In addition, each of the three restaurants obtained by the Company pursuant to the Acquisition have been pledged to Sellers to secure the payments owed to Sellers.

As of June 30, 1996 the principal amount outstanding under the Acquisition Agreement is $3,270,000. After the completion of this Offering and the application of proceeds as set forth in "Use of Proceeds," the outstanding principal amount under the Acquisition Agreement will be $2,744,000.

ACQUISITION AND SALE OF LIMITED PARTNERSHIP INTERESTS

The Company owned and/or operated restaurants in addition to those purchased under the Acquisition Agreement through the acquisition and sale of limited partnership interests. Restaurants in Belmont Shore and La Jolla -- Prospect were both owned by limited partnerships, BJ's Belmont Shore, L.P. and BJ's La Jolla, L.P., respectively. The general partner of each of these partnerships was CPA-BG, Inc., a wholly-owned subsidiary of the Company that was transferred to the Company for no consideration by Motenko and Hennessy prior to the closing of the acquisition of the partnership interests.

Prior to the acquisition of the partnership interests, the sole limited partner of BJ's Belmont Shore, L.P. was Barry Grumman ("Grumman"). The sole limited partner of BJ's La Jolla, L.P. was BJ's La Jolla, Ltd., a limited partnership of which Grumman was the sole general partner. In addition, pursuant to an agreement dated November 14, 1994, Grumman and BJ's La Jolla, Ltd. agreed to transfer all of their right, title and interest in BJ's Belmont Shore, L.P. and BJ's La Jolla, L.P., respectively, for an aggregate of 226,824 shares of Common Stock in the Company, which shares are valued at $.75 per share or $170,118. The aggregate amount of liabilities assumed in the acquisition of the limited partnership interests totaled $277,000, including $70,000 in acquisition costs and $207,000 in assumed liabilities. $55,000 of the latter assumed liabilities included capitalized equipment leases, sales tax payable and accrued operating expenses of the purchased restaurants. Following the acquisition of the partnership interests, both BJ's Belmont Shore, L.P. and BJ's La Jolla, L.P. were terminated, and CPA-BG, Inc. was merged into the Company.

The BJ's in Lahaina, Maui will continue to be owned by BJ's Lahaina, L.P., a limited partnership. The two general partners of BJ's Lahaina, L.P. were CPA010, Inc. and Blue Max, Inc. Blue Max, Inc. was wholly-owned by CPA010, Inc., which was formerly owned by Motenko and Hennessy. Motenko

and Hennessy transferred their ownership of such corporation to the Company for nominal consideration prior to the closing of the acquisition of the partnership interests. CPA010, Inc. has recently been merged into the Company. As a result, the Company is currently the managing general partner of BJ's Lahaina, L.P. and owns an approximately 54% interest in the partnership. The Company purchased the 54% interest for approximately $114,000, which interest consists of a 40% general partnership interest and an approximately 14% limited partnership interest.

CONSULTING AGREEMENT

On November 1, 1994 the Company entered into an agreement with Woodbridge Holdings, Inc. ("WHI"), a consulting firm in Newport Beach, California. The agreement was for services related to selection of professional advisers and general corporate development. WHI was to assist the Company in the selection of legal counsel and accountants, in designing public relations materials and printed materials, in formulating a description of the Company's business plan, in designing a stock compensation plan and negotiating for printing services. The contract expired on May 1, 1995 and was not renewed. Actual services provided by WHI were limited to logo printing design, printing arrangements and selection of professionals. For its services in that period, WHI received $60,000, from which WHI was required to pay for printing expenses. In addition, for services rendered during that period, WHI received 69,792 shares of Common Stock which were earned and issuable on May 1, 1995 and the right to receive an additional 69,443 shares of Common Stock ("Additional Shares") issuable after completion of an initial public offering, such as this Offering, by the Company. The value attributed to the 69,792 shares earned and issuable to WHI as of May 1, 1995 is $0.75 per share or $52,344 and the value currently attributed to the 69,443 shares to be issued is $6.00 or $416,658. On August , 1996, on the assumption that this Offering would close, the Company issued WHI the Additional Shares. WHI has the right to have its shares registered by the Company at WHI's cost.

PRIVATE PLACEMENTS

In January 1995, the Company raised $850,000 through a private placement of 17 Units at $50,000 per Unit, consisting of (i) a Series A Promissory Note in the principal amount of $50,000 and due December 31, 1995 and (ii) 13,086 shares of Common Stock. The Series A Promissory Notes bear interest, payable quarterly, at a rate of 10% until June 30, 1995 and 13.5% thereafter. The proceeds of the January 1995 private placement were used to close the Acquisition and for working capital. The Series A Promissory Notes were repaid in the third quarter of 1995 with proceeds from the September 1995 placement described below. The shares issued in this placement are being registered concurrently with this Offering and are included as Selling Security Holder Shares which may be sold by

the holders or respective transferees commencing on the date of this Prospectus.

In March 1995, the Company raised $400,000 through a private placement of four Units at $100,000 per Unit, consisting of (i) a $98,000 promissory note bearing interest at a rate of 10% per annum (the "Promissory Notes") with interest and principal due upon the earlier of completion of an initial public offering of the Company's Common Stock, or 18 months from the date of issuance and (ii) warrants to purchase 34,896 shares of Common Stock at a price of $2.87 per share. The proceeds of the private placement were used for working capital. The Promissory Notes were repaid in the third quarter of 1995 with proceeds from the September 1995 private placement described below. Upon effectiveness of the Registration Statement of which this Prospectus is a part, the warrants issued in this placement convert into a like number of Redeemable Warrants which are being registered concurrently with this Offering as Selling Security Holders' Redeemable Warrants. The Selling Security Holders' Redeemable Warrants and all of the shares issuable upon exercise of such Selling Security Holders' Redeemable Warrants may be sold by the holders or respective transferees commencing on the date of this Prospectus.

In May 1995, the Company issued warrants to purchase up to 300,000 shares of Common Stock at a price of $5.00 per share to each of Barry Grumman, a director of the Company, and Lexington Ventures, Inc. The warrants were issued to each of Mr. Grumman and Lexington Ventures, Inc. at a price of $0.07 per warrant or a total price to each of $21,000. Mr. Grumman's liability for payment of the warrants was extinguished in consideration for past services as a director of the Company which had not been previously compensated. Upon effectiveness of the Registration Statement of which this

Prospectus is a part, the warrants issued in this placement convert into a like number of Redeemable Warrants which are being registered concurrently with this Offering as Selling Security Holders' Redeemable Warrants. The Selling Security Holders' Redeemable Warrants and all of the shares issuable upon exercise of such Selling Security Holders' Redeemable Warrants may be sold by the holders or respective transferees commencing on the date of this Prospectus.

In September 1995, the Company completed an offering of $6,100,000 in Units, each consisting of 25,000 shares of Common Stock at a price of $3.85 per share and 75,000 warrants at a price of $0.05 per warrant. Half of the shares issued in this placement are being registered concurrently with this Offering and are included in the Selling Security Holders' Shares. Upon effectiveness of the Registration Statement of which this Prospectus is a part, all of the warrants issued in this placement convert into a like number of Redeemable Warrants which are also being registered concurrently with this Offering and are included in the Selling Security Holders' Redeemable Warrants. As a result, half of the shares, the Selling Security Holders' Redeemable Warrants and all of the shares issuable upon exercise of such Selling Security Holders' Redeemable Warrants may be sold by the holders or respective transferees commencing on the date of this Prospectus.

In March 1996, there was a private placement of convertible debt to ASSI, Inc. and Norton Herrick. See "-- Pietro's Acquisition."

Almost all of the Selling Security Holders are clients of the Representative and are obligated to sell their respective Securities through the Representative.

CERTAIN OTHER TRANSACTIONS AND CONFLICTS OF INTEREST

Paul Motenko and Jeremiah Hennessy advanced $204,028 to the Company in the form of deferred salary ($125,000) and direct loans ($79,028). Messrs. Motenko and Hennessy agreed to defer repayment of the loans without interest until all of the Company's Series A Promissory Notes (the "Notes") issued in connection with the January 1995 private placement were repaid. The direct loans to Messrs. Motenko and Hennessy have not been paid; however, the Notes and deferred salaries were repaid in 1995.

Pursuant to the terms of the Acquisition, Messrs. Motenko and Hennessy pledged their ownership interest in the Company to Sellers. As a result, a conflict of interest may exist between Messrs. Motenko and Hennessy and the Company with respect to the determination of which obligations will be paid out of the proceeds of this Offering or the Company's operating cash flow and when such payments will be made. The Company also had notes payable to Sydney Feldman in the amount of $40,000, which note accrued interest at a rate of 12%. This note was repaid in 1995.

In addition, the Company currently has the following debt outstanding with related parties: (i) a $100,000 note due and payable to Ms. Katherine Anderson, a limited partner of BJ's Lahaina, L.P., the California limited partnership which operates the Company's Lahaina, Maui restaurant, which note matures on September 5, 1996 and bears interest at a rate of 19%, (ii) a $79,000 note due on demand and payable to Paul Motenko, which note bears interest at a rate of 6% and is referenced above in connection with certain advances by Mr. Motenko and Mr. Hennessy and (iii) a $28,000 note due and payable to Harold Motenko, which note matures on March 22, 1998 and bears interest at a rate of 12%. The Company plans to pay the foregoing debt with proceeds from the sale of the Securities offered hereby. See "Use of Proceeds."

Finally, in May 1995 the Company issued warrants to purchase up to 300,000 shares of Common Stock. The shares issuable upon exercise of the warrants are currently valued at $21,000. Mr. Grumman's liability for payment of the warrants was extinguished in consideration for past services as a director of the Company which were not previously compensated.

Management believes that the transactions with the officers and/or shareholders of the Company and their affiliates were made in terms no less favorable than would have occurred with unaffiliated third parties. The Company has adopted a policy not to engage in transactions with officers, directors,

principal shareholders or affiliates of any of them unless such actions have been approved by a majority of the disinterested directors and are upon terms no less favorable to the Company than could be obtained from an unaffiliated third party in an arms length transaction.

PIETRO'S ACQUISITION

In order to finance the Pietro's Acquisition, on February 20, 1996, the Company sold to ASSI, Inc. and to Mr. Norton Herrick for $2,000,000 and $1,000,000, respectively, certain convertible notes (the "Convertible Notes") pursuant to certain note purchase agreements (the "Note Purchase Agreements") with substantially similar terms. Under the Note Purchase Agreements, the Company issued to each of ASSI, Inc. and to Mr. Herrick, Convertible Notes in the principal amounts of $2,000,000 and $1,000,000, respectively, which Convertible Notes, plus accrued interest thereon, both convert simultaneously with the closing of this Offering. The Convertible Note, plus accrued interest thereon, issued to ASSI, Inc. converts into 500,000 shares of Common Stock and into Special Warrants to purchase 3,000,000 shares of Common Stock. See "Description of Securities -- Redeemable Warrants." The Convertible Note, plus accrued interest thereon, issued to Mr. Herrick converts into 250,000 shares of Common Stock and into Special Warrants to purchase 1,500,000 shares of Common Stock. The 4,700,000 Redeemable Warrants into which the 4,700,000 Special Warrants convert upon sale of the Special Warrants by the current holders or their affiliates are included in the Selling Security Holders' Redeemable Warrants. In addition, in connection with the above financing, the Company has agreed subject to the terms of the Note Purchase Agreements, to use its best reasonable efforts to cause one individual designated by each of ASSI, Inc. and Mr. Norton Herrick to be elected to the Board of Directors of the Company or to have such selected individuals attend all meetings of the Board of Directors as non-voting advisors. ASSI, Inc's current nominee to the Board of Directors of the Company is Mr. Stephen Monticelli. Mr. Herrick's current nominee to the Board of Directors is Mr. Steven Mayer. See "Principal Shareholders."

In connection with the aforementioned financing of the Pietro's Acquisition, which was obtained through the Representative, the Company paid the Representative 13% of the total $3,000,000 investment, or $390,000.

In connection with the Pietro's Acquisition, the Company has also assumed liability to Edward Peabody and Christopher Wheeler in the amount of $25,000 in exchange for which Messrs. Peabody and Wheeler agreed to release the Company and its subsidiary, Chicago Pizza Northwest, Inc., for any and all other finder's fees related to the Pietro's Acquisition.

On February 20, 1996, the Company entered into a consulting agreement with ASSI, Inc. regarding the Pietro's Acquisition (the "Pietro's Consulting Agreement"). Under this Agreement, ASSI, Inc. agrees to advise the Company in connection with the reconstruction, expansion, marketing and strategic development of the restaurants acquired from Pietro's. In consideration for such services, the Company shall pay to ASSI, Inc. an annual fee equal to 5% of Net Profits (as hereinafter defined) of the restaurants acquired under the plan of reorganization and retained by the Company. As additional consideration for the consulting services, the Company has issued to ASSI, Inc. an additional aggregate of 100,000 Special Warrants to purchase shares of common stock of the Company. These Special Warrants convert into Redeemable Warrants upon their sale by the current holders or their affiliates and such Redeemable Warrants are also included in the Selling Security Holders' Redeemable Warrants. See "Description of Securities -- Redeemable Warrants." The Pietro's Consulting Agreement terminates on December 31, 2000.

For purposes of the Vegas Consulting Agreements (as hereinafter defined) and the Pietro's Consulting Agreement, "Net Profits" shall mean net profits of the respective operations as determined under generally accepted accounting principles ("GAAP") before payment of the Annual Fee, less income, franchise and like taxes. In addition, GAAP is to be applied as if the acquired operations were owned in a stand-alone, separate legal entity and without regard to: (i) parent company overhead which is not directly attributable to the acquired operations and (ii) any amortization of goodwill related to the acquisition of the respective acquired operations.

OTHER CONSULTING ARRANGEMENTS

On February 20, 1996, the Company entered into a consulting agreement with ASSI, Inc. (the "Vegas Consulting Agreement") pursuant to which ASSI, Inc. agrees to advise the Company with site selection and marketing and development strategy for penetrating the Las Vegas, Nevada market. In consideration for such services, the Company shall pay to ASSI, Inc. an annual fee (the "Annual Fee") equal to 10% of Net Profits (as hereinafter defined) of the acquired Las Vegas restaurants. As additional consideration for the consulting services, the Company has issued to ASSI, Inc. an aggregate of 100,000 Special Warrants. The Vegas Consulting Agreement terminates on December 31, 2000. These Special Warrants convert into Redeemable Warrants upon their sale by the current holders or their affiliates and such Redeemable Warrants are included in the Selling Security Holders' Redeemable Warrants. See "Description of Securities -- Redeemable Warrants."

In summary, under the Pietro's Consulting Agreement, ASSI, Inc. will be entitled to a total consideration of 5% of Net Profits of the Pietro's Restaurants acquired and retained by the Company plus 100,000 Special Warrants to purchase shares of Common Stock of the Company. Under the Vegas Consulting Agreement ASSI, Inc. will be entitled to a total consideration of 10% of Net Profits of restaurants acquired in Las Vegas plus 100,000 Special Warrants to purchase shares of Common Stock of the Company. Finally, pursuant to the financing of the Pietro's Acquisition, ASSI, Inc. will be entitled to 500,000 shares of Common Stock of the Company and 3,000,000 Special Warrants to purchase shares of Common Stock of the Company. See "-- Pietro's Acquisition." All of the Special Warrants to which ASSI, Inc. is entitled convert into Redeemable Warrants upon their sale by the current holders or their affiliates and such Redeemable Warrants are included in the Selling Security Holders' Redeemable

Warrants.

SALE OF RESTAURANTS

The Company and CPNI entered into an Asset Purchase Agreement (the "Abby's Purchase Agreement") dated May 15, 1996 with A-II L.L.C. ("A-II") and Abby's, Inc., pursuant to which CPNI agreed to sell to A-II substantially all of the assets and liabilities of seven of the restaurants acquired from Pietro's. All of the sales transactions were completed during the second quarter of 1996. The restaurants sold were located in Richland, Kennewick and Yakima, Washington, and in Albany, Madras, Redmond, and Bend, Oregon. Under the terms of the Abby's Purchase Agreement, Abby's agreed to pay total consideration of $1,000,000, to be adjusted for certain deposits, liabilities assumed and inventory levels. The Abby's Purchase Agreement further provided that $400,000 of the consideration was to be paid on May 31, 1996, concurrent with the closing of the sale of the Bend and Albany restaurants, with the remainder payable on July 1, 1996. The sale of the Albany and Bend restaurants was consummated on May 31, 1996, and the $400,000 of consideration, plus an aggregate of $150,000 as an earnest money deposit for purchase of the balance of the seven restaurants was paid. $100,000 of the $150,000 earnest money deposit was paid directly to CPNI as of that date and the remaining $50,000 was held in a trust account. Under the Abby's Purchase Agreement, the Company and CPNI also agreed to not become affiliated with any pizza-style restaurant or any restaurant with a menu substantially similar to those restaurants operated by CPNI in any of the cities of Yakima, Kennewick, and Richland, Washington, or Albany, Madras, Redmond and Bend, Oregon, for a period of three years from the date of the Abby's Purchase Agreement. Finally, under the Abby's Purchase Agreement, the Company has granted A-II the right to use trademarks associated with Pietro's for a period of four months in the case of the Albany restaurant and a period of one year in the case of the other six restaurants sold by the Company.

DESCRIPTION OF SECURITIES

The Company's authorized capital stock consists of 60,000,000 shares of Common Stock, no par value, and 5,000,000 shares of Preferred Stock, no par value. As of the date hereof, there were 4,608,321 shares of Common Stock outstanding, held by 104 persons or entities, and no shares of Preferred Stock outstanding.

COMMON STOCK

The holders of outstanding Common Stock are entitled to receive dividends out of assets legally available therefor at such times and in such amounts as the Board of Directors may from time to time determine. The Company has no present intention of paying dividends on its Common Stock. See "Dividend Policy." Upon liquidation, dissolution or winding up of the Company, and subject to the priority of any outstanding Preferred Stock, the assets legally available for distribution to shareholders are distributable ratably among the holders of the Common Stock at the time outstanding.

No holder of shares of Common Stock has a preemptive right to subscribe to future issuances of securities by the Company. Accordingly, all investors in this Offering will suffer dilution of their percentage interest in the Company upon future sales of Common Stock or securities convertible into Common Stock.

Holders of Common Stock are entitled to cast one vote for each share held of record on all matters presented to shareholders, other than with respect to the election of directors, for which cumulative voting is currently required under certain circumstances by applicable provisions of California law. Under cumulative voting, each shareholder may give any one candidate whose name is placed in nomination prior to the commencement of voting a number of votes equal to the number of directors to be elected, multiplied by the number of votes to which the shareholder's shares are normally entitled, or distribute such number of votes among as many candidates as the shareholder sees fit. The effect of

cumulative voting is that the holders of a majority of the outstanding shares of Common Stock may not be able to elect all of the Company's directors. The Common Stock will be, when issued pursuant to the terms of this Prospectus, fully paid and nonassessable.

PREFERRED STOCK

The Company is authorized to issue 5,000,000 shares of Preferred Stock. The Company's Board of Directors is authorized to issue the Preferred Stock in one or more series and, with respect to each series, to determine the preferences and rights and the qualifications, limitations or restrictions thereof, including the dividends rights, conversion rights, voting rights, redemption rights and terms, liquidation preferences, sinking fund provisions, the number of shares constituting the series and the designation of such series. The Board of Directors could, without shareholder approval, issue Preferred Stock with voting and other rights that could adversely affect the voting rights of the holders of Common Stock and could have certain anti-takeover effects.

REDEEMABLE WARRANTS

The following is a brief summary of certain provisions of the Redeemable Warrants, but such summary does not purport to be complete and is qualified in all respects by reference to the actual text of the warrant agreement between the Company and The Boston Group, L.P., as warrant solicitation agent (the "Warrant Agreement"). A copy of the Warrant Agreement has been filed as an exhibit to the Registration Statement of which this Prospectus is a part. See "Additional Information."

Each Redeemable Warrant entitles the holder thereof to purchase, at any time during the 54-month period commencing one year after the date of this Prospectus, one share of Common Stock at a price of 110% of the initial public offering price per share, subject to adjustment in accordance with the anti-dilution and other provisions referred to below.

The Redeemable Warrants are subject to redemption by the Company, at any time, commencing one year after the date of this Prospectus, at a price of $.25 per Redeemable Warrant if the average closing bid price of the Common Stock equals or exceeds 140% of the initial public offering price per

share for any 20 trading days within a period of 30 consecutive trading days ending on the fifth trading day prior to the date of notice of redemption. Redemption of the Redeemable Warrants can be made only after 30 days notice, during which period the holders of the Redeemable Warrants may exercise the Redeemable Warrants. If the Redeemable Warrants are redeemed, the holders thereof may lose the benefit of the difference between the market price of the underlying Common Stock as of such date and the exercise price of such Redeemable Warrants, as well as any possible future price appreciation in the Common Stock. Notwithstanding the above, the Special Warrants described below are not redeemable until sold by the current holder or their affiliates.

The exercise price and the terms of the Redeemable Warrants bear no relation to any objective criteria of value and should in no event be regarded as an indication of any future market price of the Securities offered hereby.

The exercise price and the number of shares of Common Stock purchasable upon the exercise of the Redeemable Warrants are subject to adjustment upon the occurrence of certain events, including stock dividends, stock splits, combinations or reclassification on or of the Common Stock and issuances of shares of Common Stock for a consideration less than the exercise price of the Redeemable Warrants. Additionally, an adjustment would be made in the case of a reclassification or exchange of Common Stock, consolidation or merger of the Company with or into another corporation or sale of all or substantially all of the assets of the Company in order to enable holders of Redeemable Warrants to acquire the kind and number of shares of stock or other securities or property receivable in such event by a holder of the number of shares that might otherwise have been purchased upon the exercise of the Redeemable Warrant. No

adjustments will be made unless such adjustment would require an increase or decrease of at least $.10 or more in such exercise price. No adjustment to the exercise price of the shares subject to the Redeemable Warrants will be made for dividends (other than stock dividends), if any, paid on the Common Stock.

The Redeemable Warrants may be exercised upon surrender of the warrant certificate on or prior to the expiration date at the offices of the Warrant Agent, with the exercise form on the reverse side of the certificate completed and executed as indicated, accompanied by full payment of the exercise price (by certified check payable to the Company) to the Warrant Agent for the number of Redeemable Warrants being exercised. The holders of Redeemable Warrants do not have the rights or privileges of holders of Common Stock.

No Redeemable Warrant will be exercisable unless at the time of exercise the Company has filed a current prospectus with the Commission covering the shares of Common Stock issuable upon exercise of such Redeemable Warrant and such shares have been registered or qualified or deemed to be exempt under the securities laws of the jurisdiction of residence of the holder of such Redeemable Warrant. The Company will use its best efforts to have all such shares so registered or qualified on or before the exercise date and to maintain a current prospectus relating thereto until the expiration of the Redeemable Warrants, subject to the terms of the Warrant Agreement. While it is the Company's intention to do so, there is no assurance that it will be able to do so. This Prospectus covers the shares initially issuable upon exercise of the Redeemable Warrants.

No fractional shares will be issued upon exercise of the Redeemable Warrants. However, if a warrantholder exercises all Redeemable Warrants then owned of record by him, the Company will pay to such warrantholder, in lieu of the issuance of any fractional share which is otherwise issuable, an amount in cash based on the market value of the Common Stock on the last trading day prior to the exercise date.

The Selling Security Holders' Redeemable Warrants include 4,700,000 Special Warrants, which convert into Redeemable Warrants upon sale by the current holders or their affiliates. By definition, these Special Warrants are governed by the same terms as the Redeemable Warrants offered hereby with the exception that subject to certain conditions, the Special Warrants are not subject to any rights which the Company may have to call the Redeemable Warrants offered hereby for redemption

and these Special Warrants provide for certain additional demand and piggy-back registration rights so long as owned by their current owners or affiliates, but when sold by said owners convert into Redeemable Warrants. See "Certain Transactions -- Pietro's Acquisition."

TRANSFER AGENT AND REDEEMABLE WARRANTS AGENT

U.S. Stock Transfer Corporation, Glendale, California is the transfer agent and registrar for the shares of Common Stock and warrant agent for the Redeemable Warrants.

SHARES ELIGIBLE FOR FUTURE SALE

All outstanding shares prior to this Offering are restricted securities under Rule 144 under the Securities Act of 1933. However, of these restricted securities the 1,766,864 shares held by the Selling Security Holders may be sold at any time in the over the counter market and an additional 2,730,052 shares will be eligible for resale in the near future under Rule 144. However, 1,317,714 of such 2,730,052 shares include shares held by officers and directors who, including the Selling Director with respect to shares and warrants not included in the Selling Security Holder Securities, have agreed not to sell their shares for one year after the date hereof without the written consent of the Representative. See "Underwriting." In general, under Rule 144, a person (or

persons whose shares are aggregated) holding restricted securities who has satisfied a two-year holding period may, commencing 90 days after the date hereof, under certain circumstances, sell within any three-month period that number of shares which does not exceed the greater of 1% of the then outstanding shares of Common Stock or the average weekly reported trading volume during the four calendar weeks prior to such sale. Rule 144 also permits, under certain circumstances, the sale of shares without any quantity limitation by a person who has satisfied a three-year holding period and who is not, and has not been for the preceding three months, an affiliate of the Company. The Securities and Exchange Commission has proposed to shorten the two year and three year holding periods of Rule 144 to one year and two years, respectively. If such holding periods are shortened, the holders of restricted securities could accelerate the date that they could sell their shares. Future sales under Rule 144 or by the Selling Security Holders (including sales of the Selling Security Holders' Redeemable Warrants and the shares issuable upon exercise of the Selling Security Holders' Redeemable Warrants) may have an adverse effect on the market price of the shares of Common Stock or Redeemable Warrants should a public market develop for such Securities.

UNDERWRITING

Subject to the terms and conditions set forth in the Underwriting Agreement (the form of which has been filed as an exhibit to the registration statement of which this Prospectus is a part), the Underwriters named below (the "Underwriters"), represented by the Boston Group, L.P. (the "Representative") have severally agreed to purchase from the Company, as applicable, the respective number of Shares and the respective number of Redeemable Warrants set forth opposite their name in the table below. The Underwriting Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent, and that the Underwriters will be obligated, as set forth in the Underwriting Agreement, to purchase all of the 1,500,000 Shares and 1,500,000 Redeemable Warrants being offered hereby, excluding shares and warrants covered by the over-allotment options granted to the Underwriters, if any are purchased.

UNDERWRITER	NUMBER OF SHARES	NUMBER OF REDEEMABLE WARRANTS
The Boston Group, L.P.....		
Total.....	1,500,000	1,500,000

Through the Representative, the Underwriters have advised the Company that the Underwriters propose to offer the Shares and the Redeemable Warrants to the public initially at the public offering prices set forth on the cover page of this Prospectus and may offer the Shares and Redeemable Warrants to selected dealers at such prices less a concession of not more than $ per Share and $ per Redeemable Warrant. The Underwriters may allow, and such dealers may reallow, a concession of not more than $ per Share and $ per Redeemable Warrant on sales to certain other dealers. After this Offering, the public offering prices and concessions and reallowances to dealers may be changed by the Underwriters.

The Company has granted the Underwriters an option, exercisable within 45 days after the date of this Prospectus, to purchase up to an aggregate of an additional 225,000 Shares and 225,000 Redeemable Warrants from the Company, at the same price per share and per Redeemable Warrant being paid by the Underwriters for the other Shares and Redeemable Warrants offered hereby. To the extent that the Underwriters exercise such option, each of the Underwriters will

have, subject to certain conditions, a firm commitment, as set forth in the Underwriting Agreement, to purchase approximately the same percentage of the additional Shares and Redeemable Warrants that the number of Shares of Stock and Redeemable Warrants to be purchased by it shown in the above table bears to 1,500,000 and the Company will be obligated, pursuant to the option, to sell such Shares to the Underwriters.

The Company has agreed to grant to the Representative, effective upon the closing of the Offering, the right to nominate from time to time one individual to be a director of the Company or to have an individual selected by the Representative attend all meetings of the Board of Directors of the Company as a non-voting advisor. The Company has agreed to indemnify and hold harmless such director or advisor to the maximum extent permitted by law in connection with such individual's service as a director or advisor. At this time, however, the Representative has waived his right to nominate a director.

The Company has agreed to pay to the Representative a non-accountable expense allowance equal to 3% of the gross proceeds from the sale of all Shares and Redeemable Warrants offered hereby,

including shares and warrants sold to cover over-allotments, if any. The Company has agreed to sell to the Representative for an aggregate of $100 the Representative's Warrants to purchase up to 150,000 shares of Common Stock at an exercise price of 120% of the initial public offering price per share of Common Stock and an additional 150,000 Redeemable Warrants to purchase up to an additional 150,000 shares of Common Stock. The Representative's Warrants may not be transferred for one year, except to officers or partners of the Representative, and are exercisable during the four-year period commencing one year from the date of this Prospectus. The Representative's Warrants grant to the holder(s) thereof piggy-back and demand registration rights for a period of seven years and five years, respectively after the date of this Prospectus with respect to the Representative's Warrants and the securities issuable upon exercise of the Representative's Warrants. The demand registration rights require the Company to prepare and file two registration statements covering the sale of the Representative's Warrants and the securities issuable upon exercise of the Representative's Warrants, one of which is to be prepared at the expense of the Company.

All of the Company's officers and directors, including the Selling Director with respect to such shares and warrants which are not included in the Selling Security Holders' Securities, have agreed not to directly or indirectly offer, offer to sell, sell, grant an option to purchase or sell, transfer, assign, pledge, hypothecate or otherwise encumber any shares of Common Stock owned by them for a period of one year from the date of this Prospectus without the prior written consent of the Representative.

The Company has agreed, in connection with the exercise of Redeemable Warrants pursuant to solicitation by the Representative (commencing one year from the date of this Prospectus), to pay to the Representative a fee of 5% of the Redeemable Warrant exercise price for each Redeemable Warrant exercised, provided, however, that the Representative will not be entitled to receive such compensation in any Redeemable Warrant exercise transactions in which (i) the market price of the Common Stock of the Company at the time of exercise is lower than the exercise price of the Redeemable Warrants; (ii) the Redeemable Warrants are held in any discretionary account; (iii) disclosure of compensation arrangements is not made, in addition to the disclosure provided in this Prospectus, in documents provided to holders of the Redeemable Warrant at the time of exercise; (iv) the exercise of the Redeemable Warrants is unsolicited; (v) after the Company has called the Redeemable Warrants for redemption; and (vi) the solicitation of exercise of the Redeemable Warrants was in violation of Rule 10b-6 promulgated under the Securities Exchange Act of 1934, as amended. In addition, unless granted an exemption by the Commission from Rule 10b-6, the Representative will be prohibited from engaging in any market-making activities

or solicited brokerage activities with regard to the Company's securities during the period prescribed by Rule 10b-6 before the solicitation of the exercise of any Redeemable Warrant until the later of (i) the termination of such solicitation activity or (ii) the termination by waiver or otherwise of any right the Representative may have to receive a fee for the exercise of the Redeemable Warrants following such solicitations. The Company has agreed not to solicit warrant exercises other than through the Representative.

The Representative has informed the Company that no sales to any accounts over which it exercises discretionary authority will be made in this Offering.

The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Underwriters may be required to make in respect thereof.

Prior to this Offering, there has not been an established public market for the Common Stock or Redeemable Warrants. The initial public offering price of the Shares and Redeemable Warrants offered hereby and the exercise price and other terms of the Representative's Warrants have been determined by negotiations between the Company and the Representative. The major factors considered in determining the public offering price of the Shares and the Redeemable Warrants were the prevailing market conditions, the market prices relative to earnings, cash flow and assets for publicly traded common stocks of comparable companies, the sales and earnings of the Company and comparable companies in recent periods, the Company's earning potential, the experience of its management and the position of the Company in the industry.

For certain transactions between the Company and the Representative, see "Certain Transactions -- Pietro's and Other Proposed Acquisitions."

LEGAL MATTERS

The validity of the issuance of the Common Stock and Redeemable Warrants offered hereby will be passed upon for the Company by Jeffer, Mangels, Butler & Marmaro LLP, Los Angeles, California. Certain legal matters will be passed upon for the Underwriters by Kaye, Scholer, Fierman, Hays & Handler, LLP, Los Angeles, California.

EXPERTS

The consolidated balance sheet of Chicago Pizza & Brewery, Inc. as of December 31, 1995, the combined statements of operations, shareholders' equity and cash flows for the year ended December 31, 1994 and the consolidated statements of operations, shareholders' equity and cash flows for the year ended December 31, 1995, included in this Prospectus and Registration Statement, have been included herein in reliance on the report of Coopers & Lybrand L.L.P., independent accountants, given on the authority of that firm as experts in accounting and auditing.

The combined balance sheet of Pietro's Corp.'s Business Related to Purchased Assets as of December 25, 1995 and the combined statements of operations, equity and cash flows for the year ended December 26, 1994 and the year ended December 25, 1995, included in this Prospectus and Registration Statement, have been included herein in reliance on the report of Coopers & Lybrand L.L.P., independent accountants, given on the authority of that firm as experts in accounting and auditing.

ADDITIONAL INFORMATION

The Company has filed with the Securities and Exchange Commission (the "Commission"), Washington, D.C., a registration statement under the Securities Act with respect to the Shares and Redeemable Warrants. This Prospectus omits certain information contained in said registration statement as permitted by the

rules and regulations of the Commission. For further information with respect to the Company and the Common Stock and Redeemable Warrants, reference is made to such registration statement, including the exhibits thereto. Statements contained herein concerning the contents of any contract or any other document are not necessarily complete, and in each instance, reference is made to such contract or other document filed with the Commission as an exhibit to the registration statement, or otherwise, each such statement being qualified in all respects by such reference. The registration statement, including exhibits and schedules thereto, may be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, at the Chicago Regional Office, Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511 and at the New York Regional Office, 7 World Trade Center, Suite 1300, New York, New York 10048. Copies of such materials can be obtained from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates.

CHICAGO PIZZA & BREWERY, INC.

INDEX TO COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT ACCOUNTANTS

To the Investors and Shareholders
Chicago Pizza & Brewery, Inc.

We have audited the accompanying consolidated balance sheet of Chicago Pizza & Brewery, Inc., as identified in Note 1 of the Notes To Combined And Consolidated Financial Statements (referred to as the "Company"), as of December 31, 1995, and the related combined and consolidated statements of operations, shareholders' equity, and cash flows for the years ended December 31, 1994 and 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material

misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Chicago Pizza & Brewery, Inc. as of December 31, 1995, and the combined and consolidated results of their operations and their cash flows for the years ended December 31, 1994 and 1995, in conformity with generally accepted accounting principles.

COOPERS & LYBRAND L.L.P.

Los Angeles, California
June 14, 1996

CHICAGO PIZZA & BREWERY, INC.
CONSOLIDATED BALANCE SHEETS

ASSETS:

	DECEMBER 31, 1995	JUNE 30, 1996 (UNAUDITED)	JUNE 30, 1996 (UNAUDITED PRO FORMA)
Current assets:			
Cash and cash equivalents	$ 1,791,769	$ 994,979	$ 994,979
Restricted cash	200,000		
Accounts receivable	11,100	101,124	101,124
Inventory	62,525	215,542	215,542
Prepaids and other current assets	285,432	1,170,027	877,527
Total current assets	2,350,826	2,481,672	2,189,172
Property and equipment, net	1,870,531	5,507,150	5,507,150
Other assets	163,608	548,781	548,781
Restricted cash		562,116	562,116
Intangible assets, net	5,558,244	5,790,349	5,790,349
Total assets	$ 9,943,209	$14,890,068	$14,597,568
LIABILITIES AND SHAREHOLDERS' EQUITY:			
Current liabilities:			
Accounts payable	$ 446,597	$ 1,530,434	$ 1,530,434
Accrued expenses	900,326	1,769,969	1,694,969
Notes payable to related parties	967,474	4,066,409	1,066,409
Notes payable, current		268,235	268,235
Current portion of obligations under capital lease	14,655	53,047	53,047
Total current liabilities	2,329,052	7,688,094	4,613,094
Notes payable to related parties	3,122,761	2,726,938	2,726,938
Obligations under capital lease	22,239	113,707	113,707
Notes payable		918,332	918,332
Minority interest in partnerships	252,541	253,984	253,984
Other liabilities	193,167	190,308	190,308
Total liabilities	5,919,760	11,891,363	8,816,363
Commitments (Note 8)			
Shareholders' equity:			
Preferred stock, 5,000,000 shares authorized, none issued or outstanding			
Common stock, no par value, 20,000,000 and 30,000,000 shares authorized as of December 31, 1995 and June 30, 1996, respectively, 3,788,878 shares issued and outstanding as of December 31, 1995 and June 30, 1996 and 4,608,321 shares (unaudited pro forma) as of June 30, 1996	5,568,467	5,568,467	8,412,842
Capital surplus	278,750	328,750	559,375
Accumulated deficit	(1,823,768)	(2,898,512)	(3,191,012)
Total shareholders' equity	4,023,449	2,998,705	5,781,205
Total liabilities and shareholders' equity	$ 9,943,209	$14,890,068	$14,597,568

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

CHICAGO PIZZA & BREWERY, INC.
COMBINED AND CONSOLIDATED STATEMENTS OF OPERATIONS

	FOR THE YEARS ENDED DECEMBER 31,		SIX-MONTH PERIODS ENDED JUNE 30,	
	1994	1995	1995	1996
			(UNAUDITED)	
Revenues	$6,452,582	$ 6,586,195	$3,207,366	$ 8,308,054
Cost of sales	1,638,068	1,848,282	894,209	2,614,190
Gross profit	4,814,514	4,737,913	2,313,157	5,693,864
Costs and expenses:				
Labor and benefits	2,706,463	2,647,089	1,269,058	3,088,130
Occupancy	653,804	654,138	313,649	695,716
Operating expenses	1,330,750	1,249,418	650,313	1,387,751
General and administrative	473,699	878,681	330,753	832,926
Depreciation and amortization	173,449	359,282	181,516	377,243
Total cost and expenses	5,338,165	5,788,608	2,745,289	6,381,766
Loss from operations	(523,651)	(1,050,695)	(432,132)	(687,902)
Other income (expense):				
Interest expense, net	(118,841)	(471,653)	(381,167)	(385,659)
Other	(33,741)	(104,000)		7,342
Total other expense	(152,582)	(575,653)	(381,167)	(378,317)
Loss before minority interest and taxes	(676,233)	(1,626,348)	(813,299)	(1,066,219)
Minority interest in partnerships	132,165	26,828	17,405	(1,444)
Loss before taxes	(544,068)	(1,599,520)	(795,894)	(1,067,663)
Income tax expense	(6,400)	(6,400)	(2,400)	(7,081)
Net loss	$ (550,468)	$(1,605,920)	$ (798,294)	$(1,074,744)
Net loss per common share		$ (0.55)	$ (0.32)	$ (0.28)
Weighted average of common shares outstanding		2,935,819	2,502,547	3,788,878

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

CHICAGO PIZZA & BREWERY, INC.
COMBINED AND CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	CHICAGO PIZZA & BREWERY, INC. COMMON STOCK			ROMAN SYSTEMS COMMON STOCK		PARTNER'S		
	SHARES	AMOUNT	CAPITAL SURPLUS	SHARES	AMOUNT	CAPITAL (DEFICIT)	ACCUMULATED DEFICIT	TOTAL
Balance, December 31, 1993	1,395,840			20,000	$ 10,000	$ 392,112	$ (462,793)	$ (60,681)
Partner distributions						(186,531)		(186,531)
Net loss						(166,726)	(383,742)	(550,468)
Common stock issued for purchase of Limited Partnerships	226,824	$ 170,118						170,118
Balance, December 31, 1994	1,622,664	170,118		20,000	10,000	38,855	(846,535)	(627,562)
Adjustment to consolidate previously combined entities				(20,000)	(10,000)	(38,855)	628,687	579,832
Common stock issued for consulting services	69,792	52,344						52,344
Common stock issued for the purchase								

of Roman Systems	348,960	261,720						261,720
Common stock issued for private placement offerings (net of issuance costs of $953,812)	1,747,462	5,084,285						5,084,285
Warrants issued for financing			$ 42,000					42,000
Warrants issued for private placement offerings			236,750					236,750
Net loss							(1,605,920)	(1,605,920)
Balance, December 31, 1995	3,788,878	5,568,467	278,750				(1,823,768)	4,023,449
Net loss (unaudited)							(1,074,744)	(1,074,744)
Warrants issued for consulting			50,000					50,000
Balance, June 30, 1996 (unaudited)	3,788,878	$5,568,467	$328,750				$(2,898,512)	$ 2,998,705

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

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

	FOR THE YEARS ENDED DECEMBER 31,		SIX-MONTH PERIODS ENDED JUNE 30,	
	1994	1995	1995	1996
			(UNAUDITED)	
Cash flows provided by (used in) operating activities:				
Net loss	$ (550,468)	$(1,605,920)	$ (798,294)	$(1,074,744)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation and amortization	173,449	359,282	181,516	377,243
Minority interest in partnership	(132,165)	(26,828)	(17,405)	1,444
Noncash interest expense on private placement offering notes		166,847	166,847	
Noncash payment of Director fees		21,000		
Noncash interest and consulting expense on private placement offerings warrants		8,000	8,000	50,000
Changes in assets and liabilities:				
Accounts receivable	(15,913)	4,850	(5,494)	(2,756)
Inventory	(20,218)	4,313	2,850	27,932
Prepaids and other current assets	41,140	(227,381)	(23,140)	(724,096)
Other assets	(556,054)	142,238	(33,481)	(220,416)
Accounts payable	264,005	(31,713)	(174,305)	856,057
Accrued expenses	539,251	212,040	(18,056)	311,581
Other liabilities			103,770	176,520
Net cash used in operating activities	(256,973)	(973,272)	(607,192)	(221,235)
Cash flows provided by (used in) investing activities:				
Acquisition of Roman Systems and limited partnership interests		(4,421,142)	(4,421,142)	
Acquisition of Chicago Pizza Northwest				(2,591,208)
Acquisition of Brea, California micro-brewery leasehold interest				(930,400)
Purchases of equipment	(1,000,944)	(710,532)	(496,333)	(1,367,060)
Capitalized leases				(145,249)
Receivable from related party	4,372			
Proceeds from Abby's sale, net of expenses				950,000
Net cash used in investing activities	(996,572)	(5,131,674)	(4,917,475)	(4,083,917)
Cash flows provided by (used in) financing activities:				
Borrowings on related party debt	1,127,672	4,988,113	3,746,113	3,100,000
Borrowing on short-term debt				227,912
Borrowing on long-term debt				750,771
Payments on related party debt	(135,918)	(2,096,587)	(495,149)	(396,888)
Payments on debt				(303,293)
Increase in capital lease obligations				145,249
Transfer to restricted cash		(200,000)		
Capital lease payments	(13,392)	(11,888)	(6,072)	(15,389)
Financing costs for private placement offering		(953,812)		
Proceeds from stock issuance		5,871,250	2,133,445	
Proceeds from warrants		249,750	123,688	
Contributions from partners	386,000			
Distributions to partners	(82,991)			
Debt issued for private placement offerings			1,250,000	
Net cash provided by financing activities	1,281,371	7,846,826	6,752,025	3,508,362
Net increase (decrease) in cash and cash equivalents	27,826	1,741,880	1,227,358	(796,790)
Cash and cash equivalents, beginning of period	22,063	49,889	49,889	1,791,769
Cash and cash equivalents, end of period	$ 49,889	$ 1,791,769	$ 1,277,247	$ 994,979

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

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1. THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND BASIS OF PRESENTATION:

Chicago Pizza & Brewery, Inc. (the "Company") was formed in 1991 by Mr. Jeremiah Hennessy and Mr. Paul Motenko (the "Owners") to operate and manage five existing "BJ's Chicago Pizzeria" restaurants in Southern California owned by Roman Systems, Inc. ("Roman Systems") under a Management Agreement (the "Management Agreement") with Roman Systems. Pursuant to the Management Agreement, the Company had the right and obligation to open, operate and manage BJ's Chicago Pizzeria restaurants. In 1992, the Owners formed CPA-BG, Inc. ("CPA-BG") and opened two restaurants with CPA-BG as the general partner of BJ's Belmont Shore, L.P. and BJ's La Jolla, L.P. in 1992 and 1993, respectively. In 1994, the Company opened two BJ's Chicago Pizzeria restaurants in Huntington Beach and Seal Beach. Additionally, in 1994, the Company opened a restaurant in Lahaina, Hawaii as a limited partner of BJ's Lahaina, L.P. The general partners of BJ's Lahaina, L.P. were CPA010, Inc. ("CPA010"), which was formed by the Owners, and Blue Max, Inc. ("Blue Max").

Effective January 1, 1995, pursuant to the Asset Purchase Agreement between the Company and Roman Systems (the "Asset Purchase Agreement"), the Company purchased the three existing BJ's Chicago Pizzeria restaurants operated and managed under the Management Agreement and terminated the Management Agreement. As part of the Asset Purchase Agreement, the Company assumed responsibility for closing two of Roman Systems' existing BJ's Chicago Pizzeria restaurants in Santa Ana and San Juan Capistrano, California and assumed the net liabilities related thereto. These restaurants were closed in 1995.

Effective January 1, 1995, the Company purchased the limited partnership interests of BJ's Belmont Shore, L.P. and BJ's La Jolla, L.P. The general partnership interests of CPA-BG were transferred to the Company for no consideration prior to the acquisition of the limited partnership interests. The general partnership interests in BJ's Lahaina, L.P. were also transferred to the Company for no consideration. Additionally, the Company closed a BJ's Chicago Pizzeria restaurant in 1995. As of December 31, 1995, the Company owned seven BJ's Chicago Pizzeria restaurants, all in coastal locations in Southern California and Hawaii.

As a result, the accompanying combined financial statements as of and for the year ended December 31, 1994 have been presented on a combined basis due to common ownership and management and for historical comparison purposes. The combination of companies was accounted for in a manner similar to a pooling of interests. The combined financial statements for the year ended December 31, 1994 include the accounts of the Company, Roman Systems, CPA-BG, BJ's Belmont Shore, L.P., BJ's La Jolla, L.P., BJ's Lahaina, L.P., CPA010, and Blue Max. The accompanying financial statements of the Company as of and for the year ended December 31, 1995 are presented on a consolidated basis, and include the accounts of the Company and BJ's Lahaina, L.P. All significant intercompany transactions and balances have been eliminated.

On March 29, 1996, the Company acquired 26 restaurants located in Oregon and

Washington by providing the funding for the Debtor's (Pietro's Corp.) Plan of Reorganization, Dated February 29, 1996, as modified (the "Debtor's Plan") and thereby acquired all the stock in the reorganized entity known as Chicago Pizza Northwest, Inc. ("CPNI"). The Debtor's Plan was confirmed by an order of the Bankruptcy Court on March 18, 1996 and the Company funded the Debtor's Plan on March 29, 1996. The June 30, 1996 unaudited financial statements include the results of the 26 restaurants from the date they were acquired. However the results for seven of the restaurants, which were sold during the second quarter of 1996, as described below, are only included through the date of their sale.

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1. THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

On May 15, 1996 the Company agreed to sell seven of the restaurants purchased from Pietro's Corp. Two of the restaurants were sold on May 31, 1996, two additional restaurants were sold on June 24, 1996 and three additional restaurants were sold on June 26, 1996. The operating results for the seven restaurants sold were included in the Company's consolidated operating results for the period they were owned by the Company. No gain or loss was recognized on the sale of the restaurants.

CASH AND CASH EQUIVALENTS:

Cash and cash equivalents consist of highly liquid investments with an original maturity of three months or less when purchased. Cash and cash equivalents are stated at cost, which approximates market value.

RESTRICTED CASH:

During 1995, in connection with the Westwood property lease, the Company deposited $200,000 into a restricted cash account, which could not be eliminated without the written consent of the lessor. The landlord consent was obtained in 1996 and the restriction was eliminated.

In 1996, as part of the acquisition of the Brea restaurant location, the Company assumed an existing bank loan with the condition that a $200,000 certificate of deposit be restricted as collateral. Additionally, a $362,116 restricted certificate of deposit for Washington State Workers' Compensation insurance was acquired in the Pietro's acquisition.

INVENTORY:

Inventory is stated at the lower of cost (first-in, first-out) or market and is comprised primarily of food and beverages for the restaurant operations.

PROPERTY AND EQUIPMENT:

Property and equipment are recorded at cost. Renewals and betterments that materially extend the life of an asset are capitalized while maintenance and repair costs are charged to operations as incurred. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation and amortization accounts are relieved, and any gain or loss is included in operations.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the related assets or, for leasehold improvements, over the term of the lease, if less. The following are the

estimated useful lives:

Furniture and fixtures	7 years
Equipment	7-10 years
Leasehold improvements	7 to 25 years

Smallwares are capitalized upon the opening of a new restaurant. All subsequent purchases of smallwares are expensed as incurred.

LEASES:

Leases that meet certain criteria are capitalized and included with property and equipment. The resulting assets and liabilities are recorded at the lesser of cost or amounts equal to the present value of the minimum lease payment at the beginning of the lease term. Such assets are amortized evenly over the related life of the lease or the useful lives of the assets. Interest expense relating to these

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1. THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

liabilities is recorded to effect constant rates over the terms of the leases. Leases that do not meet the criteria for capitalization are classified as operating leases and rentals are charged to expense as incurred.

PREPAIDS AND OTHER CURRENT ASSETS:

The Company capitalizes restaurant preopening costs which include the direct and incremental costs associated with the opening of a new restaurant. These are primarily costs incurred to develop new restaurant management teams, and the food, beverage and supply costs incurred to perform testing of all equipment, concept, systems and recipes. The capitalized costs are amortized on a straight-line basis over a period of one year, beginning on the restaurant's opening date. Preopening costs totaled $68,405 and $283,726 as of December 31, 1995 and June 30, 1996 (unaudited), respectively.

The costs related to a potential public offering are being deferred and will be netted against offering proceeds, if successful. As of December 31, 1995 and June 30, 1996 costs totaling $108,000 and $263,941, respectively, have been deferred.

INTANGIBLE ASSETS:

Goodwill from the acquisition of the net assets of Roman Systems and the acquisition of the limited partnership interests of BJ's Belmont Shore, L.P. and BJ's La Jolla, L.P. as of January 1, 1995 as well as the acquisition of Pietro's as of March 29, 1996 represents the excess of cost over fair value of net assets acquired and is being amortized over 40 years using the straight-line method. The cost of acquiring the trademark for BJ's Chicago Pizzeria from Roman Systems is being amortized over 10 years.

During 1994, the Company obtained the lease rights to open a BJ's Chicago

Pizzeria restaurant in Lahaina. The original lessee of the property has a sublease of the property to Blue Max. The Company purchased the stock of Blue Max to acquire the sole assets of the Company, the liquor license for Lahaina. The total amount paid was $100,000 which consisted of $25,000 for the liquor license, $25,000 to obtain the lease and $50,000 for the covenant not to compete. The lease right and the covenant not to compete are being amortized over 8.5 years, using the straight-line method. The Company periodically evaluates the carrying value of goodwill including the related amortization periods. The Company determines whether there has been impairment by comparing the anticipated undiscounted future operating income of the acquired restaurants with the carrying value of the goodwill.

INCOME TAXES:

For the year ended December 31, 1994, the Company consisted of three "C" corporations (Chicago Pizza & Brewery, CPA010 and Blue Max), two "S" corporations (CPA-BG and Roman Systems), and three limited partnerships (BJ's Lahaina, L.P., BJ's Belmont, L.P. and BJ's La Jolla, L.P.). The C corporations are taxed on their taxable income by the state and federal governments. Under the S corporation provisions, the companies do not pay federal corporate income taxes on their taxable incomes. Instead, the shareholder is individually liable for federal income taxes based on the individual company's taxable income. This election is also valid for state income tax reporting. However, a provision for state income taxes is required based on a 1.5% state tax rate on taxable income. The limited partnerships are required to pay a District of Columbia unincorporated business tax on its taxable income and a California minimum tax. For the year ended December 31, 1995, the Company

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1. THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
operated on a consolidated basis as a "C" corporation (Chicago Pizza & Brewery). BJ's Lahaina, L.P. operated as a limited partnership. In the first quarter of 1996, the Company acquired Chicago Pizza Northwest, Inc.

The Company utilizes Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes," which requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each year-end based on enacted tax laws and statutory tax rates applicable to the periods in which differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. The provision for income taxes represents the tax payable for the period and the change during the period in deferred tax assets and liabilities.

MINORITY INTEREST:

For the combined and consolidated financial statements as of December 31, 1994, minority interest represents limited partners' interests totaling 46.32% for BJ's Lahaina, L.P. and 50% for BJ's Belmont Shore, L.P. and BJ's La Jolla, L.P.

For the consolidated financial statements as of December 31, 1995 and June 30, 1996, minority interest represents limited partners' interests totalling 46.32% for BJ's Lahaina, L.P.

USE OF ESTIMATES:

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions for the reporting period and as of the financial statement date. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

PER SHARE INFORMATION:

Per share information is based on the weighted average number of common shares outstanding and the dilutive effect of common share equivalents, if any.

STOCK SPLIT:

In December 1994 and May 1995, the Board of Directors declared a 19,000-for-1 stock split and a .34896-for-1 reverse stock split, respectively, of the Company's common stock. All references to the number of shares and per share amounts have been adjusted to give retroactive effect to the stock splits for all periods presented.

RECENTLY ISSUED ACCOUNTING STANDARDS:

In March 1995, the Financial Accounting Standards Board ("FASB") issued SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS No. 121"). SFAS No. 121 establishes accounting standards for the impairment of long-lived assets, certain identifiable intangibles, and goodwill related to those assets to be held and used, and for long-lived assets and certain identifiable intangibles to be disposed of. The Company is required to adopt the provisions of SFAS No. 121 for 1996, and the Company believes that upon its adoption there should be no impact to results of operations.

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1. THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In November 1995, the FASB also issued SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"). SFAS No. 123 establishes new accounting standards for the measurement and recognition of stock-based awards. SFAS No. 123 permits entities to continue to use the traditional accounting for stock-based awards prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees" however, under this option, the Company will be required to disclose the pro forma effect of stock-based awards on net income and earnings per share as if SFAS No. 123 had been adopted. SFAS No. 123 is effective for 1996. The Company intends to use the provisions of APB Opinion No. 25 in accounting for stock-based awards. As such, this standard will have no impact on the Company's results of operations upon adoption.

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

INTERIM RESULTS (UNAUDITED):

The accompanying consolidated balance sheet as of June 30, 1996 and the consolidated statements of operations and cash flows for the six month periods ended June 30, 1996 and 1995, and the statement of equity for the six month period ended June 30, 1996 are unaudited. In the opinion of management, these statements have been prepared on the same basis as the audited consolidated financial statements and include all adjustments, consisting of only normal recurring adjustments necessary for the fair presentation of results of the

interim periods. The data disclosed in these notes to the consolidated financial statements for those interim periods are also unaudited.

BUSINESS OPERATIONS

The Company has incurred net losses during its organization and acquisition of restaurants. While many of these costs were created by the ramping-up of the organization and restaurant concept development, including a more expansive menu, food testing, and micro-brewery concepts, management believes that such costs will be reduced in the future. Management's plans for a return to profitability include increasing sales through a more expansive menu and refurbishing of restaurants in the Northwest, increasing micro-brew beer sales, reducing the cost of sales through vendor volume purchases, reducing general and administrative costs by consolidation of the Company's existing corporate structure and CPNI's corporate structure and reduction of interest expense through use of a portion of the proceeds of the potential initial public offering to pay off debt.

While there can be no assurance that management plans, if executed, will return the Company to profitability, management believes their plans provide the Company with a strong base to accomplish their goals.

2. CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Company to a concentration of credit risk, as defined by SFAS No. 105 "Disclosure of Information about Financial Instruments with Off-Balance Sheet Risk and Concentrations of Credit Risk," principally consist of cash and cash equivalents. The Company maintains its cash accounts at various California and Hawaii banking institutions. At times, cash balances may be in excess of the FDIC insurance limit. Cash equivalents represent tax-exempt money market funds.

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3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of:

	DECEMBER 31, 1995	JUNE 30, 1996 (UNAUDITED)
Furniture and fixtures	$ 96,349	$ 236,190
Equipment	618,101	2,148,455
Leasehold improvements	1,421,939	3,570,074
	2,136,389	5,954,719
Less, accumulated depreciation and amortization	(265,858)	(510,955)
Construction in progress	--	63,386
	$ 1,870,531	$ 5,507,150

4. INTANGIBLE ASSETS

Intangible assets consisted of the following as of:

	DECEMBER 31, 1995	JUNE 30, 1996 (UNAUDITED)
Goodwill	$ 5,555,128	$ 5,798,251
Trademark	38,000	48,000
Covenant not to compete	50,000	50,000
Lease right for Lahaina lease	25,000	25,000
Liquor licenses	45,000	65,000
	5,713,128	5,986,251
Less, accumulated amortization	154,884	195,902
	$ 5,558,244	$ 5,790,349

5. ACCRUED EXPENSES

Accrued expenses consisted of the following as of:

	DECEMBER 31, 1995	JUNE 30, 1996 (UNAUDITED)
Accrued professional fees	$ 216,151	$ 84,932
Accrued rent	215,271	274,551
Payroll related liabilities	116,854	670,815
Accrued interest	33,308	180,256
Other	318,742	559,415
	$ 900,326	$ 1,769,969

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6. DEBT

RELATED PARTY DEBT:

Related party short-term debt consisted of the following as of:

	DECEMBER 31, 1995	JUNE 30, 1996 (UNAUDITED)
Note payable to related party, with interest rate of 6%, due on demand, collateralized by the property and equipment of BJ's Huntington Beach restaurant	$ 350,000	$ 200,000
Note payable to Paul Motenko, with interest rate of 6%, due on demand	74,686	78,527
Notes payable to related parties which are convertible as to principal		

and accrued interest thereon (automatically at the closing of an initial public offering) to 750,000 shares of common stock and warrants to purchase 4,500,000 shares of Common Stock, with an interest rate of 10%, collateralized by the stock of CPNI. The terms of the warrants provide that, if the Company consummates an initial public offering which includes warrants, then the warrants are automatically converted into warrants included in an initial public offering, exercisable at 110% of the price per share of Common Stock in the initial public offering		3,000,000
Note payable to related party, with interest rate of 19%, due on September 5, 1996		100,000
Total related party short-term debt	$ 424,686	$ 3,378,527

Related party long-term debt consisted of the following as of:

	DECEMBER 31, 1995	JUNE 30, 1996 (UNAUDITED)
Note payable to related party, with interest rate of 12%, maturing on March 22, 1998	$ 31,021	$ 24,691
Note payable to Roman Systems, with interest rate of 7%, maturing April 1, 2004, collateralized by the BJ's Laguna, BJ's La Jolla and BJ's Balboa restaurants	3,487,528	3,269,573
Note payable to Roman Systems, with interest rate of 2.25% plus the bank's reference rate (8.5% at December 31, 1995 and 8.25% at June 30, 1996), due in monthly installments of $3,500, maturing June 1, 1999	147,000	120,556
Total long-term related party debt	3,665,549	3,414,820
Less, current portion	542,788	687,882
	$ 3,122,761	$ 2,726,938

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6. DEBT (CONTINUED)

Total interest incurred during the years ended December 31, 1994 and 1995, and the six-month period ended June 30, 1996 was approximately $120,000, $532,000 and $416,000 (unaudited), respectively. Future maturities of related party debt for each of the five years subsequent to December 31, 1995 and thereafter are as follows:

1996	$ 967,474
1997	598,084
1998	462,497
1999	343,227
2000	350,147
Thereafter	1,368,806

	$4,090,235

OTHER LONG-TERM DEBT:

Other long-term debt consisted of the following as of June 30, 1996 (Unaudited):

Note payable with interest rate of 2% plus the bank's reference rate (8.25% at June 30, 1996), due in monthly installments of $12,513, maturing March 1, 2001, collateralized by $200,000 certificate of deposit maturing March 1, 1998	$ 713,231
Notes payable for Pietro's outstanding tax claims as part of the Debtor's Plan of Reorganization, due in quarterly installments of $32,670 from July 1, 1996 through April 1, 1997 and $20,071 from July 1, 1997 through June 30, 2001 and varying payments totaling an aggregate of $34,122 from October 1, 2001 until April 1, 2002. Interest accrues at 8.25%	473,336
	1,186,567
Less, current portion	268,235
	$ 918,332

7. CAPITAL LEASES

The Company leases point of sale and phone equipment under capital lease arrangements. The equipment related to the capital leases has an original cost of $53,318 and accumulated amortization

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7. CAPITAL LEASES (CONTINUED)

of $7,791 at December 31, 1995. The obligations under capital leases have interest rates ranging from 6.9% to 13.9% and mature at various dates through 2000. Annual future minimum lease payments for the five years subsequent to December 31, 1995 are as follows :

1996	$21,131
1997	15,240
1998	9,927
1999	4,347
2000	1,764

Total minimum payments	52,409
Less, amount representing interest	15,515
Obligations under capital leases	36,894
Less, current portion	14,655
Long-term portion	$22,239

8. COMMITMENTS

The Company leases its restaurant and office facilities under noncancelable operating leases with terms ranging from approximately 7 to 25 years with renewal options ranging from 5 to 15 years. Rent expense for the years ended December 31, 1994 and 1995 and for the six-month period ended June 30, 1996 was $609,531, $547,900 and $602,249 (unaudited), respectively.

The Company has certain operating leases which contain fixed escalation clauses. Rent expense for these leases has been calculated on a straight-line basis over the term of the leases. A deferred credit in the amount of $207,605 has been established and included in accrued expenses at December 31, 1995 for the difference between the amount charged to expense and the amount paid. The deferred credit will be amortized over the life of the leases.

A number of the leases also provide for contingent rentals based on a percentage of sales above a specified minimum. Total contingent rentals for the years ended December 31, 1994 and 1995 and the six-month period ended June 30, 1996 were $50,902, $45,763 and $15,748 (unaudited), respectively.

The following are the future minimum rental payments under noncancelable operating leases for each of the five years subsequent to December 31, 1995 and June 30, 1996 and in total thereafter:

	DECEMBER 31, 1995	JUNE 30, 1996 (UNAUDITED)
1996	$ 628,030	$ 1,644,690
1997	699,961	2,063,581
1998	715,686	1,803,843
1999	700,808	1,561,139
2000	651,794	1,181,333
Thereafter	1,731,876	6,621,480
	$ 5,128,155	$ 14,876,066

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8. COMMITMENTS (CONTINUED)

LEGAL PROCEEDINGS:

The Company is not a party to any pending legal proceedings which it believes will have a material adverse effect on its consolidated financial position or consolidated results of operations.

EMPLOYMENT AGREEMENTS:

Effective March 26, 1996, the Company entered into employment agreements with Paul Motenko and Jeremiah J. Hennessy. The agreements provide for a minimum annual salary of $135,000 subject to escalation annually in accordance with the Consumer Price Index and certain benefits through 2004 and may be terminated by either party. The agreements also contain provisions for additional cash compensation based on earnings or income of the Company. The agreements contain provisions which grant the employees the right to receive salary and benefits, as individually defined, if such employee is terminated by the Company without cause.

CONSULTING AGREEMENT:

In February 1996 the Company entered into a consulting agreement ("Consulting Agreement") with ASSI, Inc. pursuant to which ASSI, Inc. agrees to advise the Company with site selection and marketing and development strategy for penetrating the Las Vegas, Nevada market. In consideration for such services, the Company shall pay ASSI, Inc. an annual fee equal to 10% of the Net Profits, as defined, of the acquired Las Vegas, Nevada restaurants. As additional consideration for consulting services, the Company issued to ASSI, Inc. an aggregate of 100,000 warrants to purchase shares of common stock of the Company at an exercise price of $3.85 per share. The Consulting Agreement expires on December 31, 2000. The terms of the warrants provide that if the Company consummates an initial public offering which includes warrants, then the warrants are automatically converted into warrants included in the initial public offering.

The Company also entered into a consulting agreement ("Pietro's Consulting Agreement") with ASSI, Inc. regarding the Pietro's Corp. Acquisition (see Note 13). Under this agreement, ASSI, Inc. agrees to advise the Company in connection with the reconstruction, expansion, marketing and strategic development of the restaurants acquired from Pietro's Corp. In consideration for such services, the Company shall pay to ASSI, Inc. an annual fee equal to 5% of Net Profits, as defined, of the 26 restaurants acquired, 19 of which the Company currently plans to retain. As additional consideration for the consulting services, the Company issued to ASSI, Inc. an additional aggregate of 100,000 warrants to purchase shares of common stock of the Company at an exercise price of $3.85 per share. The Pietro's Consulting Agreement expires on December 31, 2000. The terms of the warrants provide that if the Company consummates an initial public offering which includes warrants, then the warrants are automatically converted into warrants included in the initial public offering.

9. SHAREHOLDERS' EQUITY

PREFERRED STOCK:

The Company is authorized to issue 5,000,000 shares in one or more series of preferred stock and to determine the rights, preferences, privileges and restrictions to be granted to, or imposed upon, any such series, including the voting rights, redemption provisions (including sinking fund provisions), dividend rights, dividend rates, liquidation rates, liquidation preferences,

conversion rights and the description and number of shares constituting any wholly unissued series of preferred stock. The Company's Board of Directors, without further shareholder approval, can issue preferred stock with rights that could adversely affect the rights of holders of the Company's common stock. The issuance

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9. SHAREHOLDERS' EQUITY (CONTINUED)

of shares of preferred stock under certain circumstances could have the effect of delaying or preventing a change of control of the Company or other corporate action. No shares of preferred stock were outstanding at December 31, 1995 and June 30, 1996. The Company currently has no plans to issue shares of preferred stock.

COMMON STOCK:

Shareholders' of the Company's outstanding common stock are entitled to receive dividends if and when declared by the Board of Directors. Upon liquidation, dissolution or winding up of the Company, and subject to the priority of any outstanding preferred stock, the Company's assets legally available for distribution to shareholders are to be distributable ratably among the holders of the common stock at the time outstanding. Shareholders are entitled to one vote for each share of common stock held of record. Pursuant to the requirements of California law, shareholders are entitled to cumulate votes in connection with the election of directors.

CAPITAL SURPLUS:

In May 1995, the Company issued warrants to purchase up to 300,000 shares of common stock at a price of $5.00 per share to each of Barry Grumman, a director of the Company, and Lexington Ventures, Inc. Each of Mr. Grumman and Lexington Ventures, Inc. were issued their respective warrants at a price of $0.07 per warrant or a total price to each of $21,000. Mr. Grumman's liability for payment of the warrants was extinguished in exchange for past services to the Company as a Director which had not been compensated. The terms of the warrants provide that if the Company consummates an initial public offering which includes warrants to purchase shares of Common Stock, then the warrants issued are automatically converted into warrants included in the initial public offering. The proceeds were used for working capital purposes. Proceeds from the valuation or sale of warrants issued in conjunction with the private placement offerings totaled $236,750.

PRIVATE PLACEMENTS:

In January 1995, the Company completed a private placement of 17 Units at $50,000 per Unit, consisting of (i) a Series A Promissory Note in the principal amount of $50,000 and due December 31, 1995 and (ii) 13,086 shares of common stock. The net proceeds to the Company of $496,000 (net of issuance costs of $104,000) were used to finance acquisitions. The Series A Promissory Notes beared interest, payable quarterly, at a rate of 10% until June 30, 1995 and 13.5% thereafter. The Promissory Notes were repaid in the third quarter of 1995 with proceeds from the June 1995 placement described below.

In March 1995, the Company completed a private placement of 4 Units at $100,000 per Unit, consisting of (i) a $98,000 promissory note bearing interest at a rate of 10% per annum with interest and principal due upon the earlier of

completion of an initial public offering of the Company's common stock, or 18 months from the date of issuance and (ii) warrants (valued at a price of $.0573) to purchase 34,896 shares of common stock at a price of $2.87 per share. The terms of this private placement provide that if the Company consummates an initial public offering which includes warrants to purchase shares of Common Stock, then the warrants issued in this placement are automatically converted into warrants included in the initial public offering. The net proceeds to the Company of $400,000 were used for working capital. The promissory notes were repaid in the third quarter of 1995 with proceeds from the June 1995 private placement described below.

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9. SHAREHOLDERS' EQUITY (CONTINUED)

In September 1995, the Company completed a private placement of 61 Units at $100,000 per Unit, consisting of (i) 25,000 shares of common stock at a price of $3.85 per share and (ii) warrants to purchase 75,000 shares of common stock at an initial exercise price of $3.85 per share for a price of $0.05 per warrant. The terms of this private placement provide that if the Company consummates an initial public offering which includes warrants to purchase shares of Common Stock, then the warrants issued in this placement are automatically converted into warrants included in the initial public offering. The net proceeds to the Company of $4,917,438 (net of issuance costs of $953,812) were used (i) to pay a portion of the acquisition or development expenses of the Northwest Restaurants, the Westwood Village, Los Angeles, California restaurant and brew pub site, the Brea, California restaurant and the Boulder Colorado restaurant totaling in the aggregate $2,600,000, (ii) to repay debt related to previous offerings, which debt totaled $1,400,000 and (iii) to remodel the La Jolla Village restaurant, which costs totaled $225,000. The remaining $1,600,000 was utilized as working capital.

10. INCOME TAXES

The following table presents the current and deferred provision for federal and state income taxes for the years ended December 31,:

	1995	1994
Current:		
Federal	--	--
State	$6,400	$6,400
	6,400	6,400
Deferred:		
Federal	--	--
State	--	--
	$6,400	$6,400

The temporary differences which give rise to deferred tax provision (benefit) for the years ended December 31, consist of:

	1995	1994
Property and equipment	$ (26,320)	$ (2,547)
Goodwill	106,511	--
Accrued liabilities	(109,155)	(54,397)
Investment in partnerships	(35,366)	14,962
Net operating losses	(651,142)	(134,741)
Other	(548)	--
Change in valuation allowance	716,020	176,723
	$ --	$ --

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10. INCOME TAXES (CONTINUED)

The provision (benefit) for income taxes differs from the amount that would result from applying the federal statutory rate as follows:

	FOR THE YEARS ENDED DECEMBER 31,	
	1995	1994
Statutory regular federal income tax rate	(34.0)%	(34.0)%
State income taxes, net of federal benefit	--	0.3
Change in valuation allowance	33.8	27.5
Other	0.3	6.6
	0.1%	0.4%

The components of the deferred income tax asset and (liability) as of December 31 are as follows:

	1995	1994
Property and equipment	$ 28,867	$ 2,547
Goodwill	(106,511)	--
Accrued liabilities	163,552	54,397
Investment in partnerships	20,404	(14,962)
Net operating losses	785,883	134,741
Other	548	--
	892,743	176,723
Valuation allowance	(892,743)	(176,723)
Net deferred income taxes	$ --	$ --

As of December 31, 1995, the Company had net operating loss carryforwards for federal and state purposes of approximately $2,034,000 and $1,016,000, respectively. The net operating loss carryforwards begin expiring in 2010 and 2000, respectively.

The utilization of net operating loss ("NOL") and credit carryforwards may be limited under the provisions of Internal Revenue Code Section 382, NOL carryforward limitations with respect to change in ownership, and Section 383, limitation for credit carryforwards.

11. SUPPLEMENTAL CASH FLOW INFORMATION

	FOR THE YEARS ENDED DECEMBER 31,		FOR THE SIX-MONTH PERIODS ENDED JUNE 30,	
	1994	1995	1995	1996
			(UNAUDITED)	
Cash paid for:				
Interest	$73,751	$379,676	$218,235	$269,279
Taxes	$ --	$ --	$ --	$ 7,081

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11. SUPPLEMENTAL CASH FLOW INFORMATION (CONTINUED)

Supplemental information on noncash investing and financing activities:

	FOR THE YEARS ENDED DECEMBER 31,		FOR THE SIX-MONTH PERIODS ENDED JUNE 30,	
	1994	1995	1995	1996
Common stock issued for purchase of BJ's Belmont Shore, L.P. and BJ's La Jolla, L.P.	$ 170,118			
Equipment purchases under a capital lease	$ 29,408	$ 20,968		$ 145,249
Common stock or warrants issued for consulting services		$ 52,344		$ 50,000
Common stock issued for asset purchase of Roman Systems		$ 261,720		
Purchase of CPNI (assumed liabilities)				$ 1,411,595

12. 1996 STOCK OPTION PLAN

The Company adopted the 1996 Stock Option Plan as of August 7, 1996 under which options may be granted to purchase up to 600,000 shares of common stock. The 1996 Stock Option Plan provides for the options issued to be either incentive stock options or non-statutory stock options as defined under Section 422A of the Internal Revenue Code. The exercise price of the shares under the option shall be equal to or exceed 100% of the fair market value of the shares at the date of option grant. The 1996 Stock Option Plan expires on June 30, 2005 unless terminated earlier. The options generally vest over a three-year period. As of June 30, 1996, no options had been issued under the 1996 Stock Option

Plan.

13. ACQUISITIONS AND TRANSFERS

ROMAN SYSTEMS:

Effective January 1, 1995, the Company purchased the net assets of Roman Systems for $550,000 in cash, issued a note payable totaling $3,746,113, assumed liabilities totaling $873,344 including loans, accrued salaries and certain other expenses and paid $130,000 in acquisition costs. Additionally, 348,960 shares of common stock of the Company, valued at $261,720, were issued to the sellers. The acquisition was accounted for as a purchase.

BELMONT SHORE, L.P. AND LA JOLLA, L.P.:

Effective January 1, 1995, the Company purchased the limited partnership interests of BJ's Belmont Shore, L.P. and BJ's La Jolla, L.P. The general partner interests of the above-mentioned Partnerships, held by CPA-BG, were transferred to the Company for no consideration prior to the closing of the acquisition of the limited partnership interests. An aggregate 226,824 shares of common stock of the Company, valued at $170,118, were transferred to the sellers for the right, title and interest in the limited partnerships in November 1994. Additionally, the Company assumed liabilities of $207,068 and paid acquisition costs of $70,000.

BJ'S LAHAINA, L.P.:

Effective January 1, 1995, the general partners of BJ's in Lahaina, L.P., CPA010 and Blue Max transferred their general partnership interests to the Company for no consideration.

PIETRO'S CORP.:

On March 29, 1996, the Company acquired 26 restaurants located in Oregon and Washington by providing the funding for the Debtor's Plan and thereby acquired all the stock in the reorganized

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13. ACQUISITIONS AND TRANSFERS (CONTINUED)

entity known as Chicago Pizza Northwest, Inc. The Debtor's Plan was confirmed by an order of the Bankruptcy Court on March 18, 1996 and the Company funded the Plan on March 29, 1996. The Company paid $2,350,000 to fund the Debtor's Plan plus acquisition costs of $353,073. Additionally, the Company assumed a $506,006 liability for taxes plus interest which will be paid over six years.

BREA, CALIFORNIA:

On March 27, 1996, the Company completed the acquisition of a restaurant and brew-pub site in Brea, California. The purchase price totaled $930,400 including acquisition costs. The restaurant opened as BJ'S PIZZA, GRILL & BREWERY on April 1, 1996.

WESTWOOD, CALIFORNIA:

In 1995, the Company entered into a lease for its Westwood restaurant and brew-pub location. The site was renovated and opened on March 15, 1996.

ABBY'S SALE:

On May 15, 1996, the Company agreed to sell seven newly acquired Chicago Pizza Northwest, Inc. restaurants to Abby's Inc. Two of the restaurants were sold on May 31, 1996 two more were sold on June 24, 1996, and three more were sold on June 26, 1996. The remaining 19 restaurants will be converted into "BJ'S PIZZA," "BJ'S PIZZA & GRILL" or "BJ'S PIZZA, GRILL & BREWERY" restaurants.

The sales for the seven restaurants sold totaled approximately $3,492,000 and $3,683,000 for the years ended December 25, 1995 and December 26, 1994, respectively. Operating profit excluding overhead allocation totaled approximately $268,000 and $313,000 for the years ended December 25, 1995 and December 26, 1994, respectively. Loss after overhead allocation relating to the seven restaurants totaled approximately $327,000 and $454,000 for the years ended December 25, 1995 and December 26, 1994, respectively.

14. PRO FORMA DATA (UNAUDITED)

Under the terms of the $3,000,000 Convertible Notes (Note 6), conversion of principal and accrued interest thereon to common stock is simultaneous with the closing of an underwritten initial public offering of the Company's common stock resulting in a price per share to the public of at least $5.00 per share. In addition, the Company paid 13%, or $390,000, for related financing costs which is recorded as an asset and amortized over the term of the Convertible Notes. As of June 30, 1996 the unamortized balance totaled $292,500. Accordingly, the pro forma information has been prepared so as to classify the aforementioned $3,000,000 principal amount of Convertible Notes and $75,000 of accrued interest thereon as common stock outstanding (750,000 additional shares outstanding) and capital surplus, to give effect to the aforementioned expected closing of an initial public offering of common stock and as a result the $292,500 remaining unamortized amount of financing costs has been expensed and therefore increases accumulated deficit.

15. SUBSEQUENT EVENTS

On June 28, 1996, the Company filed a Registration Statement on Form SB-2 relating to a proposed public offering of 1,500,000 shares of Common Stock and 1,500,000 redeemable warrants. The Company anticipates that, if successful, the offering will be completed in the third quarter of 1996.

PIETRO'S CORP.'S BUSINESS RELATED TO PURCHASED ASSETS

INDEX TO COMBINED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors
Pietro's Corp.

We have audited the accompanying combined balance sheet of Pietro's Corp.'s Business Related to Purchased Assets as of December 25, 1995, and the related combined statements of operations, equity and cash flows for the fiscal years ended December 26, 1994 and December 25, 1995. These combined financial statements are the responsibility of the management of Pietro's Corp. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Pietro's Corp.'s Business Related to the Purchased Assets as of December 25, 1995, and the results of their operations and their cash flows for the fiscal years ended December 26, 1994 and December 25, 1995, in conformity with generally accepted accounting principles.

COOPERS & LYBRAND L.L.P.

Los Angeles, California
June 14, 1996

PIETRO'S CORP.'S BUSINESS RELATED TO PURCHASED ASSETS

COMBINED BALANCE SHEETS

ASSETS:

	DECEMBER 25, 1995	MARCH 29, 1996 (UNAUDITED)
Current assets:		
Cash	$ 34,625	$ 37,395
Inventory	152,009	169,584
Prepaids and other current assets	16,780	25,680
Total current assets	203,414	232,659
Property, and equipment, net	1,099,551	992,294
Other assets	238,321	238,321
Total assets	$ 1,541,286	$ 1,463,274

LIABILITIES AND EQUITY:

Current liabilities:		
Accrued expenses	$ 449,928	$ 337,936
Total current liabilities	449,928	337,936
Commitments (Note 5)		
Equity	1,091,358	1,125,338
Total liabilities and equity	$ 1,541,286	$ 1,463,274

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

PIETRO'S CORP.'S BUSINESS RELATED TO PURCHASED ASSETS

COMBINED STATEMENTS OF OPERATIONS

	FOR THE YEARS ENDED		THREE-MONTH PERIOD ENDED	
	DECEMBER 26, 1994	DECEMBER 25, 1995	MARCH 27, 1995	MARCH 29, 1996
			(UNAUDITED)	
Revenues	$ 14,609,395	$ 14,633,737	$ 3,670,609	$ 3,779,529
Cost of sales	4,402,869	4,276,635	1,121,048	1,187,513
Gross profit	10,206,526	10,357,102	2,549,561	2,592,016
Labor and benefits	4,755,491	4,836,188	1,200,993	1,289,705
Occupancy	1,401,658	1,433,616	350,382	351,508
Operating expenses	2,276,493	2,360,887	644,112	620,065
Depreciation and amortization	661,828	581,490	139,807	114,291
Overhead allocation from Pietro's Corp.	1,943,863	1,596,006	402,309	382,374
Total expenses	11,039,333	10,808,187	2,737,603	2,757,943
Net loss	$ (832,807)	$ (451,085)	$ (188,042)	$ (165,927)

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

PIETRO'S CORP.'S BUSINESS RELATED TO PURCHASED ASSETS

COMBINED STATEMENTS OF EQUITY

Balance at December 20, 1993	$2,055,835
Net loss	(832,807)
Contributions from Pietro's Corp.	303,560
Balance at December 26, 1994	1,526,588
Net loss	(451,085)
Contributions from Pietro's Corp.	15,855
Balance at December 25, 1995	1,091,358
Net loss (unaudited)	(165,927)
Contributions from Pietro's Corp. (unaudited)	199,907
Balance at March 29, 1996 (unaudited)	$1,125,338

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

PIETRO'S CORP.'S BUSINESS RELATED TO PURCHASED ASSETS

COMBINED STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED		FOR THE THREE-MONTH PERIODS ENDED	
	DECEMBER 26, 1994	DECEMBER 25, 1995	MARCH 27, 1995	MARCH 29, 1996
			(UNAUDITED)	
Cash flows provided by (used in) operating activities:				
Net loss	$ (832,807)	$ (451,085)	$ (188,042)	$ (165,927)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation and amortization	661,828	581,490	139,807	114,291
Inventory	1,694	(12,034)	(23,428)	(17,576)
Prepaids and other current assets	(4,772)	(546)	(2,488)	(8,900)
Other assets	(69,000)	(166,551)	(41,638)	
Accrued expenses	14,726	108,206	27,052	(111,991)
Net cash provided by (used in) operating activities	(228,331)	59,480	(88,737)	(190,103)
Cash flows used in investing activities:				
Purchases of equipment	(74,629)	(76,835)	(6,115)	(7,034)
Net cash used in investing activities	(74,629)	(76,835)	(6,115)	(7,034)
Cash flows provided by financing activities:				
Net contributions from parent	303,560	15,855	93,352	199,907
Net cash provided by financing activities	303,560	15,855	93,352	199,907
Net increase (decrease) in cash	600	(1,500)	(1,500)	2,770
Cash, beginning of year	35,525	36,125	36,125	34,625
Cash, end of year	$ 36,125	$ 34,625	$ 34,625	$ 37,395

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

PIETRO'S CORP.'S BUSINESS RELATED TO PURCHASED ASSETS
NOTES TO COMBINED FINANCIAL STATEMENTS

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1. GENERAL

The Pietro's Corp.'s Business Related to the Purchased Assets consists of 26 pizza restaurants located throughout the States of Oregon and Washington. Pietro's Corp. (the "Company" or "Parent"), a Washington State corporation, owns and operates these and other restaurants. Revenues are derived from sales of food and beverages at the restaurants. The Company's Purchased Assets as of December 31, 1995 consist of 26 restaurants located in the State of Oregon in Albany, Aloha, Bend, Eugene (three restaurants), Gresham, Hood River, Madras, McMinnville, Milwaukie, North Bend, Portland (six restaurants), Redmond, Salem (two restaurants), The Dalles and Woodstock, and the State of Washington in Kennewick, Longview, Richland and Yakima.

On September 26, 1995, the Company (hereafter also described as the "Debtor") filed a petition for reorganization in the United States Bankruptcy Court for the Western District of Washington at Seattle under Chapter 11 of Title 11 of the United States Code.

Chicago Pizza & Brewery, Inc. ("CPB"), a California corporation, provided the funding for the "Debtor's Plan of Reorganization, Dated February 29, 1996"

as modified (the "Plan") and thereby acquired all of the stock in the reorganized entity known as Chicago Pizza Northwest, Inc. and defined in the Plan as the "Reorganized Debtor." The Plan was confirmed by an order of the Bankruptcy Court entered by the Court on March 18, 1996 and CPB funded the Plan on March 29, 1996 (the "Effective Date").

The Plan provided that CPB invest $2,850,000 to fund the Plan. The aggregate funding amount consists of approximately $2,350,000 in cash to be deposited immediately into a so-called "Reorganization Fund" and $506,006 plus interest to be paid over six years with respect to certain pre-petition priority tax debts of Debtor. The Reorganization Fund will be used to pay the debtor's administrative (post-petition), priority and lease cure claims in full, and the balance will be distributed to the Debtor's unsecured creditors on a pro rata basis. Holders of common stock of the Debtor will receive nothing.

CPB funded the Plan as described above on March 29, 1996. On the Effective Date, the outstanding common stock of the debtor was cancelled and common stock in the Reorganized Debtor, Chicago Pizza Northwest, Inc., a Washington corporation and wholly-owned subsidiary of the CPB was issued.

Due to the transaction described above, the accompanying financial statements for the three-month period ended March 29, 1996 are presented for the period December 26, 1995 through March 29, 1996.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION AND PRINCIPLES OF COMBINATION:

The accompanying combined financial statements include the accounts of the Purchased Assets, including allocations of overhead from the Parent, for accounting, legal, information processing, administrative, financing and marketing services. Such allocation is computed based on the net sales related to the Purchased Assets (i.e., the 26 restaurants) as a percentage of the Company's total restaurant net sales. Management believes such allocation is reasonable as each individual restaurant will incur a portion of cost relative to its sales volume. The Purchased Assets, as a combined entity, has no separate legal status. All significant intercompany transactions and balances have been eliminated in combination.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FISCAL YEAR:

The Company utilized a 4-4-5 basis for the months included in its fiscal year financial reports. The fiscal periods ended for the financial statements included herein ended on December 20, 1993 (for Statement of Equity only), December 26, 1994, December 25, 1995, March 27, 1995 and March 29, 1996.

INVENTORY:

Inventory consists of food products and supplies and are recorded at the lower of cost (determined on a first-in, first-out basis) or market.

PROPERTY AND EQUIPMENT:

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Equipment	5-10 years
Furniture and fixtures	7 years
Automobiles	3-5 years

Leasehold improvements are amortized over the terms of the leases or their estimated useful lives, if shorter.

When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation and amortization account are relieved, and any gain or loss is included in operations. Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of an asset are capitalized.

LEASES:

Leases that meet certain criteria are capitalized and included with property and equipment. The resulting assets and liabilities are recorded at the lesser of cost or amounts equal to the present value of the minimum lease payments at the beginning of the lease term. Such assets are amortized evenly over the related life of the lease or the useful lives of the assets. Interest expense relating to these liabilities is recorded to effect constant rates over the terms of the leases. Leases that do not meet such criteria are classified as operating leases and rentals are charged to expense as incurred.

USE OF ESTIMATES:

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions for the reporting period and as of the financial statement date. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities and the reported amounts of revenues and expenses. Actual results could differ from these estimates.

INCOME TAXES:

The Company accounts for income taxes under the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"). Under SFAS No. 109, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The results of operations of the Purchased Assets are included in the Company's federal and state tax returns. No income tax benefit has been provided in the accompanying combined financial statements as it is more likely than not that the deferred tax assets originated in the net operating losses will not be realized.

If the Purchased Assets had been profitable, or had available past or future anticipated taxable income, for the years presented, an assumed effective rate of 40% for provision or benefit of pretax income or loss would have been reflected in these financial statements.

CONTRIBUTED CAPITAL:

All net charges from the Company for general and administrative expenses and transfers of cash for cash management purposes are recorded as contributions from the Company.

INTERIM RESULTS: (UNAUDITED)

The accompanying combined balance sheet as of March 29, 1996 and the combined statements of operations and cash flows for the three-month periods ended March 27, 1995 and March 29, 1996, and the combined statement of equity for the three-month period ended March 29, 1996, are unaudited. In the opinion of management, these combined statements have been prepared on the same basis as the audited financial statements and include all adjustments, consisting of only normal recurring adjustments, necessary for the fair presentation of results of the interim periods. The data disclosed in these notes to the combined financial statements for interim periods are also unaudited.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of:

	DECEMBER 25, 1995	MARCH 29, 1996 (UNAUDITED)
Leasehold improvements	$ 2,451,211	$ 2,451,211
Equipment	3,493,962	3,500,749
Furniture and fixtures	102,330	102,577
Automobiles	160,781	160,781
	6,208,284	6,215,318
Less, accumulated depreciation and amortization	(5,108,733)	(5,223,024)
	$ 1,099,551	$ 992,294

4. ACCRUED EXPENSES

Accrued expenses consist of the following as of:

	DECEMBER 25, 1995	MARCH 29, 1996 (UNAUDITED)
Payroll related liabilities	$ 316,797	$ 276,572
Property taxes	91,566	17,950
Other	41,565	43,414
	$ 449,928	$ 337,936

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5. COMMITMENTS

LEASES:

The Company leases equipment under noncancelable capital lease agreements that expire in 1997 and 1999.

The Company also is obligated under long-term real estate operating leases that expire at various dates through December 31, 2009 with options ranging from 3 to 15 years. The leases generally provide that the Company shall pay the property taxes, insurance and utilities. A number of leases also provide for

contingent rentals based on a percentage of sales above a specified minimum. Total contingent rentals for the years ended December 26, 1994 and December 25, 1995 and the three-month period ended March 31, 1996 were $42,218, $25,118 and $3,752 (unaudited), respectively.

Rental payments on operating real estate leases charged to expense for the years ended December 26, 1994 and December 25, 1995 were approximately $1,059,000 and $1,152,000, respectively.

At December 25, 1995, minimum annual rental commitments under noncancelable leases are as follows:

1996	$1,129,563
1997	1,105,404
1998	840,060
1999	709,775
2000	526,182
Thereafter	2,350,319
Total minimum lease payments	$6,661,303

6. SUBSEQUENT EVENT

On May 15, 1996, CPB entered into an agreement to sell seven of the restaurants included as part of the Purchased Assets. As part of the agreement, CPB agreed to sell on May 31, 1996 ("First closing date"), the restaurants located in Albany and Bend, and on June 30, 1996 ("Second closing date"), the restaurants located in Richland, Kennewick, Yakima, Madras and Redmond. The purchase price is equal to $1,000,000 less certain liabilities and other costs assumed by the Buyer, as defined. This amount will be paid $400,000 on the First closing date and $600,000 on the Second closing date. As part of the agreement, CPB entered into covenant not to compete within the "Restrictive Territory," as defined, for a period of 3 years.

The sales for the seven restaurants sold totaled approximately $3,700,000 and $3,500,000 for the years ended December 26, 1994 and December 25, 1995, respectively. Operating profit excluding overhead allocation totaled approximately $313,000 and $270,000 for the years ended December 26, 1994 and December 25, 1995, respectively. Loss after overhead allocation relating to the seven restaurants totaled approximately $454,000 and $327,000 for the years ended December 26, 1994 and December 25, 1995, respectively.

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UNTIL , 1996 (25 DAYS AFTER THE DATE OF THIS PROSPECTUS), ALL DEALERS EFFECTING TRANSACTIONS IN THE REGISTERED SECURITIES, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS DELIVERY REQUIREMENT IS IN ADDITION TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

1,500,000 SHARES
OF COMMON STOCK
AND
1,500,000 REDEEMABLE WARRANTS

[LOGO]

CHICAGO PIZZA & BREWERY, INC.

PROSPECTUS

THE BOSTON GROUP, L.P.

, 1996

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INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

PROSPECTUS

1,766,864 SHARES OF COMMON STOCK

10,014,584 REDEEMABLE WARRANTS

[LOGO]

CHICAGO PIZZA & BREWERY, INC.

COMMON STOCK

This Prospectus relates to the registration by Chicago Pizza & Brewery, Inc. (the "Company"), at its expense, for the account of certain non-affiliated security holders (the "Non-Affiliated Selling Security Holders") and two independent directors of the Company (the "Selling Directors") with respect to a total of: 1,766,864 shares of Common Stock (the "Selling Security Holders' Shares"); 10,014,584 selling security holders' Redeemable Warrants (as hereinafter defined) (the "Selling Security Holders' Redeemable Warrants"); and 10,014,584 shares of Common Stock issuable by the Company upon exercise of such Selling Security Holders' Redeemable Warrants. As used in this Prospectus, the Non-Affiliated Selling Security Holders and the Selling Director are collectively referred to as the "Selling Security Holders." The Selling Security Holders' Shares, the Selling Security Holders' Redeemable Warrants and the shares of Common Stock issuable upon exercise of the Selling Security Holders' Redeemable Warrants (all of which are collectively referred to herein as the "Selling Security Holders' Securities") are not being underwritten in this offering. However, substantially all of the Selling Security Holders are clients of, and are required to sell their Securities through, The Boston Group, L.P., the representative of the underwriters in a public offering conducted by the Company ("the Representative") subject to the customary compensation practices of the Representative. With the exception of the exercise price of the Selling Security Holders' Redeemable Warrants, the Company will not receive any proceeds from the sale of the Selling Security Holders' Securities. See "Selling Security Holders". The Selling Security Holders' Securities may be sold by the Selling Security Holders or their respective transferees commencing on the date of this Prospectus. Sales of the Selling Security Holders' Securities may depress the price of the Common Stock or Redeemable Warrants in any market that may develop for the Common Stock or Redeemable Warrants. See "The Offering," "Risk Factors" and "Certain Transactions -- Private Placements."

Concurrently with this offering, the Company is offering 1,500,000 shares of Common Stock and 1,500,000 Redeemable Warrants (the "Offering"). See "The Offering." This Prospectus, except for this cover page, the back cover page and

the information contained herein under the heading "Selling Security Holders," and "Plan of Distribution" is part of a Prospectus relating to the Offering by the Company. This Prospectus includes certain information (including all information relating to the proposed underwritten Offering and the underwriters thereof) that may not be pertinent to the sale by the Selling Security Holders.

Prior to this offering, there has been no public market for the Common Stock or the Redeemable Warrants and there is no assurance that such a market will develop, or if a market develops, that it will be sustained. The Company has applied for approval for listing of the Common Stock and Redeemable Warrants on the Nasdaq Small-Cap Market under the symbols CHGO and CHGOW, respectively.

THESE SECURITIES INVOLVE A HIGH DEGREE OF RISK AND IMMEDIATE SUBSTANTIAL DILUTION. SEE "RISK FACTORS" AND "DILUTION" COMMENCING ON PAGES 11 AND 21, RESPECTIVELY.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The sale of the Selling Security Holders' Securities may be effected from time to time in transactions (which may include block transactions by or for the account of the Selling Security Holders) in the over-the-counter market or in negotiated transactions, through the writing of options on the Selling Security Holders' Securities, through a combination of such methods of sale or otherwise. Sales may be made at fixed prices which may be changed, at market prices prevailing at the time of sale, or at negotiated prices. If any Selling Security Holder sells his, her or its Selling Security Holders' Securities or options thereon, pursuant to this Prospectus at a fixed price or at a negotiated price which is, in either case, other than the prevailing market price or in a block transaction to a purchaser who resells, or if any Selling Security Holder pays compensation to a broker-dealer that is other than the usual and customary discounts, concessions or commissions, or if there are any arrangements either individually or in the aggregate that would constitute a distribution of the Selling Security Holders' Securities, a post-effective amendment to the Registration Statement of which this Prospectus is a part would need to be filed and declared effective by the Securities and Exchange Commission before such Selling Security Holder could make such sale, pay such compensation or make such a distribution. The Company is under no obligation to file a post-effective amendment to the Registration Statement of which this Prospectus is a part under such circumstances.

THE DATE OF THIS PROSPECTUS IS , 1996

SELLING SECURITY HOLDERS

An aggregate of 1,766,864 shares of Common Stock, 10,014,584 Redeemable Warrants and 10,014,584 shares of Common Stock issuable upon exercise of the Redeemable Warrants are being registered in this Offering for the account of the Selling Security Holders. The Selling Security Holders' Securities may be sold by the Selling Security Holders or their respective transferees commencing on the date of this Prospectus. Sales of such shares of Common Stock or Redeemable Warrants by the Selling Security Holders or their respective transferees may depress the price of the Common Stock or Redeemable Warrants in any market that may develop for such Selling Security Holders' Securities.

The following table sets forth certain information with respect to persons for whom the Company is registering such shares of Common Stock for resale to the public. With the exception of the exercise price of the Selling Security Holders' Redeemable Warrants, the Company will not receive any of the proceeds from the sale of such shares of Common Stock. Except as described in "Certain Transactions," none of the Selling Security Holders other than the Selling Directors, Barry Grumman and Stanley Schneider, has had any position, office or material relationship with the Company or its affiliates since the Company's inception in 1991. Neither the Seller Security Holders' Shares, the Selling Security Holders' Redeemable Warrants nor the shares issuable upon exercise of the Selling Security Holders' Redeemable Warrants are being underwritten by the Underwriters in connection with the Offering. However, substantially all of the Selling Security Holders are clients of and are required to sell their Securities through the Representative, subject to the customary compensation practices of the Representative.

NAME OF SELLING SECURITY HOLDER (1)	AMOUNT OF SHARES OWNED (BEFORE OFFERING)	AMOUNT OF SHARES BEING REGISTERED	AMOUNT OF SHARES OWNED AFTER OFFERING (2)	AMOUNT OF REDEEMABLE WARRANTS OWNED (BEFORE OFFERING)	AMOUNT OF REDEEMABLE WARRANTS BEING REGISTERED(3)
Robert & Antoinette Ahr	25,000	12,500	12,500	75,000	75,000
Alico Limited Partnership	12,500	6,250	6,250	37,500	37,500
Karim Amiryani	12,500	6,250	6,250	37,500	37,500
Stanley S. Arkin	25,000	12,500	12,500	75,000	75,000
Lester C. Aroh	25,000	12,500	12,500	75,000	75,000
Ashden LLORCA Limited Director's Pension Scheme	25,000	12,500	12,500	75,000	75,000
D.S. Asher	12,500	6,250	6,250	37,500	37,500
Assi, Inc. (4)	500,000	500,000	0	3,200,000	3,200,000
Jonathon Axelrod	62,500	31,250	31,250	222,396	222,396
Robert L. & Kathleen F. Barnett as Joint Tenants with Right of Survivorship	12,500	6,250	6,250	37,500	37,500
Morris Boladian & Peru Grigorian as Tenants in Common	13,086	13,086	0	0	0
Gregory John Branch	12,500	6,250	6,250	37,500	37,500
Jeffery C. Brenner	12,500	6,250	6,250	37,500	37,500
Charles R. Buckridge as Trustee of the Charles R. Buckridge Revocable Trust	25,000	12,500	12,500	75,000	75,000
Dr. Robert Cano	12,500	6,250	6,250	37,500	37,500
Anthony Ceracche	6,250	3,125	3,125	18,750	18,750
Mark Jeffrey Chayet Revocable Trust	25,000	12,500	12,500	75,000	75,000
Joe & Sue Cogdell as Joint Tenants with Right of Survivorship	12,500	6,250	6,250	37,500	37,500
David Coward	6,543	6,543	0	0	0
David B. Coward & Linda J. Coward as Trustees of the Coward Family Trust	12,500	6,250	6,250	37,500	37,500
Cystic Fybrosis Foundation	26,667	26,667	0	0	0
Stan Dreyfus	13,086	13,086	0	0	0
John Paul De Joria	25,000	12,500	12,500	75,000	75,000
Laura M. Durso	12,500	6,250	6,250	37,500	37,500

NAME OF SELLING SECURITY HOLDER (1)	AMOUNT OF REDEEMABLE WARRANTS OWNED AFTER OFFERING
Robert & Antoinette Ahr	0
Alico Limited Partnership	0
Karim Amiryani	0
Stanley S. Arkin	0
Lester C. Aroh	0
Ashden LLORCA Limited Director's Pension Scheme	0
D.S. Asher	0
Assi, Inc. (4)	0
Jonathon Axelrod	0
Robert L. & Kathleen F. Barnett as Joint Tenants with Right of Survivorship	0
Morris Boladian & Peru Grigorian as Tenants in Common	0
Gregory John Branch	0
Jeffery C. Brenner	0
Charles R. Buckridge as Trustee of the Charles R. Buckridge Revocable Trust	0
Dr. Robert Cano	0
Anthony Ceracche	0
Mark Jeffrey Chayet Revocable Trust	0
Joe & Sue Cogdell as Joint Tenants with Right of Survivorship	0
David Coward	0
David B. Coward & Linda J. Coward as	

Trustees of the Coward Family Trust.....	0
Cystic Fybrosis Foundation.....	0
Stan Dreyfus.....	0
John Paul De Joria.....	0
Laura M. Durso.....	0

NAME OF SELLING SECURITY HOLDER (1)	AMOUNT OF SHARES OWNED (BEFORE OFFERING)	AMOUNT OF SHARES BEING REGISTERED	AMOUNT OF SHARES OWNED AFTER OFFERING (2)	AMOUNT OF REDEEMABLE WARRANTS OWNED (BEFORE OFFERING)	AMOUNT OF REDEEMABLE WARRANTS BEING REGISTERED(3)
L. Dean Echelbarger.....	25,000	12,500	12,500	75,000	75,000
Laurie Fisher.....	6,250	3,125	3,125	18,750	18,750
Larry M. Follett.....	12,500	6,250	6,250	37,500	37,500
Jack Friedman.....	18,750	9,375	9,375	56,250	56,250
Mark & Janelle Friedman as Community Property.....	6,250	3,125	3,125	18,750	18,750
Robert & Thelma Gault as Joint Tenants with Right of Survivorship.....	25,000	12,500	12,500	75,000	75,000
Larry R. Gordon.....	138,672	82,422	56,250	442,188	442,188
Donald B. Greenwood.....	12,500	6,250	6,250	37,500	37,500
Dean O. & John Gregg as Tenants in Common.....	13,086	13,086	0	0	0
Barry Jon Grumman.....	285,579	39,258	246,321	300,000	300,000
Louis Habash.....	26,172	26,172	0	0	0
Norton Herrick (4).....	250,000	250,000	0	1,500,000	1,500,000
HiTek Inc. Melvin Gondelman.....	25,000	12,500	12,500	75,000	75,000
Richard Houlihan.....	5,234	5,234	0	0	0
International Capital Investment Company...	12,500	6,250	6,250	37,500	37,500
J.M.J. Resources.....	6,250	3,125	3,125	18,750	18,750
Robert & Ruth Jurgensmeyer as Joint Tenants with Right of Survivorship.....	25,000	12,500	12,500	75,000	75,000
Gabriel Kaplan.....	63,672	44,922	18,750	112,500	112,500
Gabriel Kaplan P/Adm City National Bank C/F Rotunda Productions Inc. MPPP.....	37,500	18,750	18,750	112,500	112,500
Martin Katz.....	6,250	3,125	3,125	18,750	18,750
P/ADM Larry Gordon as Trustee of the Keca Music Profit Sharing Plan.....	25,000	12,500	12,500	75,000	75,000
Dr. Michael Kesselbrenner.....	12,500	6,250	6,250	37,500	37,500
L. Rolls Nominee Ltd.....	25,000	12,500	12,500	75,000	75,000
Donna Ann Leahy as Trustee of the Donna Ann Leahy Revocable Inter-vivos Trust.....	50,000	25,000	25,000	150,000	150,000
Jeffrey R. Lemler.....	18,750	9,375	9,375	56,250	56,250
Marc Levin.....	12,500	6,250	6,250	37,500	37,500
Lexington Ventures.....	50,000	25,000	25,000	450,000	450,000
Ronald A. Litz.....	12,500	6,250	6,250	37,500	37,500
Michael & Julie Loshin as Joint Tenant with Right of Survivorship.....	3,125	1,563	1,562	9,375	9,375
Fred & Barbara Martell as Joint Tenants with Right of Survivorship.....	25,000	12,500	12,500	75,000	75,000
Walter Matthews.....	12,500	6,250	6,250	37,500	37,500
Lon W. Mericle.....	13,086	13,086	0	0	0
Ronald T. & Carol E. Michalski as Joint Tenants with Right of Survivorship.....	12,500	6,250	6,250	37,500	37,500
L.A. Moore.....	12,500	6,250	6,250	37,500	37,500
The Mulkey Limited Partnership.....	31,543	19,043	12,500	75,000	75,000
NFSC/FMTC JRA-FBO Dr. Carmen Schuller-Lemler.....	6,250	3,125	3,125	18,750	18,750
Stephano Natale.....	38,086	25,586	12,500	75,000	75,000
Doyle L. Parker.....	12,500	6,250	6,250	37,500	37,500
Liliana M. Partida.....	13,086	13,086	0	0	0
Michael Pizitz.....	6,250	3,125	3,125	18,750	18,750
Richard Pizitz.....	6,250	3,125	3,125	18,750	18,750
John Post.....	12,500	6,250	6,250	37,500	37,500
Giovanni Purificato.....	12,500	6,250	6,250	37,500	37,500
Gordon Rausser.....	25,000	12,500	12,500	75,000	75,000

NAME OF SELLING SECURITY HOLDER (1)	AMOUNT OF REDEEMABLE WARRANTS OWNED AFTER OFFERING
L. Dean Echelbarger.....	0
Laurie Fisher.....	0
Larry M. Follett.....	0
Jack Friedman.....	0
Mark & Janelle Friedman as Community Property.....	0
Robert & Thelma Gault as Joint Tenants with Right of Survivorship.....	0
Larry R. Gordon.....	0
Donald B. Greenwood.....	0
Dean O. & John Gregg as Tenants in Common.....	0
Barry Jon Grumman.....	0
Louis Habash.....	0
Norton Herrick (4).....	0
HiTek Inc. Melvin Gondelman.....	0
Richard Houlihan.....	0

International Capital Investment Company...	0
J.M.J. Resources...	0
Robert & Ruth Jurgensmeyer as Joint Tenants with Right of Survivorship...	0
Gabriel Kaplan...	0
Gabriel Kaplan P/Adm City National Bank C/F Rotunda Productions Inc. MPPP...	0
Martin Katz...	0
P/ADM Larry Gordon as Trustee of the Keca Music Profit Sharing Plan...	0
Dr. Michael Kesselbrenner...	0
L. Rolls Nominee Ltd...	0
Donna Ann Leahy as Trustee of the Donna Ann Leahy Revocable Inter-vivos Trust...	0
Jeffrey R. Lemler...	0
Marc Levin...	0
Lexington Ventures...	0
Ronald A. Litz...	0
Michael & Julie Loshin as Joint Tenant with Right of Survivorship...	0
Fred & Barbara Martell as Joint Tenants with Right of Survivorship...	0
Walter Matthews...	0
Lon W. Mericle...	0
Ronald T. & Carol E. Michalski as Joint Tenants with Right of Survivorship...	0
L.A. Moore...	0
The Mulkey Limited Partnership...	0
NFSC/FMTC JRA-FBO Dr. Carmen Schuller-Lemler...	0
Stephano Natale...	0
Doyle L. Parker...	0
Liliana M. Partida...	0
Michael Pizitz...	0
Richard Pizitz...	0
John Post...	0
Giovanni Purificato...	0
Gordon Rausser...	0

NAME OF SELLING SECURITY HOLDER (1)	AMOUNT OF SHARES OWNED (BEFORE OFFERING)	AMOUNT OF SHARES BEING REGISTERED	AMOUNT OF SHARES OWNED AFTER OFFERING (2)	AMOUNT OF REDEEMABLE WARRANTS OWNED (BEFORE OFFERING)	AMOUNT OF REDEEMABLE WARRANTS BEING REGISTERED(3)
Clarke E. Reynolds...	50,000	25,000	25,000	150,000	150,000
Daniel & Laura Rosenbaum as Joint Tenants...	6,543	6,543	0	0	0
William Russell-Shapiro...	25,000	12,500	12,500	75,000	75,000
Mark L. Saginor, MD...	25,000	12,500	12,500	75,000	75,000
Ronald M. Sanders...	6,250	3,125	3,125	18,750	18,750
Stephen Schmidt...	12,500	6,250	6,250	37,500	37,500
Stanley B. Schneider...	25,000	12,500	12,500	75,000	75,000
Leonard Shaykin...	6,250	3,125	3,125	18,750	18,750
Michael S. & Nancy E. Sitrick, Trustees or the Successor Trustee of the Michael and Nancy Sitrick Trust...	12,500	6,250	6,250	37,500	37,500
Albert A. & Mary K Skwiertz, Jr. as Joint Tenants with Right of Survivorship...	12,500	6,250	6,250	37,500	37,500
Nicholas P. Smith...	12,500	6,250	6,250	37,500	37,500
Michael & Lee Srednick Family Trust Dated May 9, 1991...	12,500	6,250	6,250	37,500	37,500
Arthur Steinberg IRA Rollover...	12,500	6,250	6,250	37,500	37,500
NFSC/FMTC IRA Rollover FBO Carl F. Steinfield...	12,500	6,250	6,250	37,500	37,500
Carl F. Steinfield...	50,000	25,000	25,000	150,000	150,000
Michael & Robin Stern, Community Property as Tenants in Common...	3,125	1,563	1,562	9,375	9,375
Douglas F. Stuart...	6,543	6,543	0	0	0
Tri Ventures...	12,500	6,250	6,250	37,500	37,500
Joseph & Susan Vasselli as Joint Tenants with Right of Survivorship...	12,500	6,250	6,250	37,500	37,500
Aldo & Melissa Verrelli as Joint Tenants with Right of Survivorship...	12,500	6,250	6,250	37,500	37,500
Claudia K. Walters...	12,500	6,250	6,250	37,500	37,500
Dr. Paul X. Welch...	6,250	3,125	3,125	18,750	18,750
Nick Westland...	25,000	12,500	12,500	75,000	75,000
James Widdoes...	6,250	3,125	3,125	18,750	18,750
James Edward Willard...	6,250	3,125	3,125	18,750	18,750
Yesterday's Amusement Co...	12,500	6,250	6,250	37,500	37,500

NAME OF SELLING SECURITY HOLDER (1)	AMOUNT OF REDEEMABLE WARRANTS OWNED AFTER OFFERING
Clarke E. Reynolds...	0
Daniel & Laura Rosenbaum as Joint Tenants...	0
William Russell-Shapiro...	0

Mark L. Saginor, MD	0
Ronald M. Sanders	0
Stephen Schmidt	0
Stanley B. Schneider	0
Leonard Shaykin	0
Michael S. & Nancy E. Sitrick, Trustees or the Successor Trustee of the Michael and Nancy Sitrick Trust	0
Albert A. & Mary K Skwiertz, Jr. as Joint Tenants with Right of Survivorship	0
Nicholas P. Smith	0
Michael & Lee Srednick Family Trust Dated May 9, 1991	0
Arthur Steinberg IRA Rollover	0
NFSC/FMTC IRA Rollover FBO Carl F. Steinfield	0
Carl F. Steinfield	0
Michael & Robin Stern, Community Property as Tenants in Common	0
Douglas F. Stuart	0
Tri Ventures	0
Joseph & Susan Vasselli as Joint Tenants with Right of Survivorship	0
Aldo & Melissa Verrelli as Joint Tenants with Right of Survivorship	0
Claudia K. Walters	0
Dr. Paul X. Welch	0
Nick Westland	0
James Widdoes	0
James Edward Willard	0
Yesterday's Amusement Co	0

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(1) Information set forth in the table regarding the Selling Security Holders' Shares and the Selling Security Holders' Redeemable Warrants is provided to the best knowledge of the Company based on information furnished to the Company by the respective Selling Security Holders and/or available to the Company through its stock ledgers.

(2) Assumes that each Selling Security Holder sells all of the Securities which the respective Selling Security Holder has the right to register pursuant to the respective placement in which the Selling Security Holder obtained his or her interest in the Company. See "Certain Transactions -- Private Placements."

(3) Alternatively, the holders of the Selling Security Holders' Redeemable Warrants may exercise their respective Redeemable Warrants and sell the underlying Common Stock.

(4) Selling Security Holders of special warrants. Upon sale of such special warrants by such Selling Security Holders or their respective affiliates, such special warrants become Redeemable Warrants. Such holders are offering the Redeemable Warrants for sale and are included in the Selling Security Holders Redeemable Warrants. See "Description of Securities -- Redeemable Warrants."

PLAN OF DISTRIBUTION

The sale of the Selling Security Holders' Securities may be effected from time to time in transactions (which may include block transactions by or for the account of the Selling Security Holders) in the over-the-counter market or in negotiated transactions, through the writing of options on the Selling Security Holders' Securities, through a combination of such methods of sale, or otherwise.

Sales may be made at fixed prices which may be changed, at market prices prevailing at the time of sale, or at negotiated prices. If any Selling Security Holder sells his, her or its Selling Security Holders' Securities, or options

thereon, pursuant to this Prospectus at a fixed price or at a negotiated price which is, in either case, other than the prevailing market price or in a block transaction to a purchaser who resells, or if any Selling Security Holder pays compensation to a broker-dealer that is other than the usual and customary discounts, concessions or commissions, or if there are any arrangements either individually or in the aggregate that would constitute a distribution of the Selling Security Holders' Securities, a post-effective amendment to the Registration Statement of which this Prospectus is a part would need to be filed and declared effective by the Securities and Exchange Commission before such Selling Security Holder could make such sale, pay such compensation or make such a distribution. The Company is under no obligation to file a post-effective amendment to the Registration Statement of which this Prospectus is a part under such circumstances.

The Selling Security Holders may effect transactions in their Selling Security Holders' Securities by selling their securities directly to purchasers, through broker-dealers acting as agents for the Selling Security Holders or to broker-dealers who may purchase the Selling Security Holders' Securities as principals and thereafter sell such securities from time to time in the over-the-counter market, in negotiated transactions, or otherwise. Such broker-dealers, if any, may receive compensation in the form of discounts, concessions or commissions from the Selling Security Holders and/or the purchasers for whom such broker-dealers may act as agents or to whom they may sell as principals or both.

The Selling Security Holders and broker-dealers, if any, acting in connection with such sales might be deemed to be "underwriters" within the meaning of Section 2(11) of the Act and any commission received by them and any profit on the resale of such securities might be deemed to be underwriting discounts and commissions under the Act.

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NO DEALER, SALES REPRESENTATIVE OR OTHER INDIVIDUAL HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THIS OFFERING OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR THE UNDERWRITER. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR SOLICITATION OF AN OFFER TO BUY THE COMMON STOCK BY ANYONE IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE AN IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE.

TABLE OF CONTENTS

UNTIL , 1996 (25 DAYS AFTER THE DATE OF THIS PROSPECTUS), ALL DEALERS EFFECTING TRANSACTIONS IN THE REGISTERED SECURITIES, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS DELIVERY REQUIREMENT IS IN ADDITION TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

1,766,864 SHARES
OF COMMON STOCK
AND
10,014,584 REDEEMABLE WARRANTS

[LOGO]

PROSPECTUS

, 1996

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PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following tables sets forth the various expenses in connection with the

sale and distribution of the securities being registered, other than underwriting discounts and commissions and non-accountable expense allowance. All of the amounts shown are estimates, except the Securities and Exchange Commission registration and NASD filing fees.

Securities and Exchange Commission registration fee	$ 35,672.73
NASD fees	$ 10,848.23
Nasdaq listing fee	$ 10,000.00
Accounting fees and expenses	$260,000.00
Printing and engraving expenses	$140,000.00
Transfer agent and registrar (fees and expenses)	$ 10,000.00
NASD expenses (including counsel fees)	$ 12,500.00
Blue sky fees and expenses (including counsel fees)	$ 45,000.00
Other legal fees and legal expenses	$260,000.00
Miscellaneous expenses	$ 15,979.04
Total	$800,000.00

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* To be filed by amendment.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Pursuant to provisions of the California General Corporation Law, the Articles of Incorporation of the registrant (the "Company"), as amended, include a provision which eliminates the personal liability of its directors to the Company and its shareholders for monetary damage to the fullest extent permissible under California law. This limitation has no effect on a director's liability (i) for acts or omissions that involve intentional misconduct or a knowing and culpable violation of law, (ii) for acts or omissions that a director believes to be contrary to the best interests of the Company or its shareholders or that involve the absence of good faith on the part of the director, (iii) for any transaction from which a director derived an improper personal benefit, (iv) for acts or omissions that show a reckless disregard for the director's duty to the Company or its shareholders in circumstances in which the director was aware, or should have been aware, in the ordinary course of performing his or her duties, of a risk of a serious injury to the Company or its shareholders, (v) for acts or omissions that constitute an unexcused pattern of inattention that amounts to an abdication of the director's duty to the Company or its shareholders, (vi) under Section 310 of the California General Corporation Law (concerning contracts or transactions between the Company and a director) or (vii) under Section 316 of the California General Corporation Law (concerning directors' liability for improper dividends, loans and guarantees). The provision does not eliminate or limit the liability of an officer for any act or omission as an officer, notwithstanding that the officer is also a director or that his actions, if negligent or improper, have been ratified by the Board of Directors. Further, the provision has no effect on claims arising under federal or state securities or blue sky laws and does not affect the availability of injunctions and other equitable remedies available to the Company's shareholders for any violation of a director's fiduciary duty to the Company or its shareholders.

The Company's Articles of Incorporation authorize the Company to indemnify its officers, directors and other agents to the fullest extent permitted by California law. The Company's Articles of Incorporation also authorize the Company to indemnify its officers, directors and agents for breach of duty to the corporation and its shareholders through bylaw provisions, agreements or both, in excess of the indemnification otherwise provided under California law, subject to certain limitations. The Company has entered into indemnification agreements with its non-employee directors whereby the

Company will indemnify each such person (an "indemnitee") against certain claims arising out of certain past, present or future acts, omissions or breaches of duty committed by an indemnitee while serving in his employment capacity. Such indemnification does not apply to acts or omissions which are knowingly fraudulent, deliberately dishonest or arise from willful misconduct. Indemnification will only be provided to the extent that the indemnitee has not already received payments in respect of a claim from the Company or from an insurance company. Under certain circumstances, such indemnification (including reimbursement of expenses incurred) will be allowed for liability arising under the Securities Act.

THE COMPANY INTENDS TO PURCHASE A DIRECTORS' AND OFFICERS' LIABILITY INSURANCE POLICY INSURING DIRECTORS AND OFFICERS OF THE COMPANY.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

During the past three years, the Company issued securities pursuant to the following transactions:

On November 1, 1994 the Company entered into an agreement with Woodbridge Holdings, Inc. ("WHI"), a consulting firm in Newport Beach, California. The agreement was for services related to selection of professional advisers and general corporate development. WHI was to assist the Company in the selection of legal counsel and accountants, in designing public relations materials and printed materials, in formulating a description of the Company's business plan, in designing a stock compensation plan and negotiating for printing services. The contract expired on May 1, 1995 and was not renewed. Actual services provided by WHI were limited to logo printing design, printing arrangements and selection of professionals. For its services in that period, WHI received $60,000, from which WHI was required to pay for printing expenses. In addition, for services rendered during that period, WHI received 69,792 shares of Common Stock which were earned and issuable on May 1, 1995 and the right to receive an additional 69,443 shares of Common Stock ("Additional Shares") issuable after completion of an initial public offering, such as this Offering, by the Company. The value attributed to the 69,792 shares earned and issuable to WHI as of May 1, 1995 is $0.75 per share or $52,344 and the value attributed to the 69,443 shares to be issued is $6.00 or $416,658. On August , 1996, on the assumption that this Offering would close, the Company issued WHI the Additional Shares. WHI has the right to have its shares registered by the Company at WHI's cost. The above transaction was exempt from registration under Section 4(2) of the Securities Act of 1933 as a private placement to a single entity.

On November 7, 1994 as partial consideration for the purchase of the Roman Systems restaurants pursuant to the Acquisition Agreement, the Company issued 500,000 shares of Common Stock of the Company to each of Mr. Cunningham and Mr. Phillips, which as a result of the May 1995 stock split are currently equivalent to 174,480 shares of Common Stock of the Company outstanding to each of Mr. Phillips and Mr. Cunningham. On November 14, 1994 as partial consideration for the purchase of the Belmont Shore and La Jolla-Prospect restaurants through the acquisition of Mr. Grumman's limited partnership interests, the Company issued to Mr. Grumman 226,824 shares of Common Stock of the Company. See "Certain Transactions." The above transactions were exempt from registration under Section 4(2) of the Securities Act of 1933 as private placements to a limited number of individuals.

In January 1995, the Company raised $850,000 through a private placement of 17 Units to a total of 14 individuals or entities at $50,000 per Unit, consisting of (i) a Series A Promissory Note in the principal amount of $50,000 and due December 31, 1995 and (ii) 13,086 shares of Common Stock. The Series A Promissory Notes bear interest, payable quarterly, at a rate of 10% until June 30, 1995 and 13.5% thereafter. The proceeds of the January 1995 private placement were used to close the Acquisition and for working capital. The Series A Promissory Notes were repaid in the third quarter of 1995 with proceeds from the September 1995 placement described below. The shares issued in this

placement are being registered concurrently with this Offering and are included as Selling Security Holder Shares which may be sold by the holders or respective transferees commencing on the date of this

Prospectus. The principal underwriter of this placement was the Representative who received 13% of the total gross proceeds raised in the placement. The placement was to accredited investors only and was exempt from registration pursuant to Regulation D promulgated by the Securities and Exchange Commission.

In March 1995, the Company raised $400,000 through a private placement of four Units to a total of two individuals at $100,000 per Unit, consisting of (i) a $98,000 promissory note bearing interest at a rate of 10% per annum (the "Promissory Notes") with interest and principal due upon the earlier of completion of an initial public offering of the Company's Common Stock, or 18 months from the date of issuance and (ii) warrants to purchase 34,896 shares of Common Stock at a price of $2.87 per share. The proceeds of the private placement were used for working capital. The Promissory Notes were repaid in the third quarter of 1995 with proceeds from the September 1995 private placement described below. Upon effectiveness of the Registration Statement of which this Prospectus is a part, the warrants issued in this placement convert into a like number of Redeemable Warrants which are being registered concurrently with this Offering as Selling Security Holders' Redeemable Warrants. The Selling Security Holders' Redeemable Warrants and all of the shares issuable upon exercise of such Selling Security Holders' Redeemable Warrants may be sold by the holders or respective transferees commencing on the date of this Prospectus. The principal underwriter of this placement was the Representative who received 13% of the total gross proceeds raised in the placement. The placement was to accredited investors only and was exempt from registration pursuant to Regulation D promulgated by the Securities and Exchange Commission.

In May 1995, the Company issued warrants to purchase up to 300,000 shares of Common Stock at a price of $5.00 per share to each of Barry Grumman, a director of the Company, and Lexington Ventures, Inc. The warrants were issued to each of Mr. Grumman and Lexington Ventures, Inc. at a price of $0.07 per warrant or a total price to each of $21,000. Mr. Grumman's liability for payment of the warrants was extinguished in consideration for past services as a director of the Company which had not been previously compensated. Upon effectiveness of the Registration Statement of which this Prospectus is a part, the warrants issued in this placement convert into a like number of Redeemable Warrants which are being registered concurrently with this Offering as Selling Security Holders' Redeemable Warrants. The Selling Security Holders' Redeemable Warrants and all of the shares issuable upon exercise of such Selling Security Holders' Redeemable Warrants may be sold by the holders or respective transferees commencing on the date of this Prospectus. The above placements were to accredited investors and were exempt from registration pursuant to Regulation D promulgated by the Securities and Exchange Commission.

In September 1995, the Company completed an offering of $6,100,000 in Units to a total of 81 individuals and entities, each Unit consisting of 25,000 shares of Common Stock at a price of $3.85 per share and 75,000 warrants at a price of $0.05 per warrant. Half of the shares issued in this placement are being registered concurrently with this Offering and are included in the Selling Security Holders' Shares. Upon effectiveness of the Registration Statement of which this Prospectus is a part, all of the warrants issued in this placement convert into a like number of Redeemable Warrants which are also being registered concurrently with this Offering and are included in the Selling Security Holders' Redeemable Warrants. As a result, half of the shares, all of the warrants issued in this placement and the shares issuable upon exercise of such warrants may be sold by the holders or respective transferees commencing on the date of this Prospectus. The principal underwriter of this placement was the Representative who received 13% of the total gross proceeds raised in the placement. The placement was to accredited investors only and was exempt from

registration pursuant to Regulation D promulgated by the Securities and Exchange Commission.

In order to finance the Pietro's Acquisition, on February 20, 1996, the Company sold to ASSI, Inc. and to Mr. Norton Herrick for $2,000,000 and $1,000,000, respectively, certain convertible notes (the "Convertible Notes") pursuant to certain note purchase agreements (the "Note Purchase Agreements") with substantially similar terms. Under the Note Purchase Agreements, the Company issued to each of ASSI, Inc. and to Mr. Herrick, Convertible Notes in the principal amounts of $2,000,000 and

$1,000,000, respectively, which Convertible Notes both convert simultaneously with the closing of this Offering. The Convertible Note issued to ASSI, Inc. converts into 500,000 shares of Common Stock and into Special Warrants to purchase 3,000,000 shares of Common Stock. See "Description of Securities -- Redeemable Warrants." The Convertible Note issued to Mr. Herrick converts into 250,000 shares of Common Stock and into Special Warrants to purchase 1,500,000 shares of Common Stock. The 4,700,000 Redeemable Warrants into which the 4,700,000 Special Warrants convert upon sale of the Special Warrants by the current holders or their affiliates are included in the Selling Security Holders' Redeemable Warrants.

In connection with the aforementioned financing of the Pietro's Acquisition, which was obtained through the Representative, the Company paid the Representative 13% of the total $3,000,000 investment, or $390,000. Both ASSI, Inc. and Mr. Herrick are accredited investors and are exempt from registration pursuant to Regulation D promulgated by the Securities and Exchange Commission.

Also on February 20, 1996, the Company entered into a consulting agreement with ASSI, Inc. regarding the Pietro's Acquisition (the "Pietro's Consulting Agreement"). Under this Agreement, ASSI, Inc. agrees to advise the Company in connection with the reconstruction, expansion, marketing and strategic development of the restaurants acquired from Pietro's. In consideration for such services, the Company shall pay to ASSI, Inc. an annual fee equal to 5% of Net Profits of the restaurants acquired under the plan of reorganization and retained by the Company. As additional consideration for the consulting services, the Company has issued to ASSI, Inc. an additional aggregate of 100,000 Special Warrants to purchase shares of common stock of the Company. These Special Warrants convert into Redeemable Warrants upon their sale by the current holders or their affiliates and such Redeemable Warrants are also included in the Selling Security Holders' Redeemable Warrants. See "Description of Securities -- Redeemable Warrants." The Pietro's Consulting Agreement terminates on December 31, 2000.

The Company also entered into a consulting agreement with ASSI, Inc. (the "Vegas Consulting Agreement") pursuant to which ASSI, Inc. agrees to advise the Company with site selection and marketing and development strategy for penetrating the Las Vegas, Nevada market. In consideration for such services, the Company shall pay to ASSI, Inc. an annual fee (the "Annual Fee") equal to 10% of Net Profits (as hereinafter defined) of the acquired Las Vegas restaurants. As additional consideration for the consulting services, the Company has issued to ASSI, Inc. an aggregate of 100,000 Special Warrants. The Vegas Consulting Agreement terminates on December 31, 2000. These Special Warrants convert into Redeemable Warrants upon their sale by the current holders or their affiliates and such Redeemable Warrants are included in the Selling Security Holders' Redeemable Warrants. See "Description of Securities -- Redeemable Warrants."

ASSI, Inc. is an accredited investor. As a result, the Company's issuance of Special Warrants under both the Pietro's Consulting Agreement and the Vegas Consulting Agreement is exempt from registration pursuant to Regulation D promulgated by the Securities and Exchange Commission.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits

EXHIBIT NUMBER	DESCRIPTION
1.1	Form of Underwriting Agreement
2.1	Debtor's Plan of Reorganization**
2.2	Asset Purchase Agreement by and between the Company and Roman Systems, Inc.**
2.3	Secured Promissory Note by and between the Company and Roman Systems, Inc.**
3.1	Amended and Restated Articles of Incorporation of the Company, as amended**
3.2	Bylaws of the Company**

EXHIBIT NUMBER	DESCRIPTION
4.1	Specimen Stock Certificate of the Company
4.2	Warrant Agreement
4.3	Representative's Warrant Agreement
5.1	Opinion of Jeffer, Mangels, Butler & Marmaro LLP
10.1	Employment Agreement of Jeremiah J. Hennessy**
10.2	Employment Agreement of Paul Motenko**
10.6	Form of Indemnification Agreement with Officers and Directors**
10.7	Chicago Pizza & Brewery, Inc. 1996 Stock Option Plan
10.8	(Intentionally omitted)
10.9	Lease Agreement -- Corporate Headquarters, Mission Viejo**
10.10	Lease Agreement -- Corporate Headquarters, Chicago Pizza Northwest**
10.11	Consulting Agreement between the Company and Assi, Inc. -- Pietro's**
10.12	Consulting Agreement between the Company and Assi, Inc. -- Nevada**
10.13	Note Purchase Agreement by and between the Company and Assi, Inc.**
10.14	Note Purchase Agreement by and between the Company and Norton Herrick**
10.15	Asset Purchase Agreement by and between the Company and Abby's, Inc.**
10.16	BJ's Lahaina, L.P. Partnership Agreement**
10.17	Pepsi Supplier Agreement**
21.1	List of Subsidiaries**
23.1	Consent of Coopers & Lybrand L.L.P.
23.2	Consent of Jeffer, Mangels, Butler & Marmaro (included in Exhibit 5.1)
24	Power of Attorney (please see page II-7 of the Registration Statement on Form SB-2).

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* To be filed by Amendment.

** Previously filed.

(b) Financial Statement Schedules

ITEM 17. UNDERTAKINGS.

The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any Prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the Prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually, or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement; notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum Offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) (Section230.424(b) of this Chapter) if, in the

aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate Offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new Registration Statement relating to the securities offered therein, and the Offering of such securities at that time shall be deemed to be the initial bona fide Offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the Offering.

Insofar as indemnification for liabilities arising from the Securities Act of 1933 (the "Act") may be permitted to directors, officers, and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes to provide to the Underwriter at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the Underwriter to permit prompt delivery to each purchaser.

For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of Prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of Prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or Rule 497(h) under the Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of Prospectus shall be deemed to be a new Registration Statement relating to the securities offered therein, and the Offering of such securities at that time shall be deemed to be the initial bona fide Offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Los Angeles, State of California on the 20th day of August, 1996.

CHICAGO PIZZA & BREWERY, INC.

By: /s/ PAUL MOTENKO

Paul Motenko,
CHIEF EXECUTIVE OFFICER

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Paul Motenko his true and lawful attorney-in-fact and agent, acting alone, with full powers of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement, any Amendments thereto and any Registration Statement for the same Offering which is effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, each acting alone, full powers and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all said attorney-in-fact and agent, acting alone, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons on behalf of the Company in the capacities and on the dates indicated.

SIGNATURE	CAPACITY	DATE
/s/ PAUL MOTENKO Paul Motenko	Chief Executive Officer, Chairman of the Board, Vice President and Secretary	August 20, 1996
/S/ JEREMIAH J. HENNESSY Jeremiah J. Hennessy	President, Chief Operating Officer and Director	August 20, 1996
/S/ LAURA PARISI Laura Parisi	Chief Financial Officer, Chief Accounting Officer, Assistant Secretary	August 20, 1996

[SIGNATURES CONTINUED ON PAGE II-8]

[SIGNATURES CONTINUED FROM PAGE II-7]

SIGNATURE	CAPACITY	DATE
/S/ ALEXANDER M. PUCHNER Alexander M. Puchner	Director of Brewing Operations and Director	August 20, 1996
/S/ BARRY J. GRUMMAN Barry J. Grumman	Director	August 20, 1996
/S/ STANLEY B. SCHNEIDER		

- ---------- Stanley B. Schneider	Director	August 20, 1996
/S/ STEPHEN F. MONTICELLI - ---------- Stephen F. Monticelli	Director	August 20, 1996
/S/ STEVEN F. MAYER - ---------- Steven F. Mayer	Director	August 20, 1996

EXHIBIT INDEX

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21.1	List of Subsidiaries**	
23.1	Consent of Coopers & Lybrand L.L.P.	
23.2	Consent of Jeffer, Mangels, Butler & Marmaro (included in Exhibit 5.1)	
24	Power of Attorney (please see page II-7 of the Registration Statement on Form SB-2).	

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* To be filed by Amendment.

** Previously filed.

DRAFT OF
8/20/96

1,500,000 Shares of Common Stock

1,500,000 Redeemable Warrants

Chicago Pizza & Brewery, Inc.

UNDERWRITING AGREEMENT

Los Angeles, California
_____, 1996

THE BOSTON GROUP, L.P.
As Representative of the
Several Underwriters
Named in Schedule I Hereto
2049 Avenue of the Stars, 30th Floor
Los Angeles, California 90067

Ladies and Gentlemen:

Chicago Pizza & Brewery, Inc. , a California corporation (the "Company"), confirms its agreement with the several Underwriters named in Schedule I ("Schedule I") attached hereto and incorporated herein by this reference (the "Underwriters") with respect to the sale by the Company and the purchase by the Underwriters, severally and not jointly, of an aggregate of one million five hundred thousand (1,500,000) shares ("Shares") of the Company's common stock, no par value (the "Common Stock") and one million five hundred thousand (1,500,000) redeemable warrants (the "Redeemable Warrants"), each Redeemable Warrant exercisable to purchase one (1) additional share of Common Stock. The public offering price per share of Common Stock for the Shares is $_____ and the public offering price per redeemable warrant for the Redeemable Warrants is $____. Each Redeemable Warrant is exercisable commencing on _____, 1997 until _____, 2002 unless previously redeemed by the Company, at an initial exercise price equal to $_____ per share, subject to adjustment. The Redeemable Warrants may be exercised by the Company at a redemption price of twenty five cents ($0.25) per Redeemable Warrant at any time commencing _____, 1997, provided that the average closing bid price of the Common Stock equals or exceeds one hundred forty percent (140%) of the initial public

offering price per share for any twenty (20) trading days within a period of thirty (30) consecutive trading days ending on the fifth trading day prior to the date of the notice of redemption. Such Shares and Redeemable Warrants are hereinafter referred to collectively as the "Firm Securities." Upon notice by the Representative (defined below), as provided in Section 4(b) hereof, the Company shall also issue and sell to the Underwriters, severally and not jointly, an aggregate of up to an additional two hundred twenty-five thousand

(225,000) shares of Common Stock and two hundred twenty-five thousand (225,000) Redeemable Warrants for the purpose of covering over-allotments, if any. Such 225,000 additional shares and/or 225,000 additional Redeemable Warrants are hereinafter referred to as the "Option Securities." The Company also proposes to issue and sell to The Boston Group, L.P. (the "Representative"), individually and not in its capacity as representative of the Underwriters, or its designees, a warrant (the "Representative's Warrant") pursuant to a warrant agreement, dated _____, 1996 (the "Representative's Warrant Agreement"), for the purchase of an additional one hundred fifty thousand (150,000) shares of Common Stock and one hundred fifty thousand (150,000) Redeemable Warrants. Such 150,000 additional shares and/or 150,000 additional Redeemable Warrants are hereinafter referred to as the "Representative's Securities." The shares of Common Stock issuable upon exercise of the Redeemable Warrants (which Redeemable Warrants include the Redeemable Warrants issuable upon exercise of the Representative's Warrant) are hereinafter referred to as the "Warrant Shares." Further, an aggregate of one million seven hundred sixty-six thousand eight hundred sixty-four (1,766,864) shares of Common Stock held by certain non-affiliated selling shareholders and one independent director of the Company (the "Non-Affiliated Shares") and an aggregate of ten million fourteen thousand five hundred eighty-four (10,014,584) Redeemable Warrants held by certain non-affiliated selling shareholders of the Company (the "Non-Affiliated Redeemable Warrants") and an aggregate of ten million fourteen thousand five hundred eighty-four (10,014,584) shares of Common Stock issuable upon the exercise of the Non-Affiliated Redeemable Warrants (the "Non-Affiliated Warrant Shares") (the Non-Affiliated Shares, the Non-Affiliated Redeemable Warrants and the Non-Affiliated Warrant Shares are sometimes collectively referred to herein as the "Non-Affiliated Securities") are being registered for the account of such non-affiliated selling shareholders and one independent director in connection with this offering but are not being underwritten by the Underwriters. The Firm Securities, Option Securities and Representative's Securities are hereinafter referred to as the "Securities" and are more fully described in the Registration Statement and the Prospectus each referred to below.

1. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company represents and warrants to, and covenants and agrees with, each of the Underwriters as of the date hereof, and as of the Closing Date and each Option Closing Date (as such terms are defined below), if any, as follows:

(a) The Company has prepared and filed with the Securities and Exchange Commission (the "Commission") a registration statement, and amendments thereto, on Form SB-2 (Registration No. 333-5182-LA), including any related preliminary prospectus (the "Preliminary Prospectus"), for the registration of the Securities, the Warrant Shares and the Non-Affiliated Securities under the Securities Act of 1933, as amended (the "Act"). After the date hereof, the Company shall not file any other amendment to such registration statement which the Representative shall have reasonably objected to after having been furnished with a copy thereof

unless the Company's outside counsel reasonably determines in a written opinion that such amendment or supplement is required to be filed pursuant to applicable law. Except as the context may otherwise require, such registration statement, as amended, on file with the Commission at the time it becomes effective (including the prospectus, financial statements, schedules, exhibits and all other documents filed as a part thereof or incorporated therein (including, but not limited to, those documents or that information incorporated by reference therein) and all information deemed to be a part thereof as of such time pursuant to Rule 430A promulgated under the Act and any information included in a term sheet (the "Term Sheet") as described in Rule 434 promulgated under the Act), is hereinafter called the "Registration Statement," and the form of prospectus in the form first filed with the Representative's consent with the

Commission pursuant to Rule 424(b) promulgated under the Act and including any information included in the Term Sheet, after the Registration Statement shall have been declared effective by the Commission, is hereinafter called the "Prospectus." For purposes hereof, "Rules and Regulations" means the rules and regulations adopted by the Commission under the Act or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as applicable.

(b) Neither the Commission nor any state regulatory authority has issued any order preventing or suspending the use of any Preliminary Prospectus, the Registration Statement or the Prospectus or any part of any of the foregoing, and no proceedings for a stop order suspending the effectiveness of the Registration Statement or any part thereof have been initiated or are pending, contemplated or threatened. Each Preliminary Prospectus and the Registration Statement (including each amendment thereto), at the time of filing thereof, complied with the requirements of the Act and the Rules and Regulations, and neither any Preliminary Prospectus nor the Registration Statement, at the time of filing thereof, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; PROVIDED, HOWEVER, that the foregoing shall not apply to statements made or statements omitted in reliance upon and in conformity with written information furnished to the Company by the Representative with respect to any Underwriter expressly for use in any Preliminary Prospectus or the Registration Statement.

(c) When the Registration Statement becomes effective and at all times subsequent thereto up to and including the Closing Date and each Option Closing Date, if any, and during such other periods as a prospectus may be required to be delivered in connection with sales by any Underwriter or a dealer, the Registration Statement and the Prospectus will contain all statements which are required to be stated therein in accordance with the Act and the Rules and Regulations, and will comply with the requirements of the Act and the Rules and Regulations, and at and through such dates, neither the Registration Statement, the Prospectus nor any amendment thereof or supplement thereto will contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, PROVIDED, HOWEVER, that the foregoing shall not apply to statements made or statements omitted in reliance upon and in conformity with written information furnished to the Company by the Representative with respect to any Underwriter expressly for use in the Registration Statement or the Prospectus or any amendment thereof or supplement thereto.

(d) Except for Chicago Pizza Northwest, Inc., Blue Max, Inc. and BJ's Lahaina, L.P., the Company does not own an interest in any corporation, partnership, trust, joint venture or other entity. Chicago Pizza Northwest, Inc., Blue Max, Inc. and BJ's Lahaina, L.P. are sometimes referred to as the "Subsidiaries." Each of the Company and the Subsidiaries has been duly organized and is validly existing as a corporation in good standing under the laws of the respective jurisdiction of its incorporation or formation, as applicable, except that Lahaina, L.P. is validly existing as a limited partnership in good standing under the laws of its jurisdiction of formation. Each of the Company and the Subsidiaries is duly qualified and licensed and in good standing as a foreign corporation in each jurisdiction in which it owns or leases property or in which the conduct of its business, as currently being conducted, requires such qualification or licensing. Each of the Company and the Subsidiaries has all requisite power and authority (corporate, if applicable, and other), and has obtained any and all authorizations, approvals, orders, licenses, certificates, franchises and permits of and from all governmental or regulatory officials, agencies, authorities and bodies (including, without limitation, those having jurisdiction over environmental, health or similar matters) necessary to own or lease its properties and conduct

its business as described in the Prospectus other than those authorizations, approvals, orders, licenses, certificates, franchises and permits of and from all governmental or regulatory officials, agencies, authorities and bodies (including, without limitation, those having jurisdiction over environmental, health or similar matters) which, singularly or in the aggregate, the failure to obtain would not materially and adversely affect the condition (financial or otherwise), earnings, business affairs, position, prospects, shareholders' equity, operations, properties, businesses or results of operations of the Company and the Subsidiaries taken as a whole. Each of the Company and the Subsidiaries is and has been doing business in substantial compliance with all such authorizations, approvals, orders, licenses, certificates, franchises and permits and all federal, state and local laws, rules, regulations and orders; and neither the Company nor any Subsidiary has received any notice of proceedings relating to the revocation or modification of any such authorizations, approvals, orders, licenses, certificates, franchises or permits which, singularly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would materially and adversely affect the condition (financial or otherwise), earnings, business affairs, position, prospects, shareholders' equity, operations, properties, businesses or results of operations of the Company, or the Subsidiaries. The disclosure in the Registration Statement concerning the effects of federal, state and local laws, rules, regulations and orders on the Company's and the Subsidiaries' businesses as currently conducted and as contemplated are correct in all material respects and do not omit to state a material fact required to be stated therein or necessary to make the statements contained therein, in light of the circumstances in which they were made, not misleading.

(e) The Company has a duly authorized, issued and outstanding capitalization as set forth in the Prospectus, and any amendment or supplement thereto, under "Capitalization" and "Description of Securities" and will have the adjusted capitalization set forth therein on the Closing Date and each Option Closing Date, if any, based upon the assumptions set forth therein. Neither the Company nor any Subsidiary is a party to or bound by any instrument, agreement or other arrangement or understanding providing for or requiring it to issue any capital stock, rights, warrants, options or other securities, except for this Agreement, the warrant agreement, dated _____, 1996, to be entered into with respect to the Redeemable Warrants (the "Warrant

Agreement"), the Representative's Warrant Agreement and the Company's 1996 Stock Option Plan (the "1996 Plan"). The Securities and all other securities issued or issuable by the Company conform or, when issued and paid for, will conform, in all respects to the description thereof contained in the Registration Statement and the Prospectus. All issued and outstanding securities (including, without limitation, its ownership interest in the Subsidiaries) of the Company and the Subsidiaries have been duly authorized and validly issued and are fully paid and non-assessable; the holders thereof have no rights of rescission with respect thereto, and the holders of ownership interests in the Company and the Subsidiaries are not subject to personal liability by reason of being such holders; and none of such securities was issued in violation of the preemptive rights or other similar rights of any holders of any security of either the Company or any Subsidiary, except as set forth in the Prospectus. The Company has not entered into any agreements, arrangements or understandings pursuant to which any third party has the right to acquire from the Company any securities of any Subsidiary. The Securities are not and will not be subject to any preemptive or other similar rights of any shareholder, have been duly authorized and, when issued, paid for and delivered in accordance with the terms hereof, will be validly issued, fully paid and non-assessable; the holders thereof will not be subject to any liability solely as such holders; all corporate action required to be taken for the authorization, issuance and sale of the Securities has been duly and validly taken; and the certificates representing the Securities, when delivered by the Company, will be in due and proper form. Upon the issuance and delivery pursuant to the terms hereof and the Representative's

Warrant Agreement of the Securities to be sold by the Company hereunder and thereunder, respectively, the Underwriters and the Representative, respectively, will acquire good and marketable title to such Securities, free and clear of any lien, charge, claim, encumbrance, pledge, security interest, defect or other restriction or equity of any kind whatsoever.

(f) All transactions necessary to complete the Pietro's Acquisition (as defined below in the Prospectus) have been consummated. The Company and the Subsidiaries had all requisite corporate power and authority to execute, deliver and perform each agreement (each, an "Acquisition Agreement") entered into by it in order to effectuate the Pietro's Acquisition. All necessary corporate proceedings of the Company and the Subsidiaries had been duly taken to authorize the execution, delivery and performance of each Acquisition Agreement entered into by it. Each Acquisition Agreement had been duly authorized, executed and delivered by the Company and the Subsidiaries, as the case may be, is the legal, valid and binding obligation of the Company and the Subsidiaries, as the case may be, and is enforceable (except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application relating to or affecting enforcement of creditors' rights and the application of equitable principles in any action, legal or equitable) as to the Company and the Subsidiaries, as the case may be, in accordance with its terms. No consent, authorization, approval, order, license, certificate or permit of or from, or declaration or filing with, any federal, state, local or other governmental authority or any court of other tribunal which is required by the Company or the Subsidiaries for the execution, delivery, or performance of any Acquisition Agreement has not been obtained. No consent, approval or authorization of any party to any license, contract, indenture, mortgage, installment sale agreement, lease, deed of trust, voting trust agreement, shareholders' agreement, purchase order, note, loan or credit agreement or any other material agreement or instrument evidencing an obligation for borrowed money, or any

other material agreement or instrument to which the Company or the Subsidiaries are parties or by which they are or may be bound or to which their properties or assets (tangible or intangible) are or may be subject, was required for the execution, delivery or performance by the Company or the Subsidiaries for any Acquisition Agreement and was not obtained. The execution, delivery and performance of each Acquisition Agreement entered into by the Company or the Subsidiaries does not conflict or will not conflict with, or does not result or will not result in any breach or violation of any of the terms, covenants, conditions or provisions of, or does not constitute or will not constitute (with notice, the lapse of time or both) a default under, or results or will result in the creation or imposition of any lien, charge, claim, encumbrance, pledge, security interest, defect or other restriction or equity of any kind whatsoever upon any property or assets (tangible or intangible) of the Company or the Subsidiaries pursuant to the terms of, (i) the certificate of incorporation, bylaws or other organizational documents of the Company or the Subsidiaries, (ii) any license, contract, indenture, mortgage, installment sale agreement, lease, deed of trust, voting trust agreement, shareholders' agreement, purchase order, note, loan or credit agreement or any other material agreement or instrument evidencing an obligation for borrowed money, or any other material agreement or instrument to which the Company or the Subsidiaries are parties or by which they are or may be bound or to which any of their properties or assets (tangible or intangible) are or may be subject or (iii) any law, statute, judgment, decree, order, rule or regulation applicable to the Company or the Subsidiaries of any arbitrator, court, administrative agency or other governmental or regulatory official, agency authority or body (including, without limitation, those having jurisdiction over environmental, health or similar matters) having jurisdiction over the Company, the Subsidiaries or any of their activities or properties.

(g) The combined financial statements of the Company and the notes thereto included in the Registration Statement, each Preliminary Prospectus and the Prospectus fairly present the financial position, results of operations and cash flow and changes in financial position and shareholders' equity of the Company and its Subsidiaries at the respective dates and for the respective periods to which they apply, and such financial statements have been prepared in conformity with generally accepted accounting principles and the Rules and Regulations, consistently applied throughout the periods involved. The as adjusted and pro forma combined financial information included in each Preliminary Prospectus, the Registration Statement and the Prospectus present fairly the information shown therein, have been prepared in conformity with the Rules and Regulations and have been properly compiled on the basis described therein consistent with the historical financial statements included in the Registration Statement, each Preliminary Prospectus and the Prospectus. The assumptions underlying such as adjusted and/or pro forma financial information are reasonable, and the adjustments made therein are appropriate to give effect to the transactions or circumstances referred to therein. There has been no material adverse change, or development involving a material prospective change, in the condition (financial or otherwise), earnings, business affairs, position, prospects, shareholders' equity, operations, obligations, properties, businesses or results of operations of the Company and the Subsidiaries taken as a whole, whether or not arising in the ordinary course of business, since the date of the financial statements included in the Registration Statement and the Prospectus. The outstanding debt, the property and assets (both tangible and intangible) and the businesses of the Company and the Subsidiaries conform in all material respects to the descriptions thereof

contained in the Registration Statement and the Prospectus. The financial information set forth in the Prospectus under the headings "Prospectus Summary - Summary Combined Financial and Restaurant Data," "Dilution," "Capitalization," "Selected Combined Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" fairly presents the information set forth therein and such financial information has been derived from or compiled on a basis consistent with that of the audited combined financial statements included in the Registration Statement, each Preliminary Prospectus and the Prospectus as described above.

(h) The Company and the Subsidiaries (i) have paid all federal, state and local taxes for which they are liable, including, but not limited to, withholding taxes and amounts payable under Chapters 21 through 24 of the Internal Revenue Code of 1986, as amended (the "Code"), and any other assessments, fines or penalties leveled against any of them and have furnished all information returns any of them are required to furnish pursuant to the Code or otherwise, (ii) have established adequate reserves for such taxes, assessments, fines or penalties which are not due and payable and (iii) does not have any tax deficiency or claims outstanding, proposed or assessed against any of them.

(i) No transfer tax, stamp duty or other similar tax, fee or duty is payable by or on behalf of the Underwriters or the Representative, as applicable, in connection with (i) the issuance by the Company of the Securities, (ii) the purchase by the Underwriters of the Securities or (iii) the consummation of any of the transactions contemplated by this Agreement, the Representative's Warrant Agreement, the Registration Statement or the Prospectus.

(j) The Company and the Subsidiaries maintain insurance policies, including, without limitation, general liability, property and personal liability insurance, and surety bonds which insure such entities, their employees and patrons and such other persons to whom such entities may become liable against such losses and risks generally insured against by comparable businesses. Neither the Company nor the Subsidiaries have (i) failed to give

notice or present any insurance claim with respect to any matter under the appropriate insurance policy or surety bond in a due and timely manner, (ii) any disputes or claims against any underwriter of such insurance policies, other than as previously disclosed in writing to the Representative or to the Underwriters' Counsel (as defined in Section 4(d) hereof), which matters are not required to be disclosed in the Registration Statement, or surety bonds or has failed to pay any premiums due and payable under such insurance policies and surety bonds or (iii) failed to comply with any conditions contained in such insurance policies and surety bonds. There are no facts or circumstances under any such insurance policies or surety bonds which would relieve any insurer of its obligations to satisfy in full any valid existing claim of the Company or the Subsidiaries.

(k) There is no action, suit, proceeding, inquiry, arbitration, investigation, litigation or governmental or other proceeding (including, without limitation, those pertaining to environmental, health or similar matters) pending, contemplated or threatened (or circumstances that may give rise to the same), to which the Company or any Subsidiary is subject or to which any property or assets (tangible or intangible) of the Company or any Subsidiary is subject (or circumstances that may give rise to the same) which (i) questions the validity of the capital stock of the Company or the Subsidiaries, of this Agreement, of the Warrant Agreement, of the

Representative's Warrant Agreement or of any action or transaction contemplated by this Agreement, the Warrant Agreement, the Representative's Warrant Agreement, the Registration Statement or the Prospectus, (ii) is required to be disclosed in the Registration Statement which is not so disclosed (and such proceedings as are summarized in the Registration Statement are accurately summarized in all respects) or (iii) might, if adversely determined, materially and adversely affect the condition (financial or otherwise), earnings, business affairs, position, prospects, shareholders' equity, operations, properties, businesses or results of operations of the Company or the Subsidiaries taken as a whole.

(l) The Company has full legal right, power and authority to authorize, issue, deliver and sell the Securities, to enter into this Agreement, the Warrant Agreement and the Representative's Warrant Agreement and to consummate the transactions contemplated in such agreements, the Registration Statement and the Prospectus; and this Agreement, the Warrant Agreement and the Representative's Warrant Agreement have each been duly and properly authorized, executed and delivered by the Company. Each of this Agreement, the Warrant Agreement and the Representative's Warrant Agreement constitutes or will constitute a legal, valid and binding agreement of the Company enforceable against the Company in accordance with its terms (except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application relating to or affecting enforcement of creditors' rights and the application of equitable principles in any action, legal or equitable, and except as rights to indemnity or contribution may be limited by applicable law). Neither the issuance, delivery and sale of the Securities, the execution, delivery or performance of this Agreement, the Warrant Agreement and Representative's Warrant Agreement, the consummation of the transactions contemplated herein, therein, in the Registration Statement and in the Prospectus, or the conduct of the Company's business as described in the Registration Statement, the Prospectus and any amendments thereof or supplements thereto, conflicts or will conflict with, or results or will result in any breach or violation of any of the terms, covenants, conditions or provisions of, or constitutes or will constitute (with notice, the lapse of time or both) a default under, or results or will result in the creation or imposition of any lien, charge, claim, encumbrance, pledge, security interest, defect or other restriction or equity of any kind whatsoever upon any property or assets (tangible or intangible) of the Company, any Subsidiary (except as described in the Prospectus) pursuant to the terms of, (i) the certificate of incorporation,

bylaws or other organizational documents of the Company or the Subsidiaries, (ii) any license, contract, indenture, mortgage, installment sale agreement, lease, deed of trust, voting trust agreement, shareholders' agreement, purchase order, note, loan or credit agreement or any other material agreement or instrument evidencing an obligation for borrowed money, or any other material agreement or instrument to which the Company or the Subsidiaries are parties or by which they are or may be bound or to which any of their properties or assets (tangible or intangible) are or may be subject or (iii) any law, statute, judgment, decree, order, rule or regulation applicable to the Company or the Subsidiaries of any arbitrator, court, administrative agency or other governmental or regulatory official, agency authority or body (including, without limitation, those having jurisdiction over environmental, health or similar matters) having jurisdiction over the Company or the Subsidiaries or any of their activities or properties.

(m) No consent, approval, authorization, registration, qualification, or order of, and no filing with, any court, administrative agency or other government or regulatory official, agency, authority or body is required for the issuance, delivery and sale of the Securities pursuant to this Agreement, the Prospectus and the Registration Statement, the performance of this Agreement, the Warrant Agreement and the Representative's Warrant Agreement and the consummation of the transactions contemplated thereby, by the Registration Statement and by the Prospectus, except such as have been or may be obtained under the Act, state securities or "blue sky" laws and the rules of the National Association of Securities Dealers, Inc. (the "NASD") in connection with the Underwriters' purchase and distribution of the Shares.

(n) All executed agreements, contracts or other documents or copies of executed agreements, contracts or other documents filed or required to be filed as exhibits to the Registration Statement to which the Company or the Subsidiaries are parties or by which they may be bound or to which their assets (tangible or intangible), properties or businesses may be subject have been duly and validly authorized, executed and delivered by the Company or the Subsidiaries, as the case may be, and constitute the legal, valid and binding agreements of the Company or the Subsidiaries, as the case may be, enforceable against the Company or the Subsidiaries, as the case may be, in accordance with their respective terms (except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application relating to or affecting enforcement of creditors' rights and the application of equitable principles in any actions, legal or equitable, and except as rights to indemnify or contribution may be limited by applicable law). The descriptions in the Registration Statement of such agreements, contracts and other documents are accurate and fairly present the information required to be shown with respect thereto by Form SB-2; there are no agreements, contracts or other documents which are required by the Act to be described in the Registration Statement or filed as exhibits to the Registration Statement which are not described or filed as required; and the exhibits which have been filed are complete and correct copies of the agreements, contracts or other documents of which they purport to be copies.

(o) Subsequent to the respective dates as of which information is set forth in the Registration Statement and the Prospectus, and except as may otherwise be indicated or contemplated herein or therein, neither the Company nor the Subsidiaries have done, or have agreed to do, any of the following, (i) issued any securities or incurred any liability or obligation, direct, indirect or contingent, for borrowed money, (ii) entered into any transaction other than in the ordinary course of business or (iii) declared or paid any dividend or made any other distribution on or in respect of any class of its capital stock; and, subsequent to such dates, there has not been any change in the capital stock or any change in the debt (long- or short-term) or liabilities or obligations or any material change in the condition (financial or otherwise), earnings, business affairs, position, prospects, shareholders' equity,

operations, properties, businesses or results of operations of the Company or the Subsidiaries, on a conditional basis, except for debt, liabilities and obligations incurred in the normal course of business consistent with past practices.

(p) No material default exists, and no event has occurred which, with notice, lapse of time or both, would constitute a default in the due performance and observance of any

term, covenant, condition or provision of any license, contract, indenture, mortgage, installment sale agreement, lease, deed of trust, voting trust agreement, shareholders' agreement, purchase order, note, loan or credit agreement or any other material agreement or instrument evidencing an obligation for borrowed money, or any other material agreement or instrument to which the Company or the Subsidiaries are parties or by which they are or may be bound or to which their properties or assets (tangible or intangible) are or may be subject.

(q) Except as disclosed in the Prospectus, the Company or the Subsidiaries have generally enjoyed a satisfactory employer-employee relationship with their employees and they are in substantial compliance with all federal, state and local laws, rules, regulations and orders respecting employment and employment practices, including, without limitation, terms and conditions of employment and wages and hours. There are no pending investigations involving the Company or the Subsidiaries by the U.S. Department of Labor, the Department of Justice - Immigration and Naturalization Service or any other governmental or regulatory official, agency, authority or body responsible for the enforcement of such federal, state or local laws, rules, regulations and orders except as previously disclosed in writing to the Representative or the Underwriters' Counsel, which matters are not required to be disclosed in the Registration Statement. Except as disclosed in the Prospectus, there is no unfair labor practice charge or complaint pending, threatened or contemplated against the Company or the Subsidiaries before the National Labor Relations Board or any strike, picketing, boycott, dispute, slowdown or stoppage pending, threatened or contemplated against or involving the Company or the Subsidiaries, or any predecessor entities, and none has ever occurred. There are no existing collective bargaining agreements with the Company or the Subsidiaries. No representation question exists respecting the employees of the Company or the Subsidiaries, and no collective bargaining agreement or modification thereof is currently being negotiated by or on behalf of the Company or the Subsidiaries. Except as disclosed in the Prospectus, no grievance or arbitration proceeding is pending, threatened or contemplated under any expired collective bargaining agreements of the Company or the Subsidiaries. No labor dispute with the employees of the Company or the Subsidiaries is pending, threatened or contemplated.

(r) Neither the Company nor any Subsidiary maintains, sponsors, contributes, has any obligation to contribute or has any obligation with respect to, or at any time previously maintained, sponsored, contributed, had any obligation to contribute or had any obligation with respect to, any program or arrangement that is an "employee pension benefit plan," an "employee welfare benefit plan" or a "multiemployer plan" (each an "ERISA Plan"), as such terms are defined in Sections 3(2), 3(1) and 3(37), respectively, of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), other than as previously disclosed in writing to the Representative or to the Underwriters' Counsel. Neither the Company nor any Subsidiary maintains, sponsors, contributes, has any obligation to contribute or has any obligation with respect to or at any time previously has maintained, sponsored, contributed, had any obligation to contribute or had any obligation with respect to, a "defined benefit plan," as defined in Section 3(35) of ERISA. No ERISA Plan (or any trust created thereunder) has engaged in a "prohibited transaction" within the

meaning of Section 406 of ERISA or Section 4975 of the Code which could subject the Company or the Subsidiaries to any tax penalty on prohibited transactions and which has not adequately been corrected. Each ERISA Plan is in compliance with all material

reporting, disclosure and other requirements of the Code and ERISA as they relate to any such ERISA Plan. Determination letters have been received from the Internal Revenue Service with respect to each ERISA Plan which is intended to comply with Code Section 401(a), stating that such ERISA Plan and the attendant trust are qualified thereunder. Neither the Company nor any Subsidiary is in any way liable in connection with a "multiemployer plan" from which it has ever completely or partially withdrawn.

(s) Neither the Company nor the Subsidiaries, nor any of their employees, directors, shareholders or affiliates (within the meaning of the Rules and Regulations) of any of the foregoing, have taken or will take, directly or indirectly, any action designed to or which has constituted or which might be expected to cause or result in, under the Exchange Act or otherwise, the illegal stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities or otherwise.

(t) Neither the Company nor the Subsidiaries own, hold or use any trademarks, trade names, service marks, service names, copyrights, patents and patent applications or any licenses or rights to the foregoing, which, individually or in the aggregate, are material to its condition (financial or otherwise), earnings, business affairs, position, prospects, shareholders' equity, operations, properties, businesses or results of operations, and, except as disclosed in the Registration Statement, Prospectus, no such used trademarks, trade names, service marks, service names, copyrights or patents are in dispute or are in conflict with any right of any other person or entity.

(u) Each of the Company and the Subsidiaries has the unrestricted right to use all trade secrets, know-how (including, without limitation, all unpatented and/or unpatentable proprietary or confidential information, systems or procedures), inventions, technology, designs, processes, works of authorship, computer programs and technical data and information that are material to the development, manufacture, operation and sale of all products and services sold or proposed to be sold by the Company or any Subsidiary, free and clear of and without violating any right, lien or claim of others, including, without limitation, former employers of their employees.

(v) Except as disclosed in the Prospectus, the Company and the Subsidiaries have good and marketable title to, or valid and enforceable leasehold estates in, all items of real and personal property owned or leased, or to be owned or leased, by them.

(w) Coopers & Lybrand whose report is filed with the Commission as a part of the Registration Statement, each Preliminary Prospectus and the Prospectus, is an accounting firm of independent certified public accountants as required by the Act and the Rules and Regulations.

(x) The Company has caused to be executed agreements pursuant to which the Company, each of its directors and officers, and its shareholders who collectively own all of the issued and outstanding shares of Common Stock other than the Non-Affiliated Shares, has agreed, for a period of twelve (12) months following the effective date of the Registration

Statement, not to, directly or indirectly, offer, offer to sell, sell, grant an option for the purchase or sale of, transfer, assign, pledge, hypothecate or otherwise encumber (whether pursuant to Rule 144 under the Act or otherwise) any securities issued or issuable by the Company, whether or not owned by or registered in the name of such person, or dispose of any interest therein, without the prior written consent of the Representative (collectively, the "Lock-Up Agreements"). The Company will cause its transfer agent to mark an appropriate legend on the face of the stock certificates representing all of such securities and to place "stop transfer" orders on the Company's stock ledgers.

(y) There are no claims, payments, issuances, agreements, arrangements or understandings, whether oral or written, for services in the nature of a finder's fee, brokerage fee, origination fee or otherwise with respect to the offerings contemplated by this Agreement, the Warrant Agreement, the Representative's Warrant Agreement, the Registration Statement and the Prospectus or any other arrangements, agreements, understandings, payments or issuances that may affect the Underwriters' compensation as determined by the NASD other than as disclosed in the Registration Statement and Prospectus and other than as the Representative may itself have agreed to with third parties.

(z) The Shares and the Redeemable Warrants have been approved for quotation on the NASDAQ SmallCap Market ("NASDAQ"), which has approved the Company's right to delay the trading of the Shares for two days after the Closing Date.

(aa) Neither the Company nor any Subsidiary, nor any officer, shareholder, employee, agent nor any other person acting on behalf of the Company or any Subsidiary has, directly or indirectly, given or agreed to give any money, gift or similar benefit (other than legal price concessions to customers in the ordinary course of business) to any customer, supplier, employee or agent of a customer or supplier, or any official or employee of any governmental agency or instrumentality of any government or any political party or candidate for office or any other person who was, is or may be in a position to help or hinder the business of the Company or the Subsidiaries (or assist them in connection with any actual or proposed transactions) which might subject the Company or the Subsidiaries, or any other such person to any damage or penalty in any civil, criminal or governmental action, suit, inquiry, investigation, litigation or proceeding.

(bb) Except as set forth in the Prospectus under "Certain Transactions," no officer, director or shareholder of the Company or any Subsidiary, and no affiliate or associate (as those terms are defined in the Rules and Regulations) of any of the foregoing persons or entities, has or has had, either directly or indirectly, (i) an interest in any person or entity which (A) furnishes or sells services or products which are furnished or sold or are proposed to be furnished or sold by the Company or any Subsidiary or (B) purchases from or sells or furnishes to the Company or any Subsidiary any products or services or (ii) a beneficiary interest in any contract,

arrangement, understanding or agreement to which the Company or the Subsidiaries are parties or by which the Company or the Subsidiaries or any property or assets (tangible or intangible) of the Company or the Subsidiaries may be bound or affected. Except as set forth in the Prospectus under "Certain Transactions," there are no existing agreements, arrangements,

understandings or transactions, or proposed agreements, arrangements, understandings or transactions, between or among the Company or the Subsidiaries and any officer or director of the Company or any Subsidiaries or any person listed in the "Principal Shareholders" section of the Prospectus, or any affiliate or associate of any of the foregoing persons or entities.

(cc) The minute books of the Company and the Subsidiaries have been made available to the Representative, contain a complete summary of all meetings and actions of the directors, including any committee thereof, shareholders and/or the limited partners of the Company and the Subsidiaries since the time of their incorporation or formation, as applicable, and reflect all transactions referred to in such minutes accurately in all material respects.

(dd) Except with respect to the Non-Affiliated Securities, no person, corporation, trust, partnership, association or other entity has the right to include or register any securities of the Company in the Registration Statement or to require that any registration statement be filed by the Company or, if filed, to include any security in such registration statement. No person, corporation, trust, partnership, association or other entity holds any antidilution rights with respect to any securities of the Company.

(ee) Any certificate signed by any officer of the Company or any Subsidiary, and delivered to the Representative or to the Underwriters' Counsel shall be deemed a representation and warranty by the Company to the Underwriters as to the matters covered thereby.

(ff) The Company has entered or will enter into the Representative's Warrant Agreement, substantially in the form filed as Exhibit 4.4 to the Registration Statement, with the Representative. The Representative's Warrant Agreement has been duly and validly authorized by the Company and, assuming due execution by the Representative constitutes or will constitute a valid and legally binding agreement of the Company, enforceable against the Company in accordance with its terms (except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application relating to or affecting enforcement of creditors' rights and the application of equitable principles in any action, legal or equitable, and except as rights to indemnity or contribution may be limited by applicable law). The Company shall at all times following the Closing Date have reserved and available for issuance a sufficient number of shares of Common Stock to be issued upon exercise of the Representative's Warrant and upon exercise of the Redeemable Warrants to be issued upon exercise of the Representative's Warrant.

(gg) The Company will apply the proceeds from the sale of the Securities in the manner set forth in the Prospectus under the caption "Use of Proceeds."

(hh) The Company is familiar with the Investment Company Act of 1940, as amended (the "1940 Act"), and the rules and regulations thereunder, and has in the past conducted, and intends in the future to conduct, its affairs in such a manner as to ensure that it will not become an "investment company" within the meaning of the 1940 Act and such rules and regulations.

(ii) The books, records and accounts of the Company accurately and fairly reflect, in reasonable detail, the transactions and dispositions of the assets of the Company and the Subsidiaries. The system of internal accounting controls maintained by the Company and the Subsidiaries is sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary (A) to permit preparation of financial statements and (B) to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any difference.

(jj) The Subsidiaries are not prohibited or restricted, directly or indirectly, from paying dividends or other distributions on their capital stock except as such is limited by California, Washington or Hawaii statutory law to

the Company, from repaying to the Company any loans or advances to the Subsidiaries from the Company or from transferring any property or assets (tangible or intangible) of the Subsidiaries to the Company.

2. PURCHASE, SALE AND DELIVERY OF THE SECURITIES.

(a) On the basis of the representations, warranties, covenants and agreements herein contained, but subject to the terms and conditions herein set forth, the Company agrees to sell to the Underwriters the Firm Securities, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company that number of Firm Securities respectively set forth opposite such Underwriter's name in Schedule I at a price equal to $___ per Share and $_____ per Redeemable Warrant.

(b) In addition, on the basis of the representations, warranties, covenants and agreements herein contained, but subject to the terms and conditions herein set forth, the Company hereby grants an option to the Underwriters to purchase all or any part of the Option Securities at a price equal to $____ per Share and $_____ per Redeemable Warrant. The Option Securities shall be purchased, if the option is exercised as provided herein, from the Company for the accounts of the several Underwriters, severally and not jointly, in proportion to the aggregate number of Firm Securities set forth opposite such Underwriter's name in Schedule I, except that the respective purchase obligations of each Underwriter may be adjusted by the Representative so that no Underwriter shall be obligated to purchase fractional Option Securities. The option granted hereby will expire, to the extent unexercised, forty-five (45) days from the date of the Prospectus, and may be exercised, in the Representative's sole discretion, in whole or in part from time to time, only for the purpose of covering over-allotments which may be made in connection with the offering and distribution of the Firm Securities, upon notice by the Representative to the Company setting forth the number of Option Securities as to which the Underwriters are then exercising the option and the time and date of payment for and delivery of any such Option Securities. Any such time and date of delivery (an "Option Closing Date") shall be determined by the Representative, but shall not be later than five (5) full business days after the exercise of said option, or in any event prior to the Closing Date (as hereinafter defined), unless otherwise agreed upon by the Representative and the Company. Nothing herein contained

shall in any way obligate the Underwriters to exercise the option granted hereby. No Option Securities shall be delivered unless the Firm Securities shall be simultaneously delivered or shall theretofore have been delivered as herein provided.

(c) Payment of the purchase price for, and delivery of certificates evidencing, the Firm Securities shall be made at the offices of the Representative at 2049 Avenue of the Stars, 30th Floor, Los Angeles, California, or at such other place as shall be agreed upon by the Representative and the Company. Such delivery and payment shall be made at 9:30 a.m. (Los Angeles time) on _____, 1996 or at such other time and date as shall be agreed upon by the Representative and the Company (such time and date of payment and delivery being herein called the "Closing Date"). In addition, in the event that any or all of the Option Securities are purchased by the Underwriters, payment of the purchase price for, and delivery of certificates for, such Option Securities shall be made at the above-mentioned office of the Representative or at such other place as shall be agreed upon by the Representative and the Company with respect to each applicable Option Closing Date as specified in the relevant notice from the Representative to the Company. Delivery of the certificates representing the Firm Securities and the Option Securities, if any, shall be made to the Representative against payment by the Underwriters of the purchase price for the Firm Securities and the Option Securities, if any, respectively, to the order of the Company by certified or official bank checks

payable in Los Angeles Clearing House funds (next day funds). Certificates representing the Firm Securities and the Option Securities, if any, respectively, shall be in definitive, fully registered form, shall bear no restrictive legends and shall be in such denominations and registered in such names as the Representative may request in writing at least two (2) business days prior to the Closing Date or the relevant Option Closing Date, as the case may be. The certificates representing the Firm Securities and the Option Securities, if any, shall be made available to the Representative at such offices or such other place as the Representative may designate for inspection, checking and packaging no later than 9:30 a.m. Los Angeles time on the last business day prior to the Closing Date or the relevant Option Closing Date, as the case may be.

(d) On the Closing Date, the Company shall issue and sell to the Representative, individually and not in its capacity as representative of the Underwriters, or its designees, the Representative's Warrant for an aggregate purchase price of one hundred dollars ($100), which warrant shall entitle the holders thereof to purchase an aggregate of an additional one hundred fifty thousand (150,000) shares of Common Stock and one hundred fifty thousand (150,000) Redeemable Warrants. The Representative's Warrant shall be issued pursuant to the Representative's Warrant Agreement, substantially in the form filed as Exhibit 4.4 to the Registration Statement. Payment for the Representative's Warrant shall be made on the Closing Date. The Representative's Warrant and the Representative's Securities underlying them shall be registered in the Registration Statement and such Registration Statement shall be kept effective as required by the Representative's Warrant Agreement.

3. PUBLIC OFFERING OF THE SECURITIES.

As soon after the Registration Statement becomes effective as the Representative deems advisable, the Underwriters shall make a public offering of the Firm Securities and such of the Option Securities as the Representative may determine at the initial price and upon the other terms set forth in the Prospectus. The Underwriters may from time to time increase or decrease the public offering price of the Securities to such extent as the Representative, in its sole discretion, deems advisable. The Underwriters may enter into one or more agreements as they, in their sole discretion, deem advisable with one or more broker-dealers who shall act as dealers in connection with such public offering.

4. COVENANTS AND AGREEMENTS OF THE COMPANY.

The Company covenants and agrees with each of the Underwriters as follows:

(a) The Company shall use its best efforts to cause the Registration Statement and any amendments thereto to become effective as promptly as practicable and will not at any time, whether before or after the effective date of the Registration Statement, file any amendment to the Registration Statement or supplement to the Prospectus or file any document under the Act or the Exchange Act before termination of the offering of the Securities to the public by the Underwriters of which the Representative shall not previously have been advised and furnished with a copy or to which the Representative shall have reasonably objected (unless the Company's outside counsel reasonably determines in a written opinion that such amendment or supplement is required to be filed pursuant to applicable law) or which is not in compliance with the Act, the Exchange Act or the Rules and Regulations. The Company shall use its best efforts to maintain the effectiveness of the Registration Statement (by filing supplements or post-effective amendments or as otherwise may be required under the Act and the Rules and Regulations) until the earlier of (i) the date that all Redeemable Warrants have either been exercised or redeemed and all of the Non-Affiliated Securities have been sold; and (ii) the date which is six (6)

years after the date of the Prospectus.

(b) As soon as the Company is advised or obtains knowledge thereof, the Company will advise the Representative and confirm the same in writing (i) when the Registration Statement, as amended, becomes effective, when any post-effective amendment to the Registration Statement becomes effective and, if the provisions of Rule 430A promulgated under the Act will be relied upon, when the Prospectus has been filed in accordance with said Rule 430A, (ii) of the issuance by the Commission or any State or other regulatory body of any stop order or other order, or of the initiation or the threat or contemplation of any proceeding, the outcome of which may result in the suspension of the effectiveness of the Registration Statement or any order preventing or suspending the use of the Preliminary Prospectus or the Prospectus, or any amendment or supplement thereto, or the institution of any proceedings for that purpose, (iii) of the issuance by the Commission or any State or other regulatory body of any proceedings for the suspension of the qualification of any of the Securities for offering or sale in any jurisdiction or of the initiation or the threat or contemplation of any proceeding for that purpose, (iv) of the receipt of any comments from the Commission and (v) of any request by the Commission for any

amendment to the Registration Statement or any amendment or supplement to the Prospectus or for additional information. If the Commission or any State or other regulatory body shall enter a stop order or other order suspending the effectiveness of the Registration Statement or preventing or suspending the use of the Preliminary Prospectus or the Prospectus, or any amendment or supplement thereto, or suspend such qualification at any time, the Company will make every effort to obtain promptly the lifting of such order or suspension.

(c) The Company shall file the Prospectus (in form and substance satisfactory to the Representative) with the Commission, or transmit the Prospectus by a means reasonably calculated to result in filing the same with the Commission, pursuant to Rule 424(b)(1) under the Act (or, if applicable and if consented to by the Representative, pursuant to Rule 424(b)(4)) within the time period specified in Rule 424(b)(1) (or if applicable, Rule 424(b)(4)) or shall deliver and shall file with the Commission a Term Sheet (in form and substance satisfactory to the Representative) in accordance with Rule 434 under the Act.

(d) The Company will give the Representative notice of its intention to file or prepare any amendment to the Registration Statement (including any post-effective amendments) or any amendment or supplement to the Prospectus (including any revised prospectus which the Company proposes for use in connection with the offering of any of the Securities which differs from the corresponding prospectus on file at the Commission at the time the Registration Statement becomes effective, whether or not such revised prospectus is required to be filed pursuant to Rule 424(b) under the Act), and will furnish the Representative with copies of any such amendment or supplement a reasonable amount of time prior to such proposed filing or use, as the case may be, and will not file any such amendment or supplement to which the Representative or Kaye, Scholer, Fierman, Hays & Handler, LLP, the Underwriters' counsel (the "Underwriters' Counsel"), shall reasonably object unless the Company's outside counsel reasonably determines in a written opinion that such amendment or supplement is required to be filed pursuant to applicable law.

(e) The Company shall use its best efforts, at or prior to the time the Registration Statement becomes effective, to qualify the Securities for offering and sale under the securities or "blue sky" laws of such jurisdictions as the Representative may reasonably designate to permit the continuance of sales and dealings therein for as long as may be necessary to complete the distribution, and shall make such applications, file such documents and furnish such information as may be required for such purpose; PROVIDED, HOWEVER, the

Company shall not be required to qualify as a foreign corporation or to execute a general consent to service of process in any such jurisdiction. In each jurisdiction where such qualification shall be effected, the Company will use its best efforts to file and make such statements or reports at such times as are or may be required by the laws of such jurisdiction to continue such qualification.

(f) During the time when a prospectus is required to be delivered under the Act, the Company shall comply with all requirements imposed upon it by the Act and the Exchange Act, as now and hereafter amended, and by the Rules and Regulations, as from time to time in force, so far as necessary to permit the continuance of sales of or dealings in the Securities in accordance with the provisions hereof and the Prospectus, or any amendments or

supplements thereto. If at any time when a prospectus relating to the Securities is required to be delivered under the Act, any event shall have occurred as a result of which, in the opinion of the Company or counsel for the Company or the Representative or the Underwriters' Counsel, the Prospectus, as then amended or supplemented, would include an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading, or if it is necessary at any time to amend or supplement the Prospectus to comply with the Act, the Company will promptly notify the Representative and prepare and file, at the Company's expense, with the Commission an appropriate amendment or supplement to the Registration Statement or an amendment or supplement to the Prospectus which will correct such statement or omission, or effect such compliance, each such amendment or supplement to be reasonably satisfactory to the Representative and the Underwriters' Counsel, and the Company will furnish to the Underwriters copies of such amendment or supplement as soon as available and in such quantities as the Underwriters may request.

(g) As soon as practicable, but in any event not later than forty-five (45) days after the end of the twelve (12) month period beginning after the effective date of the Registration Statement occurs, the Company shall make generally available to its security holders, in the manner specified in Rule 158(b) under the Act, and to the Representative, an earnings statement which will comply with the provisions of Section 11(a) of the Act and Rule 158(a) promulgated under the Act.

(h) During the five (5) year period commencing on the date hereof, so long as the Company has securities which are registered under the Act or the Exchange Act or otherwise publicly tradeable and Common Stock continues to be outstanding, the Company, at its expense, will furnish to its shareholders, as soon as practicable, annual reports (including financial statements audited by independent certified public accountants) and unaudited quarterly reports for each of the first three (3) fiscal quarters of the Company (such reports, whether or not the Company is then subject to the periodic reporting requirements of the Exchange Act, are to be in conformity with the requirements of the Exchange Act) and will deliver to the Representative:

(i) concurrently with furnishing such quarterly reports to its shareholders; statements of income of the Company for such quarter in the form furnished to the Company's shareholders and certified by the Company's principal financial or accounting officer;

(ii) concurrently with furnishing such annual reports to its shareholders, a balance sheet of the Company as at the end of the preceding fiscal year, together with statements of operations, shareholders' equity and cash flows of the Company for such fiscal year, accompanied by a copy of the report thereon of independent certified public accountants;

(i) as soon as they are available, copies of all reports (financial or other) mailed to shareholders;

(ii)as soon as they are available, copies of all reports and financial statements furnished to or filed with the Commission, the NASD, NASDAQ or any securities exchange;

(iii)as soon as they are available, all press releases, material news items or articles of interest to the financial community in respect of the Company or the Subsidiaries or their affairs which are released or prepared by or on behalf of the Company or the Subsidiaries; and

(iv)any additional information of a public nature concerning the Company and the Subsidiaries or their businesses which the Representative may reasonably request.

During such five (5) year period, if the Company has active Subsidiaries or is a partner in any restaurant operation, the foregoing financial statements will be on a consolidated basis to the extent that the accounts of the Company and its Subsidiaries (including any partnership of which it is a partner) are consolidated, and will be accompanied by similar financial statements for any significant subsidiary (as defined in the Rules and Regulations) which is not so consolidated.

(i) The Company will maintain a transfer agent and, if necessary under the jurisdiction of incorporation of the Company, a registrar (which may be the same entity as the transfer agent) for the Common Stock and will maintain a Warrant Agent for the Redeemable Warrants.

(j) The Company will furnish to the Representative, without charge and at such place as the Representative may designate, copies of each Preliminary Prospectus, the Registration Statement and any pre-effective or post-effective amendments thereto (two of which will be signed and will include all financial statements and exhibits, one for the Representative and one for the Underwriters' Counsel), the Prospectus, and all amendments and supplements thereto, including any prospectus prepared after the effective date of the Registration Statement and any Term Sheet, in each case as soon as available and in such quantities as the Representative may request.

(k) On or before the effective date of the Registration Statement, the Company shall provide the Representative with true copies of valid, duly executed, legally binding and enforceable Lock-Up Agreements. On or before the Closing Date, the Company shall deliver instructions to its transfer agent authorizing such transfer agent to place appropriate legends on the certificates representing the securities subject to the Lock-Up Agreements and to place appropriate stop transfer orders on the Company's ledgers. The Company agrees that, for a period of twelve (12) months commencing with the effective date of the Registration Statement, except as contemplated hereby, it shall not, without the prior written consent of the Representative, issue, sell, grant an option for the sale of, assign, transfer, pledge, distribute or otherwise dispose of, directly or indirectly, or agree or offer to do any of the foregoing, any shares of Common Stock or any option, warrant or other contract right or security convertible, directly or indirectly, into shares of Common Stock, other than grants of options under the 1996 Plan as described (including, without limitation, as to the maximum number of shares of

Common Stock issuable thereunder) in the Registration Statement and the issuance of shares of Common Stock upon the exercise of options granted under the 1996 Plan, and that, other than the Securities and the Warrant Shares, such options represent the only options, warrants or other contract rights or securities convertible, directly or indirectly, into shares of Common Stock which are currently outstanding.

(l) Neither the Company nor any of its officers, directors, shareholders or affiliates (within the meaning of the Rules and Regulations) will take, directly or indirectly, any action designed to illegally stabilize or manipulate the price of any securities of the Company or which might be expected to cause or result in, under the Exchange Act or otherwise, the illegal stabilization or manipulation of the price of any security of the Company.

(m) The Company shall apply the net proceeds from the sale of the Securities offered to the public in the manner set forth under the caption "Use of Proceeds" in the Prospectus. No portion of the net proceeds will be used, directly or indirectly, to acquire any securities issued by the Company.

(n) The Company shall timely file all registrations, reports, forms or other documents as may be required (including, without limitation, any Form SR required by Rule 463 under the Act) from time to time under the Act, the Exchange Act and the Rules and Regulations, all such registrations, reports, forms and other documents shall comply as to form and substance with the applicable requirements under the Act, the Exchange Act and the Rules and Regulations. The Company shall promptly provide to the Representative and, upon request, the Underwriters copies of such registrations, regulations, reports, forms or other documents.

(o) The Company shall furnish to the Representative as early as practicable prior to the date hereof, the Closing Date and each Option Closing Date, if any, but no later than two (2) full business days prior thereto, a copy of the latest available unaudited combined interim financial statements of the Company (which in no event shall be as of a date more than forty-five (45) days prior to the date hereof, the Closing Date or the relevant Option Closing Date, as the case may be) which have been read by the Company's independent certified public accountants, as stated in their letters to be furnished pursuant to Sections 7(i) and 7(k) hereof.

(p) The Company shall cause the Securities to be quoted on NASDAQ or some other nationally recognized stock exchange and, for a period of five (5) years from the date hereof, maintain NASDAQ or such stock exchange listing of the Securities so long as the Company continues to have securities registered under the Act or the Exchange Act or otherwise publicly tradeable and Common Stock continues to be outstanding and shall comply with all registration, filing, reporting and other requirements of NASDAQ or such stock exchange, which may from time to time be applicable to the Company.

(q) For a period of five (5) years from the Closing Date, the Company shall furnish or cause to be furnished to the Representative, upon any and all reasonable requests of the Representative and at the Company's sole expense, (i) daily consolidated transfer sheets relating to the Common Stock and (ii) a list of holders of all of the Company's securities.

(r) For a period of five (5) years from the Closing Date so long as the Company continues to have securities registered under the Act or the Exchange Act or otherwise publicly tradeable and Common Stock continues to be outstanding, the Company shall, at the Company's sole expense, (i) provide the Representative, upon any and all reasonable requests of the Representative, with a "blue sky trading survey" for secondary sales of the Company's securities prepared by counsel to the Company, and (ii) take all necessary and appropriate actions to further qualify the Company's securities in all jurisdictions of the

United States in order to permit secondary sales of such securities pursuant to the securities or "blue sky" laws of those jurisdictions, PROVIDED, HOWEVER, that the Company shall not be required to qualify as a foreign corporation or to execute a general consent to service of process in any jurisdiction. In the event that the Company does not comply with the provisions of this Section 4(r), the Company authorizes the Underwriters' Counsel to take all necessary and appropriate actions to comply with the provisions of this Section 4(r), at the Company's sole expense payable in advance, provided that in no event shall the Company be obligated for expenses in excess of five thousand dollars ($5,000).

(s) As soon as practicable, (i) but in no event more than five (5) business days before the effective date of the Registration Statement, the Company shall file a Form 8-A with the Commission providing for the registration under the Exchange Act of the Securities, which registration shall become effective concurrently on such effective date, and (ii) but in no event more than thirty (30) days after the effective date of the Registration Statement, the Company shall take all necessary and appropriate actions to be included in Standard & Poor's Corporation Manual and Moody's Investors Services, Inc. Manual and to continue such inclusion for a period of not less than seven (7) years so long as the Company has securities which are registered under the Act or the Exchange Act or otherwise publicly tradeable and Common Stock continues to be outstanding.

(t) The Company hereby agrees that it will not, for a period of twenty-four (24) months commencing with the effective date of the Registration Statement, without the Representative's written approval, (i) adopt, propose to adopt or otherwise permit to exist any employee, officer, director, consultant or compensation plan, agreement, understanding or arrangement permitting the grant, issue, sale or entry into any agreement, understanding or arrangement to grant, issue or sell any option, warrant or other contract right (x) at an exercise price that is less than the greater of the initial public offering price of the Securities as set forth herein and the fair market value per share of Common Stock on the date of grant or sale or (y) to any of its executive officers or directors or to any holder of five percent (5%) or more of the Common Stock or any holder of five percent (5%) or more of the Common Stock as the result of the exercise or conversion of equivalent securities, including, without limitation, options, warrants or other contract rights or securities convertible, directly or indirectly, into shares of Common Stock; (ii) permit the maximum number of shares of Common Stock or other securities of the Company purchasable at any time pursuant to options, warrants or other contract rights or securities convertible, directly or indirectly, into shares of Common Stock to exceed ten percent (10%) of the outstanding shares unless such action is approved by at least two independent directors of the Company; (iii) permit the payment for such securities, including, without limitation, upon the exercise of any option, warrant or other contract right upon the conversion of

any security convertible, directly or indirectly, into shares of Common Stock, with any form of consideration other than cash (other than payments made pursuant to, and in accordance with, the 1996 Plan); or (iv) permit the existence of stock appreciation rights, phantom options or similar arrangements. The provisions of this Section 4(t) shall not apply to grants, issuances or sales to, or agreements with, the Underwriters or the Representative, individually and not in its capacity as representative of the Underwriters, or grants to members of the Company's Stock Option Committee pursuant to, and in accordance with, the 1996 Plan.

(u) Until the completion of the distribution (as such term would be applied under Rule 10b-6 promulgated under the Exchange Act) of the Firm Securities and, if applicable, the Option Securities to the public, the Company shall not, without the prior written consent of the Representative, issue, directly or indirectly, any press release or other communication or hold any press conference with respect to the Company or its activities or the offering

contemplated hereby, other than trade releases issued in the ordinary course of the Company's business consistent with past practices with respect to the Company's operations or except as required by law as advised to the Company by its outside counsel.

(v) Prior to the earlier of (i) the date which is seven (7) years from the date hereof and (ii) the date of the completion of the sale to the public of all of the Representative's Securities, the Company will not take any action or actions which may prevent or disqualify the Company's use of Form SB-2 (or other appropriate form) for the registration under the Act of the Representative's Securities.

(w) For a period of five (5) years after the effective date of the Registration Statement, the Company shall cause one (1) individual selected from time-to-time by the Representative individually and not in its capacity as representative of the Underwriters, to be nominated to be a director of the Company, if requested by the Representative. The Company shall provide the Representative with reasonable notification of any meeting of the Company's board of directors held expressly for the purpose of nominating directors to the Company's board of directors so as to allow the Representative adequate time to select, if desired, an individual to be nominated as a director of the Company. In the event that the Representative shall not have designated such individual at the time of any meeting of the Company's board of directors held expressly for the purpose of nominating directors to the Company's board of directors or in the event that such individual has not been elected or is unavailable to serve, the Company shall provide the Representative with reasonable notification of each meeting of its board of directors and, in such event, an individual selected by the Representative shall be permitted to attend all meetings of the Company's board of directors as a non-voting advisor and to receive all notices and other correspondence and communications sent by the Company to members of its board of directors. Such director or advisor shall receive no more or less compensation than is paid to other non-officer directors of the Company for attendance at meetings of the Company's board of directors, and such director or advisor shall be entitled to receive reimbursement for all reasonable costs incurred in attending such meetings, including, without limitation, food, lodging and transportation in accordance with the policy established by the independent members of the Board of Directors. The Company hereby agrees to indemnify and hold such director or advisor harmless, to the maximum extent permitted by law, against any and all actions, suits,

proceedings, inquiries, arbitrations, investigations, litigation, governmental or other proceedings and awards and judgments arising out of such individual's service as a director or advisor and, in the event the Company maintains a liability insurance policy affording coverage for the acts of its officers or directors, and/or in the event that the Company has entered into an indemnification agreement with any of its officers or directors, the Company agrees to include such director or advisor as an insured, if possible, under such insurance policy and/or to enter into an indemnification agreement with such director or advisor which is at least as favorable to such individual as any indemnification agreement that the Company has entered into with any of its officers or directors. The rights and benefits of such indemnification and the benefits of such insurance, if possible, shall, to the maximum extent possible, extend to the Representative insofar as the Representative may be or may be alleged to have any obligation or liability in connection with an action or inaction of such director or advisor.

(x) For a period of thirty-six (36) months after the effective date of the Registration Statement, the Company shall not, without the written consent of the Representative, restate, amend, modify or otherwise alter any term of any written employment, consulting or similar agreement entered into between the Company and any officer, director or key employee as of the effective date of the Registration Statement in a manner which is more favorable

to such officer, director or key employee. For a period of thirty-six (36) months from the effective date of the Registration Statement, neither the Company or any Subsidiary shall enter into a written employment, consulting or similar agreement with any officer, director or key employee with whom the Company has entered into a written employment, consulting or similar agreement as of the effective date of the Registration Statement other than the renewal of such agreement on terms which are no more favorable to such officer, director or key employee unless agreed upon in writing by the Representative.

(y) For a period of seven (7) years from the effective date of the Registration Statement, the Company and the Subsidiaries shall obtain and maintain insurance policies, including, without limitation, general liability, property, and personal liability insurance, and surety bonds which insure such entities, their employees and patrons and such other persons to whom such entities may become liable against such losses and risks generally insured against by comparable businesses.

(z) For a period of five (5) years from the date hereof, the Company will retain Coopers & Lybrand (or such other nationally-recognized accounting firm qualified to practice in front of the Commission as is reasonably acceptable to the Representative) as its independent certified public accountants and, during such period, the Company will promptly submit to the Representative copies of all accountant's management reports, Company representation letters and similar correspondence between the Company's accountants and the Company.

5. PAYMENT OF EXPENSES.

(a) The Company hereby agrees to pay (such payment to be made on the Closing Date as part of the closing on such date and on each Option Closing Date as part of the

closing on such date (to the extent not paid on the Closing Date or a previous Option Closing Date)) all expenses and fees (other than fees of the Underwriters' Counsel not specifically provided for in this Section 5) incident to the issuance, offer, sale and delivery of the Securities and the performance of the obligations of the Company under this Agreement, the Warrant Agreement and the Representative's Warrant Agreement, including, without limitation, (i) the fees and expenses of accountants and counsel for the Company, (ii) all costs and expenses incurred in connection with the preparation, duplication, printing (including mailing and handling charges), filing, delivery and mailing (including the payment of postage with respect thereto) of each Preliminary Prospectus, the Registration Statement and the Prospectus and any amendments and supplements thereto and the printing, mailing (including the payment of postage with respect thereto) and delivery of this Agreement, the Warrant Agreement, all other underwriting documents, the Representative's Warrant Agreement and agreements with selected dealers, and related documents, including the cost of all copies thereof and of each Preliminary Prospectus and of the Prospectus and any amendments thereof or supplements thereto supplied to each of the Underwriters and such dealers as the Underwriters may request, in such quantities as the Underwriters may reasonably request, (iii) all costs and expenses (including issue and transfer taxes) incurred in connection with the printing, engraving, issuance, sale and delivery of the Securities, including (y) the consummation by the Company of any of its obligations under this Agreement, the Warrant Agreement and the Representative's Warrant Agreement and (z) the resale of the Securities by each of the Underwriters in connection with the distribution contemplated hereby, (iv) all fees, costs and expenses (which shall not exceed forty-five thousand dollars ($45,000)) incurred in connection with the qualification of the Securities under state securities or "blue sky" laws and the determination of the status of such securities under legal investment laws, including the costs of printing and mailing the "Preliminary Blue Sky Memorandum," the "Supplemental Blue Sky Memorandum" and

the "Legal Investments Survey," if any, (v) the fees, costs and expenses incurred in connection with any required filing with the NASD and obtaining a determination from the NASD with respect to the fairness and reasonableness of the underwriting terms and arrangements and disbursements and fees and expenses of Kaye, Scholer, Fierman, Hays & Handler, LLP in connection with such determinations, filings, documents and qualifications of the Securities, (vi) all advertising costs and expenses, including costs and expenses in connection with "road shows," information meetings and presentations, bound volumes and prospectus memorabilia and "tombstone" advertisements, (vii) all costs and expenses incurred in connection with any necessary due diligence investigations by an independent third party, subject to the Company's prior approval which approval shall not be unreasonably withheld, including the fees of any independent counsel (other than Kaye, Scholer, Fierman, Hays & Handler, LLP) or consultants, (viii) the fees and expenses of a transfer agent and registrar for the Securities, (ix) the fees payable to the Commission and (x) the fees and expenses incurred in connection with the listing of the Securities on NASDAQ and any other exchange.

(b) If this Agreement is terminated by the Underwriters in accordance with the provisions of Section 6 or 11 hereof, by the Underwriters in accordance with a reasonable application of Section 10(a) hereof or the transactions contemplated hereby are not consummated by the Company for any reason, the Company shall reimburse and indemnify the Underwriters for all of their actual out-of-pocket expenses, including, without limitation, all of the fees and

disbursements of Underwriters' Counsel (including, without limitation, the fees of the Underwriters' Counsel specifically provided for herein).

(c) The Company further agrees that, in addition to the expenses payable pursuant to Section 5(a) hereof, they will pay to you, individually and not in your capacity as the Representative, on the Closing Date by certified or bank cashier's check, or, at your election, by deduction from the proceeds of the offering of the Firm Securities, a non-accountable expense allowance equal to three percent (3%) of the gross proceeds received by the Company from the sale of the Firm Securities. In the event the Underwriters elect to exercise all or any part of the over-allotment option described in Section 3(b) hereof, the Company further agrees to pay to the Representative, individually and not in its capacity as representative of the Underwriters, on each Option Closing Date, by certified or bank cashier's check, or, at your election, by deduction from the proceeds of the Option Securities purchased on such Option Closing Date, a non-accountable expense allowance equal to three percent (3%) of the gross proceeds received by the Company from the sale of such Option Securities.

6. CONDITIONS OF THE UNDERWRITERS' OBLIGATIONS. The obligations of each of the Underwriters hereunder shall be subject to the continuing accuracy of the representations and warranties of the Company herein as of the date hereof and as of the Closing Date and each Option Closing Date, if any, as if they had been made on and as of the Closing Date or each Option Closing Date, as the case may be; the accuracy on and as of the Closing Date and each Option Closing Date, if any, of the statements of officers of the Company made and certificates of officers of the Company delivered pursuant to the provisions hereof; and the performance by the Company on and as of the Closing Date and each Option Closing Date, if any, of all of its covenants and obligations hereunder and to the following further conditions:

(a) The Registration Statement shall have become effective not later than 5:00 p.m., New York time, on the date of this Agreement or such later date and time as shall be consented to in writing by the Representative, and, at the Closing Date and each Option Closing Date, if any, no stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued and no proceedings for that purpose shall have been initiated or shall be pending, threatened or contemplated by the Commission or any State or other

regulatory body and any request on the part of the Commission or any State or other regulatory body for additional information shall have been complied with to the reasonable satisfaction of the Representative and the Underwriters' Counsel. If the Company has elected to rely upon Rule 430A under the Act, the price of the Securities and any price-related information previously omitted from the effective Registration Statement pursuant to such Rule 430A shall have been transmitted to the Commission for filing pursuant to Rule 424(b) under the Act within the prescribed time period or shall have been delivered and shall have been filed with the Commission as required by Rule 434 under the Act, as applicable, and, prior to the Closing Date, the Company shall have provided evidence satisfactory to the Representative of such timely filing, or a post-effective amendment providing such information shall have been promptly filed and declared effective in accordance with the requirements of Rule 430A under the Act. Neither the Registration Statement nor the Prospectus nor any amendment thereto or supplement thereof (including a Term Sheet) shall have been filed to which the Representative shall have reasonably

objected after it shall have had the chance to review such amendment or supplement unless the Company's outside counsel reasonably determines in a written opinion that such amendment or supplement is required to be filed pursuant to applicable law.

(b) No Underwriter shall have advised the Company that the Registration Statement, or any amendment thereto, contains an untrue statement of fact which, in the Representative's opinion, is material, or omits to state a fact which, in the Representative's opinion, is material and is required to be stated therein or is necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, or that the Prospectus, or any amendment or supplement thereto, contains an untrue statement of fact which, in the Representative's opinion, is material, or omits to state a fact which, in the Representative's opinion, is material and is required to be stated therein or is necessary to make the statements therein, in light of the circumstances in which they were made, not misleading.

(c) On or prior to the Closing Date, the Representative shall have received from the Underwriters' Counsel such opinion or opinions with respect to the organization of the Company, the validity of the Securities, the Registration Statement, the Prospectus and such other related matters as the Representative may request and the Underwriters' Counsel shall have received such papers and information as it may request in order to enable it to pass upon such matters.

(d) At the Closing Date, the Representative shall have received the favorable opinion of Jeffer, Mangels, Butler & Marmaro LLP, counsel to the Company, dated the Closing Date, addressed to the Representative, in form and substance satisfactory to the Underwriters' Counsel and subject to customary qualifications and conditions, to the effect that:

[TO CONFORM TO REVISED VERSION OF JEFFER, MANGELS OPINION (PREVIOUSLY DISTRIBUTED)]

(i) each of the Company and the Subsidiary (A) has been duly organized and is validly existing as a corporation, in good standing under the laws of the respective jurisdiction of its incorporation, (B) is duly qualified and licensed and in good standing as a foreign corporation in each jurisdiction in which it owns or leases property or in which the conduct of its business requires such qualification or licensing, and (C) has all requisite power and authority to own or lease its properties and conduct its business as described in the Prospectus; to such counsel's knowledge, the Company and the Subsidiary are doing business in compliance with, all authorizations, approvals, orders, licenses, certificates, franchises and permits of and from all governmental or regulatory officials, agencies, authorities and bodies necessary to own or lease its properties and conduct

its business as described in the Prospectus other than those authorizations, approvals, orders, licenses, certificates, franchises and permits of and from all governmental or regulatory officials, agencies, authorities and bodies which, singularly or in the aggregate, the failure to obtain would not materially and adversely affect the condition (financial or otherwise), earnings, business affairs, position, prospects, shareholders' equity, operations, properties, businesses or results of operations of the Company and the Subsidiary taken as a whole; and are and have been operating their business in compliance with all such authorizations, approvals, orders, licenses, certificates, franchises and permits and

all federal, state and local laws, rules, regulations and orders; and, to such counsel's knowledge, neither the Company nor the Subsidiary has received any notice of proceedings relating to the revocation or modification of any such authorization, approval, order, license, certificate, franchise or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would materially and adversely affect the condition (financial or otherwise), earnings, business affairs, position, prospects, shareholders' equity, operations, properties, businesses or results of operation of the Company and the Subsidiary taken as a whole. To such counsel's knowledge, the statements in the Registration Statement concerning the effects of federal, state and local laws, rules, regulations and orders on the Company's and the Subsidiary's businesses as currently conducted and as contemplated are correct in all respects and do not omit to state a material fact necessary to make the statements contained therein, in light of the circumstances in which they were made, not misleading;

(ii) the Company owns of record one hundred percent (100%) of the outstanding capital stock of the Subsidiary; and neither the Company nor any Subsidiary owns any other interest in any corporation, partnership, joint venture, trust or other business entity other than;

(iii) the Company has a duly authorized, issued and outstanding capitalization as set forth in the Prospectus, and any amendment or supplement thereto, under "Capitalization" and "Description of Securities" and will have the adjusted capitalization set forth therein in the Closing Date and the Option Closing Date, if any, based upon the assumptions set forth therein; and, neither the Company nor the Subsidiary is a party to or bound by any instrument, agreement or other arrangement or understanding providing for or requiring it to issue any capital stock, rights, warrants, options or other securities, except for this Agreement, the Representative's Warrant Agreement and the 1996 Plan as described in the Prospectus. The Securities and all other securities issued or issuable by the Company conform in all respects to all statements with respect thereto contained in the Registration Statement and the Prospectus. All issued and outstanding securities (including, without limitation, any ownership interest in any Subsidiary) of the Company and the Subsidiary have been duly authorized and validly issued and are fully paid and non-assessable; the holders thereof have no rights of rescission with respect thereto and are not subject to personal liability by reason of being such holders; and none of such securities was issued in violation of the preemptive or other similar rights of any holders of any security of either the Company or the Subsidiary. The Company has not entered into any agreements or understandings pursuant to which any third party has the right to acquire from the Company any securities of the Subsidiary owned by the Company. The Shares are not and will not be subject to any preemptive or other similar rights of any shareholder, have been duly authorized and, when issued, paid for and delivered, or when paid for and delivered, as applicable, in accordance with the terms hereof or the Representative's Warrant Agreement, as applicable, will be validly issued, fully paid and non-assessable and conform to the description thereof contained in the Prospectus; the holders thereof will not be subject to any liability solely as such holders; all corporate action required to be taken for the authorization, issue, sale and delivery of the Shares has been duly and validly taken; and the certificates representing the

Shares are in due and proper form. The Representative's Warrant constitutes valid and binding obligations of the Company to issue and sell, upon exercise thereof and payment therefor, the

number and type of securities of the Company called for thereby, which obligations are enforceable against the Company in accordance with its terms (except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application relating to or affecting enforcement of creditors' rights and the application of equitable principles in any action, legal or equitable principles in any action, legal or equitable, and except as rights to indemnity or contribution may be limited by applicable law). Upon the issuance and delivery pursuant to the terms hereof and of the Representative's Warrant Agreement of the Shares to be sold by the Company hereunder and thereunder, the Underwriters and the Representative, as applicable, will acquire good and marketable title to such Shares, free and clear of any lien, charge, claim, encumbrance, pledge, security, interest, defect or other restriction or equity of any kind whatsoever. No transfer tax, stamp duty or other similar tax, fee or duty is payable by or on behalf of any of the Underwriters or the Representative, as applicable, in connection with (A) the issuance by the Company of the Shares, (B) the purchase by the Underwriters of the Shares from the Company or (C) the consummation of any of the transactions contemplated by this Agreement, the Representative's Warrant Agreement, the Registration Statement or the Prospectus;

(iv) the Registration Statement is effective under the Act, and, if applicable, filing of all pricing information has been timely made in the appropriate form under Rule 430A under the Act or under Rule 434 under the Act, and no stop order suspending the use of the Preliminary Prospectus, the Registration Statement or the Prospectus or any part of any thereof or suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or are pending, threatened or contemplated under the Act;

(v) each Preliminary Prospectus, the Registration Statement and the Prospectus, and any amendments or supplements thereto (other than the financial statements and schedules and other financial and statistical data included therein or omitted therefrom, as to which no opinion need be rendered), comply as to form in all material respects with the requirements of the Act and the Rules and Regulations;

(vi) to such counsel's knowledge, (A) there are no agreements, contracts or other documents required by the Act to be described in the Registration Statement and the Prospectus and filed as exhibits to the Registration Statement (or required to be filed under the Exchange Act if upon such filing they would be incorporated, in whole or in part, by reference therein) other than those described in the Registration Statement and the Prospectus and filed as exhibits to the Registration Statement; (B) the descriptions in the Registration Statement and the Prospectus, and any supplement or amendment thereto, of agreements, contracts and other documents to which the Company or any Subsidiary is a party or by which any of them are bound are accurate and fairly represent the information required to be shown by Form SB-2; (C) there is no action, suit, proceeding, inquiry, arbitration, investigation, litigation or governmental or other proceeding (including, without limitation, those pertaining to environmental, health or similar matters) pending, contemplated or threatened to which the Company or the Subsidiary is subject or to which any property or assets (tangible or intangible) of the Company or the Subsidiary is subject, which (x) is required to be disclosed in the

Registration Statement which is not so disclosed (and such proceedings as are summarized in the Registration Statement are accurately summarized in all respects) or (y) questions the validity of the capital stock of the Company or the Subsidiary or of this Agreement or the Representative's Warrant Agreement or of any actions or transactions contemplated by this Agreement, the Representative's Warrant Agreement, the Registration Statement or the Prospectus or (z) might materially and adversely effect the condition (financial or otherwise), earnings, business affairs, position, property, shareholders' equity, operations, properties, businesses or results of operations of the Company or the Subsidiary or the ability of the Company to perform its obligations under this Agreement and the Representative's Warrant Agreement; and (D) no law, statute, judgment, decree, rule, regulation or order or legal or governmental proceeding required to be described in the Prospectus is not described as required;

(vii) the Company has full legal right, power and authority under its articles of incorporation and bylaws, to authorize, issue, deliver and sell the Shares, to enter into each of this Agreement and the Representative's Warrant Agreement and to consummate the transactions contemplated herein, therein, in the Registration Statement and in the Prospectus; and each of this Agreement and the Representative's Warrant Agreement has been duly authorized, executed and delivered by the Company. Each of this Agreement and the Representative's Warrant Agreement, assuming due authorization, execution and delivery by the Representative, as Representative and individually, respectively, constitutes a legal, valid and binding agreement of the Company, enforceable against the Company in accordance with its terms (except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application relating to or affecting enforcement of creditors' rights and the application of equitable principles in any action, legal or equitable, and except as rights to indemnity or contribution may be limited by applicable law). Neither the issuance, delivery and sale of the Shares, execution, delivery or performance of this Agreement and the Representative's Warrant Agreement, the consummation of the transactions contemplated herein, therein, in the Registration Statement and in the Prospectus, or the conduct of the Company's businesses as described in the Registration Statement, the Prospectus and any amendments or supplements thereto, conflicts or will conflict with, or results or will result in any breach or violation of any of the terms or provisions of, or constitutes or will constitute (with notice, the lapse of time or both) a default under, or results in or will result in the creation or imposition of any lien, charge, claim, encumbrance, pledge, security interest, defect or other restriction or equity of any kind whatsoever upon any property or assets (tangible or intangible) of the Company or the Subsidiary pursuant to the terms of (A) the certificate of incorporation or bylaws of the Company or the Subsidiary, (B) any license, contract, indenture, mortgage, installment sale agreement, lease, deed of trust, voting trust agreement, shareholders' agreement, purchase order, note, loan or credit agreement or any other material agreement or instrument evidencing an obligation for borrowed money, or any other material agreement or instrument to which the Company or the Subsidiary is a party or by which any of them are or may be bound or to which any of their properties or assets (tangible or intangible) are or may be subject or (C) any law, statute, judgment, decree, order, rule or regulation applicable to the Company or the Subsidiary of any arbitrator, court, regulatory body or administrative agency or other governmental agency or body having jurisdiction over the Company or any Subsidiary or any of their respective activities or properties;

(viii) no consent, approval, authorization, registration, qualification or order of, and no filing with, any court, administrative agency or other government or regulatory official, agency, authority or body is required in connection with the issuance, delivery and sale of the Shares, the performance of this Agreement and the Representative's Warrant Agreement or the consummation of the transactions contemplated hereby, thereby, by the

Registration Statement and by the Prospectus, other than such as may be required under the securities or "blue sky" laws of any State and the rules and regulations of the NASD and the Commission, as to which no opinion need be rendered;

(ix) the properties and businesses of the Company and the Subsidiary conform in all material respects to the description thereof contained in the Registration Statement and the Prospectus;

(x) to such counsel's knowledge, neither the Company nor any Subsidiary is in breach of, or in default under, and no event has occurred which, with notice, lapse of time or both, would constitute a default of, any term, covenant, condition or provision of any license, contract, indenture, mortgage, installment sale agreement, lease, deed of trust, voting trust agreement, shareholders' agreement, purchase order, note, loan or credit agreement or any other material agreement or instrument evidencing an obligation for borrowed money, or any other material agreement or instrument to which the Company or the Subsidiary are parties or by which they are or may be bound or to which their properties or assets (tangible or intangible) are or may be subject; and neither the Company nor the Subsidiary is in violation of any term, covenant, condition or provision of its certificate of incorporation or bylaws or limited partnership agreement, as applicable, or in violation of any franchise, license, permit, judgment, decree, order, law, statute, rule or regulation to which it or any of its properties or assets (tangible or intangible) are subject;

(xi) the statements in the Prospectus under "Prospectus Summary," "Risk Factors," "Business," "Management," "Principal Shareholders," "Selling Security Holders," "Certain Transactions," "Description of Capital Stock," "Shares Eligible for Future Sale" and "Underwriting" have been reviewed by such counsel, and insofar as they refer to statements of law, descriptions of statutes, licenses, rules, regulations or legal conclusions, are correct in all material respects;

(xii) neither the Company nor the Subsidiary owns, holds or uses any trademarks, trade names, service marks, service names, copyright or patents which, individually or in the aggregate, are material to its condition (financial or otherwise), earnings, business affairs, position, prospects, shareholders' equity, operations, properties, businesses or results of operations, and, except as disclosed in the Prospectus, no such used trademarks, trade names, service marks, service names, copyrights or patents are in dispute or are in conflict with any right of any other person or entity.

(xiii) other than with respect to the Non- Affiliated Selling Shareholder Shares, to such counsel's knowledge, no person, corporation, trust, partnership, association or other entity has the right to include or register any securities of the Company in the Registration

Statement, require the Company to file any registration statement or, if filed, to include any security in such registration statement; and no person, corporation, trust, partnership, association or other entity holds any antidilution rights with respect to any securities of the Company;

(xiv) to such counsel's knowledge, except as described in the Registration Statement and the Prospectus, there are no claims, payments, issuances, arrangements or understandings, whether oral or written, for services in the nature of a finder's fee, brokerage fee, origination fee or otherwise with respect to the offerings contemplated by the Agreement, the Representative's Warrant Agreement, the Registration Statement and the Prospectus or any other arrangements, agreements, understandings, payments or issuances that may affect the Underwriters' compensation, as determined by the NASD other than as the Representative itself may have agreed to with third parties;

(xv) to such counsel's knowledge, except as set forth in the Prospectus under "Certain Transactions," no officer, director or shareholder of the Company or the Subsidiary, and no affiliate or associate (as those terms are defined in the Rules and Regulations) of any of the foregoing persons or entities, has or has had, either directly or indirectly, (A) an interest in any person or entity which (x) furnishes or sells services or products which are furnished or sold or are proposed to be furnished or sold by the Company or the Subsidiary or (y) purchases from or sells or furnishes to the Company or the Subsidiary any products or services or (B) a beneficial interest in any contract or agreement to which the Company or the Subsidiary is a party or by which the Company or the Subsidiary or any property or asset (tangible or intangible) of the Company or any Subsidiary may be bound or affected. To such counsel's knowledge, except as set forth in the Prospectus, there are no existing agreements, arrangements, understandings or transactions, or proposed agreements, arrangements, understandings or transactions, between or among the Company or the Subsidiary and any officer, director of the Company or the Subsidiary or any person listed in the "Principal Shareholder" section of the Prospectus, or any affiliate or associate of any of the foregoing persons or entities;

(xvi) the minute books of the Company and the Subsidiary have been made available to the Representative and, to such counsel's knowledge, contain a complete summary of all meetings and actions of the directors, including any committee thereof, and shareholders of the Company and the Subsidiary since the time of their incorporation or formation and reflect all transactions referred to in such minutes accurately in all respects.

Such counsel shall state that such counsel has participated in conferences with officers and other representatives of the Company and the Subsidiary, representatives of the independent certified public accountants for the Company, representatives of the Representative and representatives of the Underwriters' Counsel, at which conferences such counsel made inquires of such officers, such other representatives of the Company and the Subsidiary and representatives of such accountants and discussed the contents of each Preliminary Prospectus, the Registration Statement, the Prospectus and related matters and, although such counsel is not passing upon and does not assume any responsibility for the accuracy, completeness or fairness of the statements contained in any Preliminary Prospectus, the Registration Statement or the Prospectus (except as and to the extent stated in (xi) above), on the basis of the foregoing and

such counsel's participation in the preparation of each Preliminary Prospectus, the Registration Statement and the Prospectus, no facts have come to the attention of such counsel which leads it to believe that either the Registration Statement or any amendment thereto, at the time such Registration Statement or amendment became effective or as of the Closing Date (or the Option Closing Date, as the case may be) contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectus or any supplement thereto, at the date of each such Prospectus or supplement and at the Closing Date (or the Option Closing Date, as the case may be) contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (it being understood that such counsel need express no opinion with respect to the financial statements and schedules and other financial and statistical data included in or omitted therefrom in any Preliminary Prospectus, the Registration Statement or the Prospectus, or any supplements or amendments thereto).

In rendering such opinion, such counsel may rely (A) as to matters involving the application of laws other than the laws of the United

States and jurisdictions in which it is admitted, to the extent such counsel deems proper and to the extent specified in such opinion, if at all, upon an opinion or opinions (in form and substance satisfactory to the Underwriters' Counsel) of other counsel, acceptable to the Underwriters' Counsel, familiar with the applicable laws; and (B) as to matters of fact, to the extent it deems proper, on certificates and written statements of responsible officers of the Company and certificates or other written statement of officers of departments of various jurisdictions having custody of documents respecting the corporate existence or good standing of the Company or the Subsidiary, provided that copies of any such opinions, statements or certificates shall be delivered to the Representative and the Underwriters' Counsel. The opinion of such counsel for the Company shall state that the opinion of any such other counsel is in form satisfactory to such counsel and that the Underwriters and the Underwriters' Counsel are justified in relying thereon.

At each Option Closing Date, if any, the Representative shall have received the favorable opinion of Jeffer, Mangels, Butler & Marmaro LLP, counsel to the Company, dated such Option Closing Date, addressed to the Representative and in form and substance satisfactory to Underwriters' Counsel confirming as of such Option Closing Date the statements made by Jeffer, Mangels, Butler & Marmaro LLP in its opinion delivered on the Closing Date.

(e) On or prior to each of the Closing Date and each Option Closing Date, if any, the Underwriters' Counsel shall have been furnished with such documents, certificates and opinions as it may reasonably require for the purpose of enabling it to review or pass upon the matters referred to in Section 6(c) hereof, or in order to evidence the accuracy, completeness or satisfaction of any of the representations, warranties or conditions of the Company or the Subsidiaries herein contained.

(f) Prior to the Closing Date and each Option Closing Date, if any, (i) there shall have been no adverse change

or development involving a prospective adverse change in the condition (financial or otherwise), earnings, business affairs, position, prospects, shareholders' equity, operations, properties, businesses or results of operations of the Company or the Subsidiaries from the latest dates as of which such matters are set forth in the Registration Statement and the Prospectus; (ii) there shall have been no transaction, not in the ordinary course of business and consistent with past practices, entered into by the Company or the Subsidiaries, from the latest date as of which the financial condition of the Company or the Subsidiaries is set forth in the Registration Statement and the Prospectus, which may in any way be adverse to the Company or the Subsidiaries; (iii) neither the Company nor the Subsidiaries shall be in default, and no event shall have occurred which, with notice, lapse of time or both, would constitute a default, under any provision of any agreement, instrument or other document relating to any outstanding indebtedness; (iv) neither the Company nor the Subsidiaries shall have issued any securities (other than the Securities) or declared or paid any dividend or made any distribution in respect of its capital stock of any class, and there shall not have been any change in the capital stock, or any change in the debt (long- or short-term) or liabilities or obligations (contingent or otherwise), of the Company or the Subsidiaries; (v) no material amount of the property or assets (tangible or intangible) of the Company or the Subsidiaries shall have been pledged, mortgaged or otherwise encumbered; and (vi) no action, suit, proceeding, inquiry, arbitration, investigation, litigation or governmental or other proceeding (including, without limitation, those pertaining to environmental, health or similar matters) shall be pending, contemplated or threatened (or circumstances giving rise to same) to which the Company or the Subsidiaries is subject or to which any property or assets (tangible or intangible) of the Company or the Subsidiaries are subject wherein an unfavorable decision, ruling or finding may materially adversely affect the condition (financial or otherwise), earnings, business affairs, position, prospects, shareholders' equity, operations,

properties, businesses or results of operations of the Company or the Subsidiaries taken as a whole, except as set forth in the Registration Statement and Prospectus and except for debts, liabilities and obligations incurred in (A) the normal course of business consistent with past practices.

(g) At the Closing Date and each Option Closing Date, if any, the Representative shall have received a certificate of the Company signed by the principal executive officer and by the chief financial or chief accounting officer of the Company, dated the Closing Date or such Option Closing Date, as the case may be, to the effect that each of such persons has carefully examined the Registration Statement, the Prospectus and this Agreement, and that:

(i) the representations and warranties of the Company in this Agreement are true and correct, as if made on and as of the Closing Date or such Option Closing Date, as the case may be, and the Company and the Subsidiaries have complied with all agreements and covenants and satisfied all conditions contained in this Agreement on their part to be performed or satisfied at or prior to the Closing Date or such Option Closing Date, as the case may be;

(ii) no stop order suspending the effectiveness of the Registration Statement or any part thereof has been issued, and no proceedings for that purpose have been initiated or are pending, contemplated or threatened;

(iii) the Registration Statement, the Prospectus and each amendment and supplement thereto, if any, contain all statements and information required to be included therein, and neither the Registration Statement nor any amendment thereto, at the time such Registration Statement or amendment became effective and as of the date of such certificate included any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein not misleading and neither any Prospectus nor any supplement thereto, at the date of such Prospectus or supplement thereto and at the date of such certificate, included any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; and

(iv) subsequent to the latest respective dates as of which information is given in the Registration Statement and the Prospectus, (A) neither the Company nor the Subsidiaries have incurred any liabilities or obligations, direct, indirect or contingent, other than in the ordinary course of business, (B) neither the Company or any Subsidiary paid or declared any dividends or other distributions on its capital stock or other ownership interests; (C) neither the Company or any Subsidiary has entered into any transactions not in the ordinary course of business; (D) there has not been any change in the capital stock, long-term debt or short-term debt (other than any increase in short-term debt in the ordinary course of business) of the Company or any Subsidiary; (E) other than ordinary wear and tear, neither the Company nor any Subsidiary has sustained any material loss or damage to its property or assets (tangible and intangible), whether or not insured; (F) there is no litigation which is pending, threatened or contemplated (or circumstances giving rise to same) against the Company or any Subsidiary which is required to be set forth in an amended or supplemented Prospectus which has not been so set forth; and (G) there has occurred no event required to be set forth in an amended or supplemented Prospectus which has not been so set forth.

References to the Registration Statement and the Prospectus in this Section 6(g) are to such documents as amended and supplemented at the date of such certificate.

(h) By the Closing Date, the Representative shall have received clearance from the NASD as to the amount of compensation allowable or payable to

the Underwriters, in the amount as described in the Registration Statement.

(i) At or prior to the time this Agreement is executed, the Representative shall have received a letter, dated such date, addressed to the Representative and in form and substance satisfactory in all respects to the Representative from Coopers & Lybrand:

(i) confirming that it is an accounting firm of independent certified public accountants with respect to the Company or the Subsidiaries within the meaning of the Act and the Rules and Regulations;

(ii) stating its opinion that the combined financial statements and schedules of the Company or the Subsidiaries included in the Registration Statement comply as to form in all material respects with the applicable accounting requirements of the Act and the

Rules and Regulations and that each of the Underwriters may rely upon the opinion of Coopers & Lybrand with respect to such combined financial statements and schedules included in the Registration Statement;

(iii) stating that, on the basis of a limited review which included a reading of the latest available unaudited combined interim financial statements of the Company or the Subsidiaries (with an indication of the date of the latest available unaudited combined interim financial statements), a reading of the latest available minutes of the shareholders and the board of directors, including any committees of the board of directors, of the Company or the Subsidiaries ,consultations with officers and other employees of the Company or the Subsidiaries responsible for financial and accounting matters and other specified procedures and inquiries, nothing has come to its attention which would lead it to believe that (A) the unaudited combined financial statements and schedules of the Company or the Subsidiaries included in the Registration Statement do not comply as to form in all material respects with the applicable accounting requirements of the Act and the Rules and Regulations or are not fairly presented in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of the audited combined financial statements of the Company or the Subsidiaries included in the Registration Statement or (B) at a specified date not more than five (5) days prior to the effective date of the Registration Statement, there has been any change in the capital stock, short-term debt or long-term debt of the Company or the Subsidiaries, or any decrease in the shareholders' equity or net current assets or net assets of the Company or the Subsidiaries as compared with amounts shown in the June 30, 1996 balance sheet included in the Registration Statement or, if there was any change or decrease, setting forth the amount of such change or decrease, or (C) during the period from July 1, 1996 to a specified date not more than five (5) days prior to the effective date of the Registration Statement, there was any decrease in revenues, net income or net earnings per share of Common Stock, in each case as compared with the corresponding period in the immediately preceding year, or, if there was any such decrease, setting forth the amount of such decrease;

(iv) stating that it has compared specific dollar amounts, numbers of shares, percentages, statements and other financial information pertaining to the Company or the Subsidiaries set forth in the Registration Statement, in each case to the extent that such amounts, numbers, percentages, statements and information may be derived from the general accounting records, including work sheets or analysis, of the Company or the Subsidiaries, with the results obtained from the application of specific readings, inquiries and other appropriate procedures (which procedures do not constitute an examination in accordance with generally accepted auditing standards) set forth in the letter and found them to be in agreement;

(v) stating it has reviewed the internal controls of

the Company or the Subsidiaries and that, it has not noted or brought to the attention of any of the management of the Company or any Subsidiary any "weakness," as defined in Statement of Auditing Standard No. 60 (entitled "Communication of Internal Control Structure Related Matters Noted in an Audit"), in any of the Company's, Subsidiaries' internal controls;

(vi) stating it has read the unaudited combined financial statements referred to in Section 4(o) hereof; and

(vii) statements as to such other matters as the Representative may request.

(j) At the Closing Date and each Option Closing Date, if any, the Representative shall have received from Coopers & Lybrand a letter, dated as of the Closing Date or such Option Closing Date, as the case may be, to the effect that (i) it reaffirms that statements made in the letter furnished pursuant to Section 6(i) hereof, (ii) if the Company has elected to rely on Rule 430A under the Act, to the further effect that it has carried out procedures as specified in clause (iv) of such Section 6(i) with respect to certain amounts, numbers, percentages, statements and other financial information as specified by the Representative and deemed to be a part of the Registration Statement pursuant to Rule 430A(b) and has found such amounts, numbers, percentages, statements and other financial information to be in agreement with the documents specified in such clause (iv); and (iii) it has read the unaudited combined financial statements referred to in Section 4(o) hereof.

(k) On the Closing Date and each Option Closing Date, if any, there shall have been duly tendered to the Representative the appropriate number of Securities.

(l) No order suspending the sale of the Securities in any jurisdiction designated by the Representative pursuant to Section 4(e) hereof shall have been issued on either the Closing Date or any Option Closing Date, and no proceedings for that purpose shall have been initiated or shall be pending, contemplated or threatened.

(m) On or before the Closing Date, the Company shall have executed and delivered to the Representative, individually and not in its capacity as representative of the Underwriters, the Representative's Warrant Agreement, substantially in the form filed as Exhibit 4.2 to the Registration Statement. The executed versions of the Representative's Warrant Agreement shall be satisfactory to the Representative.

(n) On or before the effective date of the Registration Statement, the Securities shall have been duly approved for quotation on the NASDAQ and a delay of trading of the Securities for two days after the Closing Date shall have been approved by the NASDAQ.

(o) On or before the effective date of the Registration Statement, there shall have been delivered to the Representative all of the Lock-Up Agreements, in form and substance satisfactory to the Underwriters' Counsel.

(p) The Company or the Subsidiaries shall provide the Representative with such additional documents and certificates as the Representative may reasonably request.

If any condition to the Underwriters' obligations hereunder to be fulfilled prior to or at the Closing Date or at any Option Closing Date, as the case may be, is not so fulfilled, the Underwriters may terminate this Agreement, without liability to any of the Underwriters, or, if the Representative so elects in its sole discretion, it may waive any such conditions which have not been fulfilled or extend the time for their fulfillment.

7. INDEMNIFICATION AND CONTRIBUTION.

(a) The Company agrees to indemnify and hold harmless each Underwriter (for purposes of this Section 7, "Underwriters" shall include the officers, directors, partners, employees, agents and counsel of each Underwriter), and each person, if any, who controls any of the Underwriters, as applicable ("controlling person"), within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act, from and against any and all losses, claims, damages, expenses (including, without limitation, reasonable attorneys' fees and expenses) or liabilities and all actions, suits, proceedings, inquiries, arbitrations, investigations, litigation or governmental or other proceedings (in this Section 7, collectively, "actions") in respect thereof, whatsoever (including, without limitation, any and all expenses whatsoever reasonably incurred in investigating, preparing or defending against any action, commenced or threatened, or any claim whatsoever), as such are incurred, to which any Underwriter, or such controlling person may become subject under the Act, the Exchange Act or any other statute or at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained (i) in any Preliminary Prospectus, the Registration Statement or the Prospectus (as from time to time amended and supplemented); (ii) in any post-effective amendment or amendments or any new registration statement and prospectus in which is included securities of the Company issued or issuable upon exercise of the Securities; (iii) in any application or other document or written communication (in this Section 7, collectively, "application") executed by the Company or based upon written information furnished by the Company in any jurisdiction in order to qualify the Securities under the securities or "blue sky" laws thereof or filed with the Commission, any state securities commission or agency, the NASD or NASDAQ or any other securities exchange; or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading (in the case of the Prospectus, in light of the circumstances in which they were made), unless such statement or omission was made in reliance upon and in conformity with written information furnished to the Company by the Representative with respect to an Underwriter expressly for use in any Preliminary Prospectus, the Registration Statement or the Prospectus, or any amendment thereof or supplement thereto, or in any application, as the case may be. In addition to its other obligations under this Section 7(a), the Company agrees that, as an interim measure during the pendency of any action arising out of or based upon any untrue statement or omission, or alleged untrue statement or alleged omission as described in this Section 7(a), it will reimburse each Underwriter (and, to the extent applicable, each controlling person), on a monthly basis for all reasonable legal or other expenses incurred in connection with investigating or defending any such action, notwithstanding the absence of a judicial determination as to the propriety and enforceability of the Company's obligations to reimburse each Underwriter, as applicable (and, to the extent applicable, each controlling person), for such expenses and the possibility that such payments might later be held to have been improper by a court of competent

jurisdiction. To the extent that any such interim reimbursement is so held to have been improper as to the Company, each Underwriter, as applicable (and, to the extent applicable, each controlling person), shall promptly return it to the Company together with interest compounded daily, based on the "reference rate" announced from time to time by Bank of American NTSA (the "Prime Rate"). Any such interim reimbursement payments which are not made to an Underwriter, or a controlling person, as applicable, within thirty (30) days of a request for

reimbursement shall bear interest at the Prime Rate from the date of such request.

The indemnity agreement in this Section 7(a) shall be in addition to any liability which the Company may have at common law or otherwise.

(b) Each Underwriter severally, but not jointly, agrees to indemnify and hold harmless the Company (for purposes of this Section 7, "Company" shall include the officers, directors, partners, employees, agents and counsel of the Company), and each other person, if any, who control the Company ("controlling person") within the meaning of the Act, to the same extent as the foregoing indemnity from the Company to each Underwriter, but only with respect to statements or omissions, if any, made in any Preliminary Prospectus, the Registration Statement or the Prospectus or any amendment thereof or supplement thereto or in any application made in reliance upon, and in strict conformity with, written information furnished to the Company by the Representative with respect to such Underwriter expressly for use in any Preliminary Prospectus, the Registration Statement or the Prospectus or any amendment thereof or supplement thereto or in any application, provided that such written information or omissions only pertain to disclosures in any Preliminary Prospectus, the Registration Statement or the Prospectus directly relating to the transactions effected by such Underwriter or the Underwriters as a group in connection with the offering contemplated hereby. The Company acknowledges that the statements with respect to the Underwriters and the public offering of the Securities set forth under the heading "Underwriting" (other than _____), the Risk Factor titled "Recently Formed Representative May be Unable to Complete Offering or Make a Market" and the stabilization legend in the Prospectus have been furnished by the Representative with respect to the Underwriters expressly for use therein and constitute the only information furnished in writing by the Representative with respect to the Underwriters for inclusion in any Preliminary Prospectus, the Registration Statement or the Prospectus. In addition to its other obligations under this Section 7(b), each Underwriter severally, but not jointly, agrees that, as an interim measure during the pendency of any action arising out of or based upon any untrue statement or omission, or alleged untrue statement or alleged omission as described in this Section 7(b), it will reimburse Company (and, to the extent applicable, each controlling person) on a monthly basis for all reasonable legal or other expenses incurred in connection with investigating or defending any such action, notwithstanding the absence of a judicial determination as to the propriety and enforceability of such Underwriter's obligations to reimburse the Company (and, to the extent applicable, each controlling person) for such expenses and the possibility that such payments might later be held to have been improper by a court of competent jurisdiction. To the extent that any such interim reimbursement is so held to have been improper as to such Underwriter and the Company (and, to the extent applicable, each controlling person) shall promptly return it to such Underwriter, together with interest compounded daily, based on the "prime rate" announced from time to time by Bank of American NTSA (the "Prime Rate"). Any such interim

reimbursement payments which are not made to the Company, as the case may be, within thirty (30) days of a request for reimbursement shall bear interest at the Prime Rate from the date of such request. Notwithstanding the provisions of this Section 7(b), no Underwriter shall be required to indemnify or hold harmless the Company or any controlling person for, in the aggregate, any amounts in excess of the underwriting discount applicable to the Securities purchased by such Underwriter hereunder.

The indemnity agreement in the Section 7(b) shall be in addition to any liability which each Underwriter severally, but not jointly, may have at common law or otherwise.

(c) Promptly after receipt by an indemnified party under this Section 7 of notice of the commencement of any action, such indemnified party

shall notify each party against whom indemnification is to be sought in writing of the commencement thereof (but the failure to so notify an indemnifying party shall not relieve it from any liability which it may have under this Section 8 except to the extent that it has been materially prejudiced by such failure). In case any such action is brought against any indemnified party, and it notifies an indemnifying party or parties of the commencement thereof, the indemnifying party or parties shall be entitled to participate therein, and to the extent it or they may elect by written notice delivered to the indemnified party or parties promptly after receiving the aforesaid notice from such indemnified party or parties, to assume the defense thereof with counsel reasonably satisfactory to such indemnified party. Notwithstanding the foregoing, an indemnified party shall have the right to employ its own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the employment of such counsel shall have been authorized in writing by the indemnifying party or parties in connection with the defense of such action at the expense of the indemnifying party or parties, (ii) the indemnifying party or parties shall not have employed counsel reasonably satisfactory to such indemnified party to have charge of the defense of such action within a reasonable time after notice of commencement of the action or (iii) such indemnified party shall have reasonably concluded that there may be one or more defenses available to it which are different from or additional to those available to one or all of the indemnifying parties (in which case the indemnifying parties shall not have the right to direct the defense of such action on behalf of the indemnified party or parties), in any of which events such fees and expenses of one additional counsel (in addition to appropriate local counsel) shall be borne by the indemnifying parties. In no event shall the indemnifying parties be liable for fees and expenses of more than one counsel (in addition to appropriate local counsel) separate from their own counsel for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances. Anything in this Section 7 to the contrary notwithstanding, an indemnifying party shall not be liable for any settlement of any claim or action effected without its written consent; PROVIDED, HOWEVER, that such consent may not be unreasonably withheld.

(d) In order to provide for just and equitable contribution in any case in which (i) an indemnified party makes a claim for indemnification pursuant to this Section 7, but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case notwithstanding the fact that the express

provisions of this Section 7 provide for indemnification in such case or (ii) contribution under the Act may be required on the part of any indemnified party, then each indemnifying party shall contribute to the amount paid as a result of such losses, claims, damages, expenses or liabilities (or actions in respect thereof) (A) in such proportion as is appropriate to reflect the relative benefits received by each of the contributing parties, on the one hand, and the party to be indemnified, on the other hand, from the offering of the Securities or (B) if the allocation provided by clause (A) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (A) above but also the relative fault of each of the contributing parties, on the one hand, and the party to be indemnified, on the other hand, in connection with the statements or omissions that resulted in such losses, claims, damages, expenses or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company, on the one hand, and the Underwriters, on the other hand, shall be deemed to be in the same proportion as the total net proceeds from the offering of the Securities (before deducting expenses) bear to the total

underwriting discounts received by the Underwriters hereunder, in each case as set forth in the table on the cover page of the Prospectus. Relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by the Representative with respect to an Underwriter, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The amount paid by an indemnified party as a result of the losses, claims, damages, expenses or liabilities (or actions in respect thereof) referred to in the first sentence of this Section 7(d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 7(d), no Underwriter shall be required to contribute any amount in excess of the underwriting discount applicable to the Securities purchased by such Underwriter hereunder. No person guilty of fraudulent misrepresentation (within the meaning of Section 10(f) of the Act and the cases and promulgations thereunder) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 7(d), each person, if any, who controls the Company or an Underwriter within the meaning of the Act, each officer of the Company who has signed the Registration Statement and each director of the Company shall have the same rights to contribution as the Underwriters or the Company, as the case may be, subject in each case to the provisions of this Section 7(d). Any party entitled to contribution will, promptly after receipt of notice of commencement of any action against such party in respect to which a claim for contribution may be made against another party or parties under this Section 7(d), notify such party or parties from whom contribution may be sought, but the omission to so notify such party or parties shall not relieve the party or parties from whom contribution may be sought from any obligation it or they may have hereunder or otherwise than under this Section 7(d) except to the extent it has been materially prejudiced by such failure. The contribution agreement set forth above shall be in addition to any liabilities which any indemnifying party may have at common law or otherwise.

8. REPRESENTATIONS, WARRANTIES AND AGREEMENTS TO SURVIVE DELIVERY. All representations, warranties, covenants and agreements contained in this Agreement, or contained

in certificates of officers of the Company delivered pursuant hereto, shall be deemed to be representations, warranties, covenants and agreements at the Closing Date and at each Option Closing Date, as the case may be, and such representations, warranties, covenants and agreements of the Company, and the respective indemnity and contribution agreements contained in Section 7 hereof, shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Representative, any of the Underwriters, or the Company and shall survive the termination of this Agreement and the issuance, sale and delivery of the Securities to the Underwriters.

9. EFFECTIVE DATE. This Agreement shall become effective at 10:00 a.m., New York City time, on the date one (1) business day following the date hereof, or at such earlier time after the Registration Statement becomes effective as the Representative, in its sole discretion, shall release the Securities for sale to the public; PROVIDED, HOWEVER, that the provisions of Sections 5, 7 and 10 hereof shall at all times be effective. For purposes of this Section 9, the Securities to be purchased hereunder shall be deemed to have been so released upon the earlier of dispatch by the Representative of telegrams to securities dealers releasing such Securities for offering or the release by the Representative for publication of the first newspaper advertisement which is subsequently published relating to the Securities.

10. TERMINATION.

(a) The Representative shall have the right to terminate this Agreement after it becomes effective, the exercise of which shall be determined in the Representative's sole discretion, if: (i) any domestic or international event or act or occurrence has, as determined in the Representative's sole judgment, disrupted, or in the Representative's sole judgment will in the immediate future materially disrupt, the financial markets; or (ii) any material adverse change, as determined in the Representative's sole judgment, in the financial markets shall have occurred; or (iii) trading on the New York Stock Exchange, the American Stock Exchange, NASDAQ or the over-the-counter market shall have been suspended, or minimum or maximum prices for trading shall have been fixed, or maximum ranges for prices for securities shall have been required on the over-the-counter market by the NASD or the Commission or any other governmental authority having jurisdiction; or (iv) the United States shall have become involved in a war or in hostilities, or there shall have been an escalation in an existing war or hostilities or a national emergency shall have been declared in the United States; or (v) a banking moratorium shall have been declared by any state or federal authority or body; or (vi) a moratorium in foreign exchange trading shall have been declared; or (vii) the Company or the Subsidiaries taken as a whole shall have sustained a material or substantial loss by fire, flood, accident, hurricane, earthquake, theft, sabotage or other calamity or malicious act which, whether or not such loss shall have been insured, will, in the Representative's sole judgment, make it inadvisable to proceed with the offering, sale or delivery of the Securities; or (viii) there shall have been a material adverse change or development involving a material prospective change, in the condition (financial or otherwise), earnings, business affairs, position, prospects, shareholders' equity, operations, obligations, properties, businesses or results of operations of the Company or the Subsidiaries taken as a whole, whether or not arising in the ordinary course of business, or if there shall have been a material adverse change in the general market, political or economic conditions, whether

in the United States or elsewhere, as in the Representative's sole judgment would make it inadvisable to proceed with the offering, sale or delivery of the Securities.

(b) Notwithstanding any contrary provision contained in this Agreement, in the event of any termination of this Agreement (including, without limitation, pursuant to Sections 6, 10(a) or 11 hereof), and whether or not this Agreement is otherwise carried out, the provisions of Sections 5 and 7 hereof shall remain effective and shall not in any way be affected by such termination or failure to carry out the terms of this Agreement or any part hereof.

11. DEFAULT BY THE COMPANY. If the Company shall fail at the Closing Date or any Option Closing Date, as applicable, to sell and deliver the number of Securities which it is obligated to sell and deliver hereunder on such date, then this Agreement shall terminate (or, if such default shall occur with respect to any Option Securities to be purchased on an Option Closing Date, the Underwriters may, in the Representative's sole discretion, by notice from the Representative to the Company, terminate the Underwriters' obligation to purchase such Option Securities from the Company on such date) with no liability whatsoever on the part of any non-defaulting party other than pursuant to Sections 5, 7 and 10 hereof. No action taken pursuant to this Section 11 shall relieve the Company from liability, if any, in respect of such default.

12. SUBSTITUTION OF UNDERWRITERS. If any Underwriter defaults in its obligation to purchase the number of Securities which it has agreed to purchase under this Agreement, the non-defaulting Underwriters shall be obligated to purchase (in the respective proportions which the number of Securities set forth opposite the name of each non-defaulting Underwriter in Schedule I bears to the total number of Securities set forth opposite the names of all the non-defaulting Underwriters in Schedule I) the Securities which the defaulting Underwriter agreed but failed to purchase; except that

the non-defaulting Underwriters shall not be obligated to purchase any of the Securities if the total number of Securities which the defaulting Underwriter or Underwriters agreed but failed to purchase exceeds 10% of the total number of Securities, and any non-defaulting Underwriter shall not be obligated to purchase more than 110% of the number of Securities set forth opposite its name in Schedule I plus the total number of Option Securities purchasable by it pursuant to the terms of Section 2(b) hereof. If the foregoing maximums are exceeded, the non-defaulting Underwriters, and any other underwriters satisfactory to you who so agree, shall have the right, but shall not be obligated, to purchase (in such proportions as may be agreed upon among them) all the Securities. If the non-defaulting Underwriters or the other underwriters satisfactory to you do not elect to purchase the Securities which the defaulting Underwriter or Underwriters agreed but failed to purchase, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter, the Company except for the payment of expenses to be borne by the Company as provided in Section 5(a) hereof and the indemnity and contribution agreements of the Company and the Underwriters contained in Section 7 hereof; PROVIDED, HOWEVER, that this provision shall not affect any Closing which at the time of such termination already shall have taken place.

Nothing contained herein shall relieve a defaulting Underwriter of any liability it may have for damages caused by its default. If the other underwriters satisfactory to you are obligated or agree to purchase the Securities of a defaulting Underwriter, either you or the

Company may postpone the Closing Date for up to seven full Business Days in order to effect any changes that may be necessary in the Registration Statement, the Prospectus or in any other document or agreement, and to file promptly any amendments or any supplements to the Registration Statement or the Prospectus which in your opinion may thereby be made necessary.

13. NOTICES. All notices and communications hereunder, except as herein otherwise specifically provided, shall be in writing and shall be deemed to have been duly given if mailed, delivered by hand or transmitted by any standard form of telecommunication. Notices to the Underwriters shall be directed to the Representative at 2049 Avenue of the Stars, 30th Floor, Los Angeles, California 90067, Attention: Mr. Robert A. DiMinico, with a copy to Kaye, Scholer, Fierman, Hays & Handler, LLP, 1999 Avenue of the Stars, Suite 1600, Los Angeles, California 90067, Attention: Channing D. Johnson, Esq. Notices to the Company shall be directed to the Company at 26131 Marguerite Parkway, Suite A, Mission Viejo, California 92692, Attention: Paul Motenko or Jeremiah Hennessy, with a copy to Jeffer, Mangels, Butler & Marmaro LLP, Tenth Floor, 2121 Avenue of the Stars, Los Angeles, California 90067, Attention: Steven J. Insel, Esq.

14. PARTIES. This Agreement shall inure solely to the benefit of and shall be binding upon, the Underwriters, the Company, and the controlling persons, officers, directors and others referred to in Section 7 hereof, and their respective successors, legal representatives and assigns, and no other person shall have or be construed to have any legal or equitable right, remedy or claim under or in respect of or by virtue of this Agreement or any provisions herein contained. No purchaser of Securities from an Underwriter shall be deemed to be a successor merely by reason of such purchase.

15. CONSTRUCTION. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of California, without giving effect to conflict of laws principles thereof.

16. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which taken together shall be deemed to be one and the same instrument.

17. ENTIRE AGREEMENT; AMENDMENTS. This Agreement, the Warrant

Agreement and the Representative's Warrant Agreement constitute the entire agreement of the parties hereto concerning the subject matter hereof and supersede all prior written or oral agreements, understandings and negotiations with respect to the subject matter hereof. This Agreement may not be amended, modified or altered except in a writing signed by the Representative and the Company.

If the foregoing correctly sets forth the understanding among the parties hereto, please so indicate in the space provided below for that purpose, whereupon this letter shall constitute a binding agreement among us.

Very truly yours,

CHICAGO PIZZA & BREWERY, INC.

By:----------
Name:
Title:

Confirmed and accepted as of
the date first above written.

THE BOSTON GROUP, L.P.
As Representative for the
Several Underwriters Named
in Schedule I Attached Hereto

By:----------

Name: Robert A. DiMinico
Title: Chairman

SCHEDULE I

UNDERWRITER	SHARES	REDEEMABLE WARRANTS

- ---
- ---

[CERTIFICATE]
SEPTEMBER 13, 1991

Incorporated under the laws of the State of California

NUMBER	SHARES
[ ]	[ ]

- ---
- ---

CHICAGO PIZZA & BREWERY, INC.

Authorized Capital stock: 1,000 Common Shares

- ---
- ---

THIS CERTIFIES THAT _____ is the holder of _____ SHARES OF THE CAPITAL STOCK TRANSFERABLE ONLY ON THE BOOKS OF THE CORPORATION BY THE HOLDER HEREOF IN PERSON OR BY ATTORNEY UPON SURRENDER OF THIS CERTIFICATE PROPERLY ENDORSED.

IN WITNESS WHEREOF, THE SAID CORPORATION HAS CAUSED THIS CERTIFICATE TO BE SIGNED BY ITS DULY AUTHORIZED OFFICERS AND ITS CORPORATE SEAL TO BE HEREUNTO AFFIXED
THIS _____ DAY OF _____, A.D. 19___

_____ [SEAL] _____
SECRETARY PRESIDENT

- ---
- ---

DRAFT OF
AUGUST 19, 1996

WARRANT AGREEMENT

This WARRANT AGREEMENT, dated this ___ day of ____, 1996, by and among CHICAGO PIZZA & BREWERY, INC., a California corporation (the "Company"), THE BOSTON GROUP, L.P. (the "Representative") and U.S. STOCK TRANSFER CORPORATION, a California corporation.

WITNESSETH:

WHEREAS, in connection with (i) the offering to the public (the "Public Offering") of One Million Five Hundred Thousand (1,500,000) shares (the "Shares") of the Company's common stock, no par value (the "Common Stock") and One Million Five Hundred Thousand (1,500,000) redeemable warrants (the "Warrants"), each Warrant entitling the holder thereof to purchase one share of Common Stock (the "Warrant Stock") pursuant to that certain Underwriting Agreement (the "Underwriting Agreement") dated _____, 1996 between the Company and the Representative, as representative of the several underwriters named therein (the "Underwriters"); (ii) the over-allotment option (the "Over-Allotment Option") granted to the Underwriters in connection with the Public Offering to purchase up to an additional Two Hundred Twenty Five Thousand (225,000) Shares and Two Hundred Twenty Five Thousand (225,000) Warrants; (iii) the automatic conversion of Ten Million Fourteen Thousand Five Hundred Eighty Four (10,014,584) outstanding warrants (which includes Four Million Seven Hundred Thousand (4,700,000) special warrants (the "Special Warrants")) in accordance with their terms, into Warrants; and (iv) the issuance of a warrant to the Representative (the "Representative's Warrant") exercisable to purchase One Hundred Fifty Thousand (150,000) shares of Common Stock and One Hundred Fifty Thousand (150,000) Warrants, the Company will have outstanding a total of Eleven Million Eight Hundred Eighty Nine Thousand Five Hundred Eighty Four (11,889,584) Warrants, (subject to increase as provided herein (as such term is defined in SECTION 1(u) hereof));

WHEREAS, the Company desires to provide for the issuance of certificates representing the Warrants; and

WHEREAS, the Company desires U.S. Stock Transfer Corporation to act on behalf of the Company, and U.S. Stock Transfer Corporation is willing to so act, in connection with the issuance, registration, transfer and exchange of certificates representing the Warrants and the exercise of the Warrants.

NOW, THEREFORE, in consideration of the premises and the mutual agreements

hereinafter set forth and for the purpose of defining the terms and provisions of the Warrants and the certificates representing the Warrants and the respective rights and obligations thereunder of the Company, the Underwriters, the holders of certificates representing the Warrants and U.S. Stock Transfer Corporation, the parties hereto agree as follows:

SECTION 1. DEFINITIONS. As used herein, the following terms shall have the following meanings, unless the context shall otherwise requires:

(a) "Act" shall have the meaning assigned to such term in SECTION 5(b) of this Agreement.

(b) "Change of Shares" shall have the meaning assigned to such term in SECTION 8(a)(i) of this Agreement.

(c) "Commission" shall have the meaning assigned to such term in SECTION 5(b) of this Agreement.

(d) "Common Stock" shall mean stock of the Company of any class, whether now or hereafter authorized, which has the right to participate in the voting and in the distribution of earnings and assets of the Company without limit as to amount or percentage.

(e) "Company" shall have the meaning assigned to such term in the first (1st) paragraph of this Agreement.

(f) "Corporate Office" shall mean the office of the Warrant Agent (as such term is defined in SECTION 1(y) hereof) at which at any particular time its principal business shall be administered, which office is located on the date hereof at 1745 Gardena Avenue, Glendale, California 91204-2991.

(g) "Exchange Act" shall have the meaning assigned to such term in SECTION 4(b) of this Agreement.

(h) "Exercise Date" shall mean, subject to the provisions of Section 5(b) hereof, as to any Warrant, the date on which the Warrant Agent shall have received both (i) the Warrant Certificate representing such Warrant, with the exercise form thereon duly executed by the Registered Holder (as such term is defined in SECTION 1(o) hereof) thereof or his attorney duly authorized in writing, and (ii) payment in cash or by check made payable to the Warrant Agent for the account of the Company of the amount in lawful money of the United States of America equal to the applicable Purchase Price (as such term is defined in SECTION 1(l) hereof).

(i) "Initial Warrant Exercise Date" shall mean _____, 1997 [ONE YEAR AFTER EFFECTIVE DATE].

(j) "Initial Warrant Redemption Date" shall mean _____, 1997 [ONE YEAR AFTER EFFECTIVE DATE].

(k) "NASD" shall have the meaning assigned to such term in SECTION 4(b) hereof.

(l) "Over-Allotment Option" shall have the meaning assigned to such term in the first (1st) WHEREAS clause of this Agreement.

(m) "Purchase Price" shall mean, subject to modification and adjustment as provided in SECTION 8 hereof, ____ dollars and _____ cents ($____) per share of Common Stock [110% OF IPO PRICE].

(n) "Redemption Date" shall have the meaning assigned to such term in Section 9(c) hereof.

(o) "Registered Holder" shall mean the person in whose name any certificate representing the Warrants shall be registered on the books maintained by the Warrant Agent pursuant to SECTION 6 hereof.

(p) "Representative" shall have the meaning assigned to such term in the first (1st) WHEREAS clause of this Agreement.

(q) "Representative's Warrant" shall mean the warrant issued by the Company to the Representative to purchase up to One Hundred Fifty Thousand (150,000) shares of Common Stock and up to One Hundred Fifty Thousand (150,000)

Warrants pursuant to the Representative's Warrant Agreement.

(r) "Representative's Warrant Agreement" shall mean the agreement dated as of _____, 1996 between the Company and the Representative relating to and governing the terms and provisions of the Representative's Warrant.

(s) "Selling Security Holders" shall have the meaning assigned to such term in the first (1st) WHEREAS clause of this Agreement.

(t) "Shares" shall have the meaning assigned to such term in the first (1st) WHEREAS clause of this Agreement.

(u) "Subsidiary" or "Subsidiaries" shall mean any corporation or corporations, as the case may be, of which stock having ordinary power to elect a majority of the Board of Directors of such corporation or corporations (regardless of whether or not at the time the stock of any other class or classes of such corporation shall have or may have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned by the Company

or by one or more Subsidiaries, or by the Company and one or more Subsidiaries.

(v) "Transfer Agent" shall mean U.S. Stock Transfer Corporation, Glendale, California, or its authorized successor.

(w) "Underwriters" shall have the meaning assigned to such term in the first (1st) WHEREAS clause of this Agreement.

(x) "Underwriting Agreement" shall have the meaning assigned to such term in the first (1st) WHEREAS clause of this Agreement.

(y) "Warrant Agent" shall mean U.S. Stock Transfer Corporation, Glendale, California, Colorado or its authorized successor.

(z) "Warrant Certificate" shall mean a certificate representing each of the Warrants substantially in the form annexed hereto as EXHIBIT A.

(aa) "Warrant Expiration Date" shall mean, unless the Warrants are redeemed as provided in Section 9 hereof prior to such date, 5:00 p.m. (California time) on _____, 2002 [54 MONTHS AFTER THE ONE YEAR ANNIVERSARY OF THE EFFECTIVE DATE], or, if such date shall in the State of California be a holiday or a day on which banks are authorized to close, then 5:00 p.m. (California time) on the next following day which in the State of California is not a holiday or a day on which banks are authorized to close, subject to the Company's right, prior to the Warrant Expiration Date, in its sole discretion, to extend such Warrant Expiration Date on five (5) business days prior written notice to the Registered Holders.

(bb) "Warrants" shall have the meaning assigned to such term in the first (1st) WHEREAS clause of this Agreement.

(cc) "Warrant Stock" shall mean the shares of Common Stock issuable upon exercise of the Warrants.

SECTION 2. WARRANTS AND ISSUANCE OF WARRANT CERTIFICATES.

(a) Each Warrant shall initially entitle the Registered Holder of the Warrant Certificate representing such Warrant to purchase at the Purchase Price therefor from the Initial Warrant Exercise Date until the Warrant Expiration Date one (1) share of Common Stock upon the exercise thereof, subject to modification and adjustment as provided in SECTION 8 hereof.

(b) Upon execution of this Agreement, Warrant Certificates representing up to Eleven Million Seven Hundred Thirty Four Thousand Five Hundred Eighty Four (11,734,584) Warrants to purchase up to an aggregate of Eleven Million Seven Hundred Thirty Four Thousand Five Hundred Eighty Four (11,734,584) shares of Common Stock (subject to modification and

adjustment as provided in SECTION 8 hereof), shall be executed by the Company and delivered to the Warrant Agent.

(c) Upon exercise of the Over-Allotment Option, in whole or in part, Warrant Certificates representing up to Two Hundred Twenty Five Thousand (225,000) Warrants to purchase up to an aggregate of Two Hundred Twenty Five Thousand (225,000) shares of Common Stock (subject to modification and adjustment as provided in SECTION 8 hereof) shall be executed by the Company and delivered to the Warrant Agent.

(d) From time to time, up to the Warrant Expiration Date, as the case may be, the Warrant Agent shall countersign and deliver Warrant Certificates in required denominations of one or whole number multiples thereof to the person entitled thereto in connection with any transfer or exchange permitted under this Agreement. No Warrant Certificates shall be issued except (i) Warrant Certificates initially issued hereunder, (ii) Warrant Certificates issued upon any transfer or exchange of Warrants, (iii) Warrant Certificates issued in replacement of lost, stolen, destroyed or mutilated Warrant Certificates pursuant to SECTION 7 hereof, and (iv) at the option of the Company, Warrant Certificates in such form as may be approved by its Board of Directors, to reflect any adjustment or change in the Purchase Price, the number of shares of Common Stock purchasable upon the exercise of a Warrant or the redemption price therefor.

SECTION 3. FORM AND EXECUTION OF WARRANT CERTIFICATES.

(a) The Warrant Certificates shall be substantially in the form annexed hereto as Exhibit A (the provisions of which are hereby incorporated herein) and may have such letters, numbers or other marks of identification or designation and such legends, summaries or endorsements printed, lithographed or engraved thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange or securities association on which the Warrants may be listed, or to conform to usage. The Warrant Certificates shall be dated the date of issuance thereof (whether upon initial issuance, transfer, exchange or in lieu of mutilated, lost, stolen or destroyed Warrant Certificates).

(b) Warrant Certificates shall be executed on behalf of the Company by its Chairman of the Board, Chief Executive Officer, President or any Vice President and by its Chief Operating Officer, its Treasurer or its Secretary, by manual signatures or by facsimile signatures printed thereon, and shall have imprinted thereon a facsimile of the Company's seal. Warrant Certificates shall be manually countersigned by the Warrant Agent and shall not be valid for any purpose unless so countersigned. In case any officer of the Company who shall have signed any of the Warrant Certificates shall cease to be such officer of the Company before the date of issuance of the Warrant Certificates or before countersignature by the Warrant Agent and issue and delivery thereof, such Warrant Certificates, nevertheless, may be countersigned by the Warrant Agent and issued and delivered with the same force and effect as though the officer of

the Company who signed such Warrant Certificates had not ceased to hold such

office.

SECTION 4. EXERCISE.

(a) Warrants in denominations of one or whole number multiples thereof may be exercised commencing at any time on or after the Initial Warrant Exercise Date, but not after the Warrant Expiration Date or the Redemption Date, upon the terms and subject to the conditions set forth herein (including the provisions set forth in SECTIONS 5 and 9 hereof) and in the applicable Warrant Certificate. A Warrant shall be deemed to have been exercised immediately prior to the close of business on the Exercise Date, provided that the Warrant Certificate representing such Warrant, with the exercise form thereon duly executed by the Registered Holder thereof or his attorney duly authorized in writing, together with payment in cash or by check made payable to the Warrant Agent for the account of the Company of an amount in lawful money of the United States of America equal to the applicable Purchase Price, has been received by the Warrant Agent. The person entitled to receive the securities deliverable upon such exercise shall be treated for all purposes as the holder of such securities as of the close of business on the Exercise Date. As soon as practicable on or after the Exercise Date and in any event within five (5) business days after such date, the Warrant Agent on behalf of the Company shall cause to be issued to the person or persons entitled to receive the same a certificate or certificates for the shares of Common Stock deliverable upon such exercise, and the Warrant Agent shall deliver the same to the person or persons entitled thereto. Upon the exercise of any Warrants, the Warrant Agent shall promptly notify the Company in writing of such fact and of the number of securities delivered upon such exercise and, subject to Section 4(b) hereof, shall cause all payments in cash or by check made payable to the order of the Company in respect of the Purchase Price to be deposited promptly in the Company's bank account.

(b) The Company hereby appoints the Representative as the exclusive solicitation agent for the Warrants, and agrees to pay the Representative a commission equal to five percent (5%) of the exercise price of the Warrants of which __% may be reallowed to any dealer who solicited the exercise (which may also be the Representative) for each Warrant exercised, payable on the date of the exercise thereof. The Company agrees that it will not solicit the exercise of the Warrants other than through the Representative. Upon exercise of any Warrants, the person or entity responsible for the solicitation of exercise of such Warrants shall be identified by the holder of the Warrants, and the commission payable for exercise of such Warrants shall be paid to the person or entity so designated.

(c) At any time upon the exercise of any Warrants after the Initial Warrant Exercise Date, the Warrant Agent shall, on a daily basis, within two (2) business days after any such exercise, notify the Representative or its successors or assigns of the exercise of any such Warrants and shall, on a weekly basis (subject to collection of funds constituting the tendered Purchase Price, but in no event later than five (5) business days after the last day of the calendar week in which such funds were tendered), remit to the Representative or its successors or assigns an amount equal to five percent (5%) of the Purchase Price of such Warrants being then

exercised unless the Representative or its successors or assigns shall have notified the Warrant Agent that the payment of such amount with respect to any such Warrant is violative of the rules and regulations promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the rules and regulations of the National Association of Securities Dealers, Inc. (the "NASD") or applicable state securities or "blue sky" laws, in which event the Warrant Agent shall have to pay such amount to the Company; PROVIDED, HOWEVER, that the Warrant Agent shall not be obligated to pay any amounts pursuant to this SECTION 4(c) during any week that such amounts payable are less than one thousand dollars ($1,000) and the Warrant Agent's obligation to make such payments shall

be suspended until the amount payable aggregates one thousand dollars ($1,000), and provided further, that, in any event, any such payment (regardless of amount) shall be made not less frequently than monthly. Under current rules of the NASD, amounts can be paid to the Representative upon any exercise of a Warrant under this Section 4(c) only if (i) the market price of the Company's Common Stock is greater than the then Purchase Price of the Warrants, (ii) the exercise of the Warrant was solicited by a member of the National Association of Securities Dealers, Inc. ("NASD"), (iii) the Warrant was not held in a discretionary account, (iv) disclosure of compensation arrangements has been made in documents provided to customers both as part of the original offering and at the time of exercise and (v) the solicitation of the exercise of the Warrant was not in violation of Rule 10b-6 (as such rule or any successor rule may be in effect as of such time of exercise) promulgated under the Exchange Act. The provisions of this Section 4(b) may not be modified, amended or deleted without the prior written consent of the Representative.

(d) The Company shall not be obligated to issue any fractional share interests or fractional Warrant interests upon the exercise of any Warrant or Warrants, nor shall it be obligated to issue scrip or pay cash in lieu of fractional interests. Any fraction equal to or greater than one-half shall be rounded up to the next full share or Warrant, as the case may be. Any fraction less than one-half shall be eliminated.

SECTION 5. RESERVATION OF SHARES; LISTING; PAYMENT OF TAXES; ETC.

(a) The Company covenants that it will at all times reserve and keep available out of its authorized Common Stock, solely for the purpose of issuance upon the exercise of Warrants (including the Warrants underlying the Representative's Warrant), such number of shares of Common Stock as shall then be issuable upon the exercise of all outstanding Warrants. The Company covenants that, upon exercise of the Warrants and payment of the Purchase Price for the shares of Common Stock underlying the Warrants, all shares of Common Stock which shall be issuable upon such exercise shall be duly and validly issued, fully paid, non-assessable, free from all preemptive or similar rights, and free from all taxes, liens and charges with respect to the issuance thereof, and that upon issuance such shares shall be listed or quoted on each securities exchange or NASDAQ, if any, on which the other shares of outstanding Common Stock of the Company are then listed.

(b) The Company covenants that if any securities reserved for the purpose of

exercise of Warrants hereunder require registration with, or approval of, any governmental authority under any federal securities law before such securities may be validly issued or delivered upon such exercise, then the Company will file a registration statement under the federal securities laws or a post-effective amendment to a registration statement, use its best efforts to cause the same to become effective, keep such registration statement current while any of the Warrants are outstanding and deliver a prospectus which complies with Section 10(a)(3) of the Act, to the Registered Holder exercising the Warrant (except, if in the opinion of counsel to the Company, such registration is not required under the federal securities law or if the Company receives a letter from the staff of the Securities and Exchange Commission (the "Commission") stating that it would not take any enforcement action if such registration is not effected). The Company will use its best efforts to obtain appropriate approvals or registrations under the state "blue sky" securities laws of all states in which Registered Holders reside. Warrants may not be exercised by, nor may shares of Common Stock be issued to, any Registered Holder in any state in which such exercise would be unlawful.

(c) The Company shall pay all documentary, stamp or similar taxes and other governmental charges that may be imposed with respect to the issuance of Warrants, or the issuance or delivery of any shares of Common Stock upon

exercise of the Warrants; PROVIDED, HOWEVER, that if shares of Common Stock are to be delivered in a name other than the name of the Registered Holder of the Warrant Certificate representing any Warrant being exercised, then no such delivery shall be made unless the person requesting the same has paid to the Warrant Agent the amount of transfer taxes or charges incident thereto, if any.

(d) The Warrant Agent is hereby irrevocably authorized as the Transfer Agent to requisition from time to time certificates representing shares of Common Stock or other securities required upon exercise of the Warrants, and the Company will comply with all such requisitions.

(e) Nothing contained in this Agreement shall be construed as conferring upon any Registered Holder the right to vote or to consent or to receive notice as a stockholder in respect of any meetings of stockholders for the election of directors or any other matter, or as having any rights whatsoever as a stockholder of the Company. If, however, at any time prior to the expiration of the Warrants and their exercise, the Company shall adopt a resolution for the liquidation, dissolution or winding up of the Company's business, then the Company shall give written notice of the adoption of such resolution to all Registered Holders. No such liquidation, dissolution or winding-up of the Company's affairs shall commence until at least thirty (30) days after such written notice is given, at which time the right of the Registered Holders to participate in the liquidation, dissolution or winding-up of the Company's affairs shall terminate unless the Warrants are exercised within such thirty (30) day period.

SECTION 6. EXCHANGE AND REGISTRATION OF TRANSFER.

(a) Warrant Certificates may be exchanged for other Warrant Certificates representing an equal aggregate number of Warrants or may be transferred in whole or in part. Warrant Certificates to be so exchanged shall be surrendered to the Warrant Agent at its Corporate Office, and the Company shall execute and the Warrant Agent shall countersign, issue and deliver in exchange therefor the Warrant Certificate or Certificates which the Registered Holder making the exchange shall be entitled to receive.

(b) The Warrant Agent shall keep, at such office, books in which, subject to such reasonable regulations as it may prescribe, it shall register Warrant Certificates and the transfer thereof. Upon due presentment for registration of transfer of any Warrant Certificate at such office, the Company shall execute and the Warrant Agent shall issue and deliver to the transferee or transferees a new Warrant Certificate or Certificates representing an equal aggregate number of Warrants.

(c) With respect to any Warrant Certificates presented for registration of transfer, or for exchange or exercise, the subscription or assignment form, as the case may be, on the reverse thereof shall be duly endorsed or be accompanied by a written instrument or instruments of subscription or assignment, in form satisfactory to the Company and the Warrant Agent, duly executed by the Registered Holder thereof or his attorney duly authorized in writing.

(d) No service charge shall be made for any exchange or registration of transfer of Warrant Certificates. However, the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith.

(e) All Warrant Certificates surrendered for exercise or for exchange shall be promptly canceled by the Warrant Agent.

(f) Prior to due presentment for registration or transfer thereof, the Company and the Warrant Agent may deem and treat the Registered Holder of

any Warrant Certificate as the absolute owner thereof of each Warrant represented thereby (notwithstanding any notations of ownership or writing thereon made by anyone other than the Company or the Warrant Agent) for all purposes and shall not be affected by any notice to the contrary.

SECTION 7. LOSS OR MUTILATION.

Upon receipt by the Company and the Warrant Agent of evidence satisfactory to them of the ownership of and the loss, theft, destruction or mutilation of any Warrant Certificate and (in the case of loss, theft or destruction) of indemnity satisfactory to them, and (in case of mutilation) upon surrender and cancellation thereof, the Company shall execute and the Warrant Agent shall countersign and deliver in lieu thereof a new Warrant Certificate, representing an

equal number of Warrants. Applicants for a substitute Warrant Certificate shall also comply with such other reasonable regulations and pay such other reasonable charges as the Warrant Agent may prescribe.

SECTION 8. ADJUSTMENT OF PURCHASE PRICE AND NUMBER OF SHARES OF COMMON STOCK DELIVERABLE.

(a) (i) Except as hereinafter provided, in the event the Company shall, at any time or from time to time after the date hereof, sell any shares of Common Stock, including shares held in the Company's treasury and shares of Common Stock issued upon the exercise of any options, rights or warrants to subscribe for shares of Common Stock and shares of Common Stock issued upon the direct or indirect conversion or exchange of securities, for a consideration per share less than the Purchase Price or issue any shares of Common Stock as a stock dividend to the holders of Common Stock, or subdivide or combine the outstanding shares of Common Stock into a greater or lesser number of shares (any such sale, issuance, subdivision or combination being herein called a "Change of Shares"), then, and thereafter upon each further Change of Shares, the Purchase Price for the Warrants (whether or not the same shall be issued and outstanding) in effect immediately prior to such Change of Shares shall be changed to a price (including any applicable fraction of a cent to the nearest cent) determined by dividing (A) the sum of (x) the total number of shares of Common Stock outstanding immediately prior to such Change of Shares, multiplied by the Purchase Price in effect immediately prior to such Change of Shares, and (y) the consideration, if any, received by the Company upon such sale, issuance, subdivision or combination by (B) the total number of sham of Common Stock outstanding immediately after such Change of Shares; PROVIDED, HOWEVER, that in no event shall the Purchase Price be adjusted pursuant to this computation to an amount in excess of the Purchase Price in effect immediately prior to such computation, except in the case of a combination of outstanding shares of Common Stock.

For the purposes of any adjustment to be made in accordance with this Section 8(a)(i) the following provisions shall be applicable:

(A) In case of the issuance or sale of shares of Common Stock (or of other securities deemed hereunder to involve the issuance or sale of shares of Common Stock) for a consideration part or all of which shall be cash, the amount of the cash portion of the consideration therefor deemed to have been received by the Company shall be (i) the subscription price, if shares of Common Stock are offered by the Company for subscription, or (ii) the public offering price (before deducting therefrom any compensation paid or discount allowed in the sale, underwriting or purchase thereof by underwriters or dealers or others performing similar services, or any expenses incurred in connection therewith), if such securities are sold to underwriters or dealers for public offering without a subscription offering, or (iii) the gross amount of cash actually received by the Company for such securities, in any other case.

(B) In case of the issuance or sale (otherwise than as a dividend or other

distribution on any stock of the Company) of shares of Common Stock (or of other securities deemed hereunder to involve the issuance or sale of shares of Common Stock) for a consideration part or all of which shall be other than cash or as part of a unit, the amount of the consideration therefor other than cash deemed to have been received by the Company or the amount received per share as part of a unit shall be the value of such consideration as determined in good faith by the Board of Directors of the Company on the basis of a record of values of similar property, services or securities.

(C) Shares of Common Stock issuable by way of dividend or other distribution on any stock of the Company shall be deemed to have been issued immediately after the opening of business on the day following the record date for the determination of shareholders entitled to receive such dividend or other distribution and shall be deemed to have been issued without consideration.

(D) The reclassification of securities of the Company other than shares of Common Stock into securities including shares of Common Stock shall be deemed to involve the issuance of such shares of Common Stock for a consideration other than cash immediately prior to the close of business on the date fixed for the determination of security holders entitled to receive such shares, and the value of the consideration allocable to such shares of Common Stock shall be determined as provided in Section 8(a)(i)(B) hereof.

(E) The number of shares of Common Stock at any one time outstanding shall be deemed to include the aggregate maximum number of shares issuable (subject to readjustment upon the actual issuance thereof) upon the exercise of options, rights or warrants and upon the conversion or exchange of convertible or exchangeable securities.

(ii) Upon each adjustment of the Purchase Price pursuant to this Section 8, the number of shares of Common Stock purchasable upon the exercise of each Warrant shall be the number derived by multiplying the number of shares of Common Stock purchasable immediately prior to such adjustment by the Purchase Price in effect prior to such adjustment and dividing the product so obtained by the applicable adjusted Purchase Price.

(b) In case the Company shall at any time after the date hereof issue options, rights or warrants to subscribe for shares of Common Stock, or issue any securities convertible into or exchangeable for shares of Common Stock, for a consideration per share (determined as provided in Section 8(a)(i) hereof and as provided below) less than the Purchase Price in effect immediately prior to the issuance of such options, rights or warrants, or such convertible or exchangeable securities, or without consideration (including the issuance of any such securities by way of dividend or other distribution), the Purchase Price for the Warrants (whether or not the same shall be issued and outstanding) in effect immediately prior to the issuance of such options, rights or warrants, or such convertible or exchangeable securities, as the case may be, shall be reduced to a price determined by making the computation in accordance with the provisions of Section 8(a)(i) hereof, provided that:

(i) The aggregate maximum number of shares of Common Stock, as the case may be, issuable or that may become issuable under such options, rights or warrants (assuming exercise in full even if not then currently exercisable or currently exercisable in full) shall be deemed to be issued and outstanding at

the time such options, rights or warrants were issued, for a consideration equal to the minimum purchase price per share provided for in such options, rights or warrants at the time of issuance, plus the consideration, if any, received by the Company for such options, rights or warrants; PROVIDED, HOWEVER, that upon the expiration or other termination of such options, rights or warrants, if any thereof shall not have been exercised, the number of shares of Common Stock deemed to be issued and outstanding pursuant to this subsection (i) (and for the purposes of Section 8(a)(i)(E) hereof) shall be reduced by the number of shares as to which options, warrants and/or rights shall have expired, and such number of shares shall no longer be deemed to be issued and outstanding, and the Purchase Price then in effect shall forthwith be readjusted and thereafter be the price that it would have been had adjustment been made on the basis of the issuance only of the shares actually issued plus the shares remaining issuable upon the exercise of those options, rights or warrants as to which the exercise rights shall not have expired or terminated unexercised.

(ii) The aggregate maximum number of shares of Common Stock issuable or that may become issuable upon conversion or exchange of any convertible or exchangeable securities (assuming conversion or exchange in full even if not then currently convertible or exchangeable in full) shall be deemed to be issued and outstanding at the time of issuance of such securities, for a consideration equal to the consideration received by the Company for such securities, plus the minimum consideration, if any, receivable by the Company upon the conversion or exchange thereof; PROVIDED, HOWEVER, that upon the termination of the right to convert or exchange such convertible or exchangeable securities (whether by reason of redemption or otherwise), the number of shares of Common Stock deemed to be issued and outstanding pursuant to this subsection (ii) (and for the purposes of Section 8(a)(i)(E) hereof) shall be reduced by the number of shares as to which the conversion or exchange rights shall have expired or terminated unexercised, and such number of shares shall no longer be deemed to be issued and outstanding, and the Purchase Price then in effect shall forthwith be readjusted and thereafter be the price that it would have been had adjustment been made on the basis of the issuance only of the shares actually issued plus the shares remaining issuable upon conversion or exchange of those convertible or exchangeable securities as to which the conversion or exchange rights shall not have expired or terminated unexercised.

(iii) If any change shall occur in the price per share provided for in any of the options, rights or warrants referred to in Section 8(b)(i) hereof, or in the price per share or ratio at which the securities referred to in Section 8(b)(ii) hereof are convertible or exchangeable, such options, rights or warrants or conversion or exchange rights, as the case may be, to the extent not theretofore exercised, shall be deemed to have expired or terminated on the date when such price change became effective in respect of shares not theretofore issued pursuant to the exercise or conversion or exchange thereof, and the Company shall be deemed to have issued upon such date new options, rights or warrants or convertible or exchangeable securities.

(c) In case of any reclassification or change of outstanding shares of Common Stock issuable upon exercise of the Warrants (other than a change in par value, or from par value to no par value, or from no par value to par value or as a result of a subdivision or combination), or in case of any consolidation or merger of the Company with or into another corporation (other than a merger with a Subsidiary in which merger the Company is the continuing corporation and which does not result in any reclassification or change of the then outstanding shares of Common Stock or other capital stock issuable upon exercise of the Warrants), or in case of any sale or conveyance to another corporation of the property of the Company as an entirety or substantially as an entirety, then, as a condition of such reclassification, change, consolidation, merger, sale or conveyance, the Company, or such successor or purchasing corporation, as the case may be, shall make lawful and adequate provision whereby the Registered Holder of each Warrant then outstanding shall have the right thereafter to

receive on exercise of such Warrant the kind and amount of securities and property receivable upon such reclassification, change, consolidation, merger, sale or conveyance by a holder of the number of securities issuable upon exercise of such Warrant immediately prior to such reclassification, change, consolidation, merger, sale or conveyance and shall forthwith file at the Corporate Office of the Warrant Agent a statement signed by its Chairman of the Board, President or a Vice President and by its Treasurer or an Assistant Treasurer or its Secretary or an Assistant Secretary evidencing such provision. Such provisions shall include provision for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in Sections 8(a) and 8(b) hereof. The above provisions of this Section 8(c) shall similarly apply to successive reclassifications and changes of shares of Common Stock and to successive consolidations, mergers, sales or conveyances.

(d) Irrespective of any adjustments or changes in the Purchase Price or the number of shares of Common Stock purchasable upon exercise of the Warrants, the Warrant Certificates theretofore and thereafter issued shall, unless the Company shall exercise its option to issue new Warrant Certificates pursuant to Section 2(e) hereof, continue to express the Purchase Price per share and the number of shares purchasable thereunder as the Purchase Price per share and the number of shares purchasable thereunder were expressed in the Warrant Certificates when the same were originally issued.

(e) After each adjustment of the Purchase Price pursuant to this Section 8, the Company will promptly prepare a certificate signed by the Chairman of the Board, President, or a Vice President and by the Treasurer or the Secretary of the Company setting forth: (i) the Purchase Price, as so adjusted, (ii) the number of shares of Common Stock purchasable upon exercise of each Warrant, after such adjustment, and (iii) a brief statement of the facts accounting for such adjustment. The Company will promptly file such certificate with the Warrant Agent and cause a brief summary thereof to be sent by ordinary first class mail to each Registered Holder at his last address as it shall appear on the registry books of the Warrant Agent. No failure to mail such notice nor any defect therein or in the mailing thereof shall affect the validity thereof except as to the holder to whom the Company failed to mail such notice, or except as to the holder whose notice was defective. The affidavit of an officer of the Warrant Agent or the Secretary or an Assistant Secretary of the Company that such notice has been mailed shall, in the

absence of fraud, be prima facie evidence of the facts stated therein.

(f) No adjustment of the Purchase Price shall be made as a result of or in connection with (i) the issuance or sale of shares of Common Stock upon the exercise of any "incentive stock options" (as such term is defined in the Internal Revenue Code of 1986, as amended), or any non-qualified stock options to non-employee directors of the Company pursuant to the Company's 1996 Stock Option Plan, whether or not such options were outstanding on the date hereof, or (ii) the issuance or sale of shares of Common Stock if the amount of said adjustment shall be less than ten cents ($.10); PROVIDED, HOWEVER, that in such case, any adjustment that would otherwise be required then to be made shall be carried forward and shall be made at the time of and together with the next subsequent adjustment that shall amount, together with any adjustment so carried forward, to at least ten cents ($. 10). In addition, Registered Holders shall not be entitled to cash dividends paid by the Company prior to the exercise of any Warrant or Warrants held by them.

(g) In case of any consolidation of the Company with or merger of the Company into another corporation or other entity or in case of any sale, lease, conveyance or other transfer to another corporation, person or other entity of the property, assets or business of the Company as an entirety or substantially as an entirety, the Company or such successor or purchasing corporation, person or other entity, as the case may be, shall execute with the Warrantholder, and the agreements governing such consolidation, merger, sale, lease, conveyance or

other transfer shall require such execution of, an agreement that the Warrantholder shall have the right thereafter upon payment of the Warrant Price in effect immediately prior to such event, upon exercise of the Warrants, to receive the kind and amount of shares and other securities and property which it would have owned or have been entitled to receive after the happening of such consolidation, merger, sale, lease, conveyance or other transfer had the Warrants (and each underlying security) been exercised immediately prior to such action. The Company shall promptly mail to each Warrantholder by first class mail, postage prepaid, notice of the execution of any such agreement. In the event of a merger described in Section 368(a)(2)(E) of the Internal Revenue Code of 1986, in which the Company is the surviving corporation, the right to purchase shares of Warrant Stock under the Warrants shall terminate on the date of such merger and thereupon the Warrants shall become null and void, but only if the controlling corporation shall agree to substitute for the Warrants its warrant which entitles the holder thereof to purchase upon its exercise the kind and amount of shares and other securities and property which it would have owned or been entitled to receive had the Warrants been exercised immediately prior to such merger. Any such agreements referred to in this Section 8(g) shall provide for adjustments, which shall be as nearly equivalent as may be practicable to the adjustments provided for in Section 8 hereof, and shall provide for terms and provisions at least as favorable to the Warrantholder as those contained in this Agreement. The provisions of this Section 8(g) shall similarly apply to successive consolidations, mergers, sales, leases, conveyances or other transfers.

(h) Before taking any action which would cause an adjustment effectively

reducing the portion of the Purchase Price allocable to each share of Warrant Stock below the then par value per share, if any, of the Warrant Stock issuable upon exercise of the Warrants, the Company shall take any corporate action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue fully paid and nonassessable Warrant Stock upon exercise of the Warrants.

(i) The Company may retain Coopers & Lybrand L.L.P. (or such other accounting firm qualified to practice in front of the Securities and Exchange Commission (the "Commission") as is reasonably acceptable to the Representative) to make any computation required under this Section 8, and a certificate signed by such firm shall be conclusive evidence of the correctness of any computation made under this Section 8.

SECTION 9. REDEMPTION.

(a) Commencing on the Initial Warrant Redemption Date, the Company may, on thirty (30) days' prior written notice, redeem all of the Warrants at a redemption price of twenty five cents ($.25) per Warrant; PROVIDED, HOWEVER, that before any such call for redemption of Warrants can take place, (i) the average closing bid price for the Common Stock in the over-the-counter market as reported by the Nasdaq Stock Market or (ii) the average closing sale price on the primary exchange on which the Common Stock is traded, if the Common Stock is traded on a national securities exchange, shall have for any twenty (20) trading days within a period of thirty (30) consecutive trading days ending on the fifth (5th) trading day prior to the date on which the notice contemplated by SECTIONS 9(b) and 9(c) hereof is given, equaled or exceeded _____ Dollars and _____ Cents ($____) [140% OF IPO PRICE] per share (subject to adjustment in the event of any stock splits or other similar events as provided in SECTION 8 hereof).

(b) In case the Company shall exercise its right to redeem all of the Warrants, it shall give or cause to be given notice to the Registered Holders of the Warrants, by mailing to such Registered Holders a notice of redemption, first class, postage prepaid, at their last address as shall appear on the records of the Warrant Agent. Any notice mailed in the manner provided herein

shall be conclusively presumed to have been duly given whether or not the Registered Holder receives such notice. Not less than five (5) business days prior to the mailing to the Registered Holders of the Warrants of the notice of redemption, the Company shall deliver or cause to be delivered to the Representative or its successors or assigns a similar notice telephonically and confirmed in writing, together with a list of the Registered Holders (including their respective addresses and number of Warrants beneficially owned by them) to whom such notice of redemption has been or will be given.

(c) The notice of redemption shall specify (i) the redemption price, (ii) the date fixed for redemption, which shall in no event be less than thirty (30) days after the date of mailing of such notice, (iii) the place where the Warrant Certificates shall be delivered and the redemption price that shall be paid, (iv) that the Representative or its successors or assigns is the Company's exclusive warrant solicitation agent and shall receive the commission contemplated

by SECTION 4(b) hereof, and (v) that the right to exercise the Warrant shall terminate at 5:00 p.m. (California time) on the business day immediately preceding the date fixed for redemption. The date fixed for the redemption of the Warrants shall be the "Redemption Date" for purposes of this Agreement. No failure to mail such notice nor any defect therein or in the mailing thereof shall affect the validity of the proceedings for such redemption except as to a holder (A) to whom notice was not mailed or (B) whose notice was defective. An affidavit of the Warrant Agent or the Secretary or Assistant Secretary of the Company that notice of redemption has been mailed shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

(d) Any right to exercise a Warrant shall terminate at 5:00 p.m. (California time) on the business day immediately preceding the Redemption Date. The redemption price payable to the Registered Holders shall be mailed to such persons at their addresses of record.

(e) The Company shall indemnify the Underwriters and each person, if any, who controls either of the Underwriters within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act against all loss, claim, damage, expense or liability (including all expenses reasonably incurred in investigating, preparing or defending against any claim whatsoever) to which any of them may become subject under the Act, the Exchange Act or otherwise arising out of the registration statement or prospectus referred to in Section 5(b) hereof to the same extent and with the same effect (including the provisions regarding contribution) as the provisions pursuant to which the Company has agreed to indemnify the Underwriters contained in SECTION 7 of the Underwriting Agreement.

(f) Five (5) business days prior to the Redemption Date, the Company shall furnish to the Representative (i) an opinion of counsel to the Company, dated such date and addressed to the Representative, and (ii) a "cold comfort" letter dated such date addressed to the Representative, signed by the independent public accountants who have issued a report on the Company's financial statements included in the registration statement referred to in SECTION 5(b) hereof, in each case covering substantially the same matters with respect to such registration statement (and the prospectus included therein) and, in the case of such accountants' letter, with respect to events subsequent to the date of such financial statements, as are customarily covered in opinions of issuer's counsel and in accountants' letters delivered to underwriters in underwritten public offerings of securities, including, without limitation, those matters covered in SECTION 6(i) of the Underwriting Agreement.

(g) The Company shall as soon as practicable after the Redemption Date, and in any event within fifteen (15) months thereafter, make "generally available to its security holders" (within the meaning of Rule 158 under the Act) an earnings statement (which need not be audited) complying with SECTION

11(a) of the Act and covering a period of at least twelve (12) consecutive months beginning after the Redemption Date.

(h) The Company shall deliver to the Representative within five (5) business days prior to the Redemption Date copies of all correspondence between the Commission and the

Company, its counsel or auditors and all memoranda relating to discussions with the Commission or its staff with respect to the registration statement referred to in SECTION 5(b) hereof and permit the Representative to do such investigation, upon reasonable advance notice, with respect to information contained in or omitted from the registration statement as it deems reasonably necessary to comply with applicable securities laws or the rules of the NASD. Such investigation shall include access to books, records and properties and opportunities to discuss the business of the Company with its officers and independent auditors, all to such reasonable extent and at such reasonable times and as often as the Representative shall reasonably request.

SECTION 10. REGISTRATION REQUIREMENT.

The Company shall be obligated to the registered holders of the Warrants to continually maintain, at the Company's own expense, the currency and effectiveness of a registration statement of the Company under the Act including the filing of any and all applications and other notifications, filings and post-effective amendments and supplements (collectively, the "Current Registration Statement") and any necessary filings under applicable state blue sky (securities) laws, as may be necessary, so as to permit the issuance of the Common Stock underlying the Warrants to the holder of the Warrants and the subsequent resale thereof to the public, until the earlier of the time that all Warrants have been exercised pursuant to the Current Registration Statement or the Warrant Expiration Date.

SECTION 11. CONCERNING THE WARRANT AGENT.

(a) The Warrant Agent acts hereunder as agent and in a ministerial capacity for the Company and the Representative, and its duties shall be determined solely by the provisions hereof. The Warrant Agent shall not, by issuing and delivering Warrant Certificates or by any other act hereunder, be deemed to make any representations as to the validity or value or authorization of the Warrant Certificates or the Warrants represented thereby or of any securities or other property delivered upon exercise of any Warrant or whether any stock issued upon exercise of any Warrant is fully paid and non-assessable.

(b) The Warrant Agent shall not at any time be under any duty or responsibility to any holder of Warrant Certificates to make or cause to be made any adjustment of the Purchase Price provided in this Agreement, or to determine whether any fact exists which may require any such adjustment, or with respect to the nature or extent of any such adjustment, when made, or with respect to the method employed in making the same. It shall not (i) be liable for any recital or statement of fact contained herein or for any action taken, suffered or omitted by it in reliance on any Warrant Certificate or other document or instrument believed by it in good faith to be genuine and to have been signed or presented by the proper party or parties, (ii) be responsible for any failure on the part of the Company to comply with any of its covenants and obligations contained in this Agreement or in any Warrant Certificate, or (iii) be liable for any act or omission in connection with this Agreement except for its own gross negligence or willful misconduct.

(c) The Warrant Agent may at any time consult with counsel satisfactory to it (who may be counsel for the Company or the Representative) and shall incur no liability or responsibility for any action taken, suffered or omitted by it in good faith in accordance with the opinion or advice of such counsel.

(d) Any notice, statement, instruction, request, direction, order or demand of the Company shall be sufficiently evidenced by an instrument signed by the Chairman of the Board of Directors, President or any Vice President (unless other evidence in respect thereof is herein specifically prescribed). The Warrant Agent shall not be liable for any action taken, suffered or omitted by it in accordance with such notice, statement, instruction, request, direction, order or demand.

(e) The Company agrees to pay the Warrant Agent reasonable compensation for its services hereunder and to reimburse it for its reasonable expenses hereunder; the Company further agrees to indemnify the Warrant Agent and hold it harmless against any and all losses, expenses and liabilities, including judgments, costs and counsel fees, for anything done or omitted by the Warrant Agent in the execution of its duties and powers hereunder except losses, expenses and liabilities arising as a result of the Warrant Agent's gross negligence or willful misconduct.

(f) The Warrant Agent may resign its duties and be discharged from all further duties and liabilities hereunder (except liabilities arising as a result of the Warrant Agent's own gross negligence or willful misconduct), after giving thirty (30) days' prior written notice to the Company. At least fifteen (15) days prior to the date such resignation is to become effective, the Warrant Agent shall cause a copy of such notice of resignation to be mailed to the Registered Holder of each Warrant Certificate at the Company's expense. Upon such resignation the Company shall appoint in writing a new warrant agent. If the Company shall fail to make such appointment within a period of thirty (30) days after it has been notified in writing of such resignation by the resigning Warrant Agent, then the Registered Holder of any Warrant Certificate may apply to any court of competent jurisdiction for the appointment of a new warrant agent. Any new warrant agent, whether appointed by the Company or by such a court, shall be a bank or trust company having a capital and surplus, as shown by its last published report to its stockholders, of not less than ten million dollars ($10,000,000) or a stock transfer company reasonably acceptable to the Representative. After acceptance in writing of such appointment by the new warrant agent is received by the Company, such new warrant agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named herein as the warrant agent, without any further assurance, conveyance, act or deed; but if for any reason it shall be necessary or expedient to execute and deliver any further assurance, conveyance, act or deed, the same shall be done at the expense of the Company and shall be legally and validly executed and delivered by the resigning Warrant Agent. Not later than the effective date of any such appointment, the Company shall file notice thereof with the resigning Warrant Agent and shall forthwith cause a copy of such notice to be mailed to the Registered Holder of each Warrant Certificate.

(g) Any corporation into which the Warrant Agent or any new warrant agent may be converted or merged, any corporation resulting from any consolidation to which the Warrant Agent or any new warrant agent shall be a party, or any corporation succeeding to the corporate trust business of the Warrant Agent or any new warrant agent shall be a successor warrant agent under this Agreement without any further act, provided that such corporation is eligible for appointment as successor to the Warrant Agent under the provisions of the preceding paragraph. Any such successor warrant agent shall promptly cause notice of its succession as warrant agent to be mailed to the Company and to the Registered Holders of each Warrant Certificate.

(h) The Warrant Agent, its subsidiaries and affiliates, and any of its or their officers or directors, may buy and hold or sell Warrants or other securities of the Company and otherwise deal with the Company in the same manner and to the same extent and with like effect as though it were not Warrant Agent. Nothing herein shall preclude the Warrant Agent from acting in any other capacity for the Company or for any other legal entity.

(i) The Warrant Agent shall retain for a period of two (2) years from the date of exercise any Warrant Certificate received by it upon such exercise.

SECTION 12. MODIFICATION OF AGREEMENT.

The Warrant Agent and the Company may by supplemental agreement make any changes or corrections in this Agreement (a) that they shall deem appropriate to cure any ambiguity or to correct any defective or inconsistent provision or manifest mistake or error herein contained, or (b) that they may deem necessary or desirable and which shall not be inconsistent with the Warrant Certificates or adversely affect the interests of the holders of Warrant Certificates; PROVIDED, HOWEVER, that this Agreement shall not otherwise be modified, supplemented or altered in any respect except with the consent in writing of the Registered Holders holding not less than sixty-six and two-thirds percent (66-2/3%) of the Warrants then outstanding; provided, further, that no change in the number or nature of the securities purchasable upon the exercise of any Warrant, and no change that increases the Purchase Price of any Warrant, other than such changes as are specifically set forth in this Agreement as originally executed, shall be made without the consent in writing of each Registered Holder affected by such change. In addition, this Agreement may not be modified, amended or supplemented without the prior written consent of the Representative or its successors or assigns, other than to cure any ambiguity or to correct any defective or inconsistent provision or manifest mistake or error herein contained or to make any such change that the Warrant Agent and the Company deem necessary or desirable and which shall not adversely affect the interests of the Representative or its successors or assigns.

SECTION 13. NOTICES.

All notices, requests, consents and other communications hereunder shall be in writing and shall be deemed to have been made when delivered or mailed first-class postage prepaid or delivered to a telegraph office for transmission, if to the Registered Holder of a Warrant Certificate, at the address of such holder as shown on the registry books maintained by the Warrant Agent; if to the Company, at 26131 Marguerite Parkway, Suite A, Mission Viejo, California 92692, Attention: Paul A. Motenko, Chief Executive Officer, or at such other address as may have been furnished to the Warrant Agent in writing by the Company; if to the Representative, at 2049 Avenue of the Stars, 30th Floor, Los Angeles, California 90067, Attention: Mr. Robert A. DiMinico; and if to the Warrant Agent, at its Corporate Office.

SECTION 14. GOVERNING LAW.

This Agreement shall be governed by and construed in accordance with the laws of the State of California without giving effect to conflicts of laws.

SECTION 15. BINDING EFFECT.

This Agreement shall be binding upon and inure to the benefit of the Company, the Warrant Agent, the Representative and their respective successors and assigns and the holders from time to time of Warrant Certificates or any of them. Except as hereinafter stated, nothing in this Agreement is intended or shall be construed to confer upon any other person any right, remedy or claim or to impose upon any other person any duty, liability or obligation.

SECTION 16. COUNTERPARTS.

This Agreement may be executed in several counterparts, which taken together shall constitute a single document.

[Rest of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

CHICAGO PIZZA & BREWERY, INC.

By:_____
Name: Paul A. Motenko
Title: Chief Executive Officer

THE BOSTON GROUP, L.P.

By:_____
Name:
Title:

U.S. STOCK TRANSFER CORPORATION
As Warrant Agent

By:_____
Name:
Title:

EXHIBIT A

No. W_____ VOID AFTER _____, 2001
[66 MONTHS AFTER EFFECTIVE DATE]

____ WARRANTS

REDEEMABLE WARRANT CERTIFICATE TO
PURCHASE SHARES OF COMMON STOCK

CHICAGO PIZZA & BREWERY, INC.

CUSIP _____

THIS CERTIFIES THAT, FOR VALUE RECEIVED

or registered assigns (the "Registered Holder") is the owner of the number of redeemable warrants (the "Warrants") specified above. Each Warrant initially entitles the Registered Holder to purchase, subject to the terms and conditions set forth in this Certificate and the Warrant Agreement (as hereinafter defined), one fully paid and non-assessable share of Common Stock, no par value, of Chicago Pizza & Brewery, Inc., a California corporation (the "Company"), at any time from _____, 1997 [ONE YEAR AFTER EFFECTIVE DATE] and prior to the Expiration Date (as hereinafter defined) upon the presentation and surrender of this Warrant Certificate with the Subscription Form on the reverse hereof duly executed, at the corporate office of U.S. Stock Transfer Corporation, 1745 Gardena Avenue, Glendale, California 91204-2991, as Warrant Agent, or its successor (the "Warrant Agent"), accompanied by payment of $____ [110% OF IPO PRICE], subject to adjustment (the "Purchase Price"), in lawful money of the United States of America in cash or by check made payable to the Warrant Agent for the account of the Company.

This Warrant Certificate and each Warrant represented hereby are issued pursuant to and are subject in all respects to the terms and conditions set forth in the Warrant Agreement (the "Warrant Agreement"), dated _____, 1996, by and among the Company, The Boston Group, L.P. and the Warrant Agent.

In the event of certain contingencies provided for in the Warrant Agreement, the Purchase Price and the number of shares of Common Stock subject to purchase upon the exercise of each Warrant represented hereby are subject to modification or adjustment.

Each Warrant represented hereby is exercisable at the option of the Registered Holder, but no fractional interests will be issued. In the case of the exercise of less than all the Warrants represented hereby, the Company shall cancel this Warrant Certificate upon the surrender hereof and shall execute and deliver a new Warrant Certificate or Warrant Certificates of like tenor, which the Warrant Agent shall countersign, for the balance of such Warrants.

The term "Expiration Date" shall mean 5:00 p.m. (California time) on _____, 2002 [66 MONTHS AFTER EFFECTIVE DATE]. If such date shall in the State of California be a holiday or a day on which banks are authorized to close, then the Expiration Date shall mean 5:00 p.m. (California time) the next following day which in the State of California is not a holiday or a day on which banks are authorized to close.

The Company shall not be obligated to deliver any securities pursuant to the exercise of this Warrant unless a registration statement under the

Securities Act of 1933, as amended (the "Act"), with respect to such securities is effective or an exemption thereunder is available. The Company has covenanted and agreed that it will file a registration statement under the Federal securities laws, use its best efforts to cause the same to become effective, to keep such registration statement current, if required under the Act, while any of the Warrants are outstanding, and deliver a prospectus which complies with Section 10(a)(3) of the Act to the Registered Holder exercising this Warrant. This Warrant shall not be exercisable by a Registered Holder in any state where such exercise would be unlawful.

This Warrant Certificate is exchangeable, upon the surrender hereof by the Registered Holder at the corporate office of the Warrant Agent, for a new Warrant Certificate or Warrant Certificates of like tenor representing an equal aggregate number of Warrants, each of such new Warrant Certificates to represent such number of Warrants as shall be designated by such Registered Holder at the time of such surrender. Upon due presentment and payment of any tax or other charge imposed in connection therewith or incident thereto, for registration of transfer of this Warrant Certificate at such office, a new Warrant Certificate or Warrant Certificates representing an equal aggregate number of Warrants will be issued to the transferee in exchange therefor, subject to the limitations provided in the Warrant Agreement.

Prior to the exercise of any Warrant represented hereby, the Registered Holder shall not be entitled to any rights of a stockholder of the Company, including, without limitation, the right to vote or to receive dividends or other distributions, and shall not be entitled to receive any notice of any proceedings of the Company, except as provided in the Warrant Agreement.

Subject to the provisions of the Warrant Agreement, this Warrant may be redeemed at the option of the Company, at a redemption price of $.25 per Warrant, at any time commencing ____ _, 1997 [ONE YEAR AFTER EFFECTIVE DATE], provided that (i) the average closing bid price for the Company's Common Stock in the over-the-counter market as reported by the Nasdaq Stock Market or (ii) the average closing sale price on the primary exchange on which the Common Stock is traded, if the Common Stock is traded on a national securities exchange, shall

have for any twenty (20) trading days within a period of thirty (30) consecutive trading days ending on the fifth trading day prior to the Notice of Redemption, as defined below, equaled or exceeded $____ [140% OF IPO PRICE] per share (subject to adjustment in the event of any stock splits or other similar events). Notice of redemption (the "Notice of Redemption") shall be given not later than the thirtieth day before the date fixed for redemption, all as provided in the Warrant Agreement. On and after the date fixed for redemption, the Registered Holder shall have no rights with respect to this Warrant except to receive the $.25 per Warrant upon surrender of this Certificate.

Under certain circumstances, The Boston Group, L.P. shall be entitled to receive an aggregate of five percent of the Purchase Price of the Warrants represented hereby.

Prior to due presentment for registration of transfer hereof, the Company and the Warrant Agent may deem and treat the Registered Holder as the absolute owner hereof and of each Warrant represented hereby (notwithstanding any notations of ownership or writing hereon made by anyone other than a duly authorized officer of the Company or the Warrant Agent) for all purposes and shall not be affected by any notice to the contrary, except as provided in the Warrant Agreement.

This Warrant Certificate shall be governed by and construed in accordance with the laws of the State of California without giving effect to conflicts of laws.

This Warrant Certificate is not valid unless countersigned by the Warrant Agent.

IN WITNESS WHEREOF, the Company has caused this Warrant Certificate to be duly executed, manually or in facsimile by two of its officers thereunto duly authorized and a facsimile of its corporate seal to be imprinted hereon.

Dated: _____, 1996

CHICAGO PIZZA & BREWERY, INC.

[SEAL]

By:_____
Name: Paul A. Motenko
Title: Chief Executive Officer

By:_____
Name: Jeremiah J. Hennessy
Title: Chief Operating Officer

COUNTERSIGNED:

U.S. STOCK TRANSFER CORPORATION,
as Warrant Agent

By:_____
Authorized Officer

SUBSCRIPTION FORM

To Be Executed by the Registered Holder
in Order to Exercise Warrant

The undersigned Registered Holder hereby irrevocably elects to exercise Warrants represented by this Warrant Certificate, and to purchase the securities issuable upon the exercise of such Warrants, and requests that certificates for such securities be issued in the name of

PLEASE INSERT SOCIAL SECURITY
OR OTHER IDENTIFYING NUMBER

_____

_____

_____

_____
(please print or type name and address)

and be delivered to

_____

_____

_____

_____

please print or type name and address)

and if such number of Warrants shall not be all the Warrants evidenced by this Warrant Certificate, that a new Warrant Certificate for the balance of such Warrants be registered in the name of, and delivered to, the Registered Holder at the address stated below.

The undersigned represents that the exercise of the within Warrant was solicited by a member of the National Association of Securities Dealers, Inc. If not solicited by an NASD member, please write "unsolicited" in the space below. Unless otherwise indicated by listing the name of another NASD member firm, it will be assumed that the exercise was solicited by The Boston Group, L.P.

Check below to indicate the soliciting agent:

_____ The Boston Group, L.P.

_____
(Name of NASD member if other than The Boston Group, L.P.)

Dated:_____ X_____

_____

_____

Address

_____
Social Security or Taxpayer
Identification Number

_____
Signature Guaranteed

_____

ASSIGNMENT

To Be Executed by the Registered Holder
in Order to Assign Warrants

FOR VALUE RECEIVED, _____, hereby sells, assigns and transfers unto

PLEASE INSERT SOCIAL SECURITY OR
OTHER IDENTIFYING NUMBER

_____

_____

_____

_____
(please print or type name and address)

_____ of the Warrants represented by this Warrant Certificate, and hereby irrevocably constitutes and appoints _____ Attorney to transfer this Warrant Certificate on the books of the Company, with full power of substitution in the premises.

Dated:_____ X_____

_____
Signature Guaranteed

THE SIGNATURE TO THE ASSIGNMENT OR THE SUBSCRIPTION FORM MUST CORRESPOND TO THE NAME AS WRITTEN UPON THE FACE OF THIS WARRANT CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATSOEVER AND MUST BE GUARANTEED BY A COMMERCIAL BANK OR TRUST COMPANY OR A MEMBER FIRM OF THE AMERICAN STOCK EXCHANGE, NEW YORK STOCK EXCHANGE, PACIFIC STOCK EXCHANGE, MIDWEST STOCK EXCHANGE OR BOSTON STOCK EXCHANGE.

Draft of August 19, 1996

CHICAGO PIZZA & BREWERY, INC.

THE BOSTON GROUP, L.P.

REPRESENTATIVE'S WARRANT AGREEMENT

Dated as of _____, 1996

_____

REPRESENTATIVE'S WARRANT AGREEMENT

THIS REPRESENTATIVE'S WARRANT AGREEMENT (the "Agreement"), dated as of _____ __, 1996, is made and entered into by and between CHICAGO PIZZA & BREWERY, INC., a California corporation (the "Company") and THE BOSTON GROUP, L.P. (the "Representative").

The Company agrees to issue and sell to the Representative and the Representative agrees to purchase from the Company, for the price of $100, a warrant, as hereinafter described (the "Warrant" and together with any warrants subsequently issued hereunder, the "Warrants"), to purchase (a) up to 150,000 shares, as may be adjusted from time to time as set forth herein, of the Company's common stock, no par value (the "Common Stock") and (b) up to 150,000 Redeemable Warrants (as defined below), as adjusted from time to time as set forth herein or in the Warrant Agreement dated _____, 1996 between the Company and Corporate Stock Transfer Corporation (the "Redeemable Warrant Agreement"). The Warrant is being issued in connection with a public offering

(the "Offering") by the Company of 1,500,000 shares of Common Stock and 1,500,000 warrants (the "Redeemable Warrants") to purchase Common Stock subject to the terms of the Redeemable Warrant Agreement, pursuant to an underwriting agreement (the "Underwriting Agreement"), dated as of _____, 1996, by and between the Company and the Representative. The shares of Common Stock issuable upon exercise of the Warrants, and the shares of Common Stock issuable upon exercise of the Redeemable Warrants that may be purchased upon exercise of this Warrant are hereinafter referred to as the "Warrant Stock." The Redeemable Warrants issuable upon exercise of the Warrants are identical to the Redeemable Warrants issued pursuant to the Underwriting Agreement. The Warrants shall be issued pursuant to this Agreement on the Closing Date, as such term is defined in the Underwriting Agreement.

In consideration of the foregoing and for the purpose of defining the terms and provisions of the Warrants, the Warrant Stock, the Redeemable Warrants issuable upon exercise of the Warrants and the respective rights and obligations thereunder, the Company and the Representative, for value received, hereby agree as follows:

SECTION 1. TRANSFERABILITY AND FORM OF WARRANTS.

1.1 REGISTRATION. All Warrants shall be numbered and shall be registered on the books of the Company when issued.

1.2 TRANSFER. The Warrants shall be transferable only on the books of the Company maintained at its principal office, wherever its principal office may then be located, upon delivery thereof duly endorsed by a Warrantholder (a "Warrantholder") or by its duly authorized attorney or representative and with the signatures properly guaranteed, accompanied by proper evidence of succession, assignment or authority to transfer. Upon any registration of transfer, the Company shall execute and deliver a new certificate evidencing each such Warrant

to each person entitled thereto.

1.3 LIMITATIONS ON TRANSFER OF THE WARRANTS. The Warrants, Warrantstock, and Redeemable Warrants (collectively, the "Securities") shall not be sold, transferred, assigned or hypothecated by the Representative until 9:00 a.m., Pacific time, on _____, 1997 [ONE YEAR AFTER THE EFFECTIVE DATE] and appropriate legends shall be placed on the Warrants, except that Warrants may be transferred before such date: (i) to one or more officers or partners of any Warrantholder, and the officers or partners of any such partner; (ii) to any other member of the National Association of Securities Dealers, Inc. which participated in the Offering and the officers or partners of any such member; (iii) to successors to a Warrantholder or the officers or partners of any such successor; (iv) to a purchaser of all or substantially all of the assets of a Warrantholder; or (v) by will, pursuant to the laws of descent or distribution or by operation of law. The Warrants may be divided or combined, upon request to the Company by a Warrantholder, into a certificate or certificates representing the right to purchase the same aggregate number of Warrant Stock. Unless the context indicates otherwise, the term "Warrantholder" shall include the Representative and any transferee or transferees of the Warrants pursuant to this subsection 1.3 and as otherwise permitted by this Agreement, and the term "Warrants" shall include any and all Warrants outstanding pursuant to this Agreement, including those evidenced by a certificate or certificates issued upon division, exchange, substitution or transfer pursuant to this Agreement.

1.4 FORM OF WARRANTS. The text of the Warrant certificates and of the form of election to purchase Warrant Stock and/or Redeemable Warrants shall be substantially as set forth in Exhibit A attached hereto. The aggregate number of shares of Common Stock and Redeemable Warrants issuable upon exercise of the Warrants is subject to adjustment upon the occurrence of certain events, all as hereinafter or therein provided. The Warrants shall be executed on

behalf of the Company by its President or by a Vice President and attested to by its Secretary or by an assistant Secretary. A Warrant certificate bearing the signature of an individual who was at any time the proper officer of the Company shall bind the Company, notwithstanding that such individual shall have ceased to hold such office prior to the delivery of such Warrant certificate or did not hold such office on the date of this Agreement or at any time thereafter.

The Warrant certificate shall be dated as of the date of signature thereof by the Company either upon initial issuance or upon division, exchange, substitution or transfer.

1.5 LEGENDS. Each certificate for any of the Securities and Warrant Stock shall bear the following legend, unless, at the time of issuance such Security is subject to a currently effective Registration Statement under the Securities Act of 1933, as amended (the "Act"):

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933

AND MAY NOT BE SOLD, EXCHANGED, HYPOTHECATED OR TRANSFERRED IN ANY MANNER EXCEPT IN COMPLIANCE WITH SECTION 11 OF THE REPRESENTATIVE'S WARRANT AGREEMENT PURSUANT TO WHICH THEY WERE ISSUED."

Any certificate issued at any time in exchange or substitution for any certificate bearing such legend (except a new certificate issued upon completion of a public distribution pursuant to an effective registration statement under the Act, of the securities represented thereby) shall also bear the above legend unless, in the opinion of the Company's counsel, the securities represented thereby need no longer be subject to such restrictions.

SECTION 2. EXCHANGE OF WARRANT CERTIFICATE. Any Warrant certificate may be exchanged for another certificate or certificates entitling the Warrantholder to purchase a like aggregate number of shares of Warrant Stock or Redeemable Warrants as the certificate or certificates surrendered then entitled such Warrantholder to purchase. Any Warrantholder desiring to exchange a Warrant certificate shall make such request in writing delivered to the Company, and shall surrender, properly endorsed, the certificate evidencing the Warrant to be so exchanged. Thereupon, the Company shall execute and deliver to the person entitled thereto a new Warrant certificate or certificates as so requested.

SECTION 3. TERM OF WARRANTS; EXERCISE OF WARRANTS.

3.1 EXERCISE OF WARRANTS. Subject to the terms of this Agreement, the Warrantholder shall have the right, at any time and from time to time until 5:00 p.m., Pacific Time, on _____, 2002 [SIX YEARS AFTER THE EFFECTIVE DATE] (the "Termination Date"), to purchase from the Company up to the number of fully paid and nonassessable shares of Warrant Stock and Redeemable Warrants to which the Warrantholder may at the time be entitled to purchase pursuant to this Agreement, upon surrender to the Company, at its principal office, of the certificate evidencing the Warrants to be exercised, together with the purchase form on the reverse thereof duly completed and executed, and upon payment to the Company of the respective Warrant Price (as defined in and determined in accordance with the provisions of this Section 3 and Sections 7 and 8 hereof) for the number of shares of Warrant Stock and/or Redeemable Warrants in respect of which such Warrants are then exercised, but in no event for less than 100 shares of Warrant Stock or 100 Redeemable Warrants (unless less than an aggregate of 100 shares of Warrant Stock or Redeemable Warrants, respectively, are then purchasable under all outstanding Warrants held by such Warrantholder). This Warrant may be exercised from time to time in whole or in part.

3.2 PAYMENT OF WARRANT PRICE. Payment of the Warrant Price shall be made in cash, by certified or official bank check in Los Angeles Clearing House

funds (next day funds), or any combination thereof.

3.3 CASHLESS EXERCISE. In addition to the method of payment set forth in Section 3.2 above and in lieu of any cash payment required thereunder, unless otherwise prohibited by law, the Warrantholders shall have the right at any time and from time to time to exercise the Warrants in full or in part (i) by receiving from the Company the number of shares of Warrant Stock or Redeemable Warrants, as the case may be, equal to the number of shares of Warrant Stock or Redeemable Warrants, respectively, otherwise issuable upon such exercise less the number of shares of Warrant Stock or Redeemable Warrants, respectively, having an aggregate value on the date of exercise equal to the respective Warrant Price multiplied by the number of shares of Warrant Stock or Redeemable Warrants, respectively, for which this Warrant is being exercised and/or (ii) by delivering to the Company the number of shares of Common Stock or Redeemable Warrants, respectively, having an aggregate value on the date of exercise equal to the respective Warrant Price multiplied by the number of shares of Warrant Stock or Redeemable Warrants, respectively, for which this Warrant is being exercised.

Upon surrender of the Warrants and payment of the respective Warrant Price as aforesaid, the Company shall issue and cause to be delivered with all reasonable dispatch to or upon the written order of the Warrantholder, and in such name or names as the Warrantholder may designate, certificates for the number of full shares of Warrant Stock or Redeemable Warrants so purchased upon such exercise of the Warrant, together with cash, as provided in Section 9 hereof, in respect of any fractional shares or Redeemable Warrants otherwise issuable upon such surrender. Such certificate or certificates, to the extent permitted by law, shall be deemed to have been issued and any person so designated to be named therein shall be defined to have become a holder of record of such securities as of the date of surrender of the Warrants and payment of the respective Warrant Price, as aforesaid, notwithstanding that the certificate or certificates representing such securities shall not actually have been delivered or that the stock transfer books or Redeemable Warrants books of the Company shall then be closed. The Warrants shall be exercisable, at the election of the Warrantholder, either in full or from time to time in part for Common Stock or Redeemable Warrants, or both, and, in the event that a Warrant is exercised in respect of less than all of the shares of Warrant Stock or Redeemable Warrants specified therein at any time prior to the Termination Date, a new Warrant evidencing the remaining shares of the Warrant Stock or Redeemable Warrants purchasable by such Warrantholders hereunder shall be issued by the Company to such Warrantholders.

3.4 SOLICITATION FEE. The Company hereby appoints the Representative as the exclusive solicitation agent for the Warrants, and hereby agrees to pay the Representative a commission equal to five percent (5%) of the exercise price of the Warrants (other than Warrants exercised directly on behalf of the Representative), payable on the date of the exercise thereof. The Company will not solicit the exercise of the Warrants other than through the Representative.

SECTION 4. VALIDITY; PAYMENT OF TAXES. All securities delivered upon exercise of a Warrant shall be duly and validly issued and non-assessable. The Company shall pay all documentary stamp taxes, if any, attributable to the initial issuance of the Warrants and the shares of Warrant Stock and Redeemable Warrants issuable upon the exercise of the Warrants;

provided, however, that the Company shall not be required to pay any tax which

may be payable in respect of any secondary transfer of the Warrants, the Warrant Stock or Redeemable Warrants.

SECTION 5. MUTILATED OR MISSING WARRANTS. In case the certificate or certificates evidencing the Warrants shall be mutilated, lost, stolen or destroyed, the Company shall, at the request of the Warrantholder, issue and deliver in exchange and substitution for and upon cancellation of the mutilated certificate or certificates, or in lieu of and substitution for the certificate or certificates lost, stolen or destroyed, a new Warrant certificate or certificates of like tenor and representing an equivalent right or interest, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction of such Warrant.

SECTION 6. RESERVATION OF SHARES. The Company represents and warrants to the Warrantholder that there has been reserved, and the Company shall at all times keep reserved so long as the Warrants and Redeemable Warrants remain outstanding, out of its authorized Common Stock, such number of shares of Common Stock as shall be subject to purchase under the Warrants and Redeemable Warrants. Every transfer agent for the Common Stock and other securities of the Company issuable upon the exercise of the Warrants shall be irrevocably authorized and directed at all times to reserve such number of authorized shares and other securities as shall be required for such purpose. The Company shall keep a copy of this Agreement on file with every transfer agent for the Common Stock and other securities of the Company issuable upon the exercise of the Warrants. The Company shall supply every such transfer agent with duly executed stock and other certificates, as appropriate, for such purpose and shall provide or otherwise make available any cash which may be payable in lieu of the issuance of fractional shares, as provided in Section 9 hereof.

SECTION 7. WARRANT PRICE. The price per share at which shares of Warrant Stock shall be purchasable upon the exercise of the Warrants shall be 120% of the initial public offering price of Common Stock in the Offering, subject to adjustment pursuant to Section 8 hereof (as so adjusted from time to time, the "Purchase Price"). The price per Redeemable Warrant at which Redeemable Warrants shall be purchasable upon the exercise of the Warrants shall be 120% of the initial public offering price of Redeemable Warrants sold in the Offering, subject to adjustment pursuant to Section 8 hereof (as so adjusted from time to time, the "Redeemable Warrant Price"). (The "Purchase Price" and "Redeemable Warrant Price" are herein referred to as the respective "Warrant Price".)

SECTION 8. ADJUSTMENT OF PURCHASE PRICE AND NUMBER OF SHARES OF COMMON STOCK DELIVERABLE.

8.1 ADJUSTMENT OF PURCHASE PRICE.

(a) Except as hereinafter provided, in the event the Company shall, at any time or from time to time after the date hereof, sell any shares of Common Stock, including shares held in the Company's treasury and shares of Common Stock issued upon the exercise of

any options, rights or warrants to subscribe for shares of Common Stock and shares of Common Stock issued upon the direct or indirect conversion or exchange of securities for a consideration per share less than the Purchase Price or issue any shares of Common Stock as a stock dividend to the holders of Common Stock, or subdivide or combine the outstanding shares of Common Stock into a greater or lesser number of shares (any such sale, issuance, subdivision or combination being herein called a "Change of Shares"), then, and thereafter upon each further Change of Shares, the Purchase Price for the Warrants in effect immediately prior to such Change of Shares shall be changed to a price (including any applicable fraction of a cent to the nearest cent) determined by dividing (A) the sum of (x) the total number of shares of Common Stock outstanding immediately prior to such Change of Shares, multiplied by the Purchase Price in effect immediately prior to such Change of Shares, and (y) the consideration, if any, received by the Company upon such sale, issuance,

subdivision or combination by (B) the total number of shares of Common Stock outstanding immediately after such Change of Shares; PROVIDED, HOWEVER, that in no event shall the Purchase Price be adjusted pursuant to this computation to an amount in excess of the Purchase Price in effect immediately prior to such computation, except in the case of a combination of outstanding shares of Common Stock.

For the purposes of any adjustment to be made in accordance with this Section 8.1(a) the following provisions shall be applicable:

(i) In case of the issuance or sale of shares of Common Stock (or of other securities deemed hereunder to involve the issuance or sale of shares of Common Stock) for a consideration part or all of which shall be cash, the amount of the cash portion of the consideration therefor deemed to have been received by the Company shall be (i) the subscription price, if shares of Common Stock are offered by the Company for subscription, or (ii) the public offering price (before deducting therefrom any compensation paid or discount allowed in the sale, underwriting or purchase thereof by underwriters or dealers or others performing similar services, or any expenses incurred in connection therewith), if such securities are sold to underwriters or dealers for public offering without a subscription offering, or (iii) the gross amount of cash actually received by the Company for such securities, in any other case.

(ii) In case of the issuance or sale (otherwise than as a dividend or other distribution on any stock of the Company of shares of Common Stock (or of other securities deemed hereunder to involve the issuance or sale of shares of Common Stock) for a consideration part or all of which shall be other than cash or as part of a unit, the amount of the consideration therefor other than cash deemed to have been received by the Company or the amount received per share as part of a unit shall be the value of such consideration as determined in good faith by the Board of Directors of the Company on the basis of a record of values of similar property, services or securities.

(iii) Shares of Common Stock issuable by way of dividend or other distribution on any stock of the Company shall be deemed to have been issued immediately after the opening of business on the day following the record date for the determination of

shareholders entitled to receive such dividend or other distribution and shall be deemed to have been issued without consideration.

(iv) The reclassification of securities of the Company other than shares of Common Stock into securities including shares of Common Stock shall be deemed to involve the issuance of such shares of Common Stock for a consideration other than cash immediately prior to the close of business on the date fixed for the determination of security holders entitled to receive such shares, and the value of the consideration allocable to such shares of Common Stock shall be determined as provided in Section 8.1(a)(ii) hereof.

(v) The number of shares of Common Stock at any one time outstanding shall be deemed to include the aggregate maximum number of shares issuable (subject to readjustment upon the actual issuance thereof) upon the exercise of options, rights or warrants and upon the conversion or exchange of convertible or exchangeable securities.

(b) Upon each adjustment of the Purchase Price pursuant to this Section 8, the number of shares of Common Stock purchasable upon the exercise of each Warrant shall be the number derived by multiplying the number of shares of Common Stock purchasable immediately prior to such adjustment by the Purchase Price in effect prior to such adjustment and dividing the product so obtained by the applicable adjusted Purchase Price.

8.2 ADJUSTMENTS FOR OPTIONS, ETC. In case the Company shall at any

time after the date hereof issue options, rights or warrants to subscribe for shares of Common Stock, or issue any securities convertible into or exchangeable for shares of Common Stock, for a consideration per share (determined as provided in Section 8.1(a) hereof and as provided below) less than the Purchase Price in effect immediately prior to the issuance of such options, rights or warrants, or such convertible or exchangeable securities, or without consideration (including the issuance of any such securities by way of dividend or other distribution), the Purchase Price in effect immediately prior to the issuance of such options, rights or warrants, or such convertible or exchangeable securities, as the case may be, shall be reduced to a price determined by making the computation in accordance with the provisions of Section 8.1(a) hereof, provided that:

(a) The aggregate maximum number of shares of Common Stock, as the case may be, issuable or that may become issuable under such options, rights or warrants (assuming exercise in full even if not then currently exercisable or currently exercisable in full) shall be deemed to be issued and outstanding at the time such options, rights or warrants were issued, for a consideration equal to the minimum purchase price per share provided for in such options, rights or warrants at the time of issuance, plus the consideration, if any, received by the Company for such options, rights or warrants; PROVIDED, HOWEVER, that upon the expiration or other termination of such options, rights or warrants, if any thereof shall not have been exercised, the number of shares of Common Stock deemed to be issued and outstanding pursuant to this subsection (a) (and for the purposes of Section 8.1(a)(v) hereof) shall be reduced by the number of shares as to which options, warrants and/or rights shall have expired, and such number of

shares shall no longer be deemed to be issued and outstanding, and the Purchase Price then in effect shall forthwith be readjusted and thereafter be the price that it would have been had adjustment been made on the basis of the issuance only of the shares actually issued plus the shares remaining issuable upon the exercise of those options, rights or warrants as to which the exercise rights shall not have expired or terminated unexercised.

(b) The aggregate maximum number of shares of Common Stock issuable or that may become issuable upon conversion or exchange of any convertible or exchangeable securities (assuming conversion or exchange in full even if not then currently convertible or exchangeable in full) shall be deemed to be issued and outstanding at the time of issuance of such securities, for a consideration equal to the consideration received by the Company for such securities, plus the minimum consideration, if any, receivable by the Company upon the conversion or exchange thereof; PROVIDED, HOWEVER, that upon the termination of the right to convert or exchange such convertible or exchangeable securities (whether by reason of redemption or otherwise), the number of shares of Common Stock deemed to be issued and outstanding pursuant to this subsection (b) (and for the purposes of Section 8.1(a)(v) hereof) shall be reduced by the number of shares as to which the conversion or exchange rights shall have expired or terminated unexercised, and such number of shares shall no longer be deemed to be issued and outstanding, and the Purchase Price then in effect shall forthwith be readjusted and thereafter be the price that it would have been had adjustment been made on the basis of the issuance only of the shares actually issued plus the shares remaining issuable upon conversion or exchange of those convertible or exchangeable securities as to which the conversion or exchange rights shall not have expired or terminated unexercised.

(c) If any change shall occur in the price per share provided for in any of the options, rights or warrants referred to in Section 8.2(a) hereof, or in the price per share or ratio at which the securities referred to in Section 8.2(b) hereof are convertible or exchangeable, such options, rights or warrants or conversion or exchange rights, as the case may be, to the extent not theretofore exercised, shall be deemed to have expired or terminated on the date when such price change became effective in respect of shares not

theretofore issued pursuant to the exercise or conversion or exchange thereof, and the Company shall be deemed to have issued upon such date new options, rights or warrants or convertible or exchangeable securities.

(d) In case of any reclassification or change of outstanding shares of Common Stock issuable upon exercise of the Warrants (other than a change in par value, or from par value to no par value, or from no par value to par value or as a result of a subdivision or combination), or in case of any consolidation or merger of the Company with or into another corporation (other than a merger with a Subsidiary in which merger the Company is the continuing corporation and which does not result in any reclassification or change of the then outstanding shares of Common Stock or other capital stock issuable upon exercise of the Warrants), or in case of any sale or conveyance to another corporation of the property of the Company as an entirety or substantially as an entirety, then, as a condition of such reclassification, change, consolidation, merger, sale or conveyance, the Company, or such

successor or purchasing corporation, as the case may be, shall make lawful and adequate provision whereby the Registered Holder of each Warrant then outstanding shall have the right thereafter to receive on exercise of such Warrant the kind and amount of securities and property receivable upon such reclassification, change, consolidation, merger, sale or conveyance by a holder of the number of securities issuable upon exercise of such Warrant immediately prior to such reclassification, change, consolidation, merger, sale or conveyance and shall forthwith file at the Corporate Office of the Warrant Agent a statement signed by its Chairman of the Board, President or a Vice President and by its Treasurer or an Assistant Treasurer or its Secretary or an Assistant Secretary evidencing such provision. Such provisions shall include provision for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in Sections 8.1 and 8.2 hereof. The above provisions of this Section 8.2(d) shall similarly apply to successive reclassifications and changes of shares of Common Stock and to successive consolidations, mergers, sales or conveyances.

(e) Irrespective of any adjustments or changes in the Warrant Price or the number of shares of Common Stock or Redeemable Warrants purchasable upon exercise of the Warrants, no changes shall be necessary to the face of the Warrant Certificates theretofore and thereafter issued.

(f) After each adjustment of the Purchase Price and the Warrant Exercise Price pursuant to this Section 8, the Company will promptly prepare a certificate signed by the Chairman of the Board, President, or a Vice President and by the Treasurer or the Secretary of the Company setting forth: (i) the Purchase Price and Warrant Exercise Price, as so adjusted, (ii) the number of shares of Common Stock purchasable upon exercise of each Warrant, after such adjustment, and (iii) a brief statement of the facts accounting for such adjustment. The Company will promptly file such certificate with the Company's Transfer Agent and cause a brief summary thereof to be sent by ordinary first class mail to each Registered Holder at his last address as it shall appear on the registry books of the Warrant Agent. No failure to mail such notice nor any defect therein or in the mailing thereof shall affect the validity thereof except as to the holder to whom the Company failed to mail such notice, or except as to the holder whose notice was defective. The affidavit of an officer of the Warrant Agent or the Secretary or an Assistant Secretary of the Company that such notice has been mailed shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

(g) No adjustment of the Purchase Price shall be made as a result of or in connection with (i) the issuance or sale of shares of Common Stock pursuant to options, warrants, stock purchase agreements and convertible or exchangeable securities outstanding or in effect on the date hereof, (ii) the issuance or sale of shares of Common Stock upon the exercise of any "incentive stock options" (as such term is defined in the Internal Revenue Code of 1986, as

amended), or any non-qualified stock options to non-employee directors of the Company pursuant to the Company's 1996 Stock Option Plan, whether or not such options were outstanding on the date hereof, or (iii) the issuance or sale of shares of Common Stock if the amount of said adjustment shall be less than ten cents ($.10); PROVIDED, HOWEVER, that in such

case, any adjustment that would otherwise be required then to be made shall be carried forward and shall be made at the time of and together with the next subsequent adjustment that shall amount, together with any adjustment so carried forward, to at least ten cents ($.10). In addition, Registered Holders shall not be entitled to cash dividends paid by the Company prior to the exercise of any Warrant or Warrants held by them.

8.3 ADJUSTMENT OF REDEEMABLE WARRANT PRICE. Upon each adjustment of the Purchase Price pursuant to this Section 8, the Redeemable Warrant Price shall be adjusted by multiplying the number of Redeemable Warrants immediately prior to such adjustment by the Purchase Price in effect prior to such adjustment and dividing the product so obtained by the applicable adjusted Purchase Price. Upon any exercise of this Warrant, the Redeemable Warrants issued shall reflect all anti-dilution changes made in such Redeemable Warrants since the Warrant Agreement for the Redeemable Warrants was entered into.

8.4 PRESERVATION OF PURCHASE RIGHTS UPON RECLASSIFICATION, CONSOLIDATION, ETC. In case of any consolidation of the Company with or merger of the Company into another corporation or other entity or in case of any sale, lease, conveyance or other transfer to another corporation, person or other entity of the property, assets or business of the Company as an entirety or substantially as an entirety, the Company or such successor or purchasing corporation, person or other entity, as the case may be, shall execute with the Warrantholder, and the agreements governing such consolidation, merger, sale, lease, conveyance or other transfer shall require such execution of, an agreement that the Warrantholder shall have the right thereafter upon payment of the Warrant Price in effect immediately prior to such event, upon exercise of the Warrants, to receive the kind and amount of shares and other securities and property which it would have owned or have been entitled to receive after the happening of such consolidation, merger, sale, lease, conveyance or other transfer had the Warrants (and each underlying security) been exercised immediately prior to such action. The Company shall promptly mail to each Warrantholder by first class mail, postage prepaid, notice of the execution of any such agreement. In the event of a merger described in Section 368(a)(2)(E) of the Internal Revenue Code of 1986, in which the Company is the surviving corporation, the right to purchase shares of Warrant Stock under the Warrants shall terminate on the date of such merger and thereupon the Warrants shall become null and void, but only if the controlling corporation shall agree to substitute for the Warrants its warrant which entitles the holder thereof to purchase upon its exercise the kind and amount of shares and other securities and property which it would have owned or been entitled to receive had the Warrants been exercised immediately prior to such merger. Any such agreements referred to in this Section 8.4 shall provide for adjustments, which shall be as nearly equivalent as may be practicable to the adjustments provided for in Section 8 hereof, and shall provide for terms and provisions at least as favorable to the Warrantholder as those contained in this Agreement. The provisions of this Section 8.4 shall similarly apply to successive consolidations, mergers, sales, leases, conveyances or other transfers.

8.5 PAR VALUE OF SHARES OF COMMON STOCK. Before taking any action which would cause an adjustment effectively reducing the portion of the Warrant Price allocable to each

share of Warrant Stock below the then par value per share, if any, of the Warrant Stock issuable upon exercise of the Warrants, the Company shall take any corporate action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue fully paid and nonassessable Warrant Stock upon exercise of the Warrants.

8.6 INDEPENDENT PUBLIC ACCOUNTANTS. The Company may retain Coopers & Lybrand L.L.P. (or such other accounting firm qualified to practice in front of the Securities and Exchange Commission (the "Commission") as is reasonably acceptable to the Representative) to make any computation required under this Section 8, and a certificate signed by such firm shall be conclusive evidence of the correctness of any computation made under this Section 8.

8.7 REDEMPTION OF WARRANTS. Notwithstanding anything to the contrary contained in this Agreement or elsewhere, the Warrants cannot be redeemed by the Company under any circumstances.

SECTION 9. FRACTIONAL SHARES; CURRENT MARKET PRICE. The Company shall not be required to issue fractional shares of Common Stock or Redeemable Warrants on the exercise of a Warrant. If any fraction of a share of Common Stock or Redeemable Warrants would, except for the provisions of this Section 9, be issuable upon the exercise of a Warrant (or specified portion thereof), the Company shall in lieu thereof pay an amount in cash equal to the then Current Market Price multiplied by such fraction (less the applicable Redeemable Warrant Price for a Redeemable Warrant). For purposes of this Agreement, the term "Current Market Price" shall mean (i) if the Common Stock is traded on the Nasdaq National Market ("NNM") or on a national securities exchange, the per share closing price of the Common Stock in the NNM or on the principal stock exchange on which it is listed, as the case may be, on the date of exercise of the Warrant or, with respect to any adjustment pursuant to Section 8.1 hereof, on the date immediately preceding the announcement of the event causing such adjustment or (ii) if the Common Stock is traded in the over-the-counter market and not in the NNM or on any national securities exchange, the average of the per share closing bid prices of the Common Stock on the thirty (30) consecutive trading days immediately preceding the date in question, as reported by The Nasdaq Small Cap Market (or an equivalent generally accepted reporting service if quotations are not reported on The Nasdaq Small Cap Market). The closing price referred to in clause (i) above shall be the last reported sale price or, in the case no such reported sale takes place on such day, the average of the reported closing bid and asked prices, in either case in the NNM or on the principal stock exchange on which the Common Stock is then listed. For purposes of clause (ii) above, if trading in the Common Stock is not reported by The Nasdaq Small Cap Market, the bid price referred to in said clause shall be the lowest bid price as reported in the Nasdaq Electronic Bulletin Board or, if not reported thereon, as reported in the "pink sheets" published by National Quotation Bureau, Incorporated, and, if such Common Stock is not so reported, shall be the price of a share of Common Stock determined by the Company's Board of Directors in good faith.

SECTION 10. NO RIGHTS AS STOCKHOLDER; NOTICES TO WARRANTHOLDER. Except as

expressly provided herein, nothing contained in this Agreement or in the Warrants shall be construed as conferring upon the Warrantholder or its transferees any rights as a shareholder of the Company, including the right to vote, receive dividends, consent or receive notices as a shareholder in respect of any meeting of shareholders for the election of directors of the Company or any other matter. If, however, at any time prior to the expiration of the Warrants and prior to their exercise, any one or more of the following events shall occur:

(a) any action which would require an adjustment pursuant to Section 8 hereof;

(b) an issuance by the Company of rights, options, warrants or convertible securities to all or substantially all holders of its Common Stock, without any charge to such holders, containing the right to subscribe for or purchase Common Stock; or

(c) a dissolution, liquidation or winding up of the Company (other than in connection with a consolidation, merger or sale of its property, assets and business as an entirety or substantially as an entirety) shall be proposed;

then the Company shall give notice in writing of such event to the Warrantholder, as provided in Section 13 hereof, at least 20 days prior to the date fixed as a record date or the date of closing the transfer books for the determination of the stockholders entitled to any relevant dividend, distribution or other rights or for the determination of stockholders entitled to vote on such proposed dissolution, liquidation or winding up. Such notice shall specify such record date or the date of closing the transfer books, as the case may be.

SECTION 11. RESTRICTIONS ON TRANSFER; REGISTRATION RIGHTS; OBLIGATIONS IN REGISTRATION.

11.1 NOTICE OF TRANSFER. The Warrantholder agrees that prior to making any disposition of the Securities, other than to persons or entities identified in the first sentence of Section 1.3, the Warrantholder shall give written notice to the Company describing briefly the manner in which any such proposed disposition is to be made; and no such disposition shall be made unless the Warrantholder has notified, or currently with such disposition notifies, the Company that in the opinion of counsel reasonably satisfactory to the Company a registration statement, application or other notification, filing or post-effective amendment or supplement thereto (hereinafter collectively a "Registration Statement") under the Act or the state securities or "blue sky" laws of any applicable jurisdiction is not required with respect to such disposition and no such Registration Statement has been filed by the Company with, and declared effective, if necessary, by, the Commission or state securities commission or agency. The Warrantholder agrees that it shall use its reasonable best efforts to obtain from any transferee who acquires any Warrants in a private transaction with the Warrantholder an agreement by such transferee that it agrees to be bound by any transfer restrictions set forth in this subsection 11(a) then applicable to such transferees.

11.2 REGISTRATION OF SECURITIES. The Company shall be obligated to prepare and file a registration statement, and amendments thereto, with the Commission for the registration of the Securities under the Act and shall be obligated to cause such registration statement, and amendments thereto, to be declared effective by the Commission on or prior to _____, 199_ [ONE YEAR AFTER WARRANT ISSUED]. The Company shall be obligated to the registered holders of the Securities to continually maintain, at the Company's own expense, the currency and effectiveness of such registration statement of the Company, including the filing of any and all applications and other notifications, filings and post-effective amendments and supplements (collectively, the "Current Registration Statement"), as may be necessary, so as to permit the resale of the Securities until the earlier of the time that all shares of Securities have been sold pursuant to the Current Registration Statement or the Termination Date.

11.3 FURTHER RIGHTS OF WARRANT HOLDERS. If at any time after the date hereof the Current Registration Statement is no longer in effect other than because all Securities have been sold pursuant to the Current Registration Statement or because the Termination Date has already occurred, the Company shall be obligated to the registered holders of the Securities as follows:

(a) Whenever during the period beginning on _____, 1997 [ONE YEAR AFTER THE EFFECTIVE DATE] and ending on _____, 2004 [SEVEN YEARS AFTER THE EFFECTIVE DATE], the Company proposes to file with the Commission a Registration Statement (other than as to securities issued pursuant to an employee benefit plan or as to a transaction subject to Rule 145 promulgated under the Act), it shall, at least thirty (30) days prior to each such filing, give written notice of such proposed filing to each holder of the Securities at their respective addresses as they appear on the records of the Company, and shall offer to include and shall include in such filing any proposed disposition of the Securities upon receipt by the Company, not more than twenty (20) days following the receipt of such notice, of a request therefor setting forth the facts with respect to such proposed disposition and all other information with respect to such person reasonably necessary to be included in such Registration Statement. In the event that such registration statement relates to an underwritten offering on a "firm commitment" basis and the managing underwriter for said offering advises the Company in writing that the inclusion of such Securities in the offering would be materially and substantially detrimental to the completion of the offering, such Securities shall nevertheless be included in the Registration Statement, provided that the Warrantholder and each holder of Securities desiring to have such Securities included in the Registration Statement agrees in writing for a period of ninety (90) days following such offering not to sell or otherwise dispose of such Securities pursuant to such Registration Statement, which Registration Statement the Company shall keep effective for a period of at least nine (9) months following the expiration of such ninety (90) day period.

(b) In addition to any Registration Statement pursuant to subparagraph (i) above, during the four-year period beginning on _____, 1997 [ONE YEAR AFTER THE EFFECTIVE DATE] and ending on the Termination Date, the Company will, as promptly as practicable (but in any event within sixty (60) days), after written request (the

"Request") by the Representative, or by a person or persons holding (or having the right to acquire by virtue of holding the Warrants) at least sixty percent (60%) of the shares of Warrant Stock which have been (or may be) issued upon exercise of the Warrants and Redeemable Warrants underlying the Warrants, prepare and file at the Company's expense (for the first registration statement prepared under this Section 11.3(b) only; the second registration statement prepared under this Section 11.3(b) shall be at the requesting holder's expense) a Registration Statement with the Commission and such applications or other filings as required under applicable state securities or blue sky laws sufficient to permit the public offering of the Securities, and shall use its reasonable best efforts at its own expense through its officers, directors, auditors and counsel, in all matters necessary or advisable, to cause such Registration Statement to become effective as promptly as practicable and to maintain such effectiveness so as to permit resale of the Securities covered by the Request until the earlier of the time that all such Securities have been sold or the expiration of one hundred eighty (180) days from the effective date of the Registration Statement; provided, however, that the Company shall be obligated to file only two such Registration Statements under this Section 11.3(b) only one of which shall be at the Company's expense. Notwithstanding the foregoing, once and only once during the period the Company would have an obligation to register the Securities pursuant to this Section 11.3(b), the Company shall not be obligated to effect a registration pursuant to this Section 11.3(b) during the three (3) month period starting with the date thirty (30) days prior to the Company's estimated date of filing of an underwritten public offering of securities solely for the account of the Company; provided that the Company is actively employing in good faith all reasonable efforts to cause such registration statement to become effective and that the Company's estimate of the date of filing such registration statement is made in good faith; provided further, that the Company shall furnish to the Warrantholder and each holder of Securities a certificate signed by the managing underwriter stating that it

would be seriously detrimental to the Company or its shareholders for the registration statement to be filed in the near future.

(c) All fees, disbursements and out-of-pocket expenses (other than the Warrantholder's brokerage fees and commissions and legal fees of counsel to the Warrantholder, if any) in connection with the filing of any Registration Statement or maintaining the currency and effectiveness of the Current Registration Statement (or obtaining the opinion of counsel and any no-action position of the commission with respect to sales under Rule 144) and in complying with applicable federal securities and state securities and blue sky laws shall be borne by the Company except for the second registration statement filed under Section 11.3(b). The Company at its expense shall supply any holder of the Securities with copies of such Registration Statement and the prospectus included therein and other related documents and any opinions and no-action letters in such quantities as may be reasonably requested by such holder of the Securities.

(d) The Company shall not be required by this Section 11 to file such Registration Statement if, in the opinion of counsel for the Representative, which counsel shall be reasonably satisfactory to the Company, or in the opinion of another counsel experienced in

securities law matters acceptable to counsel for such holders, the proposed public offering or other transfer as to which such Registration Statement is requested is exempt from applicable federal securities and state securities and blue sky laws and would result in all purchasers or transferees obtaining securities which are not "restricted securities," as defined in Rule 144 under the Act.

(e) The provisions of this Section 11 and of Section 12 hereof shall apply to the extent provided herein if the Company chooses to file an Offering Statement under Regulation A promulgated under the Act.

(f) Notwithstanding the other provisions of this Section 11, the Company may, in full satisfaction of its obligations under this Section 11, register the Securities with the Commission pursuant to the Act on any form then available to it so as to allow the unrestricted sale of the Securities to the public from time to time commencing at 9:00 a.m. Pacific time on _____, 1997 [ONE YEAR AFTER THE EFFECTIVE DATE] and ending at 5:00 p.m. Pacific time on _____, 2001 [SEVEN YEARS AFTER THE EFFECTIVE DATE] (the "Registration Period"). If the Company elects to so satisfy its obligations under this Section 11, the Company shall also file such applications and other documents necessary to permit the sale of the Securities to the public during the Registration Period in those states in which the Securities were qualified for sale in the Offering or such other states as the holders of the Securities reasonably request. In order to comply with the provisions of this Section 11.3(f), the Company may, but is not required to, file more than one Registration Statement. The Company shall file such post-effective amendments and supplements as may be necessary to maintain the currency of such Registration Statement(s) during the period of its (their) use. In addition, if the holders of the Securities participating in such registration are advised by counsel that such Registration Statement, in their opinion, is deficient in any material respect, the Company shall use its best efforts to cause such Registration Statement to be amended to eliminate the concerns raised.

(g) The Company agrees that until all the Securities have been sold under a Registration Statement or pursuant to Rule 144 under the Act, it shall keep current in filing all materials required to be filed with the Commission in order to permit the holders of such securities to sell the same under Rule 144.

(h) In the event any holder of Securities timely elects to participate in an offering by including Securities in a Registration Statement

pursuant to Section 11.3 hereof, the Company shall use its reasonable best efforts to effect such registration to permit the sale of Securities in accordance with the intended method or methods of disposition thereof, and pursuant thereto, the Company shall, as expeditiously as possible:

(i) Prepare and file with the Commission a Registration Statement or Registration Statements on a form available for the sale of the Securities, and to cause any such Registration Statement filed under the Act pursuant to Section 11.3 hereof to become effective at

the earliest possible date after the filing thereof and remain effective as provided herein and to comply with all applicable rules and regulations of the Commission (the "Rules and Regulations") in connection therewith, provided, however, that before filing a Registration Statement or prospectus or any amendments or supplements thereto, including documents which would be incorporated or deemed to be incorporated by reference in the Registration Statement after the initial filing of any Registration Statement, the Company will furnish to the Representative and the holders of the Securities, their respective counsel, and the underwriters, if any, to be engaged in connection with the offering and sale by the Company (for purposes of this Section 11.3(f), the "Public Underwriter"), copies of all such documents proposed to be filed, which documents will be subject to the review of the Representative and such holders of the Securities, their respective counsel and the Public Underwriter, if any, and the Company will not file any Registration Statement, amendment thereto, any prospectus or any supplement thereto (including such documents incorporated or deemed to be incorporated by reference) to which the Representative or the Public Underwriter, if any, shall reasonably object;

(ii) Prepare and promptly file with the Commission such amendments and post-effective amendments to a Registration Statement as may be necessary to keep such Registration Statement continuously effective for a period of twelve (12) months; cause the related prospectus to be supplemented, by any required prospectus supplement, and as so supplemented, to be filed pursuant to Rule 424 under the Act; and comply with the provisions of the Act with respect to the disposition of all Securities covered by such Registration Statement during the applicable period in accordance with the intended methods of disposition as set forth in such Registration Statement or supplement to such prospectus; the Company shall not be deemed to have used its reasonable best efforts to keep a Registration Statement effective during the applicable period if it intentionally or voluntarily takes any action that would result in the Representative or such Warrantholders not being able to sell their Securities;

(iii) As soon as the Company is advised or obtains knowledge thereof, advise the Representative and confirm the same in writing (1) when the Registration Statement, as amended, becomes effective and when any post-effective amendment to the Registration Statement becomes effective, (2) of the issuance by the Commission or any State or other regulatory body of any stop order or other order, or of the initiation or the threat or contemplation of any proceeding, the outcome of which may result in the suspension of the effectiveness of the Registration Statement or the issuance of any order preventing or suspending the use of any preliminary prospectus or the prospectus, or any amendment or supplement thereto, or the institution of any proceedings for that purpose, (3) of the issuance by the Commission or any State or other regulatory body of any proceedings for the suspension of the qualification of any of the Securities for offering or sale in any jurisdiction or of the initiation or the threat or contemplation of any proceeding for that purpose, (4) of the receipt of any comments from the Commission and (5) of any request by the Commission for any amendment to the Registration Statement or any amendment or supplement to the prospectus related thereto or for additional information; if the commission or any State or other regulatory body shall enter a stop order or other order suspending the effectiveness of the Registration Statement or

preventing or suspending the use of any preliminary prospectus or the prospectus, or any amendment or supplement thereto, or suspend such qualification at any time, make every effort to obtain promptly the lifting of such order or suspension;

(iv) If requested by the Public Underwriter, if any, or the Representative, or any holder of Securities (1) immediately incorporate in a prospectus supplement or post-effective amendment such information as the Representative or such Warrantholder and the Public Underwriter, if any, agree should be included therein relating to such sale and distribution of the Securities, including, without limitation, information with respect to the number of Securities being sold to such Public Underwriter, the purchase price being paid therefor by such Public Underwriter and with respect to any other terms of the underwritten offering of the Securities to be sold in such offering; (2) make all required filings of such prospectus supplement or post-effective amendment as soon as notified of the matters to be so incorporated in such prospectus supplement or post-effective amendment; and (3) supplement or amend any Registration Statement if requested by the Representative, the holders of Securities or any underwriter of Securities;

(v) Furnish to the Representative, each of the holders of Securities and their respective counsel, without charge and at such place as the Representative may designate, copies of each preliminary prospectus, the Registration Statement and any pre-effective or post-effective amendments thereto (two of which will be signed and will include all financial statements and exhibits, one for the Representative and one for the Representative's Counsel), the Prospectus, and all amendments and supplements thereto, including any prospectus prepared after the effective date of the Registration Statement and any term sheet, in each case as soon as available and in such quantities as the Representative and each holder of the Securities may request;

(vi) During the time when a prospectus is required to be delivered under the Act, it shall comply with all requirements imposed upon it by the Act and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and by the Rules and Regulations, as from time to time in force, so far as necessary to permit the continuance of sales of or dealings in the Securities in accordance with the provisions hereof and the prospectus, or any amendments or supplements thereto; if at any time when a prospectus relating to the Securities is required to be delivered under the Act, any event shall have occurred as a result of which, in the opinion of the Company or counsel for the Company or the Representative or counsel for the Representative , the prospectus, as then amended or supplemented, would include an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading, or if it is necessary at any time to amend or supplement the Prospectus to comply with the Act, notify the underwriter and prepare and file, at the Company's expense, with the Commission an appropriate amendment or supplement to the Registration Statement or an amendment or supplement to the prospectus which will correct such statement or omission, or effect such compliance, each such amendment or supplement to be reasonably

satisfactory to the Representative and the counsel for the Representative; and furnish to the Representative copies of such amendment or supplement as soon as available and in such quantities as the Representative may request;

(vii) As soon as practicable, but in any event not later than forty-five (45) days after the end of the twelve (12) month period

beginning after the effective date of the Registration Statement, make generally available to its security holders, in the manner specified in Rule 158(b) promulgated under the Act, and to the Representative, an earnings statement which will comply with the provisions of Section 11(a) of the Act and Rule 158(a) promulgated under the Act;

(viii) Deliver to the Representative and each of the holders of Securities, their respective counsel and the Public Underwriter, if any, without charge, as many copies of the prospectus or prospectuses (including each preliminary prospectus) and any amendment or supplement thereto as such persons may reasonably request; the Company consents to the use of any such prospectus or any amendment or supplement thereto by the Representative, the holders of Securities and the Public Underwriter, if any, in connection with the offering and sale of the Securities covered by such prospectus or any amendment or supplement thereto;

(ix) Prior to any public offering of Securities, use its best efforts, at or prior to the time the Registration Statement becomes effective, to qualify the Securities for offering and sale under the securities or "blue sky" laws of such jurisdictions as the Representative may reasonably designate to permit the continuance of sales and dealings therein for as long as may be necessary to complete the distribution, and make such applications, file such documents and furnish such information as may be required for such purpose; provided, however, the Company shall not be required to qualify as a foreign corporation or to execute a general consent to service of process in any such jurisdiction; in each jurisdiction where such qualification shall be effected, use its best efforts to file and make such statements or reports at such times as are or may be required by the laws of such jurisdiction to continue such qualification;

(x) Cooperate with the Representative, the holders of the Securities and the Public Underwriter, if any, to facilitate the timely preparation and delivery of certificates representing Securities to be sold, which certificates shall not bear any restrictive legends; and enable such Securities to be in such denominations and registered in such names as the Public Underwriter, if any, may request at least two (2) business days prior to any sale of such Securities;

(xi) Use its reasonable best efforts to cause the Securities covered by the Registration Statement to be registered with or approved by such other governmental bodies, agencies or authorities as may be necessary to enable the Representative, the holders of the Securities or the Public Underwriter, if any, to consummate the disposition of

such Securities;

(xii) Make every reasonable effort to cause all Securities covered by such Registration Statement to be (1) listed on each securities exchange, if any, in which equity securities issued by the Company are then listed or (2) quoted on the NNM if the Company's Common Stock is then authorized to be quoted on the NNM;

(xiii) Enter into such agreements (including, without limitation, if applicable, an underwriting agreement, in form, scope and substance as is customary in underwritten offerings) and take all such other actions in connection therewith in order to expedite or facilitate the disposition of such Securities and, in such connection, whether or not an underwriting agreement is entered into and whether or not the registration is an underwritten registration, (1) make such representations and warranties to the Representative and the holders of the Securities with respect to the business of the Company and its subsidiaries and the Public Underwriter, if any, the Registration Statement, the prospectus, the prospectus supplement (if any) and documents, if any, incorporated or deemed to be incorporated by reference in the

Registration Statement, in each case in such form, substance and scope as are customarily made by issuers to underwriters in underwritten offerings and confirm the same if and when requested; (2) obtain opinions of counsel to the Company and updates thereof (which counsel and opinions (in form, scope and substance) shall be reasonably satisfactory to the Representative and the holders of the Securities), addressed to the Representative and the holders of the Securities with respect to the matters referred to in the preceding clause in such form, scope and substance as are customarily rendered to underwriters in underwritten offerings and such other matters as may be reasonably requested by counsel to the Representative, the holders of the Securities or the Public Underwriter, if any; (3) obtain "cold comfort" letters and updates thereof from the independent certified public accountants of the Company (and, if necessary, any other independent certified public accountants of any subsidiary of the Company or of any business acquired by the Company for which financial statements and financial data is, or is required to be, included in the Registration Statement) addressed to the Representative, the holders of the Securities and each of the Public Underwriters, if any, such letters to be in customary form and covering matters of the type customarily covered in "cold comfort" letters to underwriters in connection with underwritten offerings; (4) if an underwriting agreement is entered into, the same shall set forth in full the indemnification and contribution provisions and procedures of Section 12 hereof (or such other provisions and procedures as shall be acceptable to the Representative, the holders of the Securities and to the Public Underwriter of such underwritten offering) with respect to all parties to be indemnified pursuant to said section; and (5) deliver such documents and certificates as may be reasonably requested by the Representative , the holders of the Securities and the Public Underwriter, if any, to evidence the continued validity of the representations and warranties made pursuant to clause (1) above and to evidence compliance with any customary conditions contained in the underwriting agreement or other agreement entered into by the Company; the above shall be done at each closing under such underwriting or similar agreement or as and to the extent required thereunder;

(xiv) Make available for inspection by a representative of the Representative or the holders of the Securities or any Public Underwriter participating in any disposition pursuant to such Registration Statement, and any attorney or accountant retained by the Representative or the holders of the Securities or such Public Underwriter, all financial and other records, pertinent corporate documents and properties and assets of the Company and its subsidiaries and cause the officers, directors, agents and employees of the Company and its subsidiaries to supply all information reasonably requested by any such representative, Public Underwriter, attorney or accountant in connection with any registration of the Securities; provided, however, that any records, information or documents that are designated by, the Company in writing at the time of delivery of such records, information or documents as confidential shall be kept confidential by such persons unless (1) disclosure of such records, information or documents is required by court or administrative order or is necessary to respond to inquiries of governmental or regulatory bodies, agencies or authorities, (2) disclosure of such records, information or documents is, in the opinion of counsel to the Representative or the holders of the Securities or to any Public Underwriter, required by law, regulations or legal process, (3) such records, information or documents are otherwise publicly available or (4) such records, information or documents become available to such person from a source other than the Company, and such source is not bound by a confidentiality agreement;

(xv) If the Company, in the exercise of its reasonable judgment, objects to any change reasonably requested by the Representative, the holders of the Securities or the Public Underwriter, if any, to any Registration Statement or prospectus or any amendments or supplements thereto (including documents incorporated or deemed to be incorporated therein by reference) as provided for in this Section 11.3(h), the Company shall not be obligated to make

any such change and the Representative or the holders of the Securities may withdraw Securities from such registration, in which event the Company shall pay all registration expenses (including, without limitations, attorneys' fees and expenses) incurred by the Representative and the holders of the Securities in connection with such Registration Statement or prospectus or any amendment thereto or supplement thereof; provided, that if the Company provides the Representative and the holders of the Securities, as applicable, with a written opinion of independent counsel (which counsel may be the Company's regular outside counsel), upon which the Representative and such holders of the Securities may rely, that the change so requested is not required in order that the Registration Statement comply with all applicable securities laws (including any rules and regulations promulgated thereunder), the Representative and such holders of the Securities may withdraw Securities from such registration but the Company shall not be obligated to pay any registration expenses incurred by the Representative and the holders of the Securities; and

(xvi) Pay all costs and expenses incident to the performance of or compliance with the Company's obligations under Section 11.2 hereof and under this Section 11.3 (collectively, "Registration Expenses") whether or not any Registration Statement is filed or becomes effective, including, without limitation, the fees and disbursements of the Company's auditors, legal counsel, special legal counsel, legal counsel responsible for qualifying the

Securities under blue sky laws, all filing fees and printing expenses, all expenses in connection with the transfer and delivery of the Securities, and all expenses in connection with the qualification of the Securities under applicable blue sky laws; provided, however, that the Company shall not bear the Public Underwriter's discount or commission with respect to, or any transfer taxes imposed on, the Securities or the fees and expenses of counsel to the Representative or the holders of the Securities; provided, further, however, that the Representative shall not be responsible in any way for any fees or expenses of the Company's counsel, except, in each case, as provided in this Section 11.3.

(xvii) For purposes of this Section 11, a holder of Securities shall include any holder of the Securities which have not been offered in the public.

SECTION 12. INDEMNIFICATION AND CONTRIBUTION.

12.1 INDEMNIFICATION OF WARRANTHOLDERS. The Company agrees to indemnify and hold harmless the Warrantholders and any Holder of Securities (for purposes of this Section 12, "Holder" shall include such individuals and the officers, directors, partners, employees, agents and counsel of a Warrantholder or a holder of Securities), and each person, if any, who controls a Holder ("controlling person") within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act, from and against any and all losses, claims, damages, expenses (including, without limitation, reasonable attorneys' fees and expenses) or liabilities and all actions, suits, proceedings, injuries, arbitrations, investigations, litigation or governmental or other proceedings (in this Section 12, collectively, "actions") in respect thereof, whatsoever (including, without limitation, any and all expenses whatsoever reasonably incurred in investigating preparing or defending against any action, commenced or threatened, or any claim whatsoever), as such are incurred, to which a Holder or such controlling person may become subject under the Act, the Exchange Act or any other statute or at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained (i) in any preliminary prospectus, the Current Registration Statement, the Registration Statement or any prospectus (as from time to time amended and supplemented); (ii) in any post-effective amendment or amendments or any new registration statement and prospectus in which is included securities of the Company issued or issuable upon exercise of the Warrants; or (iii) in any application or other document or written communication (in this Section 12,

collectively, "application") executed by the Company or based upon written information furnished by the Company in any jurisdiction in order to qualify the Securities under the securities or blue sky laws thereof or filed with the Commission, any state securities commission or agency, the National Association of Securities Dealers, Inc. (the "NASD") or the NNM or any other securities exchange; or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading (in the case of any prospectus, in light of the circumstances in which they were made), unless such statement or omission was made in reliance upon and in conformity with written information furnished to the Company with respect to a Holder by or on behalf of such Holder expressly for use in any preliminary prospectus, the Current Registration Statement, the Registration Statement or any

prospectus, or any amendment thereof or supplement thereto, or in any application, as the case may be. In addition to its other obligations under this Section 12.1, the Company agrees that, as an interim measure during the pendency of any action arising out of or based upon any untrue statement or omission, or alleged untrue statement or alleged omission as described in this Section 12.1, it shall reimburse the Holders (and, to the extent applicable, each controlling person) on a monthly basis for all reasonable legal or other expenses incurred in connection with investigating or defending any such action notwithstanding the absence of a judicial determination as to the propriety and enforceability of the Company's obligations to reimburse the Holders (and, to the extent applicable, each controlling person) for such expenses and the possibility that such payments might later be held to have been improper by a court of competent jurisdiction. To the extent that any such interim reimbursement is so held to have been improper as to the Company, the Holders (and, to the extent applicable, each controlling person) shall promptly return it to the Company, together with interest compounded daily, based on the "reference rate" announced from time to time by Bank of America NTSA (the "Prime Rate"). Any such interim reimbursement payments which are not made to the applicable Holder within thirty (30) days of a request for reimbursement shall bear interest at the Prime Rate from the date of such request.

The indemnity agreement in this subsection 12.1 shall be in addition to any liability which the Company may have at common law or otherwise.

12.2 INDEMNIFICATION OF COMPANY. Each Holder severally agrees to indemnify and hold harmless the Company (for purposes of this Section 12, "Company" shall include the officers, directors, partners, employees, agents and counsel of the Company) and each other person, if any, who controls the Company ("controlling person") within the meaning of the Act, to the same extent as the foregoing indemnity from the Company to the Holders, but only with respect to statements or omissions, if any, made in any preliminary prospectus, the Current Registration Statement, the Registration Statement or any prospectus or any amendment thereof or supplement thereto or in any application made in reliance upon, and in strict conformity with, written information furnished to the Company with respect to such Holder by or on behalf of such Holder expressly for use in any preliminary prospectus, the Current Registration Statement, the Registration Statement or any prospectus or any amendment thereof or supplement thereto or in any application, provided that such written information or omissions only pertain to disclosures in any preliminary prospectus, the Current Registration Statement, the Registration Statement or any prospectus directly relating to the transactions in connection with the Offering contemplated hereby. In addition to its other obligations under this Section 12.2, each Holder severally agrees that, as an interim measure during the pendency of any action arising out of or based upon any untrue statement or omission, or alleged untrue statement or alleged omission as described in this Section 12.2, it shall reimburse the Company (and, to the extent applicable, each

controlling person) on a monthly basis for all reasonable legal or other expenses incurred in connection with investigating or defending any action with respect to such Holder notwithstanding the absence of a judicial determination as to the propriety and enforceability of such Holder's obligations to reimburse the Company (and, to the extent applicable, each controlling person) for such expenses and the possibility that such payments might later be held to have been improper by a court of competent jurisdiction. To the extent that any such interim reimbursement is so held to have been improper as to such Holder, the Company (and, to the extent applicable, each controlling person) shall promptly return it to such Holder, together with interest compounded daily, based on the Prime Rate. Any such interim reimbursement payments which are not made to the Company within thirty (30) days of a request for reimbursement shall bear interest at the Prime Rate from the date of such request. Notwithstanding the provisions of this Section 12.2, in connection with a registration statement that includes Securities pursuant to Section 11.3(a) hereof, no such Holder shall be required to indemnify or hold harmless the Company or any controlling person for any amounts in excess of the net proceeds (before deducting expenses) applicable to the Securities sold by such Holder pursuant to the Registration Statement. Notwithstanding the provisions of this Section 12.2, in connection with a registration statement that includes that Holder's Securities pursuant to Sections 11.2 or 11.3, no such Holder shall be required to indemnify and hold harmless the Company or any controlling person for any amounts in excess of that portion of all expenses as to which indemnification is properly claimed under this Agreement equal to such Holder's relevant proportion of all net proceeds (before deduction of expenses) applicable to all securities sold pursuant to the Current Registration Statement or the Registration Statement, as applicable.

12.3 NOTICE OF CLAIM. Promptly after receipt by an indemnified party under this Section 12 of notice of the commencement of any action, such indemnified party shall notify each party against whom indemnification is to be sought in writing of the commencement thereof (but the failure to so notify an indemnifying party shall not relieve it from any liability which it may have under this Section 12 except to the extent that such indemnifying party has been materially prejudiced by such failure). In case any such action is brought against any indemnified party, and it notifies an indemnifying party or parties of the commencement thereof, the indemnifying party or parties shall be entitled to participate therein, and to the extent it or they may elect by written notice delivered to the indemnified party or parties promptly after receiving the aforesaid notice from such indemnified party or parties, to assume the defense thereof with counsel reasonably satisfactory to such indemnified party. Notwithstanding the foregoing, an indemnified party shall have the right to employ its own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the employment of such counsel shall have been authorized in writing by the indemnifying party or parties in connection with the defense of such action at the expense of the indemnifying party or parties, (ii) the indemnifying party or parties shall not have employed counsel reasonably satisfactory to such indemnified party to have charge of the defense of such action within a reasonable time after notice of commencement of the action or (iii) such indemnified party shall have reasonably concluded that there may be one or more defenses available to it which are different from or additional to those available to one or all of the indemnifying parties (in which case the indemnifying parties shall not have the right to direct the defense of such action on behalf of the indemnified party or parties), in any of which events such fees and expenses of one additional counsel (in addition to appropriate local counsel) shall be borne by the indemnifying parties. In no event shall the indemnifying parties be liable for fees

and expenses of more than one counsel (in addition to appropriate local counsel)

separate from their own counsel for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances. Anything in this Section 12 to the contrary notwithstanding, an indemnifying party shall not be liable for any settlement of any claim or action effected without its written consent; provided, however, that such consent may not be unreasonably withheld.

12.4 CONTRIBUTION. In order to provide for just and equitable contribution in any case in which (i) an indemnified party makes a claim for indemnification pursuant to this Section 12, but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case notwithstanding the fact that the express provisions of this Section 12 provide for indemnification in such case or (ii) contribution under the Act may be required on the part of any indemnified party, then each indemnifying party shall contribute to the amount paid as a result of such losses, claims, damages, expenses or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative fault of each of the contributing parties, on the one hand, and the party to be indemnified, on the other hand, in connection with the statements or omissions that resulted in such losses, claims, damages, expenses or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. Relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by such Holder, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The amount paid by an indemnified party as a result of the losses, claims, damages, expenses or liabilities (or actions in respect thereof) referred to in the first sentence of this Section 12.4 shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 12.4, in a registration statement that includes a Holder's Securities pursuant to Sections 11.2 or 11.3 hereof, no Holder shall be required to contribute any amount in excess of the net proceeds (before deducting expenses) applicable to the Securities sold by such Holder pursuant to such registration statement and prospectus. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act and the cases and promulgations thereunder) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. Any party entitled to contribution will, promptly after receipt of notice of commencement of any action against such party in respect to which a claim for contribution may be made against another party or parties under this Section 12.4, notify such party or parties from whom contribution may be sought, but the omission to so notify such party or parties shall not relieve the party or parties from whom contribution may be sought from any obligation it or they may have hereunder or otherwise than under this Section 12.4 except to the extent it has been materially prejudiced by such failure. The contribution agreement set forth above shall be in addition to any liabilities which any indemnifying party may have at common law or otherwise.

SECTION 13. NOTICES. All notices and communications hereunder, except as herein otherwise specifically provided, shall be in writing and shall be deemed to have been duly given if mailed, delivered by hand or transmitted by any standard form of telecommunication. Notices to the Warrantholders or a holder of Securities shall be directed to The Boston Group, L.P. at 2049 Avenue of the Stars, 30th Floor, Los Angeles, California 90067, Attention: Mr. Robert A. DiMinico, with a copy to Kaye, Scholer, Fierman, Hays & Handler, LLP at 1999 Avenue of the Stars, Suite 1600, Los Angeles, California 90067, Attention: Channing D. Johnson Esq. Notices to the Company shall be directed to the Company at 26131 Marguerite Parkway, Suite A, Mission Viejo, California 92692, Attention: _____, with a copy to Jeffer, Mangels, Butler & Marmaro LLP,

2121 Avenue of the Stars, 10th Floor, Los Angeles, California 90067, Attention: Steven J. Insel, Esq..

SECTION 14. PARTIES. This Agreement shall inure solely to the benefit of and shall be binding upon, the Representative, the Company and the Warrantholders and the holders of Securities and the controlling persons, officers, directors and others referred to in Section 12 hereof, and their respective successors, legal representatives and assigns, and no other person shall have or be construed to have any legal or equitable right, remedy or claim under or in respect of or by virtue of this Agreement or any provisions herein contained.

SECTION 15. MERGER OR CONSOLIDATION OF THE COMPANY. The Company shall not merge or consolidate with or into any other corporation or sell all or substantially all of its property to another corporation, unless the provisions of Section 8.4 hereof are complied with.

SECTION 16. SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All statements contained in the Underwriting Agreement, any schedule, exhibit, certificate or other instrument delivered by or on behalf of the parties hereto, or in connection with the transactions contemplated by this Agreement, shall be deemed to be representations and warranties hereunder. Notwithstanding any investigations made by or on behalf of the parties to this Agreement, all representations, warranties and agreements made by the parties to this Agreement or pursuant hereto shall survive the termination of this Agreement and the issuance, sale and delivery of the Warrant and the Securities.

SECTION 17. CONSTRUCTION. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of California, without giving effect to conflict of laws principles thereof.

SECTION 18. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which taken together shall be deemed to be one and the same instrument.

SECTION 19. ENTIRE AGREEMENT, AMENDMENTS. This Agreement and the Underwriting Agreement constitute the entire agreement of the parties hereto concerning the subject matter

hereof and supersede all prior written or oral agreements, understandings and negotiations with respect to the subject matter hereof. This Agreement may not be amended, modified or altered except in a writing signed by the Representative and the Company.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed, all as of the day and year first above written.

CHICAGO PIZZA & BREWERY, INC.

By: _____
Name:
Title:

THE BOSTON GROUP, L.P.

By: _____
Name:
Title:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, EXCHANGED, HYPOTHECATED OR TRANSFERRED IN ANY MANNER EXCEPT IN COMPLIANCE WITH SECTION 1.3 OF THE REPRESENTATIVE'S WARRANT AGREEMENT PURSUANT TO WHICH THEY WERE ISSUED.

WARRANT CERTIFICATE NO. __

WARRANT TO PURCHASE _____
SHARES OF COMMON STOCK AND
_____ REDEEMABLE WARRANTS

VOID AFTER 5:00 P.M.
PACIFIC TIME, ON _____, 2002

CHICAGO PIZZA & BREWERY, INC.

INCORPORATED UNDER THE LAWS
OF THE STATE OF CALIFORNIA

This certifies that, for value received, THE BOSTON GROUP, L.P., the registered holder hereof or assigns (the "Warrantholder"), is entitled to purchase from CHICAGO PIZZA & BREWERY, INC. (the "Company"), at any time during the period commencing at 9:00 am., Pacific time, on _____, 199_, and before 5:00 p.m., Pacific time, on _____, 200_, at the purchase price per share of Common Stock of $_____ (the "Purchase Price"), _____ shares of Common Stock of the Company (the "Warrant Stock") and _____ Redeemable Warrants. The number of shares of Common Stock of the Company purchasable upon exercise of each Warrant or exercise price of such shares and Redeemable Warrants evidenced hereby shall be subject to adjustment from time to time as set forth in the Representative's Warrant Agreement, dated as of _____, 1996, by and between the Company and the Representative (the "Representative's Warrant Agreement").

The Warrants evidenced hereby are issued under and in accordance with the Representative's Warrant Agreement and a Warrant Agreement dated _____, 1996 between the Company, The Boston Group, L.P. [AND U.S. STOCK TRANSFER CORPORATION], as warrant agent (the "Redeemable Warrant Agreement"), and are subject to the terms and provisions contained in the Representative's Warrant Agreement and the Redeemable Warrant Agreement, to all of which the Warrantholder by acceptance hereof consents.

The Warrants evidenced hereby may be exercised in whole or in part by presentation of this Warrant Certificate with the Purchase Form attached hereto duly executed (with a signature guarantee as provided hereon) and simultaneous payment of the respective Warrant Price at the principal office of the Company. Payment of such price shall be made at the option of the Warrantholder in any manner allowed in the Representative's Warrant Agreement.

Upon any partial exercise of the Warrants evidenced hereby, there shall be signed and issued to the Warrantholder a new Warrant Certificate in respect of

the shares of Warrant Stock and Redeemable Warrants as to which the Warrants evidenced hereby shall not have been exercised. These Warrants may be exchanged at the office of the Company by surrender of this Warrant Certificate properly endorsed for one or more new Warrants of the same aggregate number of shares of Warrant Stock or Redeemable Warrants as evidenced by the Warrant or Warrants exchanged. No fractional securities shall be issued upon the exercise of rights to purchase hereunder, but the Company shall pay the cash value of any fraction upon the exercise of one or more Warrants. These Warrants are transferable at the office of the Company in the manner and subject to the limitations set forth in the Representative's Warrant Agreement.

This Warrant Certificate does not entitle any Warrantholder to any of the rights of a shareholder of the Company.

CHICAGO PIZZA & BREWERY, INC.

By: _____
Name:
Title:

Dated: _____, 1996

ATTEST: [Seal]

_____
Name:
Title:

CHICAGO PIZZA & BREWERY, INC.
PURCHASE FORM

CHICAGO PIZZA & BREWERY, INC. (the "Company")
26131 Marguerite Parkway, Suite A
Mission Viejo, California 92692
Attention: President

The undersigned hereby irrevocably elects to exercise the right of purchase represented by the within Warrant Certificate for, and to purchase thereunder, _____ shares of common stock of the Company (the "Warrant Stock") and/or _____ Redeemable Warrants provided for therein, and requests that certificates for the Warrant Stock and/or Redeemable Warrants be issued in the name of:

_____
(Please print or Type Name, Address and Social Security Number)

_____

_____

and, if said number of shares of Warrant Stock and Redeemable Warrants shall not be all the Warrant Stock and Redeemable Share purchasable hereunder, that a new Warrant Certificate for the balance of the Warrant Stock and Redeemable Share purchasable under the within Warrant Certificate be registered in the name of the undersigned Warrantholder or his Assignee as below indicated and delivered to the address stated below.

Dated:_____

Name of Warrantholder
or Assignee: _____
(Please Print)

Address: _____

_____

Signature: _____

Note: The above signature must correspond with the name as it appears upon the face of this Warrant Certificate in every particular, without alteration or enlargement or any change whatever, unless these Warrants have been assigned.

Signature Guaranteed:_____

(Signature must be guaranteed by a bank or trust company having an office or correspondent in the United States or by a member firm of a registered securities exchange of the National Association of Securities Dealers, Inc.)

ASSIGNMENT
(To be signed only upon assignment of Warrants)

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers the right to purchase _____ shares of Warrant Stock represented by the within Warrant Certificate unto, and requests that a certificate for such Warrant be issued in the name of:

_____
(Name and Address of Assignee Must be Printed or Typewritten)

_____

_____

hereby irrevocably constituting and appointing _____ Attorney to transfer said Warrants on the books of the Company, with full power of substitution in the premises and, if said number of warrant Stock shall not be all of the Securities purchasable under the within Warrant Certificate, that a new Warrant Certificate for the balance of the Securities purchasable under the within Warrant Certificate be registered in the name of the undersigned Warrantholder and delivered to such Warrantholder's address as then set forth on the Company's books.

Dated:_____ _____
Signature of Registered Holder

Note: The above signature must correspond with the name as it appears upon the face of this Warrant Certificate in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed:_____

(Signature must be guaranteed by a bank or trust company having an office or correspondent in the United States or by a member firm of a registered securities exchange or the National Association of Securities Dealers, Inc.

August 21, 1996 56751-0005

Chicago Pizza & Brewery, Inc.
26131 Marguerite Parkway, Suite A
Mission Viejo, California 92692

Ladies and Gentlemen:

We have acted as special counsel to Chicago Pizza & Brewery, Inc., a California corporation (the "Corporation"), in connection with a public offering (the "Public Offering") of 1,500,000 shares (the "Shares") of the common stock, no par value, of the Corporation (the "Common Stock") and 1,500,000 redeemable warrants (the "Redeemable Warrants") of the Corporation, each Warrant exercisable for one share of Common Stock. In connection with the Public Offering, the Corporation will also issue warrants (the "Representative's Warrants") to The Boston Group, L.P., as representative of the several underwriters of the Public Offering (the "Representative"), exercisable for 150,000 shares of Common Stock and 150,000 Redeemable Warrants. The Redeemable Warrants and the Representative's Warrants are sometimes collectively referred to herein as the "Warrants."

The Public Offering will be conducted in accordance with the terms of a Registration Statement on Form SB-2 (the "Registration Statement"), as filed on June 28, 1996 with the Securities and Exchange Commission (the "Commission"), Registration No. 333-5182-LA, as amended at the time such Registration Statement is declared effective by the Commission, and pursuant to the terms of a Prospectus (the "Prospectus") filed as a part of such Registration Statement, in the form in which it is filed with the Commission pursuant to Rule 424(b) of the Commission, as promulgated under the Securities Act of 1933, as amended (the "Act").

We have examined (i) the Corporation's Articles of Incorporation, as amended and currently in effect; (ii) the form of Underwriting Agreement to be entered into between the Corporation and the Representative attached as an exhibit to the Registration Statement; (iii) the corporate minutes of the Corporation relating to the issuance of the Shares and the Warrants and other factual matters; and (iv) such other documents and records as we have deemed necessary in order to render this

opinion. In addition, we are familiar with the actions taken and proposed to be taken by you in connection with the authorization and proposed issuance and sale of the Shares and Warrants pursuant to the Registration Statement and the Prospectus.

On the basis of the foregoing, it is our opinion that, when the Registration Statement has become effective under the Act, subject to the appropriate qualification of the Shares and Warrants by the appropriate authorities of various states in which such securities will be issued and sold, and further subject to the payment for the Shares and Warrants to be issued and sold in connection with the Public Offering:

(1) the Shares have been duly authorized and will, upon the issuance and sale thereof in the manner referred to in the Registration Statement, be legally issued, fully paid and nonassessable; and

(2) the Warrants have been duly authorized and will, upon the issuance and sale thereof in the manner referred to in the Registration Statement, be validly issued and enforceable against the Corporation in accordance with their terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization or other laws of general applicability relating to or affecting the enforcement of creditor's rights and by general equity principles.

We express no opinion as to compliance with the securities or "blue sky" laws of any state in which the Shares or Warrants are proposed to be offered and sold or as to the effect, if any, which non-compliance with such laws might have on the validity of issuance of such securities.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement; to the filing of this opinion in connection with such filings of applications by the Corporation as may be necessary to register, qualify or establish eligibility for an exemption from registration or qualification of the securities under the blue sky laws of any state or other jurisdiction; and to the reference, if any, to this firm in the Prospectus under the heading "Legal Matters." In giving this consent, we do not admit that we are in the category of persons whose consent is required under Section 7 of the Act or the rules and regulations of the Commission promulgated thereunder.

The opinions set forth herein are based upon the federal laws of the United States of America and the laws of the

State of California, all as now in effect. We express no opinion as to whether the laws of any particular jurisdiction apply, and no opinion to the extent that the laws of any jurisdiction other than California are applicable to the subject matter hereof.

The information set forth herein is as of the date of this letter. We disclaim any undertaking to advise you of changes which may be brought to our attention after the effective date of the Registration Statement.

Respectfully submitted,

/s/Jeffer, Mangels, Butler & Marmaro
JEFFER, MANGELS, BUTLER & MARMARO

CHICAGO PIZZA, INC.

1996 STOCK OPTION PLAN

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CHICAGO PIZZA, INC.

1996 STOCK OPTION PLAN

1. PURPOSE. The purpose of this Chicago Pizza, Inc. 1996 Stock Option Plan ("Plan") is to further the growth and development of Chicago Pizza, Inc. ("Company") by providing, through ownership of stock of the Company, an incentive to directors, officers, outside consultants and other key employees who are in a position to contribute materially to the prosperity of the Company, to increase such persons' interests in the Company's welfare, to encourage them to continue their services to the Company or its subsidiaries, and to attract individuals of outstanding ability to render services to and enter the employment of the Company or its subsidiaries. This Plan replaces the Chicago Pizza Stock Option Plan originally adopted October 30, 1995. This Plan shall be effective on the Effective Date (as provided in Section 10) and shall apply to options granted on or after the Effective Date.

2. INCENTIVE AND NON-QUALIFIED STOCK OPTIONS. Two types of Stock Options (referred to herein as "Options" without distinction between such two types) may be granted under the Plan: Options intended to qualify as Incentive Stock Options under Section 422 of the Code and Non-Qualified Stock Options not specifically authorized or qualified for favorable income tax treatment by the Code.

3. DEFINITIONS. The following definitions are applicable to the Plan:

3.1 BOARD. The Board of Directors of the Company.

3.2 CODE. The Internal Revenue Code of 1986, as amended from time to time.

3.3 COMMON STOCK. The shares of Common Stock of the Company.

3.4 COMPANY. Chicago Pizza, Inc., a California corporation.

3.5 CONSULTANT. An individual or entity that renders professional services to the Company as an independent contractor and is not an employee or under the direct supervision and control of the Company.

3.6 DISABLED OR DISABILITY. For the purposes of Section 7.4, a disability of the type defined in Section 22(e)(3) of the Code. The determination of whether an individual is

Disabled or has a Disability is determined under procedures established by the Plan Administrator for purposes of the Plan.

3.7 FAIR MARKET VALUE. For purposes of the Plan, the "fair market value" per share of Common Stock of the Company at any date shall be (a) if the Common Stock is listed on an established stock exchange or exchanges or the Nasdaq National Market, the closing price per share on the last trading day immediately preceding such date on the principal exchange on which it is traded or as reported by Nasdaq, or (b) if the Common Stock is not then listed on an exchange or the Nasdaq National Market, but is quoted on the Nasdaq Small Cap Market, the Nasdaq electronic bulletin board or the National Quotation Bureau

pink sheets, the average of the closing bid and asked prices per share for the Common Stock as quoted by Nasdaq or the National Quotation Bureau, as the case may be, on last trading day immediately preceding such date, or (c) if the Common Stock is not then listed on an exchange or the Nasdaq National Market, or quoted by Nasdaq or the National Quotation Bureau, an amount determined in good faith by the Plan Administrator. Notwithstanding the foregoing, the "fair market value" per share of common stock subject to any Option that is granted under this Plan on the date the Company's initial public offering is declared effective by the Securities and Exchange Commission shall be the "Price to Public" specified in the final Prospectus distributed in connection with the public offering of the Company Common Stock.

3.8 INCENTIVE STOCK OPTION. Any Stock Option intended to be and designated as an "incentive stock option" within the meaning of Section 422 of the Code.

3.9 NON-QUALIFIED STOCK OPTION. Any Stock Option that is not an Incentive Stock Option.

3.10 OPTIONEE. The recipient of a Stock Option.

3.11 PLAN. The Chicago Pizza, Inc. 1996 Stock Option Plan, as amended from time to time.

3.12 PLAN ADMINISTRATOR. The Board or the Committee designated pursuant to Section 4 to administer, construe and interpret the terms of the Plan.

3.13 STOCK OPTION OR OPTION. Any option to purchase shares of Common Stock granted pursuant to Section 7.

4. ADMINISTRATION.

4.1 ADMINISTRATION BY BOARD. Subject to Section 4.2 hereof, the Plan Administrator shall be the Board of Directors of the Company (the "Board") during such periods of time as all members of the Board are both "disinterested persons" as defined in Rule 16b-3(c)(2)(i) promulgated by the Securities

and Exchange Commission (a "disinterested person") and "outside directors" as defined in Prop. Treas. Regs. Section 1.162-27(e)(3) ("outside directors"). Anything to the contrary notwithstanding, the requirement that all members of the Board be disinterested persons and outside directors shall not apply for any period of time prior to the date the Company's Common Stock becomes registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended and, effective on and after August 15, 1996, the requirement that all members of the Board be disinterested persons shall not apply. Subject to the provisions of the Plan, the Plan Administrator shall have authority to construe and interpret the Plan, to promulgate, amend, and rescind rules and regulations relating to its administration, from time to time to select from among the eligible employees and non-employee consultants (as determined pursuant to Section 5) of the Company and its subsidiaries those employees and consultants to whom Stock Options will be granted, to determine the timing and manner of the grant of the Options, to determine the exercise price, the number of shares covered by and all of the terms of the Stock Options, to determine the duration and purpose of leaves of absence which may be granted to Stock Option holders without constituting termination of their employment for purposes of the Plan, and to make all of the determinations necessary or advisable for administration of the Plan. Prior to August 15, 1996, the Board shall have no discretion with respect to the selection of non-employee directors to receive options under the Plan, the number of shares of stock subject to any such options, or the purchase price thereof. The interpretation and construction by the Plan Administrator of any provision of the Plan, or of any agreement issued and executed under the Plan, shall be final and binding upon all parties. No member of the Board shall be liable for any action or determination undertaken or made in good faith with respect to the Plan or any agreement executed pursuant to the Plan.

4.2 ADMINISTRATION BY COMMITTEE. The Board may, in its sole discretion, delegate any or all of its duties as Plan Administrator and, subject to the provisions of Section 4.1 of the Plan, at any time the Board includes any person who is not a disinterested person and an outside director, the Board shall delegate all of its duties as Plan Administrator during such period of time to the Stock Option and Retirement Plans Committee (the "Committee") of not fewer than two (2) members of the Board, all of the members of which Committee shall be persons who, in the opinion of counsel to the Company, are disinterested persons and outside directors, to be appointed by and serve at the pleasure of the Board. Effective on and after August 15, 1996, the requirement that Committee members be disinterested persons shall not apply and all of the members of the Committee shall be persons who, in the opinion of counsel to the Company, are outside directors and "non-employee directors" within the meaning of Rule 16b-3(b)(3)(i) promulgated by the Securities and Exchange Commission. From time to time, the Board may increase or decrease (to not less than two members) the size of the

Committee, and add additional members to, or remove members from, the Committee. The Committee shall act pursuant to a majority vote, or the written consent of a majority of its members, and minutes shall be kept of all of its meetings and copies thereof shall be provided to the Board. Subject to the provisions of the Plan and the directions of the Board, the Committee may establish and follow such rules and regulations for the conduct of its business as it may deem advisable. No member of the Committee shall be liable for any action or determination undertaken or made in good faith with respect to the Plan or any agreement executed pursuant to the Plan.

5. ELIGIBILITY. Any employee or director (including any officer or director who is an employee) of the Company or any of its subsidiaries shall be eligible to receive an Option under the Plan; provided, however, that no person who owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any of its parent or subsidiary corporations shall be eligible to receive an Incentive Stock Option under the Plan unless at the time such Incentive Stock Option is granted the Option price (determined in the manner provided in Section 7.2) is at least 110% of the fair market value of the shares subject to the Option and such Option by its terms is not exercisable after the expiration of five years from the date such Option is granted. An employee may receive more than one Option under the Plan. Non-Employee Directors shall be eligible to receive Non-Qualified Stock Options pursuant to the terms and conditions of Section 7.16. In addition, Non-Qualified Stock Options may be granted to Consultants who are selected by the Plan Administrator.

6. SHARES SUBJECT TO OPTIONS. The stock available for grant of Options under the Plan shall be shares of the Company's authorized but unissued, or reacquired, Common Stock. The aggregate number of shares which may be issued pursuant to exercise of Options granted under the Plan, as amended, shall not exceed 600,000 shares of Common Stock (subject to adjustment as provided in Section 7.13), including shares previously issued under the Plan. The maximum number of shares for which an Option may be granted to any Optionee during any calendar year shall not exceed 250,000 shares. In the event that any outstanding Option under the Plan for any reason expires or is terminated, the shares of Common Stock allocable to the unexercised portion of the Option shall again be available for Options under the Plan as if no Option had been granted with respect to such shares.

7. TERMS AND CONDITIONS OF OPTIONS. Options granted under the Plan shall be evidenced by agreements (which need not be identical) in such form and containing such provisions which are consistent with the Plan as the Plan Administrator shall from time to time approve. Such agreements may incorporate all or any of the terms hereof by reference and shall comply with and be subject to the following terms and conditions:

7.1 NUMBER OF SHARES SUBJECT TO OPTION. Each Option agreement shall specify the number of shares subject to the Option.

7.2 OPTION PRICE. The purchase price for the shares subject to any Option shall be determined by the Plan Administrator at the time of grant, but shall not be less than 85% of Fair Market Value per share. Anything to the contrary notwithstanding, the purchase price for the shares subject to any Incentive Stock Option shall not be less than 100% of the Fair Market Value of the shares of Common Stock of the Company on the date the Stock Option is granted. In the case of any Option granted to an employee who owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any of its parent or subsidiary corporations, the Option price shall not be less than 110% of the fair market value per share of the Common Stock of the Company on the date the Option is granted. For purposes of determining the stock ownership of an employee, the attribution rules of Code Section 424(d) shall apply.

7.3 NOTICE AND PAYMENT. Any exercisable portion of a Stock Option may be exercised only by:

(a) delivery of a written notice to the Company, prior to the time when such Stock Option becomes unexercisable under Section 7.4, stating the number of shares being purchased and complying with all applicable rules established by the Plan Administrator;

(b) payment in full of the exercise price of such Option by, as applicable, delivery of (i) cash or check for an amount equal to the aggregate Stock Option exercise price for the number of shares being purchased, (ii) in the discretion of the Plan Administrator, upon such terms as the Plan Administrator shall approve, a copy of instructions to a broker directing such broker to sell the Common Stock for which such Option is exercised, and to remit to the Company the aggregate exercise price of such Stock Option (a "cashless exercise"), or (iii) in the discretion of the Plan Administrator, upon such terms as the Plan Administrator shall approve, shares of the Company's Common Stock owned by the Optionee, duly endorsed for transfer to the Company, with a Fair Market Value on the date of delivery equal to the aggregate purchase price of the shares with respect to which such Stock Option or portion is thereby exercised (a "stock-for-stock exercise");

(c) payment of the amount of tax required to be withheld (if any) by the Company or any parent or subsidiary corporation as a result of the exercise of a Stock Option. At the discretion of the Plan Administrator, upon such terms as the Plan Administrator shall approve, the Optionee may pay all or a portion of the tax withholding by (i) cash or check payable to the Company, (ii) cashless exercise, (iii) stock-for-stock

exercise, or (iv) a combination of one or more of the foregoing payment methods; and

(d) delivery of a written notice to the Company requesting that the Company direct the transfer agent to issue to the Optionee (or to his designee) a certificate for the number of shares of Common Stock for which the Option was exercised or, in the case of a cashless exercise, for any shares that were not sold in the cashless exercise.

Notwithstanding the foregoing, the Company, in its sole discretion, may extend and maintain, or arrange for the extension and maintenance of, credit to any Optionee to finance the Optionee's purchase of shares pursuant to exercise of any Stock Option, on such terms as may be approved by the Plan Administrator, subject to applicable regulations of the Federal Reserve Board and any other laws or regulations in effect at the time such credit is extended.

7.4 TERM OF OPTION. No Option shall be exercisable after the expiration of the earliest of (a) ten years after the date the Option is

granted, (b) three months after the date the Optionee's employment with the Company and its subsidiaries terminates, or a Non-Employee Director or Consultant ceases to provide services to the Company, if such termination or cessation is for any reason other than Disability or death, (c) one year after the date the Optionee's employment with the Company and its subsidiaries terminates, or a Non-Employee Director or Consultant ceases to provide services to the Company, if such termination or cessation is a result of death or Disability; provided, however, that the Option agreement for any Option may provide for shorter periods in each of the foregoing instances. In the case of an Incentive Stock Option granted to an employee who owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any of its parent or subsidiary corporations, the term set forth in (a), above, shall not be more than five years after the date the Option is granted.

7.5 EXERCISE OF OPTION. No Option shall be exercisable during the lifetime of an Optionee by any person other than the Optionee or (for periods prior to August 15, 1996) in the event the Company's Common Stock becomes registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, at any time prior to six months from the date the Option is granted. Subject to the foregoing, the Plan Administrator shall have the power to set the time or times within which each Option shall be exercisable and to accelerate the time or times of exercise; provided, however, the Option shall provide the right to exercise at the rate of at least 20% per year over five years from the date the Option is granted. Unless otherwise provided by the Plan Administrator, each Option granted under the Plan shall become exercisable on a cumulative basis as to one-third (1/3) of the total number of shares covered thereby at any time after one year from the date the Option is granted and an

additional one-third (1/3) of such total number of shares at any time after the end of each consecutive one-year period thereafter until the Option has become exercisable as to all of such total number of shares. To the extent that an Optionee has the right to exercise an Option and purchase shares pursuant thereto, the Option may be exercised from time to time by written notice to the Company, stating the number of shares being purchased and accompanied by payment in full of the exercise price for such shares.

7.6 NO TRANSFER OF OPTION. No Option shall be transferable by an Optionee otherwise than by will or the laws of descent and distribution.

7.7 LIMIT ON INCENTIVE STOCK OPTIONS. The aggregate fair market value (determined at the time the Option is granted) of the stock with respect to which Incentive Stock Options granted after 1986 are exercisable for the first time by an Optionee during any calendar year (under all Incentive Stock Option plans of the Company and its subsidiaries) shall not exceed $100,000. To the extent that the aggregate Fair Market Value (determined at the time of the Stock Option is granted) of the Common Stock with respect to which Incentive Stock Options are exercisable for the first time by an Optionee during any calendar year (under all Incentive Stock Option plans of the Company and any parent or subsidiary corporations) exceeds $100,000, such Stock Options shall be treated as Non-Qualified Stock Options. The determination of which Stock Options shall be treated as Non-Qualified Stock Options shall be made by taking Stock Options into account in the order in which they were granted.

7.8 RESTRICTION ON ISSUANCE OF SHARES. The issuance of Options and shares shall be subject to compliance with all of the applicable requirements of law with respect to the issuance and sale of securities, including, without limitation, any required qualification under the California Corporate Securities Law of 1968, as amended, or other state securities laws. If an Optionee acquires shares of Common Stock pursuant to the exercise of an Option, the Plan Administrator, in its sole discretion, may require as a condition of issuance of shares covered by the Option that the shares of Common Stock shall be subject to restrictions on transfer. The Company may place a legend on the certificates evidencing the shares, reflecting the fact that they are subject to restrictions on transfer pursuant to the terms of this Section. In addition, the Optionee

may be required to execute a buy-sell agreement in favor of the Company or its designee with respect to all or any of the shares so acquired. In such event, the terms of such agreement shall apply to such shares.

7.9 INVESTMENT REPRESENTATION. Any Optionee may be required, as a condition of issuance of shares covered by his or her Option, to represent that the shares to be acquired

pursuant to exercise of the Option will be acquired for investment and without a view to distribution thereof; and in such case, the Company may place a legend on the certificate evidencing the shares reflecting the fact that they were acquired for investment and cannot be sold or transferred unless registered under the Securities Act of 1933, as amended, or unless counsel for the Company is satisfied that the circumstances of the proposed transfer do not require such registration.

7.10 RIGHTS AS A SHAREHOLDER OR EMPLOYEE. An Optionee or transferee of an Option shall have no right as a stockholder of the Company with respect to any shares covered by any Option until the date of the issuance of a share certificate for such shares. No adjustment shall be made for dividends (ordinary or extraordinary, whether cash, securities, or other property) or distributions or other rights for which the record date is prior to the date such share certificate is issued, except as provided in Section 7.13. Nothing in the Plan or in any Option agreement shall confer upon any employee any right to continue in the employ of the Company or any of its subsidiaries or interfere in any way with any right of the Company or any subsidiary to terminate the Optionee's employment at any time.

7.11 NO FRACTIONAL SHARES. In no event shall the Company be required to issue fractional shares upon the exercise of an Option.

7.12 EXERCISABILITY IN THE EVENT OF DEATH. In the event of the death of the Optionee, any Option or unexercised portion thereof granted to the Optionee, to the extent exercisable by him or her on the date of death, may be exercised by the Optionee's personal representatives, heirs, or legatees subject to the provisions of Section 7.4 hereof.

7.13 RECAPITALIZATION OR REORGANIZATION OF COMPANY. Except as otherwise provided herein, appropriate and proportionate adjustments shall be made in the number and class of shares subject to the Plan and to the Option rights granted under the Plan, and the exercise price of such Option rights, in the event that the number of shares of Common Stock of the Company are increased or decreased as a result of a stock dividend (but only on Common Stock), stock split, reverse stock split, recapitalization, reorganization, merger, consolidation, separation, or like change in the corporate or capital structure of the Company. In the event there shall be any other change in the number or kind of the outstanding shares of Common Stock of the Company, or any stock or other securities into which such common stock shall have been changed, or for which it shall have been exchanged, whether by reason of a complete liquidation of the Company or a merger, reorganization, or consolidation of the Company with any other corporation in which the Company is not the surviving corporation or the Company becomes a wholly-owned subsidiary of another corporation, then if the Plan Administrator

shall, in its sole discretion, determine that such change equitably requires an adjustment to shares of Common Stock currently subject to Options under the Plan, or to prices or terms of outstanding Options, such adjustment shall be made in accordance with such determination.

To the extent that the foregoing adjustments relate to stock or securities of the Company, such adjustments shall be made by the Plan Administrator, the determination of which in that respect shall be final, binding, and conclusive.

No right to purchase fractional shares shall result from any adjustment of Options pursuant to this Section. In case of any such adjustment, the shares subject to the option shall be rounded down to the nearest whole share. Notice of any adjustment shall be given by the Company to each Optionee whose Options shall have been so adjusted and such adjustment (whether or not notice is given) shall be effective and binding for all purposes of the Plan.

In the event of a complete liquidation of the Company or a merger, reorganization, or consolidation of the Company with any other corporation in which the Company is not the surviving corporation or the Company becomes a wholly-owned subsidiary of another corporation, any unexercised Options theretofore granted under the Plan shall be deemed cancelled unless the surviving corporation in any such merger, reorganization, or consolidation elects to assume the Options under the Plan or to issue substitute Options in place thereof; provided, however, that, notwithstanding the foregoing, if such Options would be cancelled in accordance with the foregoing, the Optionee shall have the right, exercisable during a ten-day period ending on the fifth day prior to such liquidation, merger, or consolidation, to exercise such Option in whole or in part without regard to any installment exercise provisions in the Option agreement.

7.14 MODIFICATION, EXTENSION, AND RENEWAL OF OPTIONS. Subject to the terms and conditions and within the limitations of the Plan, the Plan Administrator may modify, extend, or renew outstanding Options granted under the Plan and accept the surrender of outstanding Options (to the extent not theretofore exercised). The Plan Administrator shall not, however, without the approval of the Board, modify any outstanding Incentive Stock Option in any manner which would cause the Option not to qualify as an Incentive Stock Option within the meaning of Section 422 of the Code. Notwithstanding the foregoing, no modification of an Option shall, without the consent of the Optionee, alter or impair any rights of the Optionee under the Option.

7.15 OTHER PROVISIONS. Each Option may contain such other terms, provisions, and conditions not inconsistent with the Plan as may be determined by the Plan Administrator.

7.16 NON-EMPLOYEE DIRECTORS. Notwithstanding anything to the contrary contained herein, each Eligible Director of the Company shall receive Stock Options as set forth in this Section 7.16 without the requirement of any action by the Plan Administrator, and Eligible Directors shall only participate in the Plan to the extent specified in this Section 7.16.

(a) Each Director of the Company shall be an Eligible Director who automatically receives Options under this Plan, only if such Director (i) is not then an employee of the Company or any of its subsidiaries (a "Non-Employee Director"), (ii) has not, within two (2) years immediately preceding such time, received any stock option, stock bonus, stock appreciation right, or other similar stock award from the Company or any of its subsidiaries, other than Options granted to such Director under this Plan, and (iii) does not then, directly or indirectly, beneficially own more than one percent (1%) of any class of the outstanding stock of the Company. Only Eligible Directors may receive Options under this Section 7.16 of the Plan. A Director of the Company shall not be deemed to be an employee of the Company or any of its subsidiaries solely by reason of the existence of an agreement between such Director and the Company or any subsidiary thereof pursuant to which the Director provides services as a consultant to the Company or its subsidiaries on a regular or occasional basis for compensation.

(b) A person who becomes an Eligible Director shall automatically receive as an initial grant, on the date that the person becomes an Eligible Director, a Non-Qualified Stock Option to acquire 25,000 shares of Common Stock. Each reelected Eligible Director shall automatically receive an annual grant of 10,000 shares on the date of the commencement of the regular annual meeting of the Company's shareholders. If an Eligible Director is elected by the Board to begin serving as a Director on a date not coincident

with an annual meeting date, that Director will be granted the initial 25,000 share Option on the date that the person becomes an Eligible Director. However, he or she will not receive an additional annual grant on the first annual meeting at which occurs his or her election to the Board by the shareholders, unless such meeting is at least 270 days after the date of the initial grant. The Plan Administrator will have no discretion to select which Directors will be Eligible Directors who will be granted Options or to determine the number of Option shares, price, vesting schedule or any other term of the options granted to Eligible Directors.

(c) Each Non-Qualified Stock Option granted under Section 7.16(a) and (b) above shall become exercisable as to 50% of the shares of Common Stock subject to the Option on the first anniversary date of the grant and the remaining 50% of the shares of Common Stock subject to the Option on the second anniversary date of the grant. Notwithstanding anything to the contrary in Section 7.13 hereof, in the event of a Change in Control of the Company, as defined below, any unexercised Option

granted under the Plan which is not then already exercisable as to all of the shares subject to the Option shall become immediately exercisable. A "Change in Control" shall be deemed to have occurred if (a) any person, or any two or more persons acting as a group, and all affiliates of such person or persons, acquires, by contract or otherwise, the power to vote 50% or more of the voting stock of the Company, (b) if following (i) a tender or exchange offer for voting securities of the Company (other than any such offer made by the Company), or (ii) a proxy contest for election of Directors of the Company, the persons who were directors of the Company immediately before the initiation of such event (or directors who were appointed by such directors) cease to constitute a majority of the Board of the Company upon the completion of such tender or exchange offer or proxy contest or within one year after such completion, or (c) the stockholders of the Company approve an agreement in which the Company ceases to be an independent publicly owned entity or for a sale of substantially all of the assets of the Company.

(d) Each Non-Qualified Stock Option granted under this Section 7.16 shall expire upon the earliest of the following events:

(1) Ten (10) years from the date the Option was granted;

(2) The termination of the Plan;

(3) Three (3) months after the date on which the person ceases to be any of a Director, Consultant or employee of the Company and its subsidiaries, except that if the cessation of services was caused by the person's death or Disability, the expiration of one (1) year after the cessation of such services.

(e) The exercise price of the Non-Qualified Stock Options granted under this Section 7.16 shall be one hundred percent (100%) of the Fair Market Value of the Common Stock on the date of the grant.

8. TERMINATION OR AMENDMENT OF THE PLAN. The Board may at any time terminate or amend the Plan; provided that, without approval of the holders of a majority of the shares of Common Stock of the Company represented and voting at a duly held meeting at which a quorum is present (which shares voting affirmatively also constitute a majority of the required quorum) or by the written consent of a majority of the outstanding shares of Common Stock, there shall be, except by operation of the provisions of Section 7.13, no increase in the total number of shares covered by the Plan, no change in the class of persons eligible to receive Options granted under the Plan, no reduction in the exercise price of Options granted under the Plan, and no extension of the latest date upon which Options may be exercised; and provided further that, without the consent of the Optionee,

no amendment may adversely affect any then outstanding Option or any unexercised portion thereof.

9. INDEMNIFICATION. In addition to such other rights of indemnification as they may have as members of the Plan Administrator, the members of the Plan Administrator administering the Plan shall be indemnified by the Company against reasonable expense, including attorney's fees, actually and necessarily incurred in connection with the defense of any action, suit, or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan or any Option granted thereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any action, suit, or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit, or proceeding that such member is liable for negligence or misconduct in the performance of his duties, provided that within 60 days after institution of any such action, suit, or proceeding, the member shall in writing offer the Company the opportunity, at its own expense, to handle and defend the same.

10. EFFECTIVE DATE AND TERM OF PLAN. This ameended and restated Plan shall become effective (the "Effective Date") on the date of adoption designated below. No options granted under the Plan will be effective unless the Plan is approved by shareholders of the Company within 12 months of the date of adoption. Unless sooner terminated by the Board in its sole discretion, the Plan will expire on May 31, 2006.

IN WITNESS WHEREOF, the Company by its duly authorized officer, has caused this Plan to be executed at _____, California, this ____ day of _____, 1996.

CHICAGO PIZZA, INC.

By:

Paul Motenko
Chief Executive Officer

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the inclusion in this Prospectus and Amendment No. 2 to the Registration Statement on Form SB-2 (File No. 333-5182-LA) of our report dated June 14, 1996, on our audits of the combined and consolidated financial statements of Chicago Pizza & Brewery, Inc. and of our report dated June 14, 1996 on our audits of the combined financial statements of Pietro's Corp.'s Business Related to Purchased Assets. We also consent to the reference to our firm under the caption "Experts."

COOPERS & LYBRAND L.L.P.

Los Angeles, California

August 21, 1996