

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

FORM 10-K
THE SECURITIES EXCHANGE ACT OF 1934

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

For the fiscal year ended December 31, 1999

OR

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

For the transition period from _____ to _____

Commission file number 0-21423

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

CALIFORNIA 33-0485615
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)

26131 Marguerite Parkway
Suite A
Mission Viejo, California 92692
(949) 367-8616
(Address, including zip code, and telephone number, including
area code, of registrant's principal executive offices)

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
----- Common Stock, No Par Value	----- NASDAQ

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES X NO

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-X is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. X

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The aggregate market value of the common stock of the Registrant ("Common Stock") held by non-affiliates as of December 31, 1999 based on the market price at March 15, 2000 was \$9,474,911. As of March 15, 2000, there were 7,658,321 shares of Common Stock of the Registrant outstanding and 7,964,584 Redeemable Warrants of the Registrant outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the following documents are incorporated by reference into Part III of this Form 10-K: The Registrant's Proxy Statement for the Annual Meeting of Shareholders.

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CHICAGO PIZZA & BREWERY, INC.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

GENERAL

Chicago Pizza & Brewery, Inc. (the "Company" or "BJ's") owns and operates 26 restaurants located in Southern California, Oregon, Washington and Colorado and an interest in one restaurant in Lahaina, Maui. Each of these restaurants is operated as either a BJ's Pizza, Grill & Brewery, a BJ's Pizza & Grill, a BJ's Pizza & Grill - OTC or a Pietro's Pizza restaurant. The menu at the BJ's restaurants feature BJ's award-winning, signature deep-dish pizza, BJ's own hand-crafted beers as well as a great selection of appetizers, entrees, pastas, sandwiches, specialty salads and desserts. The five BJ's Pizza, Grill & Brewery restaurants feature in-house brewing facilities where BJ's hand-crafted beers are produced. The eight Pietro's Pizza restaurants serve primarily Pietro's thin-crust pizza in a very casual, counter-service environment.

The Company was incorporated in California on October 1, 1991 originally to assume the operation of the then existing five BJ's restaurants. In January 1995, the Company purchased the BJ's restaurants and concept from its founders. Since that time, the Company has completed the (i) expansion of the BJ's menu to include high-quality sandwiches, pastas, entrees, specialty salads and desserts; (ii) enhancement of the BJ's concept through a comprehensive new logo and identity program, new uniforms, a new interior design concept and redesigned signage; (iii) addition of BJ's restaurants and microbreweries to the concept to produce BJ's own hand-crafted beers; (iv) purchase of the Pietro's Pizza chain in the Northwest in March 1996, converting seven of the Pietro's restaurants to BJ's.

The enhancement of the BJ's concept and the menu expansion have contributed to same store sales increases at the BJ's restaurants open the entire comparable periods of 6.5%, 15.7% and 8.7% for the years 1999, 1998 and 1997 respectively.

The opening of the Company's first microbrewery in Brea, California in August

1996 marked the beginning of the Company's production of award-winning hand-crafted specialty beers which are distributed to all of the Company's restaurants. The breweries have added an exciting dimension to the BJ's concept which further distinguishes BJ's from many other restaurant operations.

The acquisition of the Pietro's restaurants and the conversion of several of those restaurants to BJ's has given the Company a significant presence in the Oregon market. Due to the relative success of the Company's larger restaurants, management has determined that the Company's resources will be best utilized in the development of additional larger restaurants in prime locations. Consequently, there are currently no plans to convert additional Pietro's units to BJ's.

The Company's current focus is on the development of the larger footprint BJ's restaurants in high profile locations with favorable demographics. The Company opened BJ's Pizza & Grills in Arcadia, California in January 1999 and in La Mesa, California in November 1999, and a BJ's Pizza Grill & Brewery in Woodland Hills, California in April 1999. The Company anticipates opening BJ's Pizza & Grills in Valencia, California, Burbank, California and Huntington Beach, California in early spring 2000, early summer 2000 and mid summer, respectively, and a BJ's Pizza, Grill & Brewery in late spring 2000. The Company is currently in negotiations for additional sites in California, Arizona and Washington.

The Company's fundamental business strategy is to grow through the additional development and expansion of the BJ's brand. The BJ's brand represents exceptional food and specialty beers accompanied by great value, in a fun, casual environment.

In addition to developing new BJ's restaurant and brewery operations, the Company plans to pursue acquisition opportunities which may involve conversion to the BJ's concept or the operation of additional complementary concepts.

There can be no assurance that future events, including problems, delays, additional expenses and difficulties encountered in expansion and conversion of restaurants, will not adversely impact the Company's ability to meet its operational objectives or require additional financing, or that such financing will be available if necessary.

RESTAURANT CONCEPT AND MENU

The Company believes it is positioned for competitive advantage by offering customers moderate prices, and excellent food from a menu that features award-winning pizza, bountiful salads, soups, pastas, sandwiches, entrees and desserts. The popularity of BJ's restaurants, management believes, is due to the broadness of their appeal, with menu items ranging from pizza to steaks and ribs.

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 offers large portions of high quality food, creating a real value orientation. Because of the relatively low food cost associated with pizza, BJ's highest volume item, the restaurants are able to maintain favorable gross profit margins while providing a value to the customer.

BJ's restaurants provide a variety of beers for every taste, offering a constantly evolving selection of domestic, imported and micro-brewed beers. BJ's own hand-crafted beers are the focus of the beer selection and feature five standard beers along with a rotating selection of seasonal specialties. While the BJ's beers are produced at the Company's central brewery locations, they are distributed to, and offered at all of the BJ's and Pietro's restaurants. Management believes that internally produced beer provides a variety of benefits, including:

1. The quality and freshness of the BJ's brewed beers, which is under the constant supervision of the Company's Vice President of Brewing Operations, is superior to beer purchased from external sources.
2. The production costs of internally brewed beer can be significantly less than purchased beer. The relatively low production costs and premium pricing often associated with micro-brewed beers has a positive impact on gross profit margins. The cost savings are maximized when the brewery is operating at or near capacity. This is the basis for the Company's "central brewery" structure.

RESTAURANT LOCATIONS AND EXPANSION PLANS

The following table sets forth data regarding the Company's existing and future restaurant locations:

	Year Opened/ Acquired -----	Square Feet -----
CALIFORNIA		
Balboa Island	1995	2,600
La Jolla Village.....	1995	3,000
Laguna Beach.....	1995	2,150
Belmont Shore.....	1995	2,910
Seal Beach.....	1994	2,369
Huntington Beach.....	1994	3,430
Westwood Village, Los Angeles.....	1996	2,450
Brea (Microbrewery).....	1996	10,000
Arcadia.....	1999	7,371
Woodland Hills (Microbrewery).....	1999	13,000
La Mesa.....	1999	7,200
Valencia*	1999	7,000
West Covina* (Microbrewery).....	2000	12,000
Huntington Beach II**.....	2000	8,031
Burbank**.....	2000	11,000
COLORADO		
Boulder (Microbrewery).....	1997	5,500
HAWAII		
Lahaina, Maui.....	1994	3,430

OREGON

Hood River (Pietro's).....	1996	7,000
Gresham	1996	5,016
Milwaukie (Pietro's).....	1996	8,064
Salem I (Pietro's).....	1996	6,875
Jantzen Beach (Microbrewery).....	1996	7,932
Eugene II (Pietro's).....	1996	4,443
Eugene IV.....	1996	4,345
Salem II (Pietro's).....	1996	5,000
Portland (Stark).....	1996	6,405
Portland (Lloyd Center) (Microbrewery).....	1996	4,341
Portland (Burnside)	1996	3,483
Portland (Lombard) (Pietro's).....	1996	5,700
McMinnville (Pietro's).....	1996	2,900

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Longview (Pietro's).....	1996	5,300
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* Expected to open in spring 2000.

** Expected to open in summer 2000.

In addition to the above locations, the Company is evaluating potential locations in California, Arizona and Washington. The Company's ability to open additional restaurants will depend upon a number of factors, including, but not limited to , the availability of qualified management, restaurant staff and other personnel, the cost and availability of suitable locations, regulatory limitations regarding common ownership of breweries and restaurants in certain states, cost effective and timely construction of restaurants (which can be delayed by a variety of controllable and non-controllable factors), securing of required governmental permits and approvals and the Company's ability to generate funds from existing operations or external financing. There can be no assurance that the Company will be able to open its planned restaurants in a timely or cost effective manner, if at all.

MARKETING

To date, the majority of marketing has been accomplished through community-based promotions and customer referrals. Management's philosophy relating to the BJ's restaurants 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. BJ's expenditures on advertising and marketing are typically 1.0% to 2.0% 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. BJ's commitment to supporting worthwhile causes is exemplified by its "Cookies for Kids" program, which provides a donation to the Cystic Fibrosis Foundation for each Pizookie sold. The Pizookie, BJ's extremely popular dessert, is a cookie, freshly baked in a mini pizza pan, and topped with vanilla bean ice cream.

Pietro's marketing strategy relies much more on the distribution of discount coupons. Expenditures for marketing relating to the Pietro's restaurants are typically 5.0% of sales (excluding discounts).

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 Food and Beverage and regional managers supervise the training functions in their

particular areas.

The Company purchases its food product from several wholesale distributors. The majority of food and operating supplies for the California restaurants is currently purchased from Jacmar Sales, with which the Company has had a long-term relationship. The Company has recently started purchasing a majority of food and operating supplies for the Northwest Restaurants from Alliant Food Services, a vendor which has supplied the Company's Boulder, Colorado store for several years. Product specifications are very strict because the Company insists on using fresh, high-quality ingredients.

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 similar 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 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 help 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.

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EMPLOYEES

As of March 1, 2000, the Company employed 1,180 employees at its eleven California Restaurants, one Hawaii restaurant, and one Boulder, Colorado restaurant. Additionally, 445 are employed at the restaurants in Washington and Oregon. The Company also employs 30 administrative and field supervisory personnel at its corporate offices. Historically, the Company has experienced relatively little turnover of restaurant 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 insurance coverage which it believes will be adequate to protect the Company, its business, assets and 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.

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, the BJ'S PIZZA & GRILL and the BJ'S PIZZA & GRILL OTC 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.

ITEM 2. PROPERTIES

All of the Company's restaurants 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. Total restaurant lease expense in 1999 was approximately \$2,404,000.

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.

The Company's corporate headquarters in California are located in a 2,219 square-foot leased facility in Mission Viejo, California. The lease expires on December 31, 2001 and currently provides for approximately \$42,600 in annual rent, which is subject to certain adjustments and annual increases. Chicago Pizza Northwest, Inc., the Company's subsidiary in Washington, has offices in a 2,711 square-foot leased facility in Lynnwood, Washington. The Northwest office also maintains the Company's business processes and data services, and provides all management and financial reporting for the Company. This lease expires on March 13, 2002 and currently provides for approximately \$51,000 in annual rent, which is subject to certain adjustments and annual increases, including, without limitation, annual Consumer Price Index escalations.

ITEM 3. LEGAL PROCEEDINGS

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

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

A settlement agreement is being considered by both the Company and the landlord, which contemplates a sublease of the property by the Company to a third party and no payment of damages by either the Company or the landlord. If the sublease is not completed, the case may proceed to trial. The Company does not believe the lawsuit will have a material adverse effect on its consolidated financial position or consolidated results of operations.

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

No matters were submitted to a vote of security holders in the fourth quarter of 1999.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

On October 8, 1996, the Company's Common Stock and Redeemable Warrants became listed on the NASDAQ Small Cap Market ("NASDAQ") (Symbols: CHGO and CHGOW) in connection with the Initial Public Offering. On March 15, 2000, the closing

prices of the Common Stock and Redeemable Warrants were \$1.50 per share and \$0.13 per Redeemable Warrant, respectively. The table below shows the high and low sales prices as reported by NASDAQ. The sales prices represent inter-dealer quotations without adjustments for retail mark-ups, mark-downs or commissions.

CALENDAR YEAR ENDED DECEMBER 31,	COMMON STOCK		REDEEMABLE WARRANTS	
	HIGH	LOW	HIGH	LOW
1998				

First Quarter	\$2.09	\$1.34	\$0.22	\$0.12
Second Quarter	\$2.47	\$1.53	\$0.22	\$0.09
Third Quarter	\$2.06	\$1.28	\$0.12	\$0.03
Fourth Quarter	\$1.81	\$1.25	\$0.09	\$0.02
1999				

First Quarter	\$1.81	\$1.25	\$0.13	\$0.02
Second Quarter	\$2.00	\$1.22	\$0.13	\$0.06
Third Quarter	\$2.06	\$1.56	\$0.13	\$0.06
Fourth Quarter	\$1.88	\$1.25	\$0.09	\$0.06

As of March 7, 2000, the Company had 137 shareholders of record and 121 holders of Redeemable Warrants of record.

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PRIVATE PLACEMENT

In March 1999, the Company sold, through a private placement, 1,250,000 shares of its common stock to ASSI, Inc. in exchange for a cash payment of \$1,000,000, the termination of two consulting agreements, cancellation of 3.2 million of the Company's redeemable warrants held by ASSI, Inc. and the agreement by ASSI, Inc. and its sole stockholder to finance future Company development projects subject to pre-commitment approval.

DIVIDEND POLICY

The Company has not paid any dividends since its inception and has currently not allocated any funds for the payment of dividends. Rather, it is the current policy of the Company to retain earnings, if any, for expansion of its operations, remodeling of existing restaurants and other general corporate purposes. The Company has no plans to pay any cash dividends in the foreseeable future. Should the Company decide to pay dividends in the future, such payments would be at the discretion of the Board of Directors.

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ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated financial data should be read in conjunction with the Consolidated Financial Statements and related notes thereto as well as with the discussion below.

Year Ended December 31,				
1999	1998	1997	1996	1995
-----	-----	-----	-----	-----

(in thousands, except per share data)

Statement of Operations Data:					
Revenues	\$37,393	\$30,051	\$26,191	\$19,865	\$6,586
Cost of sales	10,491	8,458	7,732	6,182	1,848
Gross profit	26,902	21,593	18,459	13,683	4,738
Costs and Expenses:					
Labor and benefits	13,542	10,831	9,086	6,933	2,647
Occupancy	2,998	2,563	2,363	1,877	654
Operating expenses	4,161	3,520	3,385	2,998	1,250
Costs to open/close restaurants	665				
General and administrative	3,218	2,583	2,636	2,258	879
Depreciation and amortization	1,517	1,737	1,389	1,037	359
Total costs and expenses	26,101	21,234	18,859	15,103	5,789
Income (loss) from operations	801	359	(400)	(1,420)	(1,051)
Other Income (expense):					
Gain on involuntary conversion of assets			202		
Interest expense, net	(251)	(212)	(125)	(507)	(472)
Other income (expense), net	16	(5)	20	(380)	(104)
Total other income (expense)	(235)	(217)	97	(887)	(576)
Income (loss) before minority interest, taxes and change in accounting	566	142	(303)	(2,307)	(1,627)
Minority interest in partnership	(44)	(56)	(11)	27	27
Income before taxes and change in accounting	522	86	(314)	(2,280)	(1,600)
Income tax expense	(26)	(1)	(1)	(9)	(6)
Net income (loss) before change in accounting	496	85	(315)	(2,289)	(1,606)
Cumulative effect of change in accounting	106				
Net income (loss)	\$390	\$85	(\$315)	(\$2,289)	(\$1,606)
Net income (loss) per share:					
Basic and diluted	\$0.05	\$0.01	(\$0.05)	(\$0.52)	(\$0.55)
Weighted average shares outstanding:					
Basic	7,401	6,408	6,408	4,392	2,936
Diluted	7,411	6,420	6,408	4,392	2,936
Balance Sheet Data (end of period):					
Working capital (deficit)	(\$2,549)	(\$796)	\$232	\$3,329	\$22
Intangible assets, net	5,202	5,367	5,452	5,676	5,558
Total assets	19,144	17,595	17,842	18,914	9,943
Total long-term debt (including current portion)	2,861	2,927	3,543	3,964	4,127
Minority interest	249	235	211	215	253
Shareholders' equity	13,099	11,893	11,808	12,123	4,023

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

FORWARD LOOKING STATEMENTS

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

GENERAL

Chicago Pizza & Brewery, Inc. (the "Company" or "BJ's") owns and operates 26 restaurants located in Southern California, Oregon, Washington and Colorado and an interest in one restaurant in Lahaina, Maui. Each of these restaurants is operated as either a BJ's Pizza, Grill & Brewery, a BJ's Pizza & Grill, a BJ's Pizza & Grill - OTC or a Pietro's Pizza restaurant. The menu at the BJ's restaurants feature BJ's award-winning, signature deep-dish pizza, BJ's own hand-crafted beers as well as a great selection of appetizers, entrees, pastas, sandwiches, specialty salads and desserts. The five BJ's Pizza, Grill & Brewery restaurants feature in-house brewing facilities where BJ's hand-crafted beers are produced. The eight Pietro's Pizza restaurants serve primarily Pietro's thin-crust pizza in a very casual, counter-service environment.

The Company's revenues are derived primarily from food and beverage sales at its restaurants. The Company'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.

RESULTS OF OPERATIONS

FISCAL YEAR 1999 COMPARED TO FISCAL YEAR 1998

REVENUES. Total revenues for the year ended December 31, 1999 increased to \$37,393,000 from \$30,052,000 for the comparable period in 1998, an increase of \$7,341,000 or 24.4%. The increase is primarily the result of:

The opening of restaurants in Arcadia and La Mesa, California in January 1999 and November 1999, respectively, and a restaurant & brewery in Woodland Hills, California in April 1999. These new locations provided \$6,862,000 in revenues during the periods of 1999 in which they were operating.

An increase in the BJ's restaurants same store sales for comparable periods, of \$1,524,000 or 6.5%. Management believes this increase was due to (i) an increase in customer counts in the California and Colorado restaurants, and (ii) an increase in check averages produced by a price increase implemented in January 1999.

The increase in revenues resulting from the above factors was partially offset by the closing during the year of two restaurants in Oregon, a BJ's in The Dalles in May 1999 and a Pietro's in Eugene in June 1999. The closures in mid-year of these locations reduced revenues by \$927,000 when compared with 1998, during which they were open the entire year.

COST OF SALES. Cost of food, beverages and paper (cost of sales) for the restaurants increased to \$10,490,000 for the year ended December 31, 1999 from \$8,459,000 for the comparable period of 1998, an increase of \$2,031,000 or 24.0%. This increase was in line with the 24.4% increase in revenues discussed above. As a percentage of sales, cost of sales was stable at 28.1% for both 1999 and 1998.

The Company's same-store cost of sales, as a percentage of sales, improved to 28.0% during the year ended December 31, 1999 from 28.9% for the comparable period of 1998. A continued emphasis during 1999 on efficiencies as well as menu price increases for the California stores in January 1999 and for the Northwest stores in January 1999 was necessary for the Company to keep pace with continued high prices for cheese and other selected food items during 1999.

The improvement in same store cost of sales was partially offset by the higher food costs associated with the opening of the new California restaurants. As a

percentage of their revenues, these stores collectively incurred food costs of 30.2% for the periods of 1999 during which they were operational. A higher cost of sales percentage in the early months of operations is in line with the Company's experience when opening new restaurants. Also partially offsetting the improvement in same-store cost of sales were the food costs at the two restaurants closed during 1999. For the periods of 1999 during which they were open, these restaurants, as a percentage of their sales, incurred food costs of 29.5%.

LABOR. Labor costs for the restaurants increased to \$13,542,000 in the year ended December 31, 1999 from \$10,830,000 for the comparable period in 1998, an increase of \$2,712,000 or 25.0%. As a percentage of revenues, labor costs increased to 36.2% in the 1999 period from 36.0% in the 1998 period. The overall increase, as well as the percentage increase, is attributable to the opening of the new California restaurants. Labor costs at these three restaurants totaled \$2,769,000, or 40.4%, of their collective sales. The Company intentionally overstaffs new restaurants during the startup phase of operations to ensure a good dining experience by its customers. As a result of gradually reducing staffing towards the level of a mature restaurant, the new stores showed a reduction in labor costs by December 1999, as a percentage of sales.

Same-store labor costs increased \$372,000, or 3.8%, to \$10,232,000 for the year ended December 31, 1999 from \$9,860,000 for the comparable period of 1998. As a percentage of revenues, however, same-store labor costs for the twelve months of 1999 declined to 34.3% from 34.9% for the comparable period of 1998. Management feels the improvement in same-store labor costs is the result of planned labor controls.

OCCUPANCY. Occupancy costs increased to \$2,998,000 during the year ended December 31, 1999 from \$2,563,000 during the comparable period in 1998, an increase of \$435,000, or 17.0%. As a percentage of revenues, occupancy costs decreased to 8.0% in the 1999 period from 8.5% in the 1998 period. The primary reason for the decrease in occupancy costs relative to revenues was the increase in comparable store sales. Additionally, the two Northwest stores closed during 1999 experienced a combined occupancy cost percentage of 12.4% for the twelve-month period ended December 31, 1998.

OPERATING EXPENSES. Operating expenses increased to \$4,160,000 during the year ended December 31, 1999 from \$3,520,000 during the comparable period in 1998, an increase of \$640,000 or 18.2%. However, as a percentage of revenues, operating expenses decreased to 11.1% in the 1999 period from 11.7% in the 1998 period. Operating expenses include restaurant-level operating costs, the major components of which include marketing, repairs and maintenance, supplies and utilities. Management believes the primary reasons for the decrease in operating expenses as a percentage of revenues were (i) the increase in same store sales, and (ii) a focus on more efficient restaurant operations.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses increased to \$3,218,000 during the year ended December 31, 1999 from \$2,583,000 during the comparable period in 1998, an increase of \$635,000 or 24.6%. As a percentage of revenues, however, general and administrative expenses remained unchanged at 8.6% in 1999, the percentage experienced in the comparable period of 1998. The increase in general and administrative expenses was primarily due to acquiring resources to plan and implement the Company's growth strategy, incurring costs in locating and evaluating sites for future restaurants and developing staff and systems to manage anticipated future expansion.

PREOPENING COSTS. During the first quarter of 1999, the company adopted Statement of Position 98-5 (SOP 98-5), Accounting for the Costs of Start-Up Activities, which requires all costs of start-up activities that are not otherwise capitalizable as long-lived assets to be expensed as incurred. The Company previously deferred its restaurant preopening costs and amortized

them over the twelve-month period following the opening of each new restaurant. This new accounting standard accelerates the Company's recognition of costs associated with the opening of new restaurants.

During the twelve month period ended December 31, 1999, the Company incurred costs of \$517,000 due to preparations for the opening of its new restaurants in Arcadia, Woodland Hills and La Mesa, California that, under previous accounting standards, would have been capitalized and amortized over a 12-month period. These costs will fluctuate from year to year, possibly significantly, depending upon, but not limited to, the number of restaurants under development, the size and concept of the restaurants being developed and the complexity of the staff hiring and training process.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization decreased to \$1,517,000 during the year ended December 31, 1999 from \$1,737,000 during the comparable period in 1998, a decrease of \$220,000 or 12.7%. The decrease was primarily due to the implementation of SOP 98-5, noted in the previous section. During the twelve months ended December 31, 1998, the Company's amortization and depreciation costs included \$384,000 amortization of previously capitalized preopening costs. The Company expensed the remaining capitalized preopening costs of \$106,000 as a cumulative effect of change in accounting principle in the first quarter of 1999.

Excluding the amortization of preopening costs, amortization and depreciation for 1998 was \$1,353,000. On a comparable cost basis, depreciation and amortization for the year of 1999 increased \$164,000, or 12.1%. This increase was primarily due to the addition of restaurant equipment and furniture, improvements and brewery equipment utilized in the development of the three new California restaurants.

INTEREST EXPENSE. Interest expense, net of interest income, increased to \$250,000 during the year ended December 31, 1999 from \$211,000 during the comparable period in 1998, an increase of \$39,000 or 18.5%. This increase was primarily due to the additional debt incurred by the Company to finance equipment for the new restaurants in Arcadia, California and Woodland Hills, California. Interest expense related to this financing was \$67,000 during 1999; this amount was partially offset by reduced interest expense on older debt due to normal principal amortization.

FISCAL YEAR 1998 COMPARED TO FISCAL YEAR 1997

REVENUES. Total revenues for the year ended December 31, 1998 increased to \$30,052,000 from \$26,191,000 for the comparable period in 1997, an increase of \$3,861,000 or 14.7%. The increase is primarily the result of:

The opening of the Boulder, Colorado restaurant in February 1997.

An increase in same store sales at the BJ's restaurants, which were open in both periods, of \$1,986,000 or 15.7%. Management believes this increase was due to (i) an increase in customer counts, and (ii) an increase in check averages produced by a price increase implemented in late May 1998 and the implementation of more effective suggestive selling techniques at the restaurants.

An increase in same store sales at the former Pietro's restaurants converted and operated as BJ's restaurants for a part or all of the year ended December 31, 1998 and operated as Pietro's for a part or all of the comparable period in 1997 of \$2,012,000 or 39.3%.

The increase in revenues resulting from the above-mentioned factors was partially offset by (i) a decrease in sales at the restaurants operated as Pietro's for the entire comparable periods of \$395,000 or 6.4%; (ii) the sale of the Pietro's restaurant in North Bend, Oregon in June 1997 and (iii) a fire which caused the closing of a Pietro's restaurant in February 1997.

COST OF SALES. Cost of food, beverages and paper for the restaurants increased to \$8,459,000 for the year ended December 31, 1998 from \$7,732,000 for the comparable period in 1997, an increase of \$727,000 or 9.4%.

However, as a percentage of revenues, cost of sales decreased to 28.1% during the 1998 period from 29.5% in the 1997 period. The decrease in cost of sales as a percentage of revenues was primarily due to efficiencies achieved at the BJ's restaurants in Southern California, Hawaii and Colorado as well as a menu price increase implemented in late May 1998. Cost of sales at those restaurants decreased to 26.4% of sales during the year ended December 31, 1998 from 28.0% of sales during the comparable period in 1997. This decrease was also due to a decrease in cost of sales at the Northwest BJ's and Pietro's restaurants to 30.4% in 1998 from 31.4% in 1997. The decrease in cost of sales was achieved despite the substantial increase in cheese prices, which occurred during the last half of 1998.

LABOR. Labor costs for the restaurants increased to \$10,831,000 in the year ended December 31, 1998 from \$9,086,000 for the comparable period in 1997, an increase of \$1,745,000 or 19.2%. As a percentage of revenues, labor costs increased to 36.0% in the 1998 period from 34.7% in the 1997 period. Management believes the increase in labor costs as a percentage of revenue were primarily due to substantial increases in the Federal, California and Oregon minimum wages between 1997 and 1998.

OCCUPANCY. Occupancy costs increased to \$2,563,000 during the year ended December 31, 1998 from \$2,363,000 during the comparable period in 1997, an increase of \$200,000 or 8.5%. As a percentage of revenues, occupancy costs decreased to 8.5% in the 1998 period from 9.0% in the 1997 period. The primary reason for the decrease in occupancy costs relative to revenues was the increase in comparable store sales.

OPERATING EXPENSES. Operating expenses increased to \$3,520,000 during the year ended December 31, 1998 from \$3,385,000 during the comparable period in 1997, an increase of \$135,000 or 4.0%. However, as a percentage of revenues, operating expenses decreased to 11.7% in the 1998 period from 12.9% in the 1997 period. The primary reasons for the decrease in operating expenses as a percentage of revenues were (i) the increase in same store sales, and (ii) an increased focus on more efficient restaurant operations as well as the implementation of improved expense monitoring systems at the BJ's restaurants in Southern California. Operating expenses include restaurant-level operating costs, the major components of which include marketing, repairs and maintenance, supplies and utilities.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses decreased to \$2,583,000 during the year ended December 31, 1998 from \$2,636,000 during the comparable period in 1997, a decrease of \$53,000 or 2.0%. The decrease in general and administrative expenses was primarily due to additional legal and accounting fees incurred during 1997 associated with the Company's first year of being a public company.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization increased to \$1,737,000 during the year ended December 31, 1998 from \$1,389,000 during the comparable period in 1997, an increase of \$348,000 or 25.1%. The increase was primarily due to (i) the opening of the Boulder, Colorado restaurant in February 1997, and (ii) the depreciation associated with the renovation costs of the Pietro's converted to BJ's.

INTEREST EXPENSE. Interest expense, net of interest income, increased to \$211,000 during the year ended December 31, 1998 from \$125,000 during the comparable period in 1997, an increase of \$86,000 or 69.0%. The increase was primarily due to a reduction of interest income experienced as the Company's invested cash was utilized in the renovation and conversion of the Pietro's units. During 1998, the Company also arranged a number of equipment leases to finance the acquisition of point-of-sale systems for its Northwest restaurants. The implicit interest in these lease agreements, capitalized for balance sheet disclosure in accordance with the requirements of FASB 13, also contributed to the increase of interest expense.

LIQUIDITY AND CAPITAL RESOURCES

The Company's operating activities, as detailed in the Consolidated Statement of Cash Flows, provided \$2,274,000 net cash during the year ended December 31, 1999, a \$204,000, or 9.9%, increase over the \$2,070,000 generated in the prior year ended December 31, 1998. Since the completion of the Company's initial public offering in October of 1996, the Company has invested in restaurant development and reduced its debt. Capital expenditures for the acquisition of restaurant and brewery equipment and leasehold improvements to develop or convert restaurants totaled \$4,470,000 and \$2,039,000 for the years ended December 31, 1999 and 1998, respectively. Debt reduction, including the principal portion of capitalized lease payments, for the years ended December 31, 1999 and 1998 totaled \$770,000 and \$728,000, respectively.

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On January 15, 1999, the Company completed a financing agreement with a lender to provide equipment financing up to \$1,000,000 for equipment and furnishings required in the Arcadia, Woodland Hills and other restaurant developments. The notes have a term of eighty-four months, and the interest rate is fixed at the time of funding; to date funds provided for equipment financing under this facility have been at effective interest rates ranging from 11.63% to 13.68%. At December 31, 1999 \$637,000 was outstanding under this financing agreement. The unused portion of the commitment is no longer available to the Company.

On March 1, 1999, the Company completed a private placement of Company Common Stock to ASSI, Inc. The Company issued 1,250,000 common shares to the shareholder in exchange for a cash payment of \$1,000,000, the cancellation of 3,200,000 of the Company's Redeemable Warrants and other consideration. See Notes to Consolidated Financial Statements.

The Company used \$4,470,000 to acquire equipment and facilities during the year ended December 31, 1999, compared to the \$2,039,000 used for this purpose during the prior year ended December 31, 1998, an increase of \$2,431,000, or 119.2%. These expenditures were required to develop the three new California restaurants, as well as to partially fund the development of the four restaurants currently planned for 2000. As a result of the above expenditures on capital equipment and construction, cash and cash equivalents during the year ended December 31, 1999 decreased to \$189,000, a decrease of \$1,302,000 from the \$1,491,000 balance at December 31, 1998.

The Company intends to continue the development of additional restaurants. In February 2000, the Company entered into an agreement with a bank for a collateralized term loan for \$4,000,000. There is an initial twelve month draw down period and a subsequent thirty-six month term out period. Interest accrued on outstanding borrowings shall be Wall Street Journal Prime plus 2.0% or LIBOR plus 3.5%, and Wall Street Journal Prime plus 3.0%, floating or fixed during the term out period. Payment shall be interest only during the draw down period and an even amortization during the term out period, with a final maturity on February 15, 2004. The Company paid a one percent loan fee. This loan agreement contains, among other things, certain financial covenants and restrictions.

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

IMPACT OF INFLATION

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

numerous times and remains subject to future increases.

SEASONALITY AND ADVERSE WEATHER

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

YEAR 2000 COMPLIANCE

The Company used internal and external resources to upgrade and test its systems. Costs incurred in addressing the Y2K issue were incurred primarily for the purchase of new LAN computer equipment and software upgrades warranted by the developer as Y2K compliant. Most of these upgrades and replacements would have occurred in the normal course of information systems maintenance, and were not material to the Company's financial results.

The Company did not experience any significant malfunctions or errors in its operating or business systems when the date changed from 1999 to 2000. Based on operations since January 1, 2000, the Company does not expect any

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significant impact or costs to its ongoing business as a result of the Y2K issue. However, it is possible that the full impact of the date change has not been fully recognized. The Company currently is not aware of any significant Y2K or similar problems that have arisen for its customers and suppliers.

IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

As had been the practice of many restaurant entities, the Company previously deferred its restaurant preopening costs and amortized them over the twelve-month period following the opening of each new restaurant. In April 1998, the Accounting Standards Executive Committee of the American Institute of Certified Public Accounts issued Statement of Position 98-5 (SOP 98-5), Accounting for the Costs of Start-Up Activities. SOP 98-5 requires all costs of start-up activities that are not otherwise capitalizable as long-lived assets to be expensed as incurred. The Company adopted SOP 98-5 during the first quarter of 1999. This new accounting standard accelerates the Company's recognition of costs associated with the opening of new restaurants but will benefit the post-opening results of new restaurants. Initial application is required as of the beginning of the fiscal year in which SOP 89-5 is first adopted. The Company had no deferred preopening costs at December 31, 1999 and \$106,175 at January 1, 1999.

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

ITEM 8. FINANCIAL STATEMENTS

See the Index to Financial Statements attached hereto.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item is incorporated herein by reference to the information contained in the Proxy Statement relating to the Annual

Meeting of Shareholders, which will be filed with the Securities and Exchange Commission no later than 120 days after the close of the year ended December 31, 1999.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated herein by reference to the information contained in the Proxy Statement relating to the Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission no later than 120 days after the close of the year ended December 31, 1999.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is incorporated herein by reference to the information contained in the Proxy Statement relating to the Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission no later than 120 days after the close of the year ended December 31, 1999.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated herein by reference to the information contained in the Proxy Statement relating to the Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission no later than 120 days after the close of the year ended December 31, 1999.

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PART IV

ITEM 14. EXHIBITS AND REPORTS ON FORM 8-K

(a) (1) CONSOLIDATED FINANCIAL STATEMENTS

The following documents are contained in Part II, Item 8 of this Annual Report on Form 10-K:

Consolidated Balance Sheets at December 31, 1999 and 1998.

Consolidated Statements of Operations for each of the three years in the period ended December 31, 1999.

Consolidated Statement of Shareholders' Equity for each of the three years in the period ended December 31, 1999.

Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 1999.

Notes to the Consolidated Financial Statements.

Report of Independent Accounts.

(2) FINANCIAL STATEMENT SCHEDULES

All schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

(3) EXHIBITS

Exhibit Number -----	Description -----
2.1	Asset Purchase Agreement by and between the Company and Roman Systems, Inc. incorporated by reference to Exhibit 2.2 of the Registration Statement.
2.2	Secured Promissory Note by and between the Company and Roman Systems, Inc. filed as Exhibit 2.3 of the Registration Statement.
3.1	Amended and Restated Articles of Incorporation of the Company, as amended, incorporated by reference to Exhibit 1 of the Registration Statement.
3.2	Bylaws of the Company, incorporated by reference to Exhibit 3.2 of the Registration Statement.
4.1	Specimen Common Stock Certificate of the Company, incorporated by reference to Exhibit 4.1 of the Registration Statement.
4.2	Warrant Agreement, incorporated by reference to Exhibit 4.2 of the Registration Statement.
4.3	Specimen Common Stock Purchase Warrant, incorporated by reference to Exhibit 4.3 of the Registration Statement.
4.4	Form of Representative's Warrant, incorporated by reference to Exhibit of the Registration Statement.
10.1	Form of Employment Agreement of Jeremiah J. Hennessy, incorporated by reference to Exhibit 10.1 of the Registration Statement.

Exhibit Number -----	Description -----
10.2	Form of Employment Agreement of Paul Motenko, incorporated by reference to Exhibit 10.2 of the Registration Statement.
10.3	Form of Indemnification Agreement with Officers and Directors, incorporated by reference to Exhibit 10.6 of the Registration Statement.
10.4	Chicago Pizza & Brewery, Inc. Stock Option Plan, incorporated by reference to Exhibit 10.7 of the Registration Statement.
10.5	Lease Agreement - Corporate Headquarters, Mission Viejo, incorporated by reference to Exhibit 10.9 of the Registration Statement.
10.6	Lease Agreement - Corporate Headquarters, Chicago Pizza Northwest, incorporated by reference to Exhibit 10.10 of the Registration Statement.

- 10.7 Consulting Agreement between the Company and ASSI, Inc. -- Pietro's, incorporated by reference to Exhibit 10.11 of the Registration Statement.
- 10.8 Consulting Agreement between the Company and ASSI, Inc. -- Nevada, incorporated by reference to Exhibit 10.12 of the Registration Statement.
- 10.9 BJ's Lahaina, L.P. Partnership Agreement, incorporated by reference to Exhibit 10.16 of the Registration Statement.
- 10.10 Pepsi Supplier Agreement, incorporated by reference to Exhibit 10.17 of the Registration Statement.
- 10.11 Underwriting Agreement between the Company and The Boston Group, L.P., as Representative of the Several Underwriters named therein, incorporated by reference to Exhibit 1.1 of the Registration Statement.
- 10.12 Stock Purchase Agreement by and between the Company, ASSI, Inc. and Louis Habash, incorporated by reference to Exhibit 10.15 of the Company's Form 10-KSB for the fiscal year ended December 31, 1998.
- 10.13 Real Estate Lease, dated November 1, 1999, between Chicago Pizza & Brewery, Inc. and Huntington Executive Park, a California Limited Partnership, for a BJ's Pizza & Grill restaurant.
- 10.14 Real Estate, dated February 16, 2000, between Chicago Pizza & Brewery, Inc. and Eastland Shopping Center LLC for a BJ's Pizza, Grill & Brewery restaurant.
- 10.15 Employment Agreement dated June 21, 1999 between the Company and Ernest T. Klinger, employed as President and Co-Chairman of the Board of Directors incorporated by reference to Exhibit 10.1 of the Form 10-Q filed August 16, 1999.
- 21 List of Subsidiaries, incorporated by reference to Exhibit 21.1 of the Registration Statement.
- 27.1 Financial Data Schedule.
- (b) The Company filed no Reports on Form 8-K during the fiscal year ended December 31, 1999.

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SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CHICAGO PIZZA & BREWERY, INC.

By: /s/ PAUL A. MOTENKO
Paul A. Motenko, Co-Chief Executive Officer
and Secretary

Pursuant to the requirements of the Securities and Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURE -----	CAPACITY -----	DATE ----
By: /s/PAUL A. MOTENKO ----- Paul A. Motenko	Director, Co-Chief Executive Officer, Co-Chairman of the Board and Vice- President and Secretary	March 28, 2000
By: /s/JEREMIAH J. HENNESSY ----- Jeremiah J. Hennessy	Co-Chief Executive Officer and Co-Chairman of the Board of Directors	March 28, 2000
By: /s/ERNEST T. KLINGER ----- Ernest T. Klinger	President, Chief Financial Officer and Co-Chairman of the Board of Directors	March 28, 2000
By: /s/BARRY J. GRUMMAN ----- Barry J. Grumman	Director	March 28, 2000
By: /s/STANLEY B. SCHNEIDER ----- Stanley B. Schneider	Director	March 28, 2000
By: /s/ALLYN R. BURROUGHS ----- Allyn R. Burroughs	Director	March 28, 2000

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CHICAGO PIZZA & BREWERY, INC.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders
Chicago Pizza & Brewery, Inc.

In our opinion, the accompanying consolidated balance sheets and the related statements of operations, of shareholders' equity, and of cash flows present fairly, in all material respects, the financial position of Chicago Pizza & Brewery, Inc. and its subsidiaries at December 31, 1999 and 1998, and the

results of their operations and their cash flows for each of the three years in the period ended December 31, 1999 in conformity with accounting principles generally accepted in the United States. 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 of these statements in accordance with auditing standards generally accepted in the United States, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Note 1 of the consolidated financial statements, the Company changed its method of accounting for preopening costs in 1999.

PricewaterhouseCoopers LLP

Los Angeles, California
March 12, 2000

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CHICAGO PIZZA & BREWERY, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31,

	1999	1998
	-----	-----
ASSETS:		
Current assets:		
Cash and cash equivalents	\$188,811	\$1,490,705
Accounts receivable	141,968	175,712
Inventory	455,880	345,874
Prepays and other current assets	271,854	295,176
	-----	-----
Total current assets	1,058,513	2,307,467
Property and equipment, net	12,529,913	9,567,604
Other assets	353,595	352,916
Intangible assets, net	5,202,085	5,366,722
	-----	-----
Total assets	\$19,144,106	\$17,594,709
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$1,114,757	\$1,130,691
Accrued expenses	1,710,984	1,286,539
Current portion of notes payable to related parties	350,341	339,727
Current portion of long-term debt	284,919	210,367
Current portion of obligations under capital lease	146,942	135,809
	-----	-----
Total current liabilities	3,607,943	3,103,133
Notes payable to related parties	1,368,807	1,718,954
Long-term debt	687,331	355,313
Obligations under capital lease	22,574	167,219
Other liabilities	109,131	122,099
	-----	-----
Total liabilities	5,795,786	5,466,718
	-----	-----
Commitments and contingencies (Note 8)		

Minority interest in partnership	249,159	235,040
Shareholders' equity:		
Preferred stock, 5,000,000 shares authorized, none issued or outstanding		
Common stock, no par value, 60,000,000 shares authorized as of December 31, 1999 and 1998, 7,658,321 and 6,408,321 shares issued and outstanding as of December 31, 1999 and 1998, respectively	16,076,132	15,039,646
Capital surplus	975,280	1,196,029
Accumulated deficit	(3,952,251)	(4,342,724)
	-----	-----
Total shareholders' equity	13,099,161	11,892,951
	-----	-----
Total liabilities and shareholders' equity	\$19,144,106	\$17,594,709
	=====	=====

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

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CHICAGO PIZZA & BREWERY, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31,

	1999	1998	1997
	-----	-----	-----
Revenues	\$37,392,793	\$30,051,503	\$26,191,472
Cost of sales	10,490,329	8,458,829	7,732,193
	-----	-----	-----
Gross profit	26,902,464	21,592,674	18,459,279
	-----	-----	-----
Costs and expenses:			
Labor and benefits	13,542,002	10,830,181	9,085,853
Occupancy	2,998,346	2,562,825	2,363,002
Operating expenses	4,160,479	3,520,221	3,384,616
General and administrative	3,217,921	2,583,384	2,636,904
Depreciation and amortization	1,517,428	1,737,430	1,388,551
Restaurant opening expenses	516,953		
Restaurant closing expense	148,464		
	-----	-----	-----
Total cost and expenses	26,101,593	21,234,041	18,858,926
	-----	-----	-----
Income (loss) from operations	800,871	358,633	(399,647)
	-----	-----	-----
Other income (expense):			
Gain on involuntary conversion of assets			202,082
Interest income	64,839	95,153	216,333
Interest expense	(315,086)	(306,259)	(341,283)
Other income (expense), net	15,852	(5,090)	19,438
	-----	-----	-----
Total other income (expense)	(234,395)	(216,196)	96,570
	-----	-----	-----
Income (loss) before minority interest, income taxes and change in accounting	566,476	142,437	(303,077)
Income applicable to minority interest in partnership	(44,227)	(56,254)	(11,052)
	-----	-----	-----
Income (loss) before income taxes and change in accounting	522,249	86,183	(314,129)
Income tax expense	(25,601)	(1,600)	(800)
	-----	-----	-----
Income (loss) before change in accounting	496,648	84,583	(314,929)
Cumulative effect of change in accounting	106,175		
	-----	-----	-----
Net income (loss)	\$390,473	\$84,583	(\$314,929)
	=====	=====	=====
Net income (loss) per share:			
Basic and diluted:			
Net income (loss) before cumulative effect of change in accounting	\$0.07	\$0.01	(\$0.05)
Cumulative effect of change in accounting	(0.02)		
	-----	-----	-----
Net income (loss)	\$0.05	\$0.01	(\$0.05)

Basic weighted average number of common shares outstanding	7,401,472	6,408,321	6,408,321
Diluted weighted average number of common shares outstanding	7,410,722	6,419,851	6,408,321

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

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

	Shares	Amount	Capital Surplus	Accumulated Deficit	Total
Balance, December 31, 1996	6,408,321	\$15,039,646	\$1,196,029	(\$4,112,378)	\$12,123,297
Net loss				(314,929)	(314,929)
Balance, December 31, 1997	6,408,321	15,039,646	1,196,029	(4,427,307)	11,808,368
Net income				84,583	84,583
Balance, December 31, 1998	6,408,321	15,039,646	1,196,029	(4,342,724)	11,892,951
Private placement of common stock, net	1,250,000	876,486			876,486
Reallocation of value of 3,200,000 warrants cancelled under terms of private placement		160,000	(160,000)		-
Purchase of redeemable warrants			(60,749)		(60,749)
Net income				390,473	390,473
Balance, December 31, 1999	7,658,321	\$16,076,132	\$975,280	(\$3,952,251)	\$13,099,161

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

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CHICAGO PIZZA & BREWERY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	1999	1998	1997
Cash flows from operating activities:			
Net income (loss)	\$390,473	\$84,583	(\$314,929)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,517,428	1,737,430	1,388,551
Change in accounting principle	106,175		
Gain on involuntary conversion of assets			(202,082)
(Gain) loss on sale of restaurant	116,318		(16,678)
Minority interest in partnership	44,227	56,254	11,052
Changes in assets and liabilities:			
Accounts receivable	33,744	(14,063)	(4,227)
Inventory	(110,006)	15,425	(104,631)
Prepays and other current assets	(210,453)	(32,852)	(555,451)
Other assets	(9,397)	(36,584)	(16,020)
Accounts payable	(15,935)	87,836	(221,943)
Accrued expenses	424,445	185,362	(97,915)
Other liabilities	(12,968)	(12,968)	(12,704)
Net cash provided by (used in) operating activities	2,274,051	2,070,423	(146,977)
Cash flows from investing activities:			
Purchases of equipment	(4,470,283)	(2,038,596)	(3,303,414)
Purchase of liquor licenses		(53,545)	
Proceeds from involuntary conversion of asset			260,691
Proceeds from sale of restaurants, net of expenses	55,270	7,000	40,900
Net cash used in investing activities	(4,415,013)	(2,085,141)	(3,001,823)

Cash flows from financing activities:			
Proceeds from sale of common stock	1,000,000		
Equipment loan proceeds	699,604		
Release of cash pledged as collateral		560,830	
Repurchase of redeemable warrants	(60,749)		
Payments on related party debt	(339,533)	(336,306)	(320,241)
Payments on debt	(293,034)	(285,150)	(220,993)
Principal payments on capital lease obligations	(137,112)	(106,877)	(75,603)
Distributions to minority interest partners	(30,108)	(32,423)	(14,822)
	-----	-----	-----
Net cash provided by (used in) financing activities	839,068	(199,926)	(631,659)
	-----	-----	-----
Net decrease in cash and cash equivalents	(1,301,894)	(214,644)	(3,780,459)
Cash and cash equivalents, beginning of period	1,490,705	1,705,349	5,485,808
	-----	-----	-----
Cash and cash equivalents, end of period	\$188,811	\$1,490,705	\$1,705,349
	=====	=====	=====

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

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

1. The Company And Summary Of Significant Accounting Policies:

OPERATIONS

Chicago Pizza & Brewery, Inc. (the "Company" or "BJ's") was incorporated in California on October 1, 1991. The Company owns and operates 26 restaurants located in Southern California, Oregon, Washington and Colorado and a controlling interest in one restaurant in Lahaina, Maui. Each of the restaurants is currently operated as either a BJ's Pizza, Grill & Brewery, a BJ's Pizza & Grill, a BJ's Pizza & Grill OTC or, located exclusively in the Northwest, a Pietro's Pizza. During 1999, the Company opened three restaurants in southern California, BJ's Pizza & Grills in Arcadia, California and La Mesa, California in January and November, respectively, and a BJ's Pizza, Grill & Brewery in Woodland Hills, California in April.

BASIS OF PRESENTATION

The accompanying financial statements of the Company as of the years ended December 31, 1999, 1998 and 1997 are presented on a consolidated basis, and include the accounts of the Company, its wholly owned subsidiary, Chicago Pizza Northwest, Inc. and BJ's Lahaina, L.P. The Company operates in the restaurant industry exclusively in the United States. All significant intercompany transactions and balances have been eliminated.

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.

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	5-10 years
Leasehold improvements	7-25 years

The Company periodically evaluates the carrying value of its property and equipment, including related useful lives. Impairment losses to long lived assets are recognized when the carrying value of an asset exceeds the estimated fair value of the asset. Management believes there is no impairment of the net book value of its property and equipment at December 31, 1999.

1. The Company And Summary Of Significant Accounting Policies
(continued):

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 future 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, whichever is less. Interest expense relating to these 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 rental payments are charged to expense as incurred.

PREPAIDS AND OTHER CURRENT ASSETS

As had been the practice of many restaurant entities, the Company previously deferred its restaurant preopening costs and amortized them over the twelve-month period following the opening of each new restaurant. In April 1998, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position 98-5 (SOP 98-5), Accounting for the Costs of Start-Up Activities. SOP 98-5 requires all costs of start-up activities that are not otherwise capitalizable as long-lived assets to be expensed as incurred. The Company adopted SOP 98-5 during the first quarter of 1999. This new accounting standard accelerates the Company's recognition of costs associated with the opening of new restaurants but will benefit the post-opening results of new restaurants. The Company's total deferred preopening costs were \$106,175 at January 1, 1999. As provided by SOP 98-5, the Company wrote off the balance of deferred preopening costs during the first quarter of 1999.

INTANGIBLE ASSETS

Goodwill from the acquisition of the net assets of Roman Systems, the acquisition of the limited partnership interests of BJ's Belmont Shore, L.P. and BJ's La Jolla, L.P., and the acquisition of Pietro's represent the excess of cost over fair value of net assets acquired. Goodwill is amortized over 40 years using the straight-line method beginning on the

date of acquisition. Also included in intangible assets are trademarks, which are amortized over 10 years and the covenant not to compete, which is amortized over 8.5 years.

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 cash flows from operations of the acquired restaurants with the carrying value of the goodwill. Management does not believe there is any impairment of goodwill valuation at December 31, 1999.

REVENUE RECOGNITION

Revenue from restaurant sales is recognized when food and beverage is sold.

ADVERTISING COSTS

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 1999, 1998 and 1997 were \$657,808, \$558,291 and \$761,780, respectively.

INCOME TAXES

Deferred income taxes are recognized based on 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.

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1. The Company And Summary Of Significant Accounting Policies (continued):

MINORITY INTEREST

For the consolidated financial statements as of December 31, 1999 and 1998, minority interest represents the limited partners' interests totaling 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.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards ("SFAS") Opinion No. 107, "Disclosure About Fair Value of Financial Instruments", requires disclosure of fair value information about most financial instruments both on and off the balance sheet, if it is practicable to estimate. Disclosures regarding the fair value of financial instruments have been derived using external market sources, estimates using present value or other valuation techniques. Cash, accounts payable, accrued liabilities and short-term debt are reflected in the financial statements at fair value because of the short-term maturity of these instruments. The fair value of long-term debt closely approximates its carrying value.

NET INCOME PER SHARE

Basic net income per share is computed by dividing the net income attributable to common stockholders by the weighted average number of common shares outstanding during the period. Dilutive net income per share reflects the potential dilution that could occur if stock options issued by the Company to sell common stock at set prices were exercised. The financial statements present basic and dilutive net income per share. Common share equivalents included in the diluted computation represent shares issuable upon assumed exercises of outstanding stock options using the treasury stock method.

STOCK-BASED COMPENSATION

The Company accounts for its stock-based compensation plan using the intrinsic value method prescribed in APB Opinion No. 25, "Accounting for Stock Issued to Employees". SFAS No. 123, "Accounting for Stock-based Compensation", encourages, but does not require companies to record stock-based compensation plans at fair value. The Company has elected to continue accounting for stock-based compensation in accordance with APB No. 25, but will comply with the required disclosures under SFAS No. 123.

BUSINESS OPERATIONS

The Company 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-brewing concepts, management believes that the controlling of these costs has been a factor in achieving its recent profitability. Management believes the Company can continue to improve its profitability through increased sales relating to its extended menu and the continuing development of additional restaurant sites.

While there can be no assurance that management's plans, if executed, will continue to improve the Company's 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 principally consist of cash, cash equivalents and accounts receivable. The Company maintains its cash accounts at various banking institutions. At times, cash and cash equivalent balances may be in excess of the FDIC

2. Concentration of Credit Risk (continued):

insurance limit. Cash equivalents represent money market funds and certificates of deposits.

3. Property and Equipment:

Property and equipment consisted of the following as of:

DECEMBER 31,	
-----	-----
1999	1998
-----	-----

Furniture and fixtures	\$1,181,972	\$715,098
Equipment	5,534,479	4,101,864
Leasehold improvements	9,545,323	6,545,352
	-----	-----
	16,261,774	11,362,314
Less, accumulated depreciation and amortization	(4,204,880)	(2,990,505)
	-----	-----
	12,056,894	8,371,809
Construction in progress	473,019	1,195,795
	-----	-----
	\$12,529,913	\$9,567,604
	=====	=====

4. Intangible Assets:

Intangible assets consisted of the following as of:

	DECEMBER 31,	
	1999	1998
	-----	-----
Goodwill	\$5,867,358	\$5,867,357
Trademarks	59,000	58,563
Covenant not to compete	50,000	50,000
Lease right for Lahaina lease	25,000	25,000
	-----	-----
	6,001,358	6,000,920
Less, accumulated amortization	799,273	634,198
	-----	-----
	\$5,202,085	\$5,366,722
	=====	=====

5. Accrued Expenses:

Accrued expenses consisted of the following as of:

	DECEMBER 31,	
	1999	1998
	-----	-----
Accrued professional fees	\$87,681	\$89,251
Accrued rent	232,515	244,163
Payroll related liabilities	1,007,506	729,298
Accrued interest	6,294	-
Other	376,988	223,827
	-----	-----
	\$1,710,984	\$1,286,539
	=====	=====

6. Debt:

RELATED PARTY DEBT

Related party debt consisted of the following as of:

	DECEMBER 31,	
	1999	1998
Note payable to Roman Systems, with fixed interest rate of 7%, due in monthly installments of \$38,195, maturing April 1, 2004, collateralized by the BJ's Laguna, BJ's La Jolla and BJ's Balboa restaurants	\$1,719,148	\$2,041,181
Note payable to Roman Systems, with interest rate of 2.25% plus the bank's reference rate (7.75% at December 31, 1998 and 8.50% at December 31, 1997), due in monthly installments of \$3,500, Maturing June 1, 1999	-	17,500
Total related party debt	1,719,148	2,058,681
Less, current portion	350,341	339,727
	\$1,368,807	\$1,718,954

Future maturities of related party debt for each of the five years subsequent to December 31, 1999 and thereafter are as follows:

2000	\$350,341
2001	378,068
2002	405,989
2003	433,909
2004	150,841
Thereafter	-
	\$1,719,148

Total interest expense on related party debt for the years ended December 31, 1999, 1998 and 1997 was approximately \$136,000, \$164,000 and \$194,000, respectively.

6. Debt (continued):

OTHER LONG-TERM DEBT

Other long-term debt consisted of the following as of :

	DECEMBER 31,	
	1999	1998
Notes payable to a financial institution with an implicit interest rates of 11.63% to 13.68% due in monthly installments of \$12,176, maturing February 15, 2006, collateralized by improvements and restaurant equipment and furniture at the BJ's Arcadia and BJ's Woodland Hills restaurants.	\$637,007	
Note payable to a financial institution with interest rate of 2% plus the bank's reference rate (8.50% at December 31, 1999 and 7.75% at December 31, 1998), due in monthly installments of \$12,513, maturing March 1, 2001	180,695	\$330,849
Notes payable to taxing authorities 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%	154,548	234,831
Less, current portion	972,250	565,680
	284,919	210,367
	\$687,331	\$355,313

Future maturities of other long-term debt for years subsequent to December 31, 1999 are as follows:

2000	\$284,919
2001	192,035
2002	111,108
2003	106,203
2004	119,506
Thereafter	158,478

	\$972,249
	=====

Total interest expense on other long-term debt for the years ended December 31, 1999, 1998 and 1997 was approximately \$120,000, \$76,000 and \$125,000, respectively.

On January 15, 1999 the Company completed a financing agreement with a lender to provide equipment financing totaling \$1,000,000 for the equipment and furnishings required by the two additional California locations. A commitment fee was paid by the Company in January 1999, and initial funding, as provided by the proposal, took place in March 1999. The maturities of the several notes are approximately seven years from the date of loan funding.

7. Capital Leases:

The Company leases point-of-sale and other equipment under capital lease arrangements. The equipment financed by the capital leases has an original cost of \$469,187 and \$488,732 at December 31, 1999 and 1998, respectively. Accumulated amortization related to these leases is \$165,735 and \$209,546 as of December 31, 1999 and 1998, respectively. The obligations under capital leases have a weighted average interest rate of 18.46% and mature at various dates through 2002. Annual future minimum lease payments for years subsequent to December 31, 1999 are as follows:

2000	166,091
2001	23,170
2002	354

Total minimum payments	189,615
Less, amount representing interest	20,099

Obligations under capital leases	169,516
Less, current portion	146,942

Long-term portion	\$22,574
	=====

Imputed interest expense on capital leases for the years ended December 31, 1999, 1998 and 1997 was approximately \$59,000, \$66,000 and \$22,000, respectively.

8. Commitments and contingencies:

LEASES

The Company leases its restaurant and office facilities under noncancelable operating leases with remaining terms ranging from approximately 1 month to 16 years with renewal options ranging from 5 to 15 years. Rent expense for the years ended December 31, 1999, 1998 and 1997 was \$2,490,252, \$2,184,223 and \$2,023,738, 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 \$217,445 and \$228,914 has been established and included in accrued expenses at December 31, 1999 and December 31, 1998, respectively, 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, included in rent expense, above, for the years ended December 31, 1999, 1998 and 1997 were \$289,054, \$189,572 and \$71,702, respectively.

The following are the future minimum rental payments under noncancelable operating leases for each of the five years subsequent to December 31, 1999 and in total thereafter:

2000	\$2,725,557
2001	2,803,863
2002	2,449,531
2003	2,102,152
2004	1,656,918
Thereafter	7,669,108

	\$19,407,129
	=====

8. Commitments and contingencies (continued):

With respect to the lease for the Richland, Washington restaurant, which was closed and sold by the Company, the Company remains liable in the event of default by the current lessee. 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.

LEGAL PROCEEDINGS

The Company is a defendant in a lawsuit brought by the owner and landlord of property in Aloha, Oregon where the Company formerly operated a Pietro's restaurant. This restaurant was heavily damaged by fire in February 1997, and the Company received insurance proceeds for its assets that were lost in the fire. The property owner contends that it was the Company's obligation to rebuild a restaurant at this location with the insurance proceeds. The Company has continued to pay rent since the fire, but is of the opinion that the insurance payments

were made to compensate the Company for the loss of its personal property, and the obligation to repair the fire damage rests with the landlord. The Company has filed a counterclaim for breach of its lease, and to recover damages it has suffered due to the landlord's failure to rebuild.

A settlement agreement is being considered by both the Company and the landlord, which contemplates a sublease of the property by the Company to a third party and no payment of damages by either the Company or the landlord. If the sublease is not completed, the case may proceed to trial. The Company does not believe the lawsuit will have a material adverse effect on its consolidated financial position, consolidated results of operations, or cashflows.

EMPLOYMENT AGREEMENTS

Effective March 26, 1996, the Company entered into employment agreements with Paul Motenko and Jeremiah J. Hennessy, currently Co-chief Executive Officers. 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. The agreements 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.

Effective June 21, 1999 the Company entered into an employment agreement with Ernest T. Klinger, President. The agreement provides for a minimum salary of \$145,000, subject to escalation annually in accordance to the Consumer Price Index, and certain other benefits through March 2004. The agreement may be terminated by either party. The agreement also contains provisions for additional cash compensation based on earnings or income of the Company. The agreement contains provisions which grant the employee the right to receive salary and benefits, as defined, if the employee is terminated by the Company without cause.

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. No shares of preferred stock were outstanding at December 31, 1999 or 1998. The Company currently has no plans to issue shares of preferred stock. :

9. Shareholders' Equity (continued):

COMMON STOCK

Shareholders of the Company's outstanding common stock are entitled to receive dividends if and when declared by the Board of Directors. 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.

In March 1999, the Company sold, through a private placement, 1,250,000 shares of its common stock to ASSI, Inc. in exchange for a cash payment of \$1,000,000, the termination of two consulting agreements, cancellation of 3.2 million of the Company's redeemable warrants held by ASSI, Inc. and the agreement by ASSI, Inc. and its sole stockholder to finance future Company development projects subject to pre-commitment approval.

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. 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. Proceeds from the valuation or sale of warrants issued in conjunction with the private placement offerings totaled \$236,750. The warrants were automatically converted into warrants included in the Company's initial public offering (IPO).

The Company issued Redeemable Warrants with the Company's IPO on October 15, 1996. At December 31, 1999, the Company had 7,964,584 Redeemable Warrants outstanding. Each redeemable warrant entitles the holder thereof to purchase, at any time during the 54-month period commencing one year after the date of the Company's IPO, one share of Common Stock at a price of 110% of the initial public offering price per share (\$5.50), subject to adjustment in accordance with the anti-dilution and other provisions referred to below.

In conjunction with the private placement discussed in the preceding section, 3.2 million of the Company's redeemable warrants held by ASSI, Inc. were cancelled.

The Redeemable Warrants are subject to redemption by the Company at any time, at a price of \$.25 per Redeemable Warrant if the average closing bid price of the Common Stock equals or exceeds 140% of the IPO price per share (\$7.00) 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.

10. Income Taxes:

The provision for income tax consists of the following for the years ended December 31:

	1999 -----	1998 -----	1997 -----
Current: Federal	\$23,101		

State	2,500	\$1,600	\$800
	-----	-----	-----
	\$25,601	1,600	800
Deferred:			
Federal			
State			
Provision for income taxes	-----	-----	-----
	\$25,601	\$1,600	\$800
	=====	=====	=====

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

	1999	1998	1997
	-----	-----	-----
Property and equipment	\$151,850	\$20,457	(\$83,530)
Goodwill	\$108,812	116,762	40,835
Accrued liabilities	(\$12,117)	(6,123)	5,052
Investment in partnerships	(\$12,045)	(44,896)	(5,965)
Net operating losses	\$176,161	32,854	(59,042)
Income tax credits	(\$231,391)	(99,655)	(103,657)
Other	(\$70,698)	58,197	(233)
Change in valuation allowance	(\$110,572)	(77,596)	206,540
	-----	-----	-----
	\$0	\$0	\$0
	=====	=====	=====

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:

	1999	1998	1997
	-----	-----	-----
Statutory regular federal income tax benefit	34.0%	34.0%	(34.0)%
Non-deductible expenses	6.5%		
State income taxes, net of federal benefit	0.4%	1.2%	0.3%
Change in valuation allowance	(0.4)%	65.6%	54.2%
Change in credits	(55.0)%	(150.8)%	(32.9)%
Employer tax credit disallowance	17.6%	46.9%	10.8%
Other, net	0.2%	5.0%	1.8%
	-----	-----	-----
	3.5%	1.9%	0.2%
	=====	=====	=====

10. Income Taxes (continued):

The components of the deferred income tax asset and (liability) consist of the following at December 31:

	1999	1998	1997
	-----	-----	-----
Property and equipment	\$20,107	\$171,957	\$192,414
Goodwill	(398,597)	(289,785)	(173,023)
Accrued liabilities	50,179	38,062	31,939
Investment in partnerships	83,050	71,005	26,110
Net operating losses	1,421,129	1,597,290	1,630,144
Income tax credits	528,111	284,375	184,720
Other	18,785	(39,568)	18,628
	-----	-----	-----
	1,722,764	1,833,336	1,910,932

Valuation allowance	(1,722,764)	(1,833,336)	(1,910,932)
Net deferred income taxes	\$-	\$-	\$-

As of December 31, 1999, the Company had net operating loss carryforwards for federal and state purposes of approximately \$3,880,000 and \$1,140,000, respectively. At December 31, 1998, the respective tax carryforwards were approximately \$4,225,000 and \$2,194,000. The net operating loss carryforwards begin expiring in 2008 for federal purposes and 1997 for state purposes.

The Company has a federal credit for FICA taxes paid on employees' tip income of approximately \$520,000. The credit will begin to expire in 2011.

The utilization of net operating loss ("NOL") and credit carryforwards may be limited under the provisions of Internal Revenue Code Section 382 and similar state provisions due to the Initial Public Offering in 1996. The Company has not previously generated taxable income, and there is no opportunity to carryback losses to prior periods. The Company has therefore not recognized a deferred tax asset as of December 31, 1999 and 1998.

11. Supplemental Cash Flow Information :

Supplemental cash flow items consisted of the following for the years ended December 31:

	1999	1998	1997
Cash paid for:			
Interest	\$308,792	\$306,523	\$381,109
Taxes	\$25,601	\$1,600	\$800

Supplemental information on noncash investing and financing activities consisted of the following for the years ended December 31:

	1999	1998
Equipment purchases under a capital lease	\$3,600	\$112,796

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, and was amended on September 28, 1999, increasing the total number of shares under the plan to 1,200,000. 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

12. 1996 Stock Option Plan (continued):

Option Plan expires on June 30, 2005 unless terminated earlier. The options generally vest over a three-year period.

The following is a summary of changes in options outstanding pursuant to the plan for the years ended December 31, 1999, 1998 and 1997:

	Shares	Weighted Average Exercise Price
	-----	-----
Outstanding options at December 31, 1996	487,500	\$5.00
Granted	25,000	\$1.00
Exercised	-	-
Terminated	(159,591)	\$5.00
	-----	-----
Outstanding options at December 31, 1997	352,909	\$4.14
Granted	176,500	\$1.88
Exercised	-	-
Terminated	(79,409)	\$4.94
	-----	-----
Outstanding options at December 31, 1998	450,000	\$3.11
Granted	528,000	\$1.26
Exercised	-	-
Terminated	(51,500)	\$3.53
	=====	=====
Outstanding options at December 31, 1999	926,500	\$2.38
Options exercisable at end of year	570,833	\$2.70
	=====	=====

The per share weighted average fair value for options granted in 1999, 1998 and 1997 was \$1.26, \$0.93 and \$0.51, respectively. Information relating to significant option groups outstanding at December 31, 1999 are as follows:

Exercise Price	Outstanding Shares	Life of Outstanding Shares (Yr.)	Options Exercisable
-----	-----	-----	-----
\$5.00	125,000	6.77	125,000
\$3.00	92,000	6.77	92,000
\$1.88	611,500	8.99	328,833
\$1.81	53,000	9.56	
\$1.69	20,000	9.74	
\$1.00	25,000	7.31	25,000
	-----	-----	-----
Total	926,500	8.40	570,833
	=====	=====	=====

The Company has adopted the disclosure-only provisions of SFAS Statement No. 123, "Accounting for Stock-Based Compensation" and will continue to use the intrinsic value based method of accounting prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, since options were granted with an option price equal to the grant date market value of the Company's common stock, no compensation cost has been recognized for the stock option plan. Had compensation

cost for the Company's stock option plan been determined based on the fair value of the option at the

12. 1996 Stock Option Plan (continued):

grant date for awards in 1999 and 1998 consistent with the provisions of SFAS No. 123, the Company's net income and basic income per share would have been decreased to the pro forma amounts indicated below as of December 31,

	1999 -----	1998 -----	1997 -----
Net income, as reported	\$390,473	\$84,583	(\$314,929)
Net loss, pro forma	(\$155,878)	(\$155,515)	(\$542,062)
Basic and diluted income (lose) per share, as reported	\$0.05	\$0.01	(\$0.05)
Basic and dilutive loss per share, pro forma	\$0.00	(\$0.02)	(\$0.08)

The fair value of each option grant issued is estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions: (a) no dividend yield on the Company's stock, (b) expected volatility of the Company's stock ranging from 49.0% to 78.9%, (c) a risk-free interest rate ranging from 4.88% to 6.74% and (d) expected option life of five years.

13. Acquisitions And Transfers:

LA MESA, CALIFORNIA

In August 1999, the Company entered into a sublease for its La Mesa, California restaurant location. The site was renovated and opened on November 8, 1999.

SALE OF RESTAURANTS

In May 1999, the lease on the BJ's Pizza & Grill - OTC in The Dalles, Oregon terminated. The Company and the landlord could not reach an agreement on the terms of a lease extension. A portion of the restaurant equipment was sold to the landlord, and additional equipment was removed for use at other BJ's locations. The Company incurred a non-cash charge of \$112,300 for a loss on the sale of assets to the landlord, primarily leasehold improvements, at this location and an additional \$28,700 for the settlement of claims made by the landlord

In June 1999, a Pietro's restaurant located in Eugene, Oregon was closed. The Company and the landlord could not reach an agreement on the terms of a new lease. This restaurant did not figure significantly in the Company's future plans, and the Company chose to close it rather than meet the landlord's request for an extensive remodel. The Company incurred a non-cash charge of \$4,000 on the closure of this restaurant.

14. Selected Quarterly Financial Data (Unaudited):

Summarized unaudited quarterly financial data for the Company is as follows:

	March 31, 1999	June 30, 1999	September 30, 1999	December 31, 1999
Total revenues	\$8,092,403	\$9,947,282	\$10,039,105	\$9,314,003
Gross profit	\$5,868,007	\$7,157,045	\$7,177,145	\$6,700,267
Income (loss) from operations	\$60,290	\$420,865	\$444,215	(\$124,499)
Net income (loss) before effect of accounting change	(\$7,545)	\$343,909	\$330,876	(\$170,592)
Effect of accounting change	(\$106,175)			
Net income (loss)	(\$113,720)	\$343,909	\$330,876	(\$170,592)
Basic and diluted net income (loss) per share before accounting change	\$0.00	\$0.04	\$0.04	(\$0.01)
Basic and diluted net income (loss) per share	(\$0.02)	\$0.04	\$0.04	(\$0.01)
	March 31, 1998	June 30, 1998	September 30, 1998	December 31, 1998
Total revenues	\$6,888,256	\$7,825,198	\$8,157,975	\$7,180,073
Gross profit	\$4,875,930	\$5,666,523	5,926,040	\$5,124,181
Income (loss) from operations	(\$136,361)	\$284,025	\$355,680	(\$144,711)
Net income (loss)	(\$179,501)	\$178,360	\$285,151	(\$199,427)
Basic and dilutive net income (loss) per share	(\$0.03)	\$0.03	\$0.04	(\$0.03)

15. Subsequent event:

In February 2000, the Company entered into an agreement with a bank for a collateralized term loan for \$4,000,000. There is an initial twelve-month draw down period and a subsequent thirty-six month term-out period. Interest accrued on outstanding borrowings shall be Wall Street Journal Prime plus 2.0% or LIBOR plus 3.5%, and Wall Street Journal Prime plus 3.0%, floating or fixed during the term out period. Payment shall be interest only during the draw down period and an even amortization during the term out period, with a final maturity on February 15, 2004. The Company paid a one percent loan fee. This loan agreement contains, among other things, certain financial covenants and restrictions.

THIS LEASE ("Lease") is made November 1, 1999 , by and between HUNTINGTON EXECUTIVE PARK, a California Limited Partnership ("Landlord"), and CHICAGO PIZZA & BREWERY, INC., a corporation incorporated under the laws of the State of California (Tenant").

In consideration of the mutual covenants and agreements herein contained, and intending to be legally bound, the parties hereby covenant and agree as follows:

Article I

Demise

1.01 Leased Premises. Landlord hereby leases to Tenant and Tenant hereby takes from Landlord, the Leased Premises for the Term (as defined in Section 1.04) and at the Rent (as defined in Section 2.01) and upon the provisions and conditions hereinafter set forth. "Leased Premises" and/or "Premises" mean Landlord's Building, outlined in red on Exhibit A, and described as follows: a freestanding building containing approximately 8,031 square feet having a street address of 16060 Beach Boulevard, Huntington Beach, California. The Leased Premises shall not include the land lying under the Leased Premises.

1.02 Common Areas. Tenant shall have the right to use, in common with other tenants of the Shopping Center, the Common Areas and Facilities; subject, however, to the terms and conditions of this Lease, to the right of Landlord to alter such areas from time to time and to establish from time to time uniform rules and regulations for the use thereof.

1.03 "Shopping Center" Defined. "Shopping Center" means certain parcels of land commonly referred to as Huntington Executive Park, situated in the City of Huntington Beach, State of California, and more particularly described in Exhibit A attached hereto (as the same may be altered or reduced from time to time) and any other parcel(s) of land at any time designated by Landlord to be added thereto (but only so long as such designation remains unrevoked), which are or are to be used for shopping center and office related purposes, including but not limited to, expansion area, employee parking, or the furnishing to the Shopping Center of any utility or other service, for any office and/or professional building or for any other improvement appropriate or related to the operation or functioning of the Shopping Center, together with all buildings on and improvements to any such parcel(s) of land. Landlord shall have the right to exclude in its discretion, any of the foregoing parcels, whether or not such parcels shall be used for shopping center and office or related purposes.

1.04 Term and Commencement Date. The Term shall commence on the Commencement Date and, unless sooner terminated or extended in accordance with the terms of this Lease, shall expire on the last day of the last month of the fifteenth (15th) Lease Year.

The "Commencement Date" means the earlier of two hundred seventy (270) days from the date that this Lease is signed by both Tenant and Landlord or the date Tenant opens for business in the Leased Premises. Possession of the Leased Premises shall be delivered to Tenant within five (5) days following lease execution. Tenant shall not make any modifications or cause any damage to the Leased Premises without Landlord's permission until Tenant has waived its cancellation rights specified in Section 1.06 of this Lease. Promptly after the occurrence of the Commencement Date, Landlord and Tenant shall execute and deliver an amendment to this Lease in the form attached hereto as Exhibit C documenting the Commencement Date, term and expiration date of the Lease. The term "Lease Year" shall mean a period of twelve (12) consecutive full calendar months. The first Lease Year shall begin on the Commencement Date, if the Commencement Date occurs on the first day of a calendar month, otherwise, the first Lease Year shall begin on the first day of the first full calendar month

after the Commencement Date. Each succeeding Lease Year shall begin on the anniversary of the first lease Year. The first Lease Year shall include the period of time, if any, between the Commencement Date and the first day of the first Lease Year.

1.05 Option to Renew. Tenant may, at its option, renew this Lease for one (1) renewal term

of five (5) years. The renewal period shall commence immediately upon the conclusion of the original term of this Lease. This option to renew may be exercised only by written notice in the manner provided in Section 22.05 hereof no later than one (1) year prior to the expiration date of the original term of this Lease. This shall be the exclusive and only method of exercising this renewal option and any other method shall not constitute an exercise thereof. The renewal term, granted pursuant to this option to renew, shall be on the same terms and conditions as are to be in effect during the original terms of this Lease except that: (i) Tenant shall have no further option to renew this Lease beyond the expiration of the renewal period created by this Section; (ii) the Minimum Rent for the renewal period shall be \$193,000 per Lease Year.

Tenant's Option to Renew is personal to the original Tenant and may only be exercised by the original Tenant while occupying the Leased Premises.

If: (i) Tenant shall fail to exercise this renewal option(s) during the period(s) in which it is available and in the manner required hereby, or (ii) this Lease is no longer in full force and effect for any reason, or (iii) Tenant is in default and has not cured said default within the required cure period, under this Lease, at the time of such exercise, this renewal option(s) shall terminate, be void and of no further force or effect.

Unless otherwise herein expressly provided, any reference in this Lease to the "term of this Lease" shall mean the original term hereof and such renewal period(s), if validly exercised by Tenant pursuant to its option(s) to renew set forth in this Section, except to the extent that the original term or any renewal period may be sooner terminated or canceled under any provisions of this Lease.

1.06 Cancellation Options. The obligations of both Tenant and Landlord under this Lease are expressly conditioned upon Tenant's procurement of a liquor license, and the City of Huntington Beach (the "City") approval of Tenant's use of the Leased Premises and Tenant's procurement of a building permit for the mutually agreed upon modifications to the Leased Premises. In the event Tenant is unable to procure the liquor license or approval for either its intended use of the Leased Premises, as specified in Article 5 of the Lease, or a building permit, Tenant shall have the Option to Cancel the Lease by giving Landlord written notice, along with reasonable evidence of City rejection, not later than ninety (90) days from the date this Lease is signed by both Landlord and Tenant. Tenant agrees to apply for the liquor license, City approval of Tenant's use, and submit its plans to the City for plan check not later than forty-five (45) days from the date the Lease is signed by the parties. In the event Tenant fails to apply for the liquor license, City approval of use, or fails to submit its plans to the City within said forty-five (45) day period, Landlord shall have the Option to Cancel the Lease by giving Tenant written notice to cancel within ten (10) days following the forty-five (45) day period.

In the event that the Tenant fails to take possession and to open the Leased Premises for business fixtured, stocked and staffed within two hundred seventy (270) days from the date both Tenant and Landlord have signed this Lease, then the Landlord shall have the option, but not the obligation, to cancel this Lease, in which event, both parties shall be released of any further liability under this Lease. In such event, Landlord shall be entitled to retain the Advance Rent specified in Section 2.01A below. All obligations of Tenant set forth in this section shall be subject to and extended during any period of force majeure but in no event shall the period of time Tenant has to perform its obligations be later than twelve (12) months from the date both Tenant and

Landlord have signed the Lease.

Article II

Rent

2.01 Rent Payable. Tenant shall pay to Landlord as rent (sometimes collectively referred to as "Rent") for the Leased Premises, the following:

- A. "Advance Rent," as defined in Section 2.08, means the sum of \$11,250.00;
- B. "Minimum Rent," as defined in Section 2.02;
- C. "Annual Percentage Rent" means the applicable percent (the "Annual Percentage"), as

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set forth in Section 2.03, of all Gross Sales (as defined in Section 2.04) in excess of the applicable Percentage Base as set forth in Section 2.03;

D. Tenant's proportionate share of Operating Costs as defined in Section 6.04 and as the same may be from time to time adjusted. The first month's charge shall be due and payable in advance on the Commencement Date and monthly on the first day of each month thereafter;

E. Tenant's proportionate share of Taxes, as defined in Section 3.01, and Insurance Premiums, as defined in Section 9.02, as the same may be from time to time adjusted, the first installment of which shall be due and payable in advance on the Commencement Date and monthly on the first day of each to be paid each month thereafter;

F. "Security Deposit" means \$____-0-_____ to be paid pursuant to Section 2.09 hereof;

G. In addition to Minimum Rent and Annual Percentage Rent, all additional sums, charges or amounts of whatever nature to be paid by Tenant to Landlord in accordance with the provisions of this Lease, shall be considered "Additional Rent" whether or not such sums, charges or amounts are referred to as such.

2.02 Minimum Rent. Pursuant to the rent schedule listed below, Tenant hereby covenants and agrees to pay to Landlord, at its office or at such other place as Landlord may from time to time designate, "Minimum Rent" for the Leased Premises during the original Term of this Lease, without deduction or setoff, in equal monthly installments, in advance on the first day of each and every calendar month during the Term. Set out below is the schedule for Minimum Rent to be paid by Tenant during the initial lease term (not including the renewal term specified in Section 1.05.

MINIMUM RENT SCHEDULE

LEASE YEARS	MINIMUM RENT (YEARLY)	MONTHLY
1 - 5	\$135,000	\$11,250.00
6 - 10	\$145,000	\$12,083.00
11 - 15	\$167,000	\$13,917.00

2.03 Annual Percentage Rent. Tenant shall pay, as Annual Percentage Rent, for each of the Lease Years, the dollar amount by which six percent (6%) (the "Annual Percent") of Tenant's Gross Sales (as defined in Section 2.04)

exceeds the Minimum Rent for each Lease Year (the "Percentage Base"). Annual Percentage Rent shall be due and payable on the fifteenth (15th) day of the month immediately following the month in which the Annual Percent of Tenant's Gross Sales (as defined in Section 2.04) for the Lease Year exceeds the Minimum Rent for the Lease Year. Thereafter, Annual Percentage Rent shall be due and payable monthly on or before the fifteenth (15th) day of each month on all additional Gross Sales during the remainder of the Lease Year. Within ninety (90) days after the end of each Lease Year, the Annual Percentage Rent paid or payable for such Lease Year shall be adjusted between Landlord and Tenant so as to reflect the actual Annual Percentage Rent due for such Lease Year, and Tenant shall promptly pay Landlord or Landlord shall promptly credit to Tenant's account as the case may be, the amount necessary to effect such adjustment. If the Minimum Rent is prorated, reduced or abated for any reason, then the Percentage Base shall be proportionately prorated, reduced or abated for the same period.

2.04 "Gross Sales" Defined.

(a) "Gross Sales" means the actual sales price of all goods, wares and merchandise sold, leased, licensed or delivered, and the actual charges for all services performed by Tenant or by any person, firm or corporation on its behalf, or by any subtenant, licensee, or concessionaire in, at, from, or arising out of the use of the Leased Premises, whether for wholesale or retail, and whether for cash or credit, including the value of all consideration other than money received, without reserve or deduction for inability or failure to collect. Gross Sales shall include, without limitation, sales and services: (i) where the orders therefor originate in, at, from, or arising out of the use of the Leased Premises, whether delivery or performance is made from the Lease Premises or from some other place; (ii) made or performed by mail, telephone or telegraph orders; (iii) made or performed by

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means of mechanical or other vending devices in the Leased Premises; and (iv) which Tenant or any subtenant, licensee, concessionaire or other person in the normal and customary course of its business would credit or attribute to its operations at the Leased Premises or any part thereof. Any deposit not refunded shall be included in Gross Sales. Each installment or credit sale shall be treated as a sale for the full price in the month during which such sale is made, regardless of the time, if ever, that Tenant receives payment therefor. No franchise or capital stock tax and no income or similar tax based on income or profits shall be deducted from Gross Sales. Nothing contained herein shall imply any consent by Landlord to any sublease, license or concession in violation of any other term of this Lease.

(b) The following shall not be included in Gross Sales: (i) any exchange of merchandise between stores of Tenant where such exchange is made solely for the convenient operation of Tenant's business and not for the purpose of consummating a sale made in, at or from the Leased Premises, or for the purpose of depriving Landlord of the benefit of a sale which would otherwise be made in or at the Lease Premises; (ii) returns to shippers or manufacturers; (iii) cash or credit refunds to customers on transactions (not to exceed the actual selling price of the item returned) previously included in Gross Sales; (iv) sales of trade fixtures, machinery and equipment after use thereof in the conduct of Tenant's business; (v) amounts collected and paid by Tenant to any governmental authority for any sales, sales based or excise tax; (vi) amounts collected from vending machines and pool tables; and (vii) bad debts not exceeding one percent (1%) of Gross Sales written off by Tenant for income tax purposes may be deducted from Gross Sales in the Lease Year in which they are written off, however, if any account receivable previously written off as a bad debt is later collected, that amount shall be included in the amount of Gross Sales in the Lease Year in which collected.

(c) Radius Clause: Excepting Tenant's existing B.J.'s Pizza Restaurant on Main Street, in Huntington Beach, during the Term of this Lease,

neither Landlord nor Tenant, nor any parent, subsidiary, affiliate, franchisee, officer, director or shareholder of Landlord or Tenant, will within a radius of five (5) miles of the perimeter of the Shopping Center, either directly or indirectly, own, operate or be financially interested in, with or without others, a business like or similar to the business permitted to be conducted pursuant to this Lease, nor will Landlord or Tenant permit any pizza, brewery, brewhouse type restaurant within such radius to be operated under a name which shall be the same or similar to the Tenant's trade name. Without limiting Landlord's remedies, if this Section is not complied with, in addition to any other rights or remedies available to Landlord, Landlord shall have the right to include the gross sales of such other business in the Gross Sales from the Leased Premises for the purpose of computing Annual Percentage rent due under this Lease. The provisions of this Section shall survive re-entry into the Leased Premises by Landlord resulting from a breach of this Lease by Tenant.

2.05 Statements of Gross Sales. Tenant shall deliver to Landlord: (a) within fifteen (15) days after the end of each calendar month of the Term a written report signed by Tenant's accountant or by an authorized executive officer or authorized agent of Tenant and certified by such person to be complete and accurate, setting forth the Gross Sales made in the preceding calendar month; and (b) within ninety (90) days after the end of each Lease Year and within ninety (90) days after the expiration or earlier termination of this Lease, a statement of Gross Sales for the preceding Lease Year or other period preceding the termination of this Lease. The annual statement shall be accompanied by a signed certificate of an authorized executive officer stating specifically that: (i) he or she has examined the report of Gross Sales for the preceding Lease Year; (ii) such report presents fairly the Gross Sales of the preceding Lease Year; and (iii) such Gross Sales conform with and are computed in compliance with the definition of Gross Sales contained in Section 2.04 hereof. If Tenant shall fail to deliver the monthly report or the annual statement and certificate to Landlord within the time required, then, in addition to any other rights of Landlord, Landlord shall have the right thereafter to employ, at Tenant's reasonable expense, an independent certified public accountant to examine such books and records as may be necessary to determine the amount of Tenant's Gross Sales for such month or Lease Year, as the case may be. Both the monthly report and the annual statement shall be in the form and style and contain such detail as set forth in Exhibit B.

2.06 Tenant's Records. For the purpose of permitting verification by Landlord of any amounts due as Annual Percentage Rent, Tenant will keep and preserve for at least two (2) years, and during the Term shall keep at the Tenant's general accounting office address, original or duplicate books and records which shall disclose all information required to determine Gross Sales, including: (i) settlement report sheets of transactions with subtenants, concessionaires and licensees;

(ii) daily and/or weekly transaction reports; and (iii) such other records, if any, which would normally be examined by an independent accountant pursuant to generally accepted auditing standards in performing an audit of Tenant's sales. At any time or from time to time but not more than three (3) times every twenty-four (24) months, unless Tenant is in default, after at least ten (10) business days' advance notice to Tenant, Landlord and any mortgagee and/or their respective agents and accountants, shall have the right to make any examination or audit of Tenant's books and records which Landlord or such mortgagee may desire to verify or ascertain Gross Sales. If such audit shall disclose a liability in any Lease Year for Annual Percentage Rent in excess of the Annual Percentage Rent therefore paid by Tenant for such period, then Tenant shall promptly pay such excess. Should any such liability for Annual Percentage Rent equal or exceed two and one half percent (2-1/2%) of the Annual Percentage Rent previously paid for such Lease Year, Tenant shall, in addition promptly pay the cost of the audit and interest at the Default Rate on all additional Annual Percentage Rent then payable, from

the date such additional Annual Percentage Rent should have been paid. Should any such liability for Annual Percentage Rent equal or exceed five percent (5%) of the Annual Percentage Rent previously paid for such Lease Year, Landlord may, in addition to any right or remedy available to Landlord, terminate this Lease by notifying Tenant in writing within ninety (90) days after Landlord discovers such liability, and the Term of this Lease shall expire on the last day of the second full calendar month after the date of such notice and both parties' obligations shall cease as of that date.

2.07 Payment of Rent. Tenant shall pay all Rent when due and payable, without any setoff, deduction or prior demand therefor whatsoever. If Tenant fails to make any payment of rent, including without limitation, Annual Percentage Rent and Additional Rent when due and payable under this Lease, and said payment remains unpaid after three (3) business days of written notice by Landlord, Tenant shall pay to Landlord as a late charge and in consideration of the additional costs incurred by Landlord and the additional record keeping required to be performed by Landlord, an additional sum equal to five percent (5%) of the amount of rent due and owing from Tenant. In addition, any Rent which is not paid when due shall bear interest from the original due date at the Default Rate, which is hereby defined as being ten percent (10%) per annum or the maximum rate of interest for which Tenant may lawfully contract in the State of California, whichever is less. Any Additional Rent which shall become due shall be payable, unless otherwise provided herein, on the first day of each month during the Term. Rent and statements required of Tenant shall be paid and delivered to Landlord at 16168 Beach Blvd., Suite 200, City of Huntington Beach, State of California. Any payment by Tenant or acceptance by Landlord of a lesser amount than shall be due from Tenant to Landlord shall be treated as payment on account. The acceptance by Landlord of a check for a lesser amount with an endorsement or statement thereon, or upon any letter accompanying such check, that such lesser amount is payment in full, shall be given no effect, and Landlord may accept such check without prejudice to any other rights or remedies which Landlord may have against Tenant.

2.08 Advance Rent. Concurrently with the execution of this Lease, Tenant shall deposit with the Landlord the Advance Rent as described in Section 2.01 hereof. The Advance Rent shall be applied by Landlord against the first installment of Rent due hereunder. No interest shall be payable to Tenant on account of the Advance Rent.

Article III

Taxes

3.01 Tenant to Pay Taxes. Tenant shall pay for each calendar year (or portion thereof) during the Term, as Additional Rent, all real estate taxes, ad valorem taxes and assessments, general and special assessments, or any other tax imposed upon or levied against real estate and/or improvements or upon owners of real estate and/or improvements as such, rather than levied upon persons generally, payable with respect to or allocable to Landlord's Building and parcel, together with the reasonable cost (including fees of attorneys, consultants, accountants and appraisers) of any negotiation, contest or appeal pursued by Landlord in an effort to reduce or lower the amount of any increase in any such tax, assessment or charge, the same being collectively referred to herein as "Taxes." For the calendar year in which the Term commences or terminates, Tenant's liability for any Taxes for such year shall be subject to a pro rata adjustment based upon the number of days of such calendar year falling within the Term.

3.02 Payment of Taxes. Taxes shall be paid by Tenant in equal monthly installments in such amounts as are estimated and billed for each year by Landlord in its sole discretion at the commencement of the Term or as a result of revised assessments during the Term and at the beginning of each successive year during the Term, each such installment being due and payable on the first day of each calendar month. The first monthly payment shall include a

prorated portion of Tenant's proportionate share of Taxes for the period from the Commencement Date to the first day of the first full calendar month of the Term. Within a reasonable time after Landlord's receipt of tax bills for a particular year, Landlord will notify Tenant of the amount of Taxes for the year in question and the amount of Tenant's proportionate share thereof. The proportionate share paid or payable for each year shall be adjusted between Landlord and Tenant, and Tenant shall pay Landlord or Landlord shall credit to Tenant's account (or, if such adjustment is at the end of the Term, pay Tenant), as the case may be, within ten (10) days of the aforesaid notice, the amount necessary to effect such adjustment. Landlord shall provide the aforesaid notice to Tenant within sixty (60) days of receipt by Landlord.

3.03 Taxes on Rent. In addition to Taxes, Tenant shall pay to the appropriate agency any and all sales, income and excise taxes (not including, however, Landlord's income personal or estate taxes) levied, imposed or assessed by the State of California or any political subdivision thereof or other taxing authority upon any Rent payable hereunder.

3.04 Tenant's Municipal, County, State or Federal Taxes. Tenant shall be responsible for and shall pay, before delinquency, all municipal, county, state or federal taxes assessed against: (i) the income or gross receipts of Tenant; and/or (ii) any leasehold interest or any fixtures, furnishings, equipment, stock-in-trade or other personal property of any kind owned, installed or used in or on the Premises.

Article IV

Improvements

4.01 Improvements.

(a) Landlord has no obligation to alter, remodel or improve the Premises in any way. Tenant agrees to accept the Premises in an "as is" condition. Tenant further agrees to fully and promptly pay for all improvements and to indemnify and hold Landlord harmless from and against any loss, cost, expense or lien in connection therewith.

(b) Tenant shall submit to Landlord, on or before thirty (30) days after the date of this Lease, drawings for the renovation of the Premises.

(c) Within ten (10) days after the receipt of the Tenant's drawings, Landlord, by notice in writing addressed to Tenant, shall indicate Landlord's approval of them or clearly specify any objections to them, the objections in all events to be reasonable. Failure by Landlord to provide notice to Tenant within ten (10) days shall be construed as Landlord's acceptance of said drawings. Tenant will, within ten (10) days after receipt of a notice of disapproval, as aforesaid, appropriately amend and modify the drawings so as to reflect all changes, modifications and corrections that Landlord reasonably requests. The revisions and resubmissions shall continue until Landlord approves in writing the drawings. The work to be performed by Tenant as described in the drawings therefore, approved by Landlord as provided above, are herein referred to as "Tenant's Work."

(d) The drawings for Tenant's Work shall be prepared by licensed architects hired by Tenant. Tenant shall bear all costs of preparing the drawings. Landlord's approval of the drawings shall not constitute an opinion or agreement that they are in compliance with law (it being agreed that such compliance is solely Tenant's responsibility) nor shall such approval impose any present or future liability on Landlord or waive any of Landlord's rights under this Lease, except as set forth in 4.01(c). Tenant shall provide Landlord with two (2) sets of the drawings.

(e) Tenant shall commence, construct, perform and complete all Tenant's Work in a good and workmanlike manner, in complete accordance with the drawings approved by Landlord.

(f) At all times prior to the Commencement Date, all the provisions, covenants and

conditions of the Lease shall be applicable to the Premises other than Sections II, III, IV, V, VI, VIII and XIV.

(g) Prior to the commencement of construction of Tenant's Work, Tenant shall obtain, at its sole cost and expense, all permits and licenses and other consents and approvals of all governmental authorities as may be required in connection with Tenant's Work and shall deliver copies thereof to Landlord. Tenant shall, at its sole cost and expense, furnish to Landlord all certificates and approvals with respect to work done by Tenant or on Tenant's behalf that may be required from any governmental authority for the issuance of a certificate of occupancy for the Premises and shall obtain such certificate and furnish Landlord with a copy of such certificate prior to the Commencement Date.

(h) Tenant's Work and all of Tenant's trade fixtures and equipment shall be performed, constructed and installed in accordance and in full compliance with all applicable governmental requirements, including without limitation all applicable laws, statutes, codes, ordinances and governmental rules, regulations and orders, as well as reasonable rules and regulations established by Landlord. Tenant's Work shall be performed without interference and disruption to Landlord or other tenants.

(i) Prior to commencement of work, any contractor used by Tenant to perform Tenant's Work (of, any kind whether improvements or alterations), shall provide Landlord with proof of insurance reasonably acceptable to Landlord and naming Landlord as additionally insured. In connection with the performance of Tenant's Work or the use and occupancy of the Premises, Tenant shall not permit anything to occur which directly or indirectly interferes in any way with the use and occupancy of any tenant or the normal operations of the Shopping Center.

(j) As part of its Improvements, Tenant shall install a grease trap on the Leased Premises' sewer line before connection with the main sewer line servicing the Shopping Center. Tenant shall install the grease trap in a location mutually acceptable to Landlord and Tenant.

4.02 Alterations. Tenant covenants and agrees that it will not make or permit any structural or nonstructural alterations of the Leased Premises in excess of Fifty Thousand (\$50,000.00) Dollars except by and with the prior written consent of the plans and specification therefor by Landlord. All alterations and other improvements made by Tenant shall be made in a good and workmanlike manner in accordance with all applicable laws, shall become the immediate property of Landlord and shall remain for the benefit of Landlord unless otherwise provided in the written consent mentioned above. Tenant shall obtain and furnish Landlord with all permits that may be required for and prior to the commencement of such work. Tenant further agrees in the event of making such alterations as herein provided, fully and promptly to pay for same and to indemnify and save Landlord and the Shopping Center harmless from and against any loss, cost, expense or lien in connection therewith. In the event any such alterations are removed by Tenant (without hereby implying Landlord's consent to such removal), Tenant shall, at its sole cost and expense, repair any damage to the Leased Premises occasioned by such removal.

4.03 Changes and Additions to Buildings. The Landlord hereby reserves the right at any time and from time to time to make additions or alterations to any buildings in the Shopping Center. The Landlord also reserves the right to construct other buildings or improvements in the Shopping Center from time to time and to make alterations thereof or additions thereto and to build additional stories on any building or buildings or to build adjoining same or to construct double-deck or elevated parking facilities. Notwithstanding anything contrary herein, this section shall not be applicable to the Premises and Landlord shall use reasonable care not to interfere or disrupt Tenant's business or its customers. Further, excepting parking spaces lost due to the

Dedication (pursuant to paragraph 3 of Addendum #1), Landlord shall not reduce the number of parking spaces currently existing on the Restaurant Parcel of the Shopping Center (shaded in blue on Exhibit A) by more than three (3) spaces without Tenant's approval, which approval shall not be unreasonably delayed or withheld.

4.04 Mechanic's Liens. The interest of Landlord in the Shopping Center and the Premises shall not be subject to liens for improvements made by Tenant.

Notwithstanding anything to the contrary contained in the statutes of the State of California or

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in this Lease, Tenant shall not be deemed to be a partner, joint venturer or agent of Landlord; and in no event shall any lien resulting from Tenant's improvements to the Premises encumber Landlord's underlying fee simple estate. Tenant agrees that it shall not enter into any contract for improvements to the Premises unless the following language is included in such contract:

"Notwithstanding anything herein contained to the contrary, the contractor acknowledges that CHICAGO PIZZA & BREWERY, INC. holds only a leasehold interest in the property which is the subject of this contract. CHICAGO PIZZA & BREWERY, INC. is not the agent of the owner of the property, and no lien resulting from work performed under this contract shall attach to the interest of such owner."

Tenant shall not permit any work to be commenced until such time as Tenant has provided Landlord with a fully executed copy of the construction contract evidencing incorporation of the aforesaid language. In addition, prior to the commencement of the work, Tenant shall post the following notice in a conspicuous place on the Premises, and shall assure that such notice is maintained throughout the entire course of construction:

"NOTICE TO CONTRACTORS, SUBCONTRACTORS, MATERIALMEN
AND LABORERS

Notice is hereby given that work on B.J.'S CHICAGO PIZZA, GRILL & BREWERY, located at 16060 Beach Boulevard, City of Huntington Beach, State of California, is being performed for CHICAGO PIZZA & BREWERY, INC.. CHICAGO PIZZA & BREWERY, INC. is not the agent of the owner of this property, and any lien rights shall be limited to the Leasehold estate of CHICAGO PIZZA & BREWERY, INC. and shall in no event attach to the interest of the owner."

If, for whatever reason, any mechanic's or other lien shall be filed against the Premises, or the Shopping Center, purporting to be for labor or material furnished or to be furnished at the request of Tenant, then Tenant shall, at its expense, cause such lien to be discharged of record by payment, bond or otherwise as allowed by law, within ten (10) days after the filing thereof. If Tenant shall fail to cause such lien to be discharged of record within such ten (10) day period, Landlord, in addition to any other rights and remedies, may, but shall not be obligated to, cause such lien to be discharged by payment, bond or otherwise, without investigation as to the validity thereof or as to any offsets or defenses thereto, and Tenant shall, upon demand, promptly within ten (10) days, reimburse Landlord for all amounts paid and costs incurred, including attorneys' fees and interest thereon at the maximum legal rate from the respective dates of Landlord's payments therefor, in having such lien discharged of record, and, further, Tenant also shall otherwise indemnify, protect, defend and save Landlord harmless from any claim or damage resulting therefrom.

Article V

Conduct of Business by Tenant

5.01 Use of Premises. Tenant shall use the Leased Premises solely to operate a B.J.'S CHICAGO PIZZA, GRILL & BREWERY restaurant serving liquor, beer, wine and food, and such other items for sale as Tenant shall offer in any of its other restaurants, (the "Permitted Use") and for no other purpose whatsoever. Tenant's right to use the Premises for the Permitted Use is expressly conditioned upon Tenant obtaining all required liquor permits from the Department of Liquor Control of the State of California and maintaining such liquor permits in full force and effect throughout the Term of this Lease in full compliance with all laws, rules and regulations in connection therewith. From and after the Commencement Date, Tenant shall occupy the Leased Premises and shall conduct continuously in the Leased Premises the business above stated. Tenant will not use or permit, or suffer the use of, the Leased Premises for any other business or purpose or any purpose contrary to law or the rules and regulations of any public authority or in any manner deemed extra hazardous on account of fire or otherwise nor in any manner so as to increase the cost of fire and extended coverage insurance of the Leased Premises.

5.02 Operation of Business. Tenant shall operate continuously one hundred percent (100%) of the Leased Premises for the Permitted Use (and such other use as necessary to comply with this section) during the entire term under the trade name B.J.'S CHICAGO PIZZA, GRILL & BREWERY, with due diligence and efficiency so as to produce the maximum amount of Gross Sales which may

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be produced by such manner of operation. Tenant shall carry at all times in the Leased Premises a stock of merchandise of such size, character and quality as shall be reasonably designed to produce the maximum amount of Gross Sales. Tenant agrees to keep the Premises open for business from at least 12:00 noon to 11:00 p.m., seven days per week; provided, however, (i) Tenant may open for business with the public as early as 11:00 a.m. and may remain open past 2:30 a.m. (however, Tenant shall not serve liquor, beer or wine past 2:30 a.m.); (ii) the above hours are not in conflict with any law, ordinance or union contract provisions; (iii) Tenant shall be relieved of such obligation to operate during such hours to the extent it may be necessary that the Premises be closed on account of the order of any duly constituted authority, or for the purpose of making repairs or improvements, or during the period of any strikes, lockouts, emergencies or other causes beyond Tenant's control, so long as Tenant shall make all reasonable efforts to shorten such periods; and (iv) Tenant is permitted to close on the following holidays: New Year's Day, Easter Sunday, Fourth of July, Thanksgiving and Christmas Day, and as may be mutually agreed to by both parties. Tenant shall keep the display windows and signs, if any, in the Leased Premises well lighted during the hours from sundown to 11:00 p.m., unless prevented by causes beyond the control of Tenant.

5.03 Storage, Office Space. Tenant shall warehouse, store and/or stock in the Leased Premises only such goods, wares and merchandise as Tenant intends to offer for sale at retail at, in, from or upon the Leased Premises. This shall not preclude occasional emergency transfers of merchandise to the other stores of Tenant, if any, not located in the Shopping Center. Tenant shall use for office, clerical or other non-selling purposes only such space in the Leased Premises as is from time to time reasonably required for Tenant's business in the Leased Premises.

5.04 Deliveries. All deliveries to the Leased Premises shall be made through the rear entrance to the Leased Premises.

Article VI

Parking and Common Areas and Facilities

(see Section 3 and 4 of Addendum #1 to the Lease)

6.01 Common Areas and Facilities. "Common Areas and Facilities" means the portions of the Shopping Center, whether owned or ground leased by Landlord or made available for use by other owners or ground lessors of parcels within the Shopping Center, which have, at the time in question, been designated and improved for common use by or for the benefit of more than one occupant of the Shopping Center; including, without limitation (if and to the extent facilities therefor are provided by the Landlord at the time in question), the land and facilities utilized as: parking lots; access and perimeter roads; landscaped areas; exterior walks, lakes, arcades, stairways and ramps; underground storm and sanitary sewers, utility lines and the like installed at the cost of Landlord; but excluding all portions of the Shopping Center which are (i) used or intended for use by one occupant only; or (ii) designated by Landlord for the exclusive use of office tenants, including without limitation all interior corridors and public lavatories. Any portion of the Shopping Center so 'included within Common Areas and Facilities shall be excluded therefrom when designated by Landlord for a non-common use, and any portion thereof not theretofore included within Common Areas and Facilities shall be included when so designated and improved for common use.

6.02 Control of Common Areas and Facilities by Landlord. All Common Areas and Facilities shall at all times be subject to the exclusive control and management of the Landlord, and the Landlord shall have the right from time to time to establish, modify and enforce reasonable rules and regulations with respect to all facilities and areas mentioned in this Article. The Landlord shall have the right to construct, maintain and operate lighting facilities on all such areas and improvements; to police the same; from time to time to change the size area, level, location and arrangement of parking areas and other facilities referred to above; to restrict parking by tenants, their officers, agents and employees to employee parking areas; to close all or any portion of such areas or facilities to such extent as may, in the opinion of Landlord's counsel, be legally sufficient to prevent a dedication thereof or the accrual of any rights to any rights to any person or the public therein; to close temporarily all or any portion of the parking areas or facilities; to discourage non-customer parking; and to do and perform such other acts in and to such areas and improvements as, in the use of good business judgment, the Landlord shall determine to be advisable with a view to the improvement of the convenience and use thereof by Tenant, other tenants and their officers, agents, employees and customers. The Landlord will operate and maintain the Common Areas and Facilities

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in such manner as the Landlord, in its sole discretion, shall determine from time to time. Without limiting the scope of such discretion, the Landlord shall have the full right and authority to employ all personnel and to make all rules and regulations pertaining to and necessary for the operation and maintenance of the Common Areas and Facilities.

Notwithstanding the above, Landlord shall not reduce the Leased Premises. Any physical changes to the Shopping Center, or any changes to or new rules or regulations of the Landlord that materially limit, or reduce, Tenant's capability to reasonably conduct its business, as set forth in section V, shall reduce Tenant's rent on a prorata basis based on a verifiable reduction of Tenant's Gross Sales of twenty percent (20%) or greater for the twelve (12) months following a change compared to the twelve (12) months preceding the change. As the result of any material physical changes to the Shopping Center or Shopping Center rules and regulations changes by the Landlord, if Tenant can no longer reasonably operate as a restaurant, Tenant shall have the option to terminate the Lease. For purposes of this paragraph, the changes to the parking area and signage caused by the Dedication specified in paragraph 3 of Addendum #1 to the Lease shall be excluded.

6.03 License. All Common Areas and Facilities, which the Tenant may be permitted to use and occupy, are to be used and occupied under a revocable license, and if the amount of such areas be diminished, the Landlord shall not be subject to any liability however the Tenant shall be entitled to diminution or abatement of Rent subject to verification of loss of revenue by Tenant, as specified in Section 6.02 above, however, such diminution of such areas shall not be deemed constructive or actual eviction.

6.04 Tenant to Share Expense of Common Areas and Facilities.

(a) Tenant shall pay during the Term as Additional Rent its proportionate share of Landlord's Operating Costs. Tenant's proportionate share (which share shall not be more than eleven percent (11%) during the term of the Lease) of Landlord's Operating Costs shall be computed by multiplying the operating costs for the period then being billed by a fraction, the numerator of which is the Land Area of the Restaurant Parcel (as shown on Exhibit A) and the denominator of which is the total Land Area of Huntington Executive Park. Such proportionate share shall be paid by Tenant in equal monthly installments in such amounts as are estimated and billed by Landlord at the commencement of the Term and at the beginning of each successive calendar year, each such installment being due on the first day of each calendar month. The first monthly payment shall include a prorated portion of Landlord's Operating Costs for the period from the Commencement Date to the first day of the first full calendar month of the Term. For the calendar year in which the Term commences or terminates, Tenant's liability for its proportionate share of Landlord's Operating Costs shall be subject to a pro rata adjustment based upon the number of days of such calendar year falling within the Term. Within a reasonable time, not to exceed six (6) months, after the end of each calendar year, Landlord shall deliver to Tenant a statement of Landlord's Operating Costs for such calendar year, and the monthly installments paid or payable shall be adjusted between Landlord and Tenant, and Tenant shall pay Landlord or Landlord shall credit to Tenant's account (or, if such adjustment is at the end of the Term, pay Tenant), as the case may be, within fifteen (15) days of receipt of such statement, such amounts as may be necessary to effect such adjustment for such calendar year. Upon reasonable notice, Landlord shall make available for Tenant's inspection at Landlord's office, during normal business hours, Landlord's records relating to Landlord's Operating Costs for the preceding calendar year. Failure of Landlord to provide the statement called for hereunder within the time prescribed shall not relieve Tenant of its obligations hereunder, however, for every thirty (30) day period said statement is delayed, Landlord's administrative fee (under Section 6.05) shall be reduced by five percent (5%) for that year.

(b) Tenant's proportionate share of any increase in Operating Costs for Lease Years two (2) through five (5) shall not exceed one hundred five percent (105%) of Tenant's proportionate share of those expenses for the preceding Lease Year (the "Cap"), unless Tenant's proportionate share percentage increase of those expenses for any preceding Lease Year was less than the Cap, in which event the difference between the Cap and the lesser percentage increase shall be carried forward and added to the Cap for the current Lease Year and future Lease Years.

6.05 "Landlord's Operating Costs" Defined. "Landlord's Operating Costs" means the costs and expenses of every kind and nature paid or incurred in operating, maintaining and preserving Landlord's Building, and the Common Areas and Facilities, including, without limitation, all costs and

expenses of: (i) installation, maintenance, repair, replacement, improvement, operation, lighting, signing, cleaning, painting, striping, policing and security (including cost of uniforms, equipment and employment taxes); (ii) alarm systems, provided the costs are incurred in connection with the Common Areas and Facilities as defined in section 6.01; (iii) insurance, including

liability insurance for personal injury, death and property damage, insurance against fire, extended coverage, flood, theft or other casualties, worker's compensation insurance covering personnel, fidelity bonds for personnel, insurance against liability for defamation and claims of false arrest, and plate glass insurance for glass exclusively serving the Common Areas and Facilities, provided the costs are incurred in connection with the Common Areas and Facilities as defined in section 6.01; (iv) maintenance of sprinkler systems serving the Leased Premises, and the Common Areas or Facilities; (v) removal of snow, ice, trash and debris, provided it is removal from the parking areas and not general rubbish removal; (vi) regulation of traffic; (vii) inspection and depreciation of machinery and equipment used in the operation and maintenance of the Shopping Center, together with personal property taxes, rent and other charges incurred in connection with such equipment, provided the costs are incurred in connection with the Common Areas and Facilities as defined in section 6.01; (viii) fire protection and fire hydrant charges; (ix) paving, curbs, walkways, landscaping, guardrails, bumpers, fences, screens, flagpoles, bicycle racks, traffic signals, markers and signs, drainage, pipes, ducts, conduits and similar items, and lighting facilities; (x) planting, replanting and replacing flowers, shrubbery and planters; (xi) costs associated with maintenance of the lake including pumps and related equipment; (xii) reasonable capital cost reserves for Landlord's parking lots; (xiii) water; (xiv) sewage charges; (xv) services, if any, furnished by Landlord for nonexclusive use of all tenants; (xvi) all license and permit fees, and all parking surcharges that may result from any environmental or other laws, rules, regulations guidelines or orders; (xvii) obtaining and operating public transportation or shuttle bus systems used in connection with bringing customers to Landlord's Building or if required by any environmental or other laws, rules, regulations, guidelines or orders; (xviii) rent or other costs or charges payable by Landlord with respect to any rights, privileges and easements now or hereafter benefiting the Shopping Center; (xix) personnel, including, without limitation, security and maintenance people working on the common areas or providing services to all buildings; and (xx) an allowance for administrative costs equal to fifteen percent (15%) of the total of the foregoing costs and expenses. Such costs and expenses shall not include depreciation (other than depreciation as above specified). The costs and expenses referred to above are for definition only and are not to be construed so as to impose any obligation or obligations on Landlord or to indicate that any particular service or item is required to be furnished by Landlord. Tenant shall be solely responsible for the cost of any parking lot replacements on the Restaurant Parcel (Parcel 3B on Exhibit A) and any landscape replacements in the planters adjacent to Landlord's Building marked in yellow on Exhibit A.

Article VII

Signs

7.01 Signs. Tenant shall at its sole cost erect and maintain a sign, advertising Tenant's business, on the exterior front and on the freeway side of the Leased Premises and on the monument sign for the Landlord's Building on Beach Boulevard. Due to Landlord's dedication of land to the City of Huntington Beach for a right hand turn lane on Beach Boulevard, the monument sign may be relocated from its current location at the time of Lease execution.

Tenant's sign(s) shall conform to Landlord's standard sign criteria. Tenant shall not install any sign(s) facing on the parking areas or elsewhere on the Leased Premises or in the Shopping Center, or place on the roof or any exterior wall (including both the interior and exterior surfaces of windows and doors) of the Leased Premises any sign, symbol, advertisement, neon or other light, shade, or any other object or thing visible to public view outside of the Leased Premises, without first obtaining Landlord's approval as to whether the same shall be so installed or placed and, if so, as to the location, number, type and appearance of each thereof. In addition, prior to installation of any exterior signage Tenant shall first obtain the necessary approvals and permits from the City of Huntington Beach.

Landlord and Tenant agree to use best efforts to submit a design

package to City of Huntington Beach to replace the existing project monument sign at the corner of Edinger and Beach Boulevard. Landlord shall allow Tenant to participate in the new project sign provided, however, that Tenant's participation does not prevent Landlord from replacing the existing project sign. Tenant's

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participation in the new project sign is limited to having its name on the new project sign and sharing the cost of the new project sign. Without any obligation to Tenant, Landlord shall control the design, location, construction, cost and all other characteristics of the new project sign. In the event that the City of Huntington Beach will not allow a new project sign at the corner of Edinger and Beach, or the City will allow a new project sign with conditions unacceptable to Landlord, Landlord agrees to allow Tenant, subject to City approval, to add its logo to the existing project sign provided, however, that such addition be installed under conditions acceptable to Landlord and Tenant shall be responsible for all costs associated with said addition. In no event shall Landlord be obligated to replace the existing project sign or add Tenant to the existing project sign if either action will limit, prevent or have any other unacceptable impact (to Landlord) on signage at the Shopping Center.

Article VIII

Condition and Maintenance of Leased Premises

8.01 Condition of Leased Premises. Tenant acknowledges that neither Landlord nor its agents have made any representations as to the condition or repair of the Leased Premises except those specified in this Lease.

8.02 Maintenance by Tenant. The Tenant shall, at all times, keep the Leased Premises (including maintenance of exterior entrances, all glass, show window moldings and frames, delivery doors and loading docks) and all partitions, doors, fixtures, equipment and appurtenances thereof (including lighting, heating and plumbing fixtures and equipment, sewer systems and any air-conditioning system exclusively serving the Leased Premises whether located inside or outside the Leased Premises) in good order, condition and repair (including reasonable periodic painting as determined by the Landlord), damage by unavoidable casualty excepted, except for structural portions of the Leased Premises, which shall be maintained by the Landlord. The Tenant further agrees to keep the inside and outside of all glass in doors and windows of the Leased Premises cleaned; to replace promptly at its own expense with glass of a like kind and quality any plate glass or window glass of the Leased Premises which may become cracked or broken; not to place or maintain any merchandise or other articles on the foot walk adjacent thereto or elsewhere on the exterior thereof; to maintain the Leased Premises in a clean, orderly and sanitary condition and free of insects, rodents, vermin and other pests; not to permit accumulations of garbage, trash, rubbish, litter and other refuse in the Leased Premises and the immediately adjacent portion of the Shopping Center, to remove the same at its own expense, and to keep such refuse in proper containers (or in trash room maintained by Tenant) on the exterior of the Leased Premises until called for it to be removed; to keep all mechanical apparatus free of vibration and noise which may be transmitted beyond the confines of the Leased Premises; not to cause or permit objectionable odors to emanate or be dispelled from the Leased Premises; to comply with all laws and ordinances and all valid rules and regulations of any Federal, state, municipal or public authority having jurisdiction with respect to the Leased Premises, and to conduct its business in the Leased Premises in all respects in a dignified manner in accordance with high standards of store operation. In the event the Landlord is required to make repairs: (i) to structural portions of the Leased Premises by reason of Tenant's negligent acts or negligent omissions to act, or (ii) to the Common Areas and Facilities of the Shopping Center by reason of the acts of Tenant, its employees or agents, the Landlord may add the cost of such repairs to the Rent.

8.03 Snow and Ice. Tenant shall provide for the removal of all snow and ice from the Leased Premises, the sidewalk in front of the Leased Premises if any, and the customer exits and delivery entrances at the rear of the Leased Premises, if any. Landlord shall provide for the removal of snow and ice from the parking areas and driveways of the Shopping Center.

8.04 Landlord's Maintenance and Repairs. Subject to the provisions of Articles XV and XVI hereof, and except for repairs, maintenance or replacements made necessary by the acts of Tenant, its employees, agents, customers or persons making deliveries to the Leased Premises (which repairs, maintenance or replacements shall be the responsibility of Tenant), Landlord covenants and agrees:

(a) to maintain in good order, condition replacement and repair the foundation, roof and exterior walls of the Leased Premises; and

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(b) to maintain in good order, condition, replacement and repair, the conduits providing utility services for gas, electricity, sewer and water up to the Leased Premises.

8.05 Surrender of Premises. At the expiration of the tenancy hereby created, the Tenant shall surrender the Leased Premises in the same condition as the Leased Premises were upon delivery of possession thereto under this Lease and as thereafter improved, reasonable wear and tear excepted, and damage by unavoidable casualty excepted, and shall surrender all keys for the Leased Premises to the Landlord at the place then fixed for the payment of Rent and shall inform the Landlord of all combinations on locks and vaults, if any, in the Leased Premises. The Tenant shall, if requested by the Landlord, remove all of its trade fixtures and other improvements before surrendering the Leased Premises as aforesaid, shall repair any damage to the Leased Premises caused thereby, and shall restore the Leased Premises to their original condition, normal wear and tear excepted. The Tenant's obligation to observe or perform this covenant shall survive the expiration or earlier termination of the Term of this Lease.

Article IX

Insurance and Indemnity

9.01 Liability Insurance. The Tenant shall, during the entire Term hereof, keep in full force and effect a policy of public liability and property damage insurance with respect to the Leased Premises, and the business operated by Tenant and any subtenants, concessionaires and licensees of the Tenant in the Leased Premises in which the limits of public liability shall be not less than \$1,000,000 per occurrence and \$3,000,000 aggregate. The policies shall name the Landlord, any person, firms or corporations designated by the Landlord, and the Tenant as insured, and shall contain a clause that the insurer will not cancel or change the insurance without first giving the Landlord thirty (30) days prior written notice. The policies shall be written to provide that such coverage shall be primary and that any insurance maintained by Landlord shall be excess insurance only. All such insurance shall provide for severability of interests; shall provide that an act or omission of one of the named insureds shall not reduce or avoid coverage to the other named insureds; and shall afford coverage for all claims based on acts, omissions, injury and damage, which claims occurred or arose (or the onset of which occurred or arose) in whole or in part during the policy period. Any deductible amounts under any insurance policies required hereunder shall be subject to Landlord's prior written approval. Such insurance shall be in an insurance company with a Best rating of not less than A- and a copy of the policy or a certificate of insurance shall be delivered to the Landlord prior to the Commencement Date.

9.02 Landlord's Insurance.

(a) Tenant will pay Landlord, as Additional Rent, a proportionate share of the cost of all insurance as Landlord may from time to time maintain with respect to the Leased Premises (including, but without limitation, comprehensive general liability insurance, fire, extended coverage, vandalism and malicious mischief and all-risk insurance, flood insurance, loss of rent insurance, and boiler and sprinkler insurance), provided such coverage is with respect to the Premises and the Common Areas and Facilities. Such insurance may include Landlord's interest in the improvements and betterments installed in the Premises by Tenant (except inventory, trade fixtures, wall and floor coverings, furniture and other personal property of Tenant removable by Tenant under the provisions of this Lease), whether the same have been paid for entirely or partially by Tenant.

(b) Tenant will pay in twelve (12) consecutive equal monthly installments in such amounts as are estimated and billed by Landlord at the commencement of the Term and at the beginning of each successive billing period, each installment being due on the first day of each calendar month. The first monthly payment shall include a prorated portion of Insurance Premiums for the period from the Commencement Date to the first day of the first full calendar month of the Term of this Lease. Within a reasonable time after the end of each calendar year, Landlord shall deliver to Tenant a statement of Insurance Premiums for the previous year, and the monthly installments paid or payable shall be adjusted between Landlord and Tenant, and Tenant shall pay Landlord or Landlord shall credit Tenant's account (or, if such adjustment is at the end of the Term, pay Tenant), as the case may be, within fifteen (15) days of receipt of such statement, such amounts as may be necessary to effect such adjustment for such year.

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(c) Tenant shall have no rights in any policy or policies maintained by Landlord and shall not, by reason of the reimbursement required by this section, be entitled to be a named insured thereunder.

(d) Tenant shall furnish Landlord, within thirty (30) days after the Commencement Date, a written statement, certified by Tenant or an executive officer of Tenant, of the actual cost incurred by Tenant in making all improvements and betterments to the Leased Premises, in order to assist Landlord in providing adequate insurance coverage.

9.03 Mutual Waiver of Subrogation. Landlord and Tenant hereby release each other to the extent of their respective insurance coverage, from any and all liability to the other or anyone claiming through or under it by way of subrogation or otherwise, for any loss or damage to property covered by the fire or extended coverage insurance policies carried by Landlord and Tenant, respectively, even if such damage shall have been caused by the fault or negligence of the other party, or anyone claiming through or under it, provided however, that this release shall be applicable and in force and effect only with respect to loss or damage occurring during such time as such policies shall contain a clause or endorsement to the effect that any such release shall not adversely affect nor impair such policies or prejudice the right to recover thereunder. Each party agrees that its policies of insurance will include such a clause or endorsement so long as the same shall be obtainable.

9.04 Indemnification. The Tenant will indemnify the Landlord and save it harmless from and against any and all claims, actions, damages, liability, suits and expense in connection with the loss of life, personal injury and damage to property arising from or out of any occurrence in, upon, or at the Leased Premises, or the occupancy or use by the Tenant of the Leased Premises or any part thereof, or the conduct by Tenant of its business therein, thereon and therefrom, or occasioned wholly or in part by any act or omission of the Tenant, its agents, contractors, employees, servants, lessees or concessionaires or the sale of merchandise by Tenant in, on or from the Leased Premises. In case the Landlord shall be made a party to any litigation commenced

by or against the Tenant, then the Tenant shall protect and hold the Landlord harmless and shall pay all costs, expenses and reasonable attorneys' fees incurred or paid by Landlord in connection with such litigation. The Tenant shall also pay all costs, expenses and reasonable attorneys' fees that may be incurred or paid by the Landlord in the enforcing of the covenants and agreements of this Lease.

The Landlord will indemnify the Tenant and save it harmless from and against any and all claims, actions, damages, liability, suits and expenses in connection with the loss of life, personal injury and damage to property arising from or out of any occurrence in, upon, or at the Shopping Center, or the occupancy or use by the Landlord of the Shopping Center, or any part thereof, caused by the negligent or wrongful conduct of the Landlord of its business therein, thereon and therefrom, or occasioned by the negligent or wrongful act or omission of Landlord, its agents, employees, or the sale of merchandise by it on or from the Shopping Center. In case the Tenant shall be made a party to any litigation commenced against Landlord, Landlord shall protect and hold Tenant harmless therefrom and pay all costs, expenses and reasonable attorneys fees incurred by Tenant therein.

9.05 Increases in Fire Insurance Premiums Attributable to Tenant. Tenant shall not keep, use, sell or offer for sale in or upon the Premises any article which may be prohibited by the standard form of fire insurance policy. Tenant agrees to pay one hundred percent (100%) of any increase in premiums for fire and extended coverage insurance that may be charged during the Term on the amount of such insurance which may be carried by Landlord on Landlord's Building, resulting from the type of merchandise sold by Tenant in the Premises, whether or not Landlord has consented to the same. In determining whether increased premiums are the sole result of Tenant's use of the Premises, a schedule, issued by the organization making the insurance rate on the Premises, showing the various components of such rate, shall be evidence of the several items and charges which make up the fire insurance rate on the premises. If said amount results in an increase of ten percent (10%) or more in Tenant's insurance charge, said rates shall be subject to arbitration.

In the event Tenant's occupancy causes any increase of premium for the fire, and/or casualty rates on Landlord's Building, Tenant shall pay the additional premium on the fire and/or casualty insurance policies by reason thereof. The Tenant also shall pay, in such event, any additional premium on the rent insurance policy that may be carried by the Landlord for its protection against rent loss through fire. Bills for such additional premiums shall be rendered by Landlord to Tenant, within sixty (60) days of receipt by Landlord, and shall be due from, and payable by, Tenant within

thirty (30) days of receipt by Tenant, and the amount thereof shall be deemed to be, and be paid as, Additional Rent.

Article X

Utilities

10.01 Utility Charges. The Tenant shall be solely responsible for and promptly pay all charges for heat, water, sewer, gas, oil, electricity and any other utility used or consumed in the Leased Premises. In no event shall the Landlord be liable for an interruption of or failure in the supply of, or for the quantity or quality of, any of such utilities to the Leased Premises (unless due to the willful negligence or misconduct of Landlord) and no such interruption or failure shall ever be deemed to be an actual or constructive eviction.

Article XI

Subordination, Estoppel Certificate

11.01 Mortgage Subordination. Tenant agrees that, within ten (10) days after written request of Landlord, it will subordinate this Lease to the lien of any present or future mortgage to a bank, savings and loan association, insurance company, real estate investment trust or similar institution, irrespective of the time of execution or time of recording of any such mortgage. Tenant agrees that if the mortgagee or any person claiming under the mortgage shall succeed to the interest of Landlord in this Lease, it will recognize such mortgagee or person as its landlord under the terms of this Lease. The word "mortgage" as used herein includes mortgages, deeds of trust or other similar instruments and modifications, consolidations, extensions, renewals, replacements and substitutes thereof. Nothing contained herein shall take away any of Tenant's rights or benefits as set forth in this Lease.

11.02 Estoppel Certificates. At any time and from time to time Landlord and Tenant each agree, within ten (10) days after request in writing from the other, to execute, acknowledge and deliver to the other or to any person designated by the other a statement in writing certifying that the Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and stating the modifications), that the other party is not in default in the performance of its covenants hereunder (or if there are such defaults, specifying the same), and the dates to which the rent and other charges have been paid.

Article XII

Assignments and Subletting

12.01 Landlord's Consent Required. Tenant will not mortgage, pledge, encumber, assign or in any manner transfer this Lease, in whole or in part, nor sublet all or any part of the Leased Premises, nor license concessions or lease departments therein, without, in each instance, first obtaining the written consent of Landlord. The within prohibition against transfer without the Landlord's prior written consent includes any subletting or assignment which would otherwise occur by operation of law, merger, consolidation, reorganization, transfer or other change of Tenant's corporate or proprietary structure, or an assignment, subletting to or by a receiver or trustee in any federal or state bankruptcy, insolvency, or other proceedings. The consent by Landlord to any assignment, subletting or other transfer shall not constitute a waiver of the requirement for such consent to any subsequent assignment, subletting or other transfer. Any assignment, subletting or other transfer, even with the consent of Landlord, shall not relieve Tenant from primary liability for the payment of Rent or from the primary obligation to keep and be bound by the terms, conditions and covenants of this Lease. If, at any time, Tenant shall request Landlord's consent to assign or otherwise transfer this Lease or to sublet all or any portion of the Leased Premises, then Landlord shall have the right, by notifying Tenant in writing within thirty (30) days after receipt of such request, to terminate this Lease as of the date specified in such notice from Landlord to Tenant, which effective date shall be not more than ninety (90) nor less than thirty (30) days from the date of such notice. In the event of such termination, all Rent (other than any Rent or Additional Rent due Landlord resulting from Tenant's failure to perform any of its obligations under this Lease) shall be adjusted as of the date of such termination. Landlord's failure or refusal to so terminate this Lease shall not constitute a consent to the proposed assignment, subletting or other transfer. In the event Tenant shall assign or sublet the Leased Premises or request the consent of Landlord for any act

that Tenant proposes to do, then Tenant shall pay Landlord's reasonable attorneys' fees incurred in connection therewith. Should Tenant assign, sublet or otherwise dispose of the Leased Premises, whether with or without Landlord's consent, any and all sums payable by virtue of such assignment, sublease or other demise excluding any amounts received for Tenant's

Furniture, Fixtures, Equipment and Goodwill, shall be due and payable solely to Landlord. Tenant does hereby appoint Landlord as its attorney-in-fact to bill and collect any and all such sums for the use and benefit of Landlord without liability whatsoever to Tenant.

12.02 Excluded Assignment. Notwithstanding anything to the contrary contained in this Article XII, and so long as Tenant is not in default under this Lease beyond any applicable period, Tenant shall have the right, without the prior written consent of Landlord, to assign the Lease to a corporation or other entity which: (a) is Tenant's parent organization; or (b) is a wholly-owned subsidiary of Tenant; or (c) is a corporation of which Tenant or Tenant's parent organization owns in excess of fifty percent (50%) of the outstanding capital stock, or other majority ownership equity interest; or (d) as a result of a consolidation or merger with Tenant's parent corporation shall own substantially all the capital stock of Tenant or Tenant's parent corporation; or (e) is an entity which purchases or otherwise acquires all or substantially all of Tenant's assets or stock. Any assignment of the Lease pursuant to (a), (b), (c), (d), or (e) above shall be subject to the following conditions: [1] Tenant shall remain fully liable during the unexpired Lease Term, including any option terms; [2] any such assignment shall be subject to all of the terms, covenants and conditions of the Lease and any such transferee shall expressly assume for the benefit of Landlord the obligations of Tenant under this Lease document prepared by Landlord; [3] the resulting entity pursuant to (d) or (e) above shall have net assets equal to or greater than the net assets of Tenant as of the Effective Date; and [4] Tenant shall give Landlord notice of such assignment at least thirty (30) days prior to its effective date (which shall include all documentation necessary to verify the conditions contained in this paragraph). Anything to the contrary notwithstanding, transfers of stock between or among the present stockholders of Tenant, or partnership interests between the current partners of Tenant, the issuance of additional capital stock of Tenant, a public offering of Tenant's capital stock on a recognized national securities exchange, or a transfer or series of transfers of less than a majority of Tenant's capital stock (except in the event that Tenant is publicly-traded corporation on a recognized national securities exchange, than a transfer or series of transfers of a majority of Tenant's capital stock) shall not be deemed a change of control for purposes of this Article XII.

12.03 Acceptance of Rent from Transferee. The acceptance by Landlord of the payment of Rent following any assignment, subletting or other transfer restricted or prohibited by this Article shall not be deemed to be a consent by Landlord to any such assignment or other transfer nor shall the same be deemed to be a waiver of any right or remedy of Landlord hereunder.

Article XIII

Waste, Governmental Regulations

13.01 Waste or Nuisance. The Tenant shall not commit or suffer to be committed any waste upon the Leased Premises or any nuisance or other act or thing which may disturb the quiet enjoyment of any other tenant in Landlord's Building or in the Shopping Center.

13.02 Governmental Regulations. The Tenant shall, at Tenant's sole cost and expense, comply with all of the requirements of all county, municipal, state, federal and other applicable governmental authorities, now in force, or which may hereafter be in force, pertaining to the Leased Premises, and shall faithfully observe in the use of the Leased Premises and the Shopping Center all municipal and county ordinances and state and federal statutes now in force or which may hereinafter be in force.

Article XIV

Advertising

14.01 Solicitation of Business. The Tenant and Tenant's employees and agents shall not solicit business or place any signs or advertising devices in the Common Areas and Facilities, nor

shall the Tenant distribute any handbills or other advertising matter to automobiles parked in the parking areas or in other Common Areas and Facilities without permission from the Landlord.

14.02 Advertised Name. Tenant agrees not to change its trade name or the advertised name of the business operated in the Leased Premises without Landlord's prior written consent unless such change is outside Tenant's control or due to a change of ownership as permitted by the terms of this Lease.

14.03 Promotional Activities. Tenant shall not use any portion of the Common Areas and Facilities of the Shopping Center for promotional or advertising activities without the prior written approval of the Landlord.

14.04 Special Sales, Conduct of Business. No auction, fire removal, closing, going-out-of-business or bankruptcy sales may be conducted in or from the Leased Premises without the prior written consent of Landlord. Tenant will not use the sidewalk or mall area adjacent to the Leased Premises for sale or display of merchandise or wares, nor will it use any loudspeaker, phonograph, radio or television for advertising in the Shopping Center in such manner that it may be heard or seen outside the Leased Premises without first securing Landlord's written consent.

Article XV

Damage or Destruction

15.01 Damage to Leased Premises Repairable Quickly. If the Leased Premises shall be damaged or destroyed by any cause so as to be unfit for occupancy and such damage or destruction could reasonably be repaired or rebuilt within one hundred eighty (180) days from the happening of such damage or destruction, then Tenant shall not be entitled to terminate this Lease nor shall Tenant's liability to pay Rent under this Lease cease, but in the case of any such damage or destruction Landlord shall repair or rebuild the same with all reasonable speed, and substantially complete such repairs or rebuilding within one hundred eighty (180) days from the happening of such damage or destruction, subject to delays beyond its control. If Tenant shall be deprived of the occupancy of any portion of the Leased Premises because of any such damage or destruction, but can nevertheless reasonably continue to engage in its business, a proportionate allowance shall be made to Tenant from the Minimum Rent and Additional Rent corresponding to the time during which and to the portion of the Leased Premises of which Tenant shall be deprived on account of such damage or destruction and the making of such repairs. No Minimum Rent or Additional Rent shall be payable during such period as Tenant shall be deprived of the occupancy of the Leased Premises because of such damage or destruction or the effecting of such rebuilding.

15.02 Non Repairable Quickly. If such damage or destruction cannot reasonably be repaired or rebuilt within one hundred eighty (180) days from the happening thereof, Landlord shall notify Tenant within sixty (60) days after the happening of such damage or destruction whether or not Landlord will repair or rebuild. If Landlord elects not to repair or rebuild, and the estimated cost to repair or rebuild is not greater than Five Hundred Thousand Dollars (\$500,000.00), and provided Tenant's Gross Sales for the twelve (12) months prior to the damage or destruction were not less than \$3,500,000, then Tenant shall have the option to; (a) make such repair, or rebuild and amortize said costs over the remaining life of the Lease as a reduction to percentage rent due hereunder, but in no case reduce the percentage rent more than fifty percent (50%) of the amount due or, (b) elect to terminate this Lease, in which event the parties shall be relieved from their respective obligations which would otherwise thereafter accrue. If Landlord shall elect to repair or rebuild, Landlord shall specify the time within which such repairs or rebuilding will be completed, and Tenant shall have the option within thirty (30) days after

receipt of such notice, to elect either to terminate this Lease or to extend the term of the Lease by a period of time equivalent to the time from the happening of such damage or destruction until the Leased Premises are restored to their former condition. In the event Tenant elects to extend the Term of the Lease, or shall fail to terminate this Lease within the time specified, Landlord shall repair or rebuild the Leased Premises to their former condition within the time specified in the notice (excluding Tenant's personal property or leasehold improvements, changes or betterments to the Leased Premises made by or for Tenant) subject to delays beyond its control, and Tenant shall be entitled to an abatement of Minimum Rent and Additional Rent in the manner hereinbefore set forth and this Lease shall continue in full force and effect.

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15.03 Damage to Leased Premises. If more than forty percent (40%) of the rentable square footage of the Premises is destroyed or damaged by any cause, and cannot be repaired in the time period set forth in Section 15.01, Landlord shall have the option, upon giving notice to Tenant within sixty (60) days after the happening of such damage or destruction to cancel this Lease as of a date sixty (60) days after the giving of such notice.

15.04 Uninsured Damage; Loss Near End of Term. Notwithstanding the foregoing, in the event that damage or destruction of the Leased Premises shall not result from any of the causes covered by Landlord's policies of fire and extended coverage insurance as now or hereafter constituted, or if Landlord's mortgagee does not make the applicable insurance proceeds available to Landlord, or if such damage or destruction shall occur during the last two (2) years of the original term or any extended term of this Lease, Landlord shall have the election of repairing or rebuilding, in which event Tenant shall remain liable under the Lease, or of terminating this Lease, in which event the parties shall be relieved from their respective obligations which would otherwise thereafter accrue. Landlord shall give Tenant notice within thirty (30) days after such damage or destruction of its election.

Article XVI

Eminent Domain

16.01 Taking. If, as a result of the taking by way of appropriation or right of eminent domain (a "Taking") of any part of the Leased Premises, Tenant's use of the Leased Premises for the conduct of its business therein is materially adversely impaired, either party may terminate this Lease, in which event the parties shall be relieved of all obligations hereunder thereafter accruing. Tenant's use of the Leased Premises for the conduct of its business shall be deemed to be "materially adversely impaired" if more than twenty percent (20%) of the parking spaces on the Restaurant Parcel are taken. This section (including Sections 16.02 and 16.03) shall not apply to the parking spaces identified in paragraph 3 of Addendum #1 of this Lease.

16.02 Award. All compensation awarded for any Taking, whether for the whole or a portion of the Leased Premises or the Shopping Center, shall be the sole property of Landlord, whether such compensation shall be awarded for diminution in the value of, or loss of, the leasehold or for diminution in the value of, or loss of, the fee in the premises, or otherwise, and Tenant hereby assigns to Landlord all of Tenant's right, title and interest in any and to any and all such compensation. This section shall not be applicable to an award for Tenant's Furniture, Fixtures, Equipment, Improvements or Goodwill.

16.03 Non-Termination. If there is a Taking of the Leased Premises and the Lease does not terminate, the Minimum Rent and Additional Rent will be reduced by that proportion which the number of square feet of the Leased Premises of which Tenant is thereby deprived bears to the total square feet encompassed within the entire Leased Premises immediately prior to such Taking.

Article XVII

Default

17.01 Events of Default and Remedies. In the event that any installment of Minimum Rent or Additional Rent shall be and remain unpaid for a period of five (5) days after written notice by Landlord to Tenant; or in the event Tenant shall at any time be in default in the observance or performance of any of the other covenants, obligations, terms, or conditions assumed by or imposed upon Tenant hereunder and such default continues for a period of fifteen (15) days after written notice to Tenant of such default provided said default is non monetary and Tenant can reasonably cure said default within said fifteen (15) days; or if any waste be committed or unnecessary damage done upon or to the Leased Premises; or if Tenant shall fail to remain open for business for five (5) consecutive business days except for remodeling, approved by Landlord or due to events beyond Tenant's control; or if any audit of Tenant's books and records shall disclose a liability for annual Percentage Rent to the extent of five percent (5%) or more in excess of the rentals theretofore computed and paid by Tenant for any period (whether or not Tenant thereafter reimburses Landlord for such deficiency); or if a temporary or permanent receiver or trustee of Tenant's property or the

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property of any guarantor of this Lease ("Guarantor") be appointed by any court; or if Tenant or any Guarantor shall make any assignment for the benefit of creditors; or if any execution or attachment shall be issued against Tenant or any Guarantor or Tenant's leasehold interest hereunder and shall not be discharged within forty-five (45) days; or if Tenant shall commence proceedings in a court of bankruptcy or insolvency; or if Tenant or any Guarantor shall be declared or adjudicated bankrupt or insolvent according to law; or if any proceedings are commenced against Tenant or Guarantor in a court of bankruptcy or insolvency, which shall not be discharged within forty-five (45) days; then, and in any one or more of such events, Landlord shall be entitled, at its election, to exercise concurrently or successively, any one or more or all of the following rights and remedies:

(a) Without waiving such default, Landlord may pay any sum required to be paid by Tenant to third parties other than Landlord and which Tenant has failed to pay, and may perform any obligation required to be performed by Tenant for the account of Tenant, and any amount so paid by landlord shall bear interest thereon at the Default Rate. Any amount or amounts paid by Landlord for the account of Tenant for the performance of any obligations required to be performed by Tenant shall be treated as Additional Rent due hereunder and Landlord may exercise concurrently or successively any one or more of the rights and remedies contained in this Lease for the enforcement of the payment of Rent;

(b) Landlord may enjoin any breach or threatened breach by Tenant of the covenants hereof;

(c) Landlord may bring suit for the collection of the Rent or other amounts for which Tenant may be in default, or for the performance of any other covenant devolving upon Tenant for performance, or damages therefor, all without entering into possession or terminating this Lease;

(d) Landlord may re-enter the Leased Premises by summary proceedings or otherwise, and take possession thereof, without terminating this Lease, and thereupon, to expel all persons and remove all property therefrom, either peaceably or by force, without becoming liable to prosecution therefor, and relet the Leased Premises making reasonable efforts therefor, for such periods and upon such terms according to Landlord's sole discretion, and receive the rent therefrom. Such rent shall be applied first to the payment of the reasonable expenses of such re-entry and the cost of such reletting, including but not limited to the expense of such decorations, alterations and remodeling as shall be incident to such reletting, and then to the payment of the Rent and

other sums accruing hereunder, the balance, if any, to be retained by Landlord as a security deposit against Tenant's defaults during the remainder of the Term of this Lease. Tenant, whether or not the Leased Premises are relet, shall remain liable for any deficiency, which deficiency shall be paid by Tenant to Landlord, periodically, upon the successive days upon which the Rent hereunder is payable.

It is agreed that the commencement and prosecution of any action by Landlord in forcible entry and detainer, ejectment or otherwise, or the appointment of a receiver, or any execution of any decree obtained in any action to recover possession of the Leased Premises, or any re-entry, shall not be construed as an election to terminate this Lease unless Landlord shall, in writing, expressly exercise its election to declare the term hereunder ended and to terminate this Lease, and such re-entry or entry by Landlord, whether taken under summary proceedings, or otherwise, shall not be deemed to have absolved or discharged Tenant from any of its obligations and liabilities for the remainder of the term of this Lease.

(e) Landlord may terminate this Lease, re-enter the Leased Premises and take possession thereof, wholly discharged from this Lease. In the event Landlord shall elect to terminate this Lease, as aforesaid, all rights and obligations of Tenant shall cease, except that Landlord shall have and retain full right to sue for and collect all Rent and other amounts for the payment of which Tenant shall then be in default and all damages to Landlord by reason of such breach, and Tenant shall surrender and deliver up the Leased Premises to Landlord, together with all improvements and additions thereto, and upon any default by Tenant in so doing, Landlord shall have the right to recover possession by summary proceedings or otherwise, and to obtain a receiver and other ancillary relief in such action, and again to have and enjoy the Leased Premises, fully and completely, as if this Lease had never been made. Tenant hereby expressly waives any and all rights of redemption granted by or under any present or future laws in the event of Tenant being evicted or dispossessed for any cause, or in the event Landlord obtains possession of the Leased Premises by reason of the breach or violation by Tenant of any of the covenants and conditions in

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this Lease contained or otherwise. No such expiration or termination of this Lease, or summary proceedings, abandonment or vacancy, shall relieve Tenant of its liability and obligation under this Lease, whether or not the Leased Premises shall be relet. In any such event Tenant shall pay Landlord the Rent and all other charges required to be paid by Tenant up to the time of such event. Thereafter:

(1) Tenant, until the end of the term of this Lease, or what would have been such term in the absence of any such event, shall be liable to Landlord as damages for Tenant's default, the equivalent of the amount of the Rent, and the other charges which would be payable under this Lease by Tenant if this Lease were still in effect, less the net proceeds of any reletting, effected pursuant to the provisions of this Section, after deducting all Landlord's expenses in collection with such reletting, including, without limitation, all repossession costs, brokerage and management commissions, operating expenses, legal expenses, reasonably attorneys' fees, alterations, costs and expenses of preparation for such reletting.

(2) Tenant shall pay such current damages (herein called "deficiency") to Landlord monthly on the days on which the Rent would have been payable under this Lease if this Lease were still in effect, and Landlord shall be entitled to recover from Tenant each monthly deficiency as the same shall arise.

(f) If Tenant shall at any time during the term hereof be adjudged bankrupt, then this Lease, at the option of Landlord, shall terminate. Landlord,

in the event it exercises such option to terminate, shall be entitled to receive, as liquidated damages, the difference between the Rent provided for hereunder and the then rental value of the Leased Premises, which liquidated damages shall, however, in no event be less than any sums or allowances to which Landlord may be entitled at that time under any then existing statutes of the State of California or the United States of America.

(g) All rights and remedies granted Landlord herein and any other rights or remedies which Landlord may have at law or in equity are cumulative and not exclusive, and the fact that Landlord may have exercised any remedy without terminating this Lease shall not impair Landlord's rights thereafter to terminate or to exercise any other remedy herein granted or to which it may be otherwise entitled.

(h) For purposes of this Article, the Annual Percentage Rent for any period when Tenant is out of possession following any event to which the provisions of this Article are applicable shall be deemed, for each Lease year during such period, to be at the rate equal to the greatest amount of Gross Sales for any one Lease year prior to such time multiplied by the Annual Percent that would be applicable under this Lease if Tenant was still in possession. If this Article becomes applicable prior to the expiration of the first Lease Year, then Tenant's average Gross Sales for the months prior to the invocation of this Article shall be annualized for the purpose of determining "the greatest amount of Gross Sales for any one Lease Year."

17.02 Laches. No waiver of any covenant or condition or the breach of any covenant or condition of this Lease shall be taken to constitute a waiver of any subsequent breach of such covenant or condition, nor to justify or authorize the non-observance on any other occasion of the same, or any other covenant or condition hereof, nor shall the acceptance of Rent by Landlord at any time when Tenant is in default under any covenant or condition hereof be construed as a waiver of such default, nor shall any waiver or indulgence granted by Landlord to Tenant be taken as an estoppel against Landlord. It is expressly understood that if at any time Tenant shall be in default in any of the covenants or conditions hereunder, an acceptance by Landlord of Rent during the continuance of such default, or of the failure on the part of Landlord promptly to avail itself of such other rights or remedies as Landlord may have, shall not be construed as a waiver of such default; but Landlord may at any time thereafter, if such default continues, take action it deems necessary on account of such default, in the manner provided in this Article XVII. Every demand for rent due wherever and whenever made, or demand for the performance or observance of any of the other obligations devolving upon Tenant hereunder, shall have the same effect as if made at the time it falls due and at the place of payment; and after the service of any notice of commencement of any suit or final judgment therein, Landlord may receive and collect any rent due, and such collection or receipt shall not operate as a waiver of nor affect such notice, suit or judgment.

17.03 Self-help. If Tenant shall default in the performance or observance of any agreement

or condition in this Lease contained on its part to be performed or observed and shall not cure such default within fifteen (15) days after notice from Landlord specifying the default, or if such default shall reasonably take more than fifteen (15) days to cure, shall not have commenced the same within the fifteen (15) days and diligently prosecuted the same to completion, Landlord may, at its option, in addition to any other remedy specified herein, without waiving any claim for damages for breach of agreement, at any time thereafter cure such default for the account of Tenant and any amount paid or any contractual liability incurred by Landlord in so doing shall be deemed paid or incurred for the account of Tenant and Tenant agrees to reimburse promptly Landlord therefor and save Landlord harmless therefrom; provided that Landlord may, however, cure any such default as aforesaid prior

to the expiration of such waiting period, if the curing of such default prior to the expiration of such waiting period is reasonably necessary to protect the Leased Premises or the Shopping Center or to prevent injury or damage to persons or property. If Tenant shall fail promptly to reimburse Landlord for any amount paid for the account of Tenant hereunder, such failure shall constitute an additional default by Tenant under this Lease and such amount shall be added to and become due as a part of the next payment of Rent due hereunder. If Landlord shall default in the performance or observance of any agreement or condition in this Lease on its part to be performed or observed and shall not cure such default within a reasonable period of time after receiving written notice thereof, and if the immediate curing of such default is necessary to protect the Leased Premises and to prevent injury to persons or to prevent substantial damage to property, Tenant may take reasonable action to cure Landlord's default, and Landlord shall reimburse Tenant therefor.

17.04 Bankruptcy. If Landlord shall not be permitted to terminate this Lease as provided above because of the provisions of Title II of the United States Code relating to Bankruptcy, as amended ("Bankruptcy Code"), then Tenant as a debtor-in-possession or any trustee for Tenant agrees promptly, within no more than fifteen (15) days upon request by Landlord to the Bankruptcy court, to assume or reject this Lease and Tenant on behalf of itself, and any trustee agrees not to seek or request any extension or adjournment of any application to assume or reject this Lease by Landlord with such Court. In such event, Tenant or any trustee for Tenant may only assume this Lease if (a) it cures or provides adequate assurance that the trustees will promptly cure any default hereunder, (b) compensates or provides adequate assurance that Tenant will promptly compensate Landlord for any actual pecuniary loss to Landlord resulting from Tenant's defaults, and (c) provides adequate assurance of performance during the fully stated term hereof of all of the terms, covenants, and provisions of this Lease to be performed by Tenant. In no event after the assumption of this Lease shall any then-existing default remain uncured for a period in excess of the earlier of ten (10) days or the time period set forth therein. Adequate assurance of performance of this Lease, as set forth above, shall include, without limitation, adequate assurance [1] of the source of rent reserved hereunder, [2] that any Annual Percentage Rent due hereunder will not decline from the levels anticipated, and [3] the assumption of this Lease will not breach any provision hereunder. In the event of a filing of a petition under the Bankruptcy Code, Landlord shall have no obligation to provide Tenant with any services or utilities as herein required, unless Tenant shall have paid and be current in all payments of Landlord's Operating Costs, utilities or other charges therefor.

Article XVIII

Access by Landlord

18.01 Right of Entry; For Lease Signs. The Landlord or the Landlord's agents shall have the right to enter the Leased Premises upon reasonable notice (except in the case of an emergency where no prior notice will be required), to examine the same, and to show them to prospective purchasers or lessees of the Leased Premises or the Shopping Center, to make such repairs, alterations, improvements or additions as set forth elsewhere in this Lease; and the Landlord shall be allowed to take all material into and upon such Leased Premises that may be required therefor without the same constituting an eviction of the Tenant in whole or in part and the Rent reserved shall be in no wise abated while such repairs, alterations, improvements or additions are being made, by reason of loss or interruption of business of the Tenant or otherwise. Landlord or Landlord's agents shall use reasonable care not to interfere with Tenant's business or Tenant's customers. During the six (6) months prior to the expiration of the Term of this Lease or any renewal term, or at any time during which Tenant has ceased to conduct its business with the public, the Landlord may place upon the Leased Premises the usual notices "For Rent" or "For Sale," which Tenant shall permit to remain thereon without molestation. If the Tenant shall not be personally present to open and permit an entry into the Premises, at any time, when for any reason an entry therein shall be necessary or

permissible, the Landlord or the Landlord's agents may enter the same peaceable or by force, without rendering the Landlord or such agents liable therefor, and without in any manner affecting the obligations and covenants of this Lease. Nothing herein contained, however, shall be deemed to impose upon the Landlord any responsibility or liability whatsoever, for the care, maintenance or repair of the Leased Premises, Landlord's Building or any part thereof, except as otherwise herein specifically provided.

18.02 Excavation. If an excavation shall be made upon land adjacent to the Leased Premises, or shall be authorized to be made, the Tenant shall afford to the person causing or authorized to cause such excavation, license to enter upon the Leased Premises for the purpose of doing such work as the Landlord shall deem necessary to preserve the wall or walls of Landlord's Building from injury or damage and to support the same by proper foundations, without any claim for damages or indemnification against the Landlord or diminution or abatement of Rent. Such excavation shall be performed, as reasonably possible, during times Tenant is not open for business, but in any case except emergencies or other situations beyond Landlord's control shall not interfere with Tenant's business or hinder Tenant's customers from entering Tenant's parking area or entering the Leased Premises. Excepting work performed by governmental authorities or other circumstances unavoidable if Tenant owned the Leased Premises, any reduction in Tenant's ability to operate its business for more than twenty-four (24) hours shall result in a corresponding reduction in Rent and Additional Rent in proportion to the amount of verifiable sales lost. Landlord shall indemnify and hold Tenant harmless for any claims and costs incurred by Tenant as a result of such excavation by Landlord, or Landlord's other Tenants if approved by Landlord.

Article XIX

Tenant's Property

19.01 Loss and Damage. The Landlord shall not be responsible for any damage to the property of the Tenant or of others located on the Leased Premises, nor for the loss of or damage to any property of the Tenant or of others by theft or otherwise excepting Landlord's willful misconduct or negligent acts. The Landlord shall not be liable for any injury or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water, rain or snow, or leaks from any part of the Leased Premises, or from the pipes, appliances or plumbing works, or from the roof, street or sub-surface, or from any other place, or by any other cause whatsoever of any nature excepting Landlord's willful misconduct or negligent acts. The Landlord shall not be liable for any such damage caused by other tenants or persons who are occupants of adjacent property, or of the Shopping Center, or the public, or caused by operations in construction of any private, public or quasipublic work excepting Landlord's willful misconduct or negligent acts. The Landlord shall not be liable for any latent defects in the Leased Premises or in Landlord's Building. All property of the Tenant kept or stored on the Leased Premises shall be so kept or stored at the risk of the Tenant only, and the Tenant shall hold the Landlord harmless from any claims arising out of damage to the same.

19.02 Notice by Tenant. The Tenant shall give immediate notice to the Landlord in case of fire or accidents in the Leased Premises and of defects therein.

Article XX

Holding Over, Successors

20.01 Holding Over. Should Tenant, with Landlord's written consent, hold over at the end of the Term of this Lease, Tenant shall become a Tenant at will and any such holding over shall not constitute an extension of this Lease. During such holding over, Tenant shall pay Rent (including Percentage Rent) and other charges at the highest monthly rate provided for herein. If Tenant holds

over at the end of the Term without Landlord's written consent, Tenant shall pay Landlord as liquidated damages, a sum equal to twice the Rent (including Percentage Rent) to be paid by Tenant to Landlord for all the time Tenant shall so retain possession of the Premises; provided that the exercise of the Landlord's rights under this clause shall not be interpreted as a grant of permission to Tenant to continue in possession.

20.02 Successors. All rights, duties and liabilities herein given to, or imposed upon, the

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respective parties hereto, shall extend to and bind the several respective heirs, executors, administrators, successors, and assigns of the said parties; and if there shall be more than one tenant, they shall all be bound jointly and severally by the terms, covenants and agreements herein. No rights, however, shall inure to the benefit of any assignee of the Tenant unless the assignment to such assignee has been approved by the Landlord in writing as provided in Section 12.01 hereof.

Article XXI

Quiet Enjoyment

21.01 Landlord's Covenant. Landlord covenants and agrees that if Tenant shall perform all of the covenants and agreements herein stipulated to be performed on Tenant's part, Tenant shall at all times during the Term hereof have the peaceable and quiet enjoyment and possession of the Leased Premises and the appurtenances thereto without any manner of hindrance from Landlord or any persons lawfully claiming through Landlord, and it is understood and agreed that this covenant and all other covenants of Landlord contained in this Lease shall be binding solely upon Landlord and not any partner thereof and its successors in interest only with respect to breach occurring during its and their respective ownership of the Landlord's interest hereunder.

21.02 Landlord's Liability. Notwithstanding anything to the contrary in this Lease, it is specifically agreed that the monetary liability of any Landlord hereunder in the event of a breach by the Landlord of any of the terms, covenants and conditions of this Lease to be performed by Landlord or in the event of any other claim by Tenant against Landlord, whether under this Lease, imposed by statute, or existing at common law, in respect of any matter related to, arising out of or occurring in connection with this Lease, the Leased Premises, the Shopping Center or their relationship to each other as landlord and tenant, shall be limited to and enforceable solely against the Landlord's interest in the Shopping Center and that no personal or other money judgment shall be sought or obtained against Landlord or any partners or shareholders thereof.

Article XXII

Miscellaneous

22.01 Entire Agreement. This Lease and the Exhibits attached hereto and forming a part hereof, set forth all the covenants, promises, agreements, conditions and understandings between the Landlord and Tenant, concerning the Leased Premises and there are no covenants, promises, agreements, conditions or understandings, either oral or written, between them other than are herein set forth. Except as herein otherwise provided, no subsequent alteration, amendment, change or addition to this Lease shall be binding upon the Landlord or Tenant unless reduced to writing and signed by them.

22.02 No Partnership. The Landlord does not by virtue of this Lease, in any way or for any purpose, become a partner of the Tenant in the conduct of its business, or otherwise, or joint venturer or a member of a joint enterprise with the Tenant. The provisions of this Lease relating to the Annual Percentage Rent payable hereunder are included solely for the purpose of providing a method

whereby rent is to be measured and ascertained.

22.03 Cost and Expense. Whenever this Lease provides for the doing of any act by any party, such act shall be done by such party at its sole cost and expense unless a contrary intent is expressed.

22.04 Force Majeure. In the event that Landlord shall be delayed or hindered in or prevented from the performance of any act required hereunder by reason of strikes, lock-outs, labor troubles, inability to procure materials, failure of power, restrictive governmental laws or regulations, riots, insurrection, war or other reason of a like nature not the fault of the Landlord in performing work or doing acts required under the terms of this Lease, then performance of such act shall be excused for the period of delay and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay. In the event that Tenant shall be delayed or hindered in or prevented from the performance of any act required hereunder by reason of failure of power, restrictive governmental laws or regulations, riots, insurrection, war or other reason of a like nature

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not the fault of the Tenant in performing work or doing acts required under the terms of this Lease, then performance of such act shall be excused for the period of delay and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay.

22.05 Notices. Any notice, demand, request or other instrument which may be or are required to be given under this Lease shall be in writing and delivered in person or sent by United States certified mail, return receipt requested, postage prepaid, and shall be addressed to the Landlord at 16168 Beach Blvd., Suite 200, City of Huntington Beach, State of California, or at such other address as the Landlord may designate by written notice, and if to Tenant, at 3780 Kilroy Airport Way, Suite 200, Long Beach, California 90806 (Attention: Ernest T. Klinger), with a copy to: 26131 Marguerite Pkwy., Suite A, Mission Viejo, California 92692 (Attention: Paul Motenko) or at such other address as the tenant shall designate by written notice (the "Tenant Notice Address"). Notices shall be effective upon delivery unless delivery is refused or cannot be made in which event notice shall be effective upon mailing.

22.06 Captions and Section Numbers. The captions, section numbers, article numbers, and table of contents appearing in this Lease are inserted only as a matter of convenience and in no way define, limit construe, or describe the scope or intent of such sections or articles or this Lease nor in any way affect this Lease.

22.07 Tenant Defined, Use of Pronoun. The word "Tenant" shall be deemed and taken to mean each and every person or party mentioned as a Tenant hereunder, be the same one or more, and if there be more than one Tenant, any notice required or permitted by the terms of this Lease may be given by or to any one thereof, and shall have the same force and effect as if given by or to all thereof. The use of the neuter, singular pronoun to refer to the Landlord or to the Tenant shall be deemed a proper reference even though the Landlord or the Tenant may be an individual, a partnership, a corporation, or a group of two or more individuals or corporations. The necessary grammatical changes required to make the provisions of this Lease apply to the plural sense where there is more than one Landlord or Tenant and to either corporations, associations, partnerships, or individuals, males or females, shall, in all instances, be assumed as though in each case fully expressed.

22.08 Broker's Commission. Each of the parties represents and warrants that there are no claims for brokerage commissions or finder's fees in connection with this Lease, except a commission payable to CB Richard Ellis and Ira Spilky & Associates which fee shall be paid by the Landlord pursuant to a separate agreement between Landlord and CB Richard Ellis; and each of the

parties agrees to indemnify the other against and hold it harmless from all liabilities arising from any breach of its respective warranty (including, without limitation, the cost of counsel fees in connection therewith).

22.09 Partial Invalidity. If any term, covenant or condition of this Lease or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term, covenant or condition to persons or circumstances other than those to which it is held invalid or unenforceable, shall not be affected thereby, and each term, covenant and condition of this Lease shall be valid, and be enforced, to the fullest extent permitted by law.

22.10 No Option. The submission of this Lease for examination does not constitute a reservation of or option for the Leased Premises and this Lease becomes effective as a lease only upon the execution and delivery thereof by both the Landlord and the Tenant.

22.11 Recording. The Tenant shall not record this Lease without the written consent of the Landlord. However, upon the request of either party hereto, the other party shall join in the execution of a memorandum or so-called "short form" of this Lease to the purpose of recordation. Such memorandum or short form of this Lease shall describe the parties, the Leased Premises and the Term of this Lease and shall incorporate this Lease by reference. The party requesting such short form lease shall pay all recording fees.

22.12 Joint and Several Liability. If Tenant is a partnership or other business organization the members of which are subject to personal liability, the liability for each such member shall be deemed to be joint and several. If Tenant is individual persons, then the individual persons

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comprising Tenant shall be liable for all obligations of Tenant under this Lease.

22.13 Confidentiality. Tenant shall keep the contents of this Lease confidential and shall not disclose the contents of this Lease in any manner whatsoever, except that (i) Tenant may make any disclosure of information contained in this Lease to which Landlord gives its prior written consent, and (ii) any information contained in this Lease may be disclosed to Tenant's Representatives who need to know that information for the purpose of assisting Tenant in connection with its business at the Premises and who agree in writing to keep that information confidential. Tenant shall be responsible for any breach of the provisions of this Section by any of its Representatives. The term "Representatives" as used in this Section of the Lease means Tenant's directors, officers, partners, employees, attorneys, accountants and bankers.

If Tenant or its Representatives receive a request to disclose all or any part of the contents of this Lease under the terms of a subpoena or other order issued by a court of competent jurisdiction or by a government agency, Tenant shall: (i) promptly notify Landlord of the existence, terms and circumstances surrounding such request; (ii) consult with Landlord on the advisability of taking steps to resist or narrow that request; (iii) if disclosure of any portion of this Lease is required, furnish only such portion of this Lease as Tenant is advised by counsel is legally required to be disclosed; and (iv) cooperate with Landlord in its efforts to obtain an order or other reliable assurance that confidential treatment will be accorded to that portion of the Lease that is required to be disclosed.

The parties hereto agree to protect, indemnify, defend and hold harmless each other from any damages or other adverse consequences that the injured party may incur or suffer as a result of a breach of the covenants contained in this Section of the Lease. In addition, both parties understand, acknowledge and agree that any breach of the provisions of this Section on the part of either party or its Representatives shall constitute a default under

this Lease. The provisions of this Section shall survive the expiration or earlier termination of the Term of this Lease.

22.14 Exhibits. The exhibits enumerated in this Section and attached hereto are incorporated herein by reference and made a part hereof.

Exhibit A. Drawing depicting location and configuration of the Leased Premises and the Shopping Center

Exhibit B. Gross Sales Report

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

TENANT:

CHICAGO PIZZA & BREWERY, INC.,
a California Corporation

BY:

DATE:

LANDLORD:

HUNTINGTON EXECUTIVE PARK,
a California Limited Partnership

BY: HUNTINGTON CAPITAL CORP.,
a California Corporation
General Partner

BY:

Everett J. Dodge, President

DATE:

LEASE

THIS AGREEMENT ("Lease") is made as of _____, 2000, by and between EASTLAND SHOPPING CENTER LLC, a Delaware limited liability company, having its principal office at 11601 Wilshire Boulevard, 12th Floor, Los Angeles, 90025-1748 ("Landlord") and Chicago Pizza & Brewery, Inc., a California corporation, having its principal office at 26131 Marguerite Pkwy., Suite A, Mission Viejo, California, 92692 ("Tenant").

PRELIMINARY STATEMENT

In consideration of the rents and covenants hereinafter set forth, Landlord hereby leases to Tenant, and Tenant hereby rents from Landlord, a portion of the land located in a shopping center development (the "Center") known as Westfield Shoppingtown Eastland, located in West Covina, California (which shopping center is legally described in Exhibit A, attached hereto and made a part hereof and shown on the site plan attached hereto as Exhibit B and made a part hereof), designated as "Tenant's Site" on Exhibit B ("Tenant's Site"), for remodeling thereof of an existing building consisting of approximately 12,000 square feet of Floor Area (collectively "Tenant's Building") and all rights, privileges, benefits, rights of way, easements and appurtenances which are herein or hereafter granted to Tenant or which are otherwise appurtenant thereto (all collectively hereinafter referred to as the "Premises").

ARTICLE I

CERTAIN DEFINITIONS

As used in this Lease, the following terms have the following respective meanings:

SECTION 1.01. INTENTIONALLY DELETED

SECTION 1.02. COMMON AREA. The term "Common Area" means all areas within the boundaries of the Center that presently are or will be made available from time to time for the non-exclusive use, convenience and benefit of all "Occupants", as defined in Section 1.09, and their respective "Permittees", as defined in Section 1.12.

Among other things, Common Area shall include: (i) the "Parking Area", as defined in Section 1.11; (ii) sidewalks and walkways; (iv) landscaped and planted areas; (v) all curbs and lighting standards, traffic and directional signs and traffic striping and markings located within the Center; and (vi) all utility and sewer lines and systems and other facilities serving the Center, excluding those which specifically serve the Premises.

SECTION 1.03. FLOOR AREA. The term "Floor Area" as used in this Lease means with respect to the Premises 12,000 square feet, and with respect to any other leasable area in the Center the aggregate number of square feet of floor space of all floor levels therein, including any mezzanine space, measured from (i) the outside faces of all perimeter walls thereof other than any party wall separating such premises from other leasable premises, (ii) the center lines of any such party wall, (iii) the outside face of any interior wall, and (iv) the building and/or leaseline adjacent to any entrance to such premises.

SECTION 1.04. INSURANCE REQUIREMENTS. The term "Insurance Requirements" means all orders, rules, regulations and requirements of the applicable board of fire underwriters, if any, or of any other board exercising similar functions, and the requirements of all policies of insurance required to be carried by Tenant or Landlord under this Lease, now or hereafter applicable to the Premises or the Center, as the case may be.

SECTION 1.05. LANDLORD'S FISCAL YEAR. The term "Landlord's Fiscal Year" shall mean a period of twelve (12) full consecutive calendar months, presently a

period from January 1 - December 31, a so-called "calendar year", which period Landlord may modify from time to time.

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SECTION 1.06. LEASE TERM. The term "Lease Term" shall mean the period from the Opening Date to the expiration of the "Initial Term", as defined in Section 3.01. "Lease Term" shall also be deemed to include any "Option Period(s)", as defined in Section 3.02, as to which Tenant's option to extend the term hereof has been properly exercised.

SECTION 1.07. LEASE YEAR. The term "Lease Year" shall mean each successive period of twelve (12) consecutive calendar months, commencing on the first day of each January during the Lease Term. Any portion of the Lease Term which is less than a full Lease Year, including, without limitation, the period from the Opening Date through December 31st occurring thereafter, shall constitute a "Partial Lease Year."

SECTION 1.08. LEGAL REQUIREMENTS. The term "Legal Requirements" means all laws, ordinances, requirements, orders, directions, certificates of occupancy, rules and regulations of federal, state, county and local governments, and of all other governmental authorities having jurisdiction thereof, now or hereafter applicable to the Premises, the Center or both, as the case may be.

SECTION 1.09. OCCUPANT. The term "Occupant" or "Occupants" means Landlord and any other Person entitled by lease or other instrument or arrangement to use and occupy Floor Area within the Center, or one or some of them, as the context may require.

SECTION 1.10. OPENING DATE. The "Opening Date" shall be deemed to be March 1, 2000.

SECTION 1.11. PARKING AREA. The term "Parking Area" means all areas in the Center which are set apart or used for the passage and parking of motor vehicles and for pedestrian traffic incidental thereto, whether on grade or by way of parking decks, including without limitation, traffic lanes, aisles, and roadways, vehicle parking stalls, walkways, curbs, gutters and landscaping within or adjacent to any such areas, grade separations, including beams and retaining walls, within or adjacent to said areas, lighting standards, traffic and directional signs, traffic striping and markings, and all other improvements which at any time are erected on such areas for the purpose of accommodating the foregoing uses.

SECTION 1.12. PERMITTEES. The term "Permittees" means all Occupants and their respective officers, directors, employees, agents, partners, contractors, customers, visitors, invitees, licensees and concessionaires.

SECTION 1.13. PERSON. The term "Person" and the term "Persons" mean individuals, partnerships, firms, associations, corporations and any other form of business organization, or one or more of them, as the context may require.

SECTION 1.14. POSSESSION DATE. The "Possession Date" shall be the date upon which Landlord shall deliver actual and exclusive possession of the Premises to Tenant with Landlord's Work (as defined in Section 6.01) substantially completed.

SECTION 1.15. TANGIBLE NET WORTH. The term "tangible net worth" means the excess of total consolidated assets over total consolidated liabilities, total consolidated assets and total consolidated liabilities each to be determined in accordance with generally accepted accounting principles excluding, however, from the determination of total consolidated assets, all assets which would be classified as excess of cost over the less of equity or investment in subsidiaries or at the parent company level and any premium paid

in excess of assets acquired, all as determined under generally accepted accounting principles.

SECTION 1.16. TENANT'S FAULT. The term "Tenant's Fault" shall mean Tenant's or its agent's, contractor's or employee's negligence or willful misconduct or failure to comply with Legal Requirements or Tenant's breach of this Lease (including but not limited to Tenant's failure to timely submit plans and specifications for Landlord's approval as required herein).

ARTICLE II

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DEMISE OF PREMISES

SECTION 2.01. DEMISE. Landlord, subject to the terms and conditions hereof and for the Term herein set forth and for and in consideration of the rents and covenants herein to be paid, kept and performed by Tenant, hereby leases to Tenant and Tenant hereby takes and hires from Landlord the Premises.

SECTION 2.02. RIGHTS TO USE COMMON AREAS. Landlord hereby grants to Tenant, its Permittees and their successors and assigns, for the benefit of the Premises, an easement during the entire Term hereof to use all portions of the Common Areas of the Center (including without limitation the Parking Areas), for the purpose, consistent with the permitted uses herein, of (a) unobstructed ingress to and egress from the Premises to and from other portions of the Center; (b) for the passage and parking of vehicles; (c) for the passage and accommodation of pedestrians; and (d) for the purpose of performing any work permitted under this Lease or exercising any other rights of Tenant which are granted under this Lease, such easements to be in common with Landlord, its Permittees and those Occupants of the Center from time to time authorized by Landlord to use the Common Areas for such purposes. The nature of the use of the respective portions of the Common Areas shall be limited to the uses intended for such portions from time to time. The foregoing easement:

(i) Shall be irrevocable unless otherwise specified during the term hereof; (ii) Shall be non-exclusive unless otherwise specified; (iii) Shall be appurtenant and not easements in gross; and (iv) Shall expire upon the expiration or the earlier termination hereof, or as otherwise specified in this Lease.

ARTICLE III

TERM

SECTION 3.01. TERM. This Lease shall commence on the date hereof and extend through January 31, 2010 (the "Initial Term"). Following the Opening Date the parties shall enter into an agreement in recordable form setting forth such date.

SECTION 3.02. OPTIONS TO EXTEND. Provided Tenant is not in default of this Lease beyond any applicable cure period and Tenant is open for business to the public in accordance with Article VII of this Lease, Tenant shall have the option to extend the Lease Term for one (1) successive period of five (5) years (the "Option Period"). The option to extend as to the Option Period shall be exercisable by written notice given to Landlord no later than one hundred eighty (180) days prior to the expiration of the Initial Term Tenant shall have no right to extend or renew this Lease other than for the aforesaid Option Period. Any cancellation or termination of this Lease shall terminate Tenant's right to the Option Period. Time is of the essence with respect to any exercise of the Option Period by Tenant. If Tenant timely exercises the option to extend as to an Option Period, the Lease Term shall be automatically extended upon all of the same terms and conditions except Fixed Rent and Percentage Rent shall be as set

forth in Section 4.02 and Section 4.03 hereof. Notwithstanding the foregoing, Landlord may reject as invalid any notice attempting to exercise the foregoing option as to the Option Period or may cancel the Option Period within 30 days of its inception if Tenant is in default of the provisions of this Lease (i) on the date the notice exercising such option is received or (ii) on the date the Option Period commences, unless Tenant has cured such default or commenced such cure and is diligently prosecuting it to completion, within said thirty (30) day period.

ARTICLE IV

RENT

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SECTION 4.01. RENT PAYMENT OBLIGATION. From and after the Opening Date and throughout the Lease Term, Tenant shall pay to Landlord the sums set forth in this Article as Rent, in lawful money of the United States, without any notice, demand, offset, deduction or counterclaim whatsoever. The term "Rent" shall be deemed to include "Fixed Rent" (as described in Section 4.02 hereof), "Percentage Rent" (as described in Section 4.03 hereof) and all additional sums payable by Tenant to Landlord pursuant to this Lease ("Additional Rent"). All payments of Rent shall be payable to Landlord as follows: Payee: EASTLAND SHOPPING CENTER LLC: Eastland File #54738 7, Los Angeles, California 90074-4738, or such other place as Landlord may designate from time to time, in writing.

SECTION 4.02. FIXED RENT

(a) Tenant shall pay Landlord as "Fixed Rent" the following:

1) from Opening Date through February 28, 2001 Two Hundred Thirty Three Thousand and Sixty and 00/100 Dollars (\$233,060.00), payable in equal consecutive monthly installments of Nineteen Thousand Four Hundred Twenty One and 67/100 Dollars (\$19,421.67) ("Period 1");

2) from March 1, 2001 through August 31, 2002 Two Hundred Seventy Thousand and Sixty and 00/100 Dollars (\$270,060.00), payable in equal consecutive monthly installments of Twenty Two Thousand Five Hundred and Five and 00/100 Dollars (\$22,505.00) (hereinafter "Period 2");

3) from September 1, 2002 through September 30, 2007 Two Hundred Ninety Five Thousand and Sixty and 00/100 Dollars (\$295,060.00), payable in equal consecutive monthly installments of Twenty Four Thousand Five Hundred and Eighty Eight and 33/100 Dollars (\$24,588.33) (hereinafter "Period 3"); and

4) from October 1, 2007 through January 31, 2010 Three Hundred Twelve Thousand and Sixty and 00/100 Dollars (\$312,060.00), payable in equal consecutive monthly installments of Twenty Six Thousand and Five and 00/100 Dollars (\$26,005.00) (hereinafter "Period 4"); and

5) for the Option Period Three Hundred Forty One Thousand Four Hundred and Thirty Five and 00/100 Dollars (\$341,435.00), payable in equal consecutive monthly installments of Twenty Eight Thousand Four Hundred and Fifty Two and 92/100 Dollars (\$28,452.92) (hereinafter "Period 5").

Fixed Rent shall be paid monthly in advance on or before the first day of each month during the Lease Term, except that if the Opening Date is not the first day of a calendar month, Fixed Rent for the period from the Opening Date to the last day of the month in which the Opening Date occurs shall be apportioned on the basis of a 365-day year and paid on the first day of the following month.

SECTION 4.03. PERCENTAGE RENT.

(a) Tenant shall pay to Landlord, as "Percentage Rent", a sum equal to 6.00% of "Gross Sales", as defined in Section 4.04 herein, in excess of the following "Annual Breakpoint(s)":

- 1) \$1,883,334.00 during each Lease Year of Period 1;
- 2) \$2,500,000.00 during each Lease Year of Period 2;
- 3) \$2,916,666.00 during each Lease Year of Period 3;
- 4) \$3,200,000.00 during each Lease Year of Period 4; and
- 5) \$3,689,583.00 during each Lease Year of Period 5.

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(b) Percentage Rent shall be payable to Landlord within sixty (60) days after the end of each Lease Year.

(c) In the event the payment of Percentage Rental shall be applicable for less than a full consecutive twelve (12) month period (such partial lease year hereinafter to be referred to as the "portion period"), payment of Percentage Rental for such portion period(s) shall be determined as follows. In the event a given Lease Year contains less than a full consecutive twelve (12) month period (such partial lease year hereinafter to be referred to as the "portion period"), Percentage Rent for such portion period(s) shall be determined as follows. The Annual Breakpoint shall be applied to the full twelve (12) month period succeeding the commencement of the portion period or the twelve (12) month period preceding the last day of the portion period if there is not a twelve (12) month period succeeding the commencement of the portion period, such Annual Breakpoint, shall hereinafter be referred to as the "Special Annual Breakpoint". Percentage Rental due for such portion period shall be calculated by determining the amount by which 6.00% of Gross Sales during such twelve (12) month period exceeds the applicable Special Annual Breakpoint and multiplying such amount by a fraction, the numerator of which shall be the number of days in the portion period and the denominator of which shall be 365. Percentage Rental for such portion period shall be payable within the sixty (60) days after the expiration of the applicable twelve (12) month period, along with the Tenant's statement of Gross Sales for such period as provided in Section 4.03 of this Lease.

SECTION 4.04. GROSS SALES.

(a) The term "Gross Sales" as used herein shall be construed to include the entire amount of the actual sales price, whether for cash or otherwise, of all sales of food, beverages, merchandise or services and other receipts whatsoever of the business conducted in or from the Premises by Tenant, any subtenant, licensee or concessionaire of Tenant or otherwise, including, without limitation: mail, catalogue, closed circuit television, computer, other electronic or telephone orders received or filled at the Premises; all deposits not refunded to purchasers; and the entire amount of the actual sales price and all other receipts for sales and services by Tenant, any subtenant, licensee or concessionaire of Tenant or otherwise, in or from the Premises. A "sale" shall be deemed to have been consummated for the purposes of this Lease, and the entire amount of the sales price shall be included in Gross Sales, at such time as (i) the transaction is initially reflected in the books or records of Tenant or any subtenant, licensee or concessionaire of Tenant, or (ii) Tenant or any subtenant, licensee or concessionaire of Tenant receives all or any portion of the sales price, or (iii) the applicable goods or services are delivered to the customer, whichever first occurs, irrespective of whether payment is made in installments, the sale is for cash or for credit, or all or any portion of the sales price has actually been paid at the time of inclusion in Gross Sales or at any other time.

(b) Notwithstanding anything to the contrary contained in subsection (a) hereinabove, Gross Sales as defined herein shall be adjusted by excluding the following:

(1) The selling price of all merchandise sold in or from the Premises returned by customers and accepted for full credit or the amount of discounts and allowance thereon, or the price allowed on all merchandise traded in by customers for credit or the amount of credit for discounts and allowances made in lieu of acceptance thereof;

(2) Goods returned to sources, including shippers or manufacturers, or transferred to another store or warehouse owned by or affiliated with Tenant (where such exchange of goods or merchandise is made solely for the convenient operation of the business of Tenant and not for purposes of consummating a sale which has theretofore been made in or from the Premises and/or for the purposes of depriving Landlord of the benefit of a sale which otherwise would be made in or from the Premises);

(3) Alteration workroom charges and delivery charges;

(4) Interest, service or sales carrying charges or other charges, however denominated, paid by customers for the extension of credit on sales and where not included in the merchandise sales price;

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(5) Receipts from public telephones, stamp machines, public toilet locks, or vending machines installed solely for use by Tenant's employees;

(6) Sales taxes, so-called luxury taxes, consumers' excise taxes, gross receipts taxes and other similar taxes now or hereafter imposed upon the sale of merchandise or services, but only if collected separately from the selling price of goods, merchandise or services and collected from customers;

(7) Sales of trade fixtures or equipment which are not stock in trade, or the proceeds from a bulk sale (made out of the ordinary course of Tenant's business at the Premises);

(8) Gift certificates, or like vouchers, until such time as the same shall have been converted into a sale by redemption;

(9) Uncollected accounts in an amount not to exceed two percent (2%) of Gross Sales per annum as written off by Tenant as bad debts for income tax purposes, provided, however, that such bad debt amounts shall be deducted or excluded from Gross Sales in the Lease Year in which they are written off; if any amount previously written off as a bad debt is later collected, in whole or in part, the amount collected shall be included in Gross Sales in the Lease Year in which collected;

(10) Sales to employees at discounted or reduced prices, provided said exclusion for discounted merchandise shall not exceed two percent (2%) of Gross Sales per annum; and

(11) The sums and credits received in settlement of claims for loss or damaged merchandise.

SECTION 4.05. TENANT'S RECORDS.

(a) Tenant shall prepare and keep full, complete and proper books and source documents, in accordance with Generally Accepted Accounting Principles, of the Gross Sales, whether for cash, credit or otherwise, of each separate department at any time operated within the Premises and of the operations of each subtenant, concessionaire, licensee and/or assignee, and shall require and cause all such parties to prepare and keep books, source documents, records and accounts sufficient to substantiate those kept by Tenant. All of such books and

source documents shall be open to inspection of, and may be copied or extracted from, in whole or in part, by Landlord or Landlord's authorized representative or agent at any time within three (3) years after the expiration of the subject Lease Year at Tenant's accounting office upon ten (10) days written notice.

(b) Tenant shall furnish to Landlord, within fifteen (15) days after the end of each month of each Lease Year, a statement of the amount of Gross Sales made from the Premises during the applicable period. Tenant shall also furnish to Landlord, within sixty (60) days after the expiration of each Lease Year, a complete statement, certified by the chief financial officer or chief executive officer or outside accountant employed by Tenant, showing in all reasonable detail the amount of such Gross Sales made by Tenant from the Premises during the preceding Lease Year or Partial Lease Year. Tenant shall require all of its subtenants, concessionaires, licensees and/or assignees, if any, to furnish a similar statement.

(c) Notwithstanding the acceptance by Landlord of payments of Rent, Landlord shall have the right to audit all Rent and other charges actually due hereunder. Landlord may at any time upon ten (10) days' prior written notice to Tenant, but not more than frequent than once per year cause a complete audit () to be made by an auditor selected by Landlord of the entire records and operations of Tenant and/or any subtenants, concessionaires, licensees and/or assignees relating to the Premises for the period covered by any statement issued or required to be issued by Tenant or a concessionaire.. Tenant shall make available to Landlord's auditor at the Premises or at Tenant's principal accounting office in the United States, within ten (10) days following Landlord's notice requiring such audit, all of the books, source documents, accounts, records and

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sales tax reports of Tenant and any of its concessionaires which such auditor deems necessary or desirable for the purpose of making such audit. If such audit discloses that Premises' Gross Sales as previously reported for the period audited were understated, Tenant shall immediately pay to Landlord the additional percentage rental due for the period audited. Further, if such understatement was in excess of two percent (2%) of the Premises' actual Gross Sales as disclosed by such audit, Tenant shall immediately pay to Landlord the cost of such audit, and if such understatement was in excess of ten percent (10%) of Premises' Gross Sales as disclosed by such audit, Landlord may declare this Lease terminated, in which event this Lease shall cease and terminate on the date specified in such notice with the same force and effect as though the date set forth in such notice were the date set forth in this Lease for expiration of the Lease Term, and Tenant shall vacate and surrender the Premises on or before such date in the condition required by this Lease for surrender upon the expiration of the Lease Term.

SECTION 4.06. REAL ESTATE TAXES.

(a) Landlord shall be responsible for the payment of all Taxes that may be imposed or become a lien on any portion of the Center (including the Premises). As used herein, the term "Taxes" shall mean any and all taxes, surcharges, assessments, levies, fees and other governmental charges and impositions of every kind or nature, regular or special, direct or indirect, presently foreseen or unforeseen or known or unknown, levied or assessed by municipal, county, state, federal or other governmental taxing or assessing authority (i) upon, against or with respect to the real estate upon which the Center, or any part of it, is located and to any improvements located in the Center, and (ii) any other taxes which Landlord becomes obligated to pay with respect to the Center, irrespective of whether the same are assessed as real or personal property; expressly excluding however, any taxes, surcharges, assessments, levies, fees and other governmental charges and impositions which are used by the taxing authority to construct capital improvements to the Center or surrounding areas as a condition of constructing, or as a means of financing,

any improvements other than the Premises. Nothing contained in this Lease shall be deemed or construed to require Tenant to pay or discharge any tax which may be levied upon the net income or profits of the Landlord or any franchise, inheritance, gift, succession or estate taxes which may be levied against the estate or interest of the Landlord, or any personal property taxes which may be levied against the personal property of Landlord, as distinguished from items used in the operation and maintenance of the Center.

(b) Taxes shall not include any estate, inheritance, succession, corporate franchise, personal property taxes, taxes on any fixtures or inventory, transfer, income or excess profit tax, which is in fact personal to Tenant, or any personal property taxes which may be levied against the personal property of Landlord, as distinguished from items used in the operation and maintenance of the Center.

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ARTICLE V

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SIGNS

SECTION 5.01. SIGNS.

Tenant, at Tenant's sole cost and expense, shall have the right to place, maintain or replace any professionally prepared signs on the interior of the Premises without notice or approval of Landlord. Subject to approval by all governmental authorities and further subject to Landlord's approval of design, exact location, color scheme, style, content (other than any registered trademark or trade name), materials, and lighting, Tenant, at Tenant's sole cost and expense, shall have the right to place, maintain or replace signs upon the exterior elevations of the Premises. "Signs", for the purpose of this Article V shall not include banners, balloons or other similar advertising medium. Tenant shall not install, erect or maintain any sign in violation of any Legal Requirements. Tenant shall pay all costs of fabricating, constructing, operating and maintaining such signs including, without limitation, all charges for electricity. Tenant shall keep said signs well lighted and shall maintain said sign in good condition and repair during the entire Term. Tenant shall remove all of its signs upon the expiration or sooner termination of this Lease within ten (10) days after such expiration or termination, and Tenant at its own expense shall repair any damage caused by the removal thereof by Tenant.

ARTICLE VI

CONSTRUCTION

SECTION 6.01. AS-IS CONDITION.

(a) Tenant will take possession of the Premises in an "as-is", "where-located" condition, on the Possession Date, as defined hereinbelow Tenant acknowledges that neither Landlord, nor any agent, employee or servant of Landlord, has made any representation or warranty, expressed or implied, with respect to the Premises and Common Areas or the Center, or with respect to the suitability of them to the conduct of Tenant's business, nor has Landlord agreed to undertake any modifications, alterations, or improvements of the Premises or

Common Areas except as specifically provided in this Lease.

SECTION 6.02. PREPARATION OF PLANS. Within thirty (30) days after the Execution Date, Tenant, at its expense, shall submit to Landlord, preliminary plans and specifications prepared by Tenant's architect or engineer, with respect to the remodeling of the Existing Building and addition to Tenant's Building and any applicable common area improvements such as sidewalks and landscaping ("Preliminary Plans"). Landlord shall approve or disapprove the Preliminary Plans fifteen (15) within days, specifying with particularity the exact reason for any such disapproval ("Landlord's Notice"). In the event of disapproval Landlord and Tenant shall immediately start working together in good faith to reach agreement and within twenty (20) days of Tenant's receipt of Landlord's Notice Tenant shall, at its expense, prepare working drawings and specifications ("Building Plans") and submit same for approval by Landlord which approval shall not be unreasonably withheld. The Building Plans shall be prepared substantially in accordance with the approved Preliminary Plans. Landlord shall give Tenant written notice within fifteen (15) days after receipt of the Building Plans, of its approval or disapproval thereof (stating with reasonable particularity the exact reason for any such disapproval). Disapproval shall be based upon any reasonable objections thereto arising from non-compliance with the Preliminary Plans. In the event of disapproval, Tenant shall revise the Building Plans and shall re-submit them to Landlord, with Landlord's approval or disapproval to be subject to the manner and time set forth above for the submission of the Preliminary Plans. Tenant shall perform the work set forth in the final approved Building Plans ("Tenant's Work") within the time period as set forth in Section 6.04 of this Lease. During the construction Tenant may from time to time make minor variations to the approved Building Plans provided same (i) do not materially reduce the structural soundness of Tenant's Building, (ii) are in all respects in compliance with all Legal Requirements, and (iii) otherwise conform to the terms and conditions set forth in the approved Building Plans. Notwithstanding the above, any changes to the approved Building Plans which will affect the structural integrity or alter the exterior of Tenant's Building, shall require Landlord's prior written consent thereto, which consent shall not be unreasonably withheld or delayed. In the event (i) Tenant fails to submit the Preliminary Plans or Building Plans or

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revision thereof, at the times required herein (or as same may have been extended by written agreement of Landlord and Tenant) or (ii) Landlord and Tenant, acting in good faith, cannot agree on the Preliminary Plans or Building Plans within the time periods provided (as same may have been extended by written agreement of Landlord and Tenant) then either party shall have the right to terminate this Lease, by written notice to the other party, which termination shall be effective thirty (30) days after receipt of such written notice, provided that within such thirty (30) day period, Landlord and/or Tenant shall have the right to cure such failure in which event, the Lease termination shall be null and void, and this Lease shall continue in full force and effect.

SECTION 6.03. PERMITS.

(a) Promptly after receipt of Landlord's approval of the Building Plans, Tenant shall apply for and diligently pursue, at Tenant's expense, any "Permits" (hereinafter defined) necessary to perform Tenant's Work.

(b) As used in this Lease, the term "Permits" shall mean any and all permits, approvals, consents, certificates or licenses necessary to commence and complete Tenant's Work, (or, as the case may be, any "Alterations", as defined in Section 12.01 hereof), including, but not limited to, construction, development and building permits. Landlord shall cooperate in Tenant's efforts to obtain licenses and permits and shall sign such reasonable documents as shall be reasonably required by or convenient for the applicable governmental authority.

SECTION 6.04. PERFORMANCE OF TENANT'S WORK.

(a) Tenant, promptly after satisfaction or all Legal Requirements, the obtaining of the Permits, and furnishing Landlord with evidence of the insurance required by Article XIII, shall commence, and proceed with due diligence, to perform Tenant's Work in accordance with the final approved Building Plans and complete Tenant's Work and open for business to the public fixtured and adequately staffed. Without limitation on the foregoing, in the event Tenant is unable to open for business within one hundred twenty (120) days after receipt of Permits (subject to force majeure), Tenant shall provide written notice to Landlord on or before said date, explaining the reason for the delay in opening for business, the actions which Tenant is proceeding with towards opening for business and the date Tenant expects to open for business in the Premises.

(b) Tenant shall perform Tenant's Work in a good and workmanlike manner under the supervision of a licensed architect or engineer and in all respects in accordance with applicable Legal Requirements and the Permits.

(c) Representatives of Landlord and Tenant, which representatives shall be designated in writing by each party to the other, shall establish and attend on-site progress meetings with such periods of frequency during the period of construction, as may be mutually agreed between Landlord and Tenant.

(d) Tenant shall perform Tenant's Work so as not to (i) unreasonably interfere with any other construction being performed at the Center or, (ii) unreasonably impair the use, occupancy or enjoyment at the Center by any Occupant and/or its Permittees. Landlord shall perform Landlord's Work so as not to (i) unreasonably interfere with Tenant's Work or, (ii) unreasonably impair the use, occupancy or enjoyment of the Premises by Tenant and/or its Permittees.

(e) Tenant shall take all safety measures reasonably required to protect Landlord and its Permittees and the Center from injury or damage caused by or resulting from the performance of Tenant's Work, including, if requested by Landlord, erecting, at its sole cost and expense, a temporary security fence surrounding the Premises and the Tenant's staging area (if one is shown on Exhibit B) during the period of Tenant's Work.

(f) Tenant shall defend, protect, indemnify and hold harmless Landlord and the Occupants and Permittees of the Center from any and all Claims (as defined in Section 14.05 of this Lease) arising from or in connection with the death of or accident, injury, loss or damage

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whatsoever caused to any natural person or to the property of any Person arising out of, or in connection with, or as a result of such Tenant's Work.

(g) Tenant shall repair any damage to the Parking Areas, Common Areas and/or other portions of the Center as a result of Tenant's Work, unless otherwise expressly agreed herein to be undertaken by Landlord.

SECTION 6.05. UTILITIES.

Tenant shall be responsible for providing and for paying for charges for temporary utilities required by Tenant during the course of Tenant's Work. Landlord shall cooperate with Tenant in arranging for such temporary utilities.

SECTION 6.06. NO LIENS. Tenant shall keep Premises and the Center free from any and all liens arising out of any work performed, materials furnished, or obligations incurred by or for Tenant and/or its sublessees. Tenant shall, within thirty (30) days following the imposition of any such lien, cause the same to be released of record by payment or posting of a bond or by causing a reputable national title insurance company to "insure over" any and all such liens. Tenant shall defend, protect, indemnify and hold Landlord harmless from and against all mechanics', materialmen's, and laborers' liens and all Claims

arising from or in connection with Tenant's Work. Upon Tenant's failure to take action as above provided, the Landlord shall have the right (at its sole option), after the giving of notice and the expiration of the applicable grace period (or a reasonably shorter period in the case of an imminent threat of foreclosure), at the cost and expense of Tenant (plus interest at the Interest Rate defined in Section 26.08), to take any action above provided. Tenant shall reimburse Landlord for such costs, expenses and accrued interest within fifteen (15) days after demand therefor.

ARTICLE VII

USE

SECTION 7.01. USE.

(a) Permitted Use. Tenant shall occupy and use the Premises only for the purpose of conducting therein the following business: may only be used and occupied as a full table service, sit-down, brew pub style restaurant featuring pizza and items consistent with the menu attached hereto as Exhibit E, serving liquor, beer and wine for on-premises consumption, and for no other use whatsoever (the "Permitted Use"); and Tenant may sell clothing and novelty-type merchandise related to its business, provided that such sales are incidental to the operation of the restaurant and limited to 500 square feet of Floor Area. Tenant may prepare package or sell any food item or beer at the Demised Premises for on-premises, or if desired by Tenant, off-premises, consumption.

(b) Tenant shall do business on the Demised Premises under the trade name: "BJ's Pizza, Grill & Brewery" and under no other trade name without Landlord's consent which shall not be unreasonably withheld.

SECTION 7.02. OPERATION OF BUSINESS.

(a) Tenant agrees to be open for business and to operate in the Premises during the entire Term within 120 days following receipt of the Permits and subject to Articles XIV, XV, Force Majeure and closure for remodeling and alterations, and to actively and diligently conduct its business at all times in a first class and reputable manner. Tenant shall not use or allow the Premises to be used for any improper, immoral or objectionable purposes or do any act tending to injure the reputation of the Center. No auction, liquidation, going out of business, fire or bankruptcy sale may be conducted or advertised by sign or otherwise in the Premises. Tenant

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shall not use the Common Areas adjacent to the Premises for sales or advertising purposes. All major receiving and delivery of goods and merchandise for the Premises, and all removal of merchandise, supplies, equipment, trash, garbage and debris and all storage of trash, garbage and debris from the Premises shall be made only from the loading dock area serving the Premises. Tenant shall not use or permit the use of any portion of the Premises as sleeping quarters, or lodging rooms.

(b) In connection with the sale of alcoholic beverages by Tenant, (i) Tenant shall at all times maintain, at its sole cost, all licenses, permits, governmental authorizations and approvals in connection therewith, Landlord making no representation or warranty hereunder with respect to Tenant's ability to obtain the same; and (ii) Tenant's liability insurance under Section 14.04 shall specifically include dram shop and liquor liability insurance covering consumption of alcoholic beverages by customers of Tenant.

SECTION 7.03 COMMUNICATION EQUIPMENT. Tenant has the right to install a satellite dish and/or other electronic transmitter on the roof of Tenant's Building provided same is in compliance with all Legal Requirements and screened in a manner so as not to be visible from the Common Areas. The cost of

installation and maintenance thereof, and the cost of any repairs to the roof which are necessitated by the installation and/or repair of the satellite dish transmitter shall be borne solely by Tenant. Tenant agrees to coordinate such installments or repair with Landlord's roofing contractor. Upon the termination of this Lease, Tenant has the right to remove any satellite dish or electronic transmitter (and shall remove same at Landlord's request) but Tenant shall repair any damage to the roof occasioned by such removal.

ARTICLE VIII

ASSIGNMENT/SUBLETTING

SECTION 8.01. PROHIBITED TRANSFERS.

(a) Except as specifically provided below and subject to Landlord's right to terminate also set forth below, notwithstanding any provision contained herein to the contrary or reference herein to concessionaires, licensees, subtenants, assignees or otherwise, except as provided herein, Tenant agrees not to assign, encumber or in any manner transfer this Lease or any estate or interest therein, and not to lease or sublet the Premises or any part or parts thereof or any right or privilege appurtenant thereto, and not to allow anyone to conduct business upon or from the Premises (whether as concessionaire, franchisee, assignees, licensee, permittee, subtenant, department operator, manager or otherwise), or to come in, by, through or under it, in all cases either by voluntary or involuntary act of Tenant or by operation of law (including by merger or reorganization) or otherwise. Any such prohibited act by Tenant (or any attempt at same), either voluntarily or involuntarily or by operation of law or otherwise, shall at Landlord's option (as set forth in this section) terminate this Lease, and any such purported act shall be null and void. The voluntary or other surrender of this Lease by Tenant, or mutual cancellation thereof, shall not work a merger and shall, at the option of Landlord, terminate all or any existing franchises, concessions, licenses, permits, subleases, subtenancies, departmental operating arrangements, management agreements or the like, or may, at the option of Landlord, operate as an assignment to Landlord of the same. Nothing contained elsewhere in this Lease shall authorize Tenant to enter into any franchise, concession, license, permit, subtenancy, departmental operating arrangement, management agreement or the like except pursuant to the provisions of this Section. Landlord has entered into this Lease with Tenant in order to obtain for the benefit of the Center the unique attraction of Tenant's trade name and the unique merchandising mix and product line associated with Tenant's business and the foregoing prohibition on assignment or subletting or the like is expressly agreed to by Tenant as an inducement to Landlord to rent the Premises to Tenant.

(b) Subject to all of Landlord's rights set forth in this Section 8.01 including Landlord's unrestricted right to terminate if it rejects a proposed assignee, transferee or sublessee for any reason, Tenant shall have the right, with the prior written consent of Landlord to assign or transfer this Lease or sublet the Premises provided all the following conditions are met: (i) Tenant shall not be in default under this Lease; (ii) any assignment or subletting shall remain fully subject to all of

the terms, covenants and conditions of this Lease, including without limitation this Section 8.01 and the use of the Premises described pursuant to Section 7.01; (iii) any assignee or subtenant shall have a net worth reasonably acceptable to Landlord; (iv) any assignment or subletting shall be for not less than the entire Premises; and (v) any assignee or subtenant shall have experience in operating and managing a business of the type it intends to operate and shall have a good reputation in the retail commercial community for the same. Tenant shall provide Landlord with a copy of any document providing for such assignment or sublease, together with all related

documents pertaining to the terms of such assignment or subletting. Regardless of whether such assignment or sublease provides for the assignee or subtenant to make rental and other payments directly to Landlord, and regardless of Landlord's consent, no assignment or subletting shall release Tenant from any of Tenant's obligations under this Lease, nor alter the primary liability of Tenant to make rental payments and to perform all other obligations of Tenant under this Lease. The acceptance of rent by Landlord from any person other than Tenant shall not be deemed to be a waiver by Landlord of any provisions of this Section 8.01. In the event of any default by any assignee, transferee or subtenant, direct or indirect, of Tenant, Landlord shall have the right to proceed directly against Tenant without the necessity of joining or exhausting its remedies against such assignee, transferee or subtenant. Landlord, at its option, may likewise proceed directly against such assignee, transferee or subtenant, either in its own name or (as regards recovery of the Premises) in the name and right of Tenant, without the necessity of joining or exhausting its remedies against Tenant.

(c) In the event Landlord shall consent to an assignment or subletting, the Fixed Rent specified in Section 4.02 of this Lease shall be increased on the effective date of such assignment or subletting to a rate consistent with the then current rental rate for a new lease for similar premises. . All Fixed Rent, and Percentage Rent and other payments paid or payable to be made by any assignee, transferee or subtenant shall be made to Landlord for the sole benefit of Landlord. In the event of any attempted assignment or subletting of the Premises undertaken without the prior written consent of Landlord, Landlord shall, in addition to other remedies provided at law and in this Lease, be entitled to the entire amount of rent and/or other payments or consideration payable by such assignee, transferee or subtenant, including all amounts in excess of the Rent provided for in this Lease. Tenant shall pay all of Landlord's reasonable costs, expenses and reasonable fees of its attorney(s) in connection with any assignment or transfer of this Lease or subletting of the Premises.

(d) Notwithstanding any other provision of this Section 8.01, Landlord may reasonably reject Tenant's proposed assignee, subtenant or transferee, by written notice to Tenant. Landlord shall be obligated to set forth any reasons for its rejection. As the result of Landlord's rejection, Landlord shall have the right to terminate this Lease by sending written notice of such termination to Tenant, which notice must be sent within ninety (90) days following the date of Landlord's notice of rejection of the proposed assignee, subtenant or transferee. Tenant shall have the right within ten (10) days of receipt of any termination notice from Landlord sent in accordance with the provisions of this subsection (d) to void Landlord's notice of termination by sending written notice to Landlord that it withdraws its request for transfer, assignment or subletting and stating that Tenant intends to continue to operate the Premises in accordance with the terms and conditions of this Lease.. Tenant acknowledges and agrees that each of the rights of Landlord set forth herein in the event of a proposed transfer, assignment or subletting is a reasonable restriction for purposes of applicable laws. Landlord and Tenant agree that Tenant shall have the burden of proving that Landlord's consent to a proposed transfer, assignment or subletting was withheld unreasonably. Landlord shall have no liability to Tenant or to any proposed transferee, assignee or sublessee in damages if it is adjudicated that Landlord's consent shall have been unreasonably withheld and/or that such unreasonable withholding of consent shall have constituted a breach of this Lease or other duty to Tenant, the proposed transferee, assignee or sublessee or any other Person. In such event, Tenant's sole remedy shall be to have the proposed transfer, assignment or subletting declared valid, as if Landlord's consent had been duly and timely given.

SECTION 8.02. AFFILIATE TRANSFERS. Notwithstanding anything to the contrary contained herein, Tenant may assign this Lease or sublet the Premises without Landlord's consent and without otherwise affecting this Lease to an affiliate of Tenant or to a successor to Tenant. As used herein, the term "affiliate" shall include any individual, corporation, partnership, association or other business entity that directly, or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with Tenant. As used herein a "successor" shall include any successor by merger,

consolidation, corporate reorganization or operation of law, or the

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purchaser of all or substantially all of the corporate stock or assets of Tenant. The sale or transfer of Tenant's stock or assets shall not be deemed an assignment hereunder.

Notwithstanding anything to the contrary contained herein, Tenant may also assign this Lease or sublet the Premises without Landlord's consent to Franchisor, as defined hereinbelow.

ARTICLE IX

REPAIRS AND MAINTENANCE OF TENANT'S BUILDING

Subject to all other terms and provisions of this Lease, Tenant shall, at its sole cost and expense, keep and maintain the Premises and Tenant's Building, including without limitation, the roof, foundation, HVAC systems, utility lines and systems within and exclusively serving the Premises, and building equipment, together with any and all alterations, additions and improvements therein or thereto permissible under this Lease, in first-class order, appearance, condition and repair consistent with the prevailing practices in first-class regional shopping centers in the proximate geographical area as the Center, except for ordinary wear and tear, and shall, at Tenant's expense, make all repairs and replacements as may be necessary in order to keep and maintain said improvements in such order, condition and repair, including structural and non-structural and interior and exterior repairs and replacements, foreseen and unforeseen, ordinary and extraordinary, and regardless of the time remaining to the expiration of the term hereby granted. All such repairs and replacements shall be of good quality sufficient for the proper maintenance and operation of Tenant's Building and shall be constructed and installed in compliance with all Legal Requirements and Insurance Requirements. Tenant shall provide to Landlord, within fifteen (15) days of written demand, proof reasonably satisfactory to Landlord that the cleaning and maintenance of grease traps, pans and hood ventilators located in or serving Tenant's Building is being responsibly performed. Tenant agrees to reimburse Landlord the cost of maintenance and repair to utility lines and systems which exclusively serve the Premises, located outside the Premises' leaseline to the extent such maintenance and repair are required as a result of Tenant's negligence or willful misconduct.

ARTICLE X

COMPLIANCE WITH LAWS

Tenant shall at all times during the Lease Term and at its own cost and expense, promptly observe, conform to and comply with all Legal Requirements and Insurance Requirements applicable to its occupancy of the Premises, and any Tenant's Work and any work done or any change, alteration or improvement thereto, ordinary or extraordinary, foreseen and unforeseen, whether or not such compliance shall require structural repairs, additions, changes or alterations. Tenant shall also procure each and every permit, license, certificate or other authorization required in connection with the lawful occupancy of the Premises. Tenant further agrees (i) to comply with all applicable covenants and restrictions affecting the Premises, (ii) not to interfere materially and adversely with the use and enjoyment of any other parties to the non-exclusive easements set forth in Section 2.02, provided that the use and enjoyment of such other parties does not interfere materially and adversely with the use and enjoyment by Tenant of such easements, Landlord hereby agrees to use best

efforts to ensure that such other parties do not materially and adversely interfere with the use and enjoyment by Tenant of such easements; and (iii) to use the easements set forth in Section 2.02 in a manner consistent with the character of the Center from time to time.

ARTICLE XI

UTILITIES AND TRASH REMOVAL

Tenant shall be solely responsible for, and shall pay the cost of, utilities services consumed on the Premises by Tenant to the furnishers of each utility service when and as due. In

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addition, Tenant shall be solely responsible for and shall promptly pay for all services required for trash removal from the Premises.

ARTICLE XII

ALTERATIONS

SECTION 12.01. ALTERATIONS BY TENANT. After Tenant's Work has been completed and the Premises are open for business, Tenant shall have the right without Landlord's approval to make such changes, alterations, or additions (hereinafter "Alterations") to the interior of Premises of a non-structural nature. Other Alterations, including those of a structural nature or which impact the exterior of the Premises shall require Landlord's prior written approval. Tenant shall submit complete working drawings and specifications to Landlord at least ten (10) business days prior to the commencement of work for any Alterations which require Landlord's approval and Landlord will promptly review such drawings consistent with the time and manner set forth in 6.02 for the Building Plans.

SECTION 12.02. ADDITIONAL REQUIREMENTS. All Alterations shall be made promptly (subject to Force Majeure), in a good and workmanlike manner, in compliance with all Legal Requirements and Insurance Requirements and at Tenant's cost and expense. No Alterations shall be undertaken until Tenant shall have procured and paid for, so far as the same may be required, all necessary Permits. Upon completion of any Alteration, Tenant shall obtain and deliver to Landlord a copy of an amended Certificate of Occupancy, if required by Legal Requirements, and a copy of the new Building Plans therefor.

ARTICLE XIII

INSURANCE

SECTION 13.01. FIRE AND CASUALTY COVERAGE

Tenant, at its sole cost and expense, shall procure from responsible insurance companies, and keep in full force and effect during the Lease Term, insurance at full replacement value insuring Tenant's Building and the inventory, merchandise, trade fixtures, furnishings, equipment and all other items of personal property of Tenant located on or in the Premises (collectively "Tenant's Personal Property"), including steam boiler insurance, if applicable insured with responsible insurance companies (who are qualified to write insurance and conduct business in the state in which the Premises are located and has (have) at a minimum a rating of A in Bests Rating Guide, hereinafter referred to as "Responsible Insurance Companies") against fire, extended coverage, vandalism, malicious mischief, water damage which does not exclude backup from sewers or drains and/or sprinkler leakage, and such other additional perils as now are or hereafter may be included in a standard extended coverage

endorsement insuring in no event for less than one hundred percent (100%) of the full replacement value of such improvements exclusive of the cost of foundations, excavations, and footings below the lowest basement floor. Tenant shall also maintain insurance boiler and machinery insurance located on the Premises in an amount not less than Two Million Dollars (\$2,000,000.00) per accident written on a replacement basis and affording blanket coverage on all boilers, fired and unfired pressure vessels, gas and steam turbines, electrical generators, internal combustion engines, miscellaneous electrical apparatus, refrigerating systems, and motors and compressors.

SECTION 13.02. WAIVER OF RIGHT OF RECOVERY. Except as otherwise provided in this Lease, neither Landlord nor Tenant shall be liable to the other or to any insurance company (by way of subrogation or otherwise) insuring the other party for any loss or damage to any building, structure or other tangible property, or any resulting loss of income, or losses under worker's compensation laws and benefits, even though such loss or damage might have been occasioned by the negligence of such party, its agents or employees. The provisions of

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this Section 13.02 shall not limit the indemnification for liability to third parties pursuant to Section 13.05.

SECTION 13.03. PAYMENT AND DISPOSITION OF INSURANCE PROCEEDS. The insurance proceeds paid to Tenant by reason of damage to or destruction of Tenant's Personal Property shall be used by Tenant to restore damage or destruction to Tenant's Personal Property.

SECTION 13.04. LIABILITY COVERAGE.

(a) Tenant shall carry or cause to be carried, at all times during the Term hereof, with Responsible Insurance Companies, (1) comprehensive general liability insurance or commercial general liability insurance, including motor vehicle liability insurance, covering claims for injuries, death and property damage to persons and property arising out of accidents or incidents occurring in, upon or about the Premises, any other areas within the Shopping Center that Tenant has rights to use thereof, (2) workers' compensation coverage as required by law and (3) Employer's Liability Insurance in the amount of Two Million Dollars (\$2,000,000.00). All insurance policies evidencing the foregoing insurance (and any other policies required to be carried by Tenant hereunder) shall include Landlord and any other parties designated from time to time by Landlord as additional named insureds with the exception of (2) hereinabove.

(b) Landlord shall carry or cause to be carried, at all times after the execution hereof, with Responsible Insurance Companies, comprehensive general liability insurance or commercial general liability insurance, including motor vehicle liability insurance, covering any and all claims for injuries, death and property damage to persons and property arising out of accidents or incidents occurring in, upon or about the Common Area and all structures and other improvements (other than the Premises) situated in the Shopping Center.

(c) Such insurance, as carried by each of Landlord and Tenant, shall have a combined single limit of Three Million Dollars (\$3,000,000.00) for personal injury and property damage liability. Landlord and Tenant each further agree to maintain Contractual Liability Insurance insuring their respective obligations set forth in Section 13.05, with the same limits as provided in this Section 13.04.

(d) In the event Tenant retains any security guard to service the Premises, Tenant shall cause Landlord to receive a customary waiver of subrogation under the worker's compensation insurance policy covering such security guard. No such security guard shall be permitted to carry a firearm upon the Premises or Center, and Landlord shall have the right to impose additional reasonable insurance requirements upon Tenant and/or such security guard, which shall be complied with by Tenant and Tenant shall provide Landlord

with evidence of such compliance prior to the posting of such security guard at the Premises.

SECTION 13.05. INDEMNIFICATION. Tenant shall indemnify, protect, defend and hold harmless Landlord, its partners, shareholders, representatives, management company, agents and employees, from and against any and all claims, costs, actions, expenses (including reasonable attorneys' fees), losses, damage, injuries and liabilities of whatever kind or nature, known or unknown, foreseen or unforeseen, contingent or otherwise (collectively called "Claims") arising from or out of or in any way relating to (a) the death of or any accident, occurrence, injury, loss or damage whatsoever caused to any natural person or to the property of any Person as shall occur in any part of the Premises (except to the extent such Claims arise from or in connection with any negligence or willful misconduct of Landlord or its employees, servants or agents), (b) the negligent acts or omissions or willful misconduct of Tenant or any of its Permittees, including any product liability claim or any labor dispute involving Tenant or any of its Permittees, and (c) Tenant's failure to comply with any provision of this Lease.

Landlord shall indemnify, protect, defend and hold Tenant harmless from all Claims arising from or in connection with the death of or any accident, occurrence, injury, loss or damage whatsoever caused to any natural person or to the property of any Person as shall occur

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in any part of the Common Area (except to the extent such Claims arise from or in connection with Tenant's Fault).

In the case of any third-party suit, proceeding, claim or assertion being made against a party hereto, in respect of which indemnity may be sought against the other party (the "indemnifying party"), the party against whom such suit, proceeding, claim or assertion is made (the "indemnified party") shall cooperate with the indemnifying party in determining the validity of such claim or assertion. The indemnifying party shall have the right to control the conduct of the defense of such matter with counsel reasonably satisfactory to the indemnified party (it being understood that counsel approved by the indemnifying party's insurer shall be deemed to be reasonably satisfactory counsel). The indemnified party shall have the right, at its expense, to participate in such defense with counsel of its choice; provided, however, that the indemnifying party shall bear the reasonable fees and expenses of such counsel if representation by such counsel is appropriate in view of possible or actual conflicts of interest of counsel to the indemnifying party. The indemnified party shall not settle or compromise any third-party suit, proceeding, claim or assertion for which such party will seek indemnification hereunder from the other party hereto without the prior consent of the indemnifying party (which consent may be granted or withheld in the sole and absolute discretion of the indemnifying party). The indemnifying party may not settle or compromise any third party suit, proceeding, claim or assertion if such settlement involves anything other than the payment of money, without the prior written consent of the indemnified party (which consent may be granted or withheld in the sole and absolute discretion of the indemnified party).

SECTION 13.06. INSURANCE REQUIREMENTS. Each party shall deliver to the other party from time to time upon request certificates of the insurance required to be maintained under this Article. Each policy required to be carried by Tenant pursuant to this Article XIII shall contain the following clauses and provisions: (a) a provision that such policy and the coverage evidenced thereby shall be primary and non-contributing with respect to any policies carried by Landlord and that any coverage carried by Landlord be excess insurance; (b) a provision including Landlord and any other party designated by Landlord from time to time as additional insureds, as their interests may appear; at the present time, such additional insureds are set forth on Exhibit D, attached

hereto and made a part hereof; (c) a waiver by the insurer of any right to subrogation against Landlord and such other additional insured entities which arises or might arise by reason of any payment under such policy or by reason of any act or omission of Landlord, its agents, employees or representatives; (d) a severability of interest clause or endorsement; (e) a provision that the insurer will not cancel or change the coverage provided by such policy without giving Landlord at least ten (10) days' prior written notice; and (f) such policy shall be an "occurrence form" policy.

SECTION 13.07. BUILDERS RISK INSURANCE. During any period of construction, reconstruction, alteration, or remodeling of Premises, Tenant shall at its sole expense, maintain or cause to be maintained, in full force and effect, until completion of any construction, a policy of builders risk insurance (on a non-reporting and completed value basis) covering respectively Tenant's Work (or Alterations) as the same is constructed, such policy naming Landlord as an additional insured.

SECTION 13.08. SELF-INSURANCE; "BLANKET POLICIES". At any time, but only for so long as the party obligated to carry insurance hereunder maintains a tangible net worth of at least One Hundred Million Dollars (\$100,000,000.00) (as evidenced by that party's most recent financial statement prepared in accordance with generally accepted accounting principles consistently applied), such party may self-insure for any risk required to be insured hereunder, provided (a) that such party's aggregate annual self-insurance retention for such party's obligations hereunder shall not exceed five percent (5%) of its tangible net worth, and (b) such party carries umbrella coverage in excess of its permitted self-insurance retention, up to the limits required to be insured against by such party under this Lease. Each of Tenant and Landlord may satisfy their obligations under Sections 13.01, 13.04, 13.05, 13.06 and 13.07, in whole or in part by means of a so-called blanket policy. Each blanket policy of a party permitted hereunder shall specifically allocate to the liabilities required to be insured by that party under this Article an amount not less than the amounts of insurance required to be carried by that party by this Article.

SECTION 13.09. INTENTIONALLY DELETED

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SECTION 13.10. PRODUCT LIABILITY COVERAGE. Tenant shall provide product liability coverage for not less than Three Million Dollars (\$3,000,000.00) combined single limit, bodily injury and property damage.

SECTION 13.11. INCREASE IN INSURANCE RATES. Tenant will not do or suffer to be done, or keep or suffer to be kept, anything in, upon or about the Premises which will violate Landlord's policies of hazard or liability insurance or which will prevent Landlord from procuring such policies in companies acceptable to Landlord. If anything done, omitted to be done or suffered by Tenant to be kept in, upon or about the Premises shall cause the rate of fire or other insurance on the Premises or on other property of Landlord or of others within the Center to be increased beyond the minimum rate from time to time applicable to the Premises or to any property for the use or uses made thereof, Tenant will pay, as Additional Rent, the amount of any such increase upon Landlord's demand.

SECTION 13.12. POLICY LIMITS. Prior to the Option Period, Landlord and Tenant shall review the policy limits for the coverage provided hereinabove and, at that time, shall cause such limits to be adjusted in view of reasonable exposure anticipated during the next five (5) years of the Lease Term; provided, however, that in no event shall such limits be adjusted lower than the limits stated above.

ARTICLE XIV

DAMAGE AND DESTRUCTION

SECTION 14.01. DAMAGE AND DESTRUCTION.

(a) In the event during the Lease Term the Tenant's Building shall be partially damaged (as distinguished from "substantially damaged", as that term is hereinafter defined) by fire or other casualty insured under the insurance required to be carried by Tenant pursuant to this Lease, Tenant shall proceed with reasonable dispatch to repair such damage and restore the Tenant's Building to substantially its condition at the time immediately prior to damage and Tenant shall similarly restore and/or replace Tenant's Personal Property. Notwithstanding the foregoing, if such partial damage to the Tenant's Building is caused by a casualty not insured or required to be insured by Tenant pursuant to the provisions of this Lease, Tenant may elect to repair or rebuild the Tenant's Building or terminate this Lease upon giving notice of such election to Landlord within ninety (90) days of the date of such damage or destruction. If said right of termination is exercised (and Landlord does not negate such termination as hereunder provided), this Lease to the extent provided hereinabove shall terminate effective (i) as of the date of such casualty, if Tenant has been unable to conduct business in the Tenant's Building as a result of such partial casualty or (ii) if Tenant has been able to conduct business, then not later than thirty (30) days after such notice. If Tenant elects not to so terminate this Lease, Tenant shall proceed as required in the first sentence hereinabove. If Tenant elects to terminate this Lease as provided, Landlord may nullify Tenant's termination by written notice to Tenant, within sixty (60) days of receipt of Tenant's notice to terminate, in which event Landlord shall become obligated to proceed and perform in the manner required of Tenant in the first sentence hereinabove at Landlord's cost and expense, provided, if Landlord does not so proceed as required to repair and restore Tenant's Building, as provided above Tenant may again elect to terminate this lease as provided above without Landlord having the right to nullify such termination.

(b) In the event during the Lease Term Tenant's Building shall be substantially damaged or destroyed by fire or other casualty, insured under the insurance carried by Landlord pursuant to Section 14.01 of this Lease, Tenant may elect to repair or rebuild the Tenant's Building or terminate this Lease upon giving notice of such election to Landlord within sixty (60) days of the date of such damage or destruction. If Tenant elects not to so terminate this Lease, this Lease shall, except as hereinafter provided, remain in full force and effect, and Tenant shall, proceeding with reasonable dispatch, repair such damage and restore the Tenant's Building to substantially their condition at the time immediately preceding the occurrence of such damage or

destruction. Notwithstanding the foregoing, if such substantial damage to the Tenant's Building is caused by a casualty not insured or required to be insured by Tenant pursuant to the provisions of this Lease, Tenant may elect to repair or rebuild the Tenant's Building or terminate this Lease upon giving notice of such election to Landlord within sixty (60) days of the date of such damage or destruction. If said right of termination is exercised (and Landlord does not negate such termination as hereinafter provided), this Lease to the extent provided hereinabove shall terminate effective (i) as of the date of such casualty, if Tenant has been unable to conduct business in the Tenant's Building as a result of such substantial casualty, or (ii) if Tenant has been able to conduct business then not later than thirty (30) days after such written notice. If Tenant elects not to so terminate this Lease, Tenant shall proceed with reasonable dispatch to repair or rebuild the Tenant's Building. Landlord may nullify Tenant's termination by written notice to Tenant, within sixty (60) days of receipt of Tenant's written notice to terminate, in which event Landlord shall become obligated to proceed and perform in the manner required of Tenant in the prior sentence hereinabove at Landlord's cost and expense, provided Tenant may again have termination rights if Landlord does not so perform as provided in (a) above.

(c) If the Tenant's Building shall be substantially damaged or destroyed by fire or other casualty, within the last three (3) years of the Lease Term, either party shall have the right to terminate this Lease, provided that written notice thereof is given to the other party not later than ninety (90) days after the occurrence of such damage or destruction. If said right of termination is exercised, this Lease, to the extent provided hereinabove, shall cease and come to an end as of the date of such damage or destruction.

(d) To the extent the Tenant's Building is rendered untenable as a result of damage or destruction provided in subsections (a) and (b) hereinabove and this Lease is not terminated, there shall be an abatement or reduction in the Fixed Rent, due under this Lease, in proportion to the Floor Area of the Tenant's Building rendered untenable, such abatement shall continue for the period commencing on the date of such destruction or damage and shall end with the earlier of (i) the completion by either party of such work of repair and/or restoration as either party is obligated to do and the expiration of a period of ninety (90) days after completion of such work to enable Tenant to re-fixture the Tenant's Building and reopen for business; or (ii) the date Tenant reopens for business in the Tenant's Building, or any portion thereof, as the case may be. In the event of the termination of this Lease pursuant to this ARTICLE XIV, the Lease shall cease and come to an end as of the date of such damage or destruction with respect to the terminated portion of the Tenant's Building, as aforesaid. Any rent or other charges paid in advance by Tenant shall be promptly refunded by Landlord.

(e) The terms "substantially damaged" and "substantial damage" as used in this ARTICLE XIV shall have reference to damage of such a character that the cost of restoration would exceed twenty-five percent (25%) of the cost of replacement of the Tenant's Building.

(f) If more than five percent (5%) of the Parking Area located within the Protected Area shall be damaged or destroyed by fire or other casualty at any time, if Landlord elects not to repair or replace such Parking Area Tenant may terminate this Lease by giving written notice to Landlord of Tenant's selection so to terminate, such notice to be given within ninety (90) days after the occurrence of such damage or destruction.

(g) If Tenant is not required to repair or restore Tenant's Building as provided hereinabove, then Tenant shall, promptly raze Tenant's Building and clear the area of all debris and convert the area to Common Area as it was prior to the construction of Tenant's Building. In all events, Tenant shall, following such damage or destruction, promptly restore the Premises to a safe and secure condition.

ARTICLE XV

EMINENT DOMAIN

SECTION 15.01. CONDEMNATION.

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(a) The term "Condemnation" means the taking or appropriation of any portion of the Center, other than temporary possession of six (6) months or less, pursuant to an exercise of the power of eminent domain or by inverse condemnation or any conveyance in lieu of condemnation under threat thereof to satisfy a grantee having the power of condemnation, or the requisitioning by military or other public authority for any purpose arising out of a temporary emergency or other temporary circumstances.

(b) During the Lease Term, if, as a result of a Condemnation, any portion or interest in the Premises, or twenty percent (20%) or more of the parking spaces located within the "Protected Area" (as defined in Section 25.1(c)), within thirty (30) days following the date of such taking, Tenant may terminate this Lease upon written notice to Landlord and Tenant's obligation to

pay rent and perform all obligations set forth in this Lease shall terminate on the date of taking, but Tenant's interest in the leasehold estate shall continue until the taking is completed by deed, contract or order of final condemnation and final award. Notwithstanding the foregoing, Tenant's election to terminate shall be null and void if Landlord shall elect by notice given to Tenant within thirty (30) days after receipt of Tenant's notice, to perform the obligations set forth in subparagraph (c) below.

If the event of a Condemnation, excluding the Premises or the Protected Area, which Condemnation causes a material change in the Premises are operations directly attributable to such Condemnation, Tenant may terminate this Lease upon written notice to Landlord, such right of termination to be exercised by written notice to Landlord and be effective not earlier than 120 days subsequent thereto. In the event Landlord disagrees with Tenant regarding such termination, resolution of such dispute shall be determined by binding arbitration in accordance with Exhibit C.

(c) In the event Tenant does not terminate this Lease, subject to Force Majeure, Landlord shall promptly and diligently restore, to the extent of available condemnation proceeds the parking spaces located within the Protected Area, to as near their condition as existed prior to such taking as is reasonably possible, and, during the course of such restoration, Tenant's obligation for Fixed Rent shall thereafter be abated in the event of a Condemnation of any portion of the Premises, in the amount of that fraction of Fixed Rent the numerator of which is the Floor Area taken, and the denominator of which is the Floor Area of the Premises prior to the Condemnation.

(d) In the event Tenant does not terminate this Lease, Tenant shall promptly repair, restore and rebuild Tenant's Building to a condition, as nearly as practicable, to that which existed prior to the Condemnation, so as to effect thereby an architectural and operating unit similar to that which existed before the taking.

(e) In the event of a Condemnation outside of the Premises, to the extent Tenant's business is materially interrupted as a result of such Condemnation, Fixed Rent will be abated as is fair and equitable under the circumstances.

(f) If as a result of the Condemnation, the whole or any part of Tenant's Building shall be affected by such Condemnation, then Fixed Rent and any Additional Rent based on Floor Area shall be reduced proportionately in an amount which reflects the nature and extent of the injury to business conducted in Tenant's Building at the time of such Condemnation. Such reduction shall be calculated from the date of such Condemnation and shall continue until the restoration of Tenant's Building has been restored to an architectural and operating unit similar to that which existed before the Condemnation. In the event the Floor Area of Tenant's Building after such restoration has been reduced as a result of such Condemnation then Fixed Rent shall be proportionately reduced.

(g) With respect to an award for damages as a result of Condemnation to any portion of the Center, including the Premises, such award shall be paid to Landlord, except Tenant may prosecute, if permitted by law, a claim independent of Landlord's for Tenant trade fixtures, furniture, equipment, merchandise and other personal property, the unamortized value of improvements, including the Tenant's Building, paid for solely by Tenant, damages for interruption or dislocation of business in the Premises, and moving and remodeling expenses, provided such claim shall have no adverse impact on any award to Landlord.

ARTICLE XVI

BANKRUPTCY AND INSOLVENCY

SECTION 16.01. TENANT'S INTEREST NOT TRANSFERABLE.

(a) Neither Tenant's interest in this Lease, nor any estate hereby created in Tenant nor any interest herein or therein, shall pass to any trustee or receiver or assignee for the benefit of creditors or otherwise by operation of law except as may specifically be provided pursuant to the Federal Bankruptcy Code.

(b) In the event the interest or estate created in Tenant hereby shall be taken in execution or by other process of law, or if Tenant executors, administrators, or assigns, if any, shall be adjudicated insolvent or bankrupt pursuant to the provisions of any state act or the Federal Bankruptcy Code or if Tenant is adjudicated insolvent by a court of competent jurisdiction other than the United States Bankruptcy Court, or if a receiver or trustee of the property of Tenant shall be appointed by reason of the insolvency or inability of Tenant to pay its debts as the same become due or if any assignment shall be made of the property of Tenant for the benefit of creditors, then and in such event, this Lease and all rights of Tenant hereunder shall automatically cease and terminate with the same force and effect as though the date of such event were the date originally set forth herein and fixed for the expiration of the Term, and Tenant shall vacate and surrender the Premises but shall remain liable as herein provided. Notwithstanding the foregoing, if Tenant shall continue to pay Fixed Rent and Additional Rent provided for in this Lease in a timely manner and shall cure such event within sixty (60) days after its occurrence, Landlord shall not terminate this Lease.

(1) Upon the filing of a petition by or against Tenant under the Federal Bankruptcy Code, Tenant, as debtor and debtor in possession, and any trustee who may be appointed agree as follows: (i) to perform each and every obligation of Tenant under this Lease including, but not limited to, the manner of operations as provided in Article VII of this Lease until such time as this Lease is either rejected or assumed by order of the United States Bankruptcy Court; (ii) to pay monthly in advance on the first day of each month as reasonable compensation for use or occupancy of Premises an amount equal to all Fixed Rent, Additional Rent and due in accordance with the terms of this Lease.

(2) No uncured default of this Lease by Tenant, either prior to or subsequent to the filing of such a petition, shall be deemed to have been waived unless expressly done so in writing by Landlord.

(3) It is understood and agreed that this is a Lease of real property in a shopping center as such a lease is described in Section 365(b)(3) of the Federal Bankruptcy Code.

(4) Included within and in addition to any other conditions or obligations imposed upon Tenant or its successor in the event of assumption and/or assignment are the following: (1) the cure of any monetary defaults and the reimbursement of pecuniary loss including the payment of all attorneys' fees incurred by Landlord in connection with such proceedings as described in this Article XVI, within not more than thirty (30) days of assumption and/or assignment; and (2) the deposit of an additional sum equal to three (3) monthly installments of Fixed Rent to be held as security pursuant to the terms of this Lease; and (3) the use of the Premises to continue pursuant to Section 7.01 of this Lease, and the quality, quantity and/or lines of merchandise of any goods or services required to be offered for sale shall remain unchanged; and (4) the reorganized debtor or assignee of such debtor in possession or of Tenant's trustee demonstrates in writing that it has sufficient background including, but not limited to, substantial retailing experience in shopping centers of comparable size, and financial ability to operate a retail establishment out of the Premises in the manner contemplated in this Lease, and the ability to meet all other reasonable criteria of Landlord as did Tenant upon execution of this Lease; and (5) the prior written consent of any mortgagee to which this Lease has been assigned as collateral security; and (6) the Premises, at all times, shall remain a single store and no

physical changes of any kind may be made to Premises unless in compliance with the applicable provisions of this Lease.

ARTICLE XVII

DEFAULT

SECTION 17.01. RIGHTS UPON DEFAULT.

(a) Notwithstanding any provision herein to the contrary and irrespective of whether all or any rights conferred upon Landlord by this Article XVII are expressly or by implication conferred upon Landlord elsewhere in this Lease, in the event of (i) any failure of Tenant to pay any Fixed Rent or Percentage Rent or any other charges or sums whatsoever due hereunder (including without limitation, amounts due as reimbursement to Landlord for costs incurred by Landlord in performing obligations of Tenant hereunder upon Tenant's failure so to perform) for more than ten (10) days after written notice from Landlord to Tenant that such Fixed Rent or any other charges or sums whatsoever due hereunder were not received on the date required for payment pursuant to this Lease, or (ii) any default or failure by Tenant to perform any other of the terms, conditions, or covenants of this Lease to be observed or performed by Tenant for more than twenty (20) days after written notice from Landlord to Tenant of such default unless such default cannot be cured within said twenty (20) days in which event Tenant shall have commenced to cure said default within twenty (20) days and shall proceed to cure the same with all reasonable dispatch and diligently pursue same to completion, or (iii) Tenant fails continuously to operate in the manner and during the hours established by Landlord pursuant to Section 7.02 hereof or for the use specified in the Section 7.01, writ of execution or similar writ or order, then Landlord, in addition to or in lieu of other rights or remedies it may have under this Lease or by law, shall have the right to (a) immediately terminate this Lease and Tenant's right to possession of the Premises by giving Tenant written notice that this Lease is terminated, in which event, upon such termination, Landlord shall have the right to recover from Tenant the sum of (1) the worth at the time of award of the unpaid rental which had been earned at the time of termination; (2) the worth at the time of award of the amount by which the unpaid rental which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant affirmatively proves could have been reasonably avoided; (3) the worth at the time of award of the amount by which the unpaid rental for the balance of the Term after the time of award exceeds the amount of such rental loss that Tenant affirmatively proves could be reasonably avoided; (4) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform Tenant's obligations under this Lease or which in the ordinary course of things would be likely to result therefrom; and (5) all such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time under applicable law; or (b) have this Lease continue in effect for so long as Landlord does not terminate this Lease and Tenant's right to possession of the Premises, in which event Landlord shall have the right to enforce all of Landlord's rights and remedies under this Lease including the right to recover the Fixed Rent, Percentage Rent and other charges payable by Tenant under this Lease as they become due under this Lease, and Tenant shall have the right to sublet the Premises or (at Landlord's option) assign Tenant's interest in this Lease for a use permitted under this Lease to a party determined by Landlord to be of good moral character and sound financial responsibility; or (c) without terminating this Lease, Landlord may pay or discharge any breach or violation hereof which amount so expended shall be added to the next monthly incremental payment of Fixed Rent due and treated in the same manner as rental hereunder; or (d) without terminating this Lease, make such alterations and repairs as may be necessary in order to relet the Premises, and relet the Premises or any part thereof for such term or terms (which may be for a term extending beyond the Term of this Lease) at such rental or rentals and upon such other terms and conditions as Landlord in its sole discretion may deem advisable.

(b) Upon such reletting all rental and other sums received by Landlord from such reletting shall be applied, first, to the payment of any indebtedness other than rental due hereunder from Tenant to Landlord; second, to the payment

of any costs and expenses of such reletting, including reasonable brokerage fees and attorney fees and of costs of such alterations and repairs; third, to the payment of Fixed Rent due and unpaid hereunder; and the residue, if

any, shall be held by Landlord and applied in payment of future Fixed Rent payable by Tenant hereunder, as the same may become due and payable hereunder. If such Fixed Rent and other sums received from such reletting during any month are less than that to be paid during that month by Tenant hereunder, Tenant shall pay such deficiency to Landlord; if such rentals and sums shall be more, Tenant shall have no right to the excess. Such deficiency shall be calculated and paid monthly. No re-entry or taking possession of the Premises by Landlord shall be construed as an election on its part to terminate this Lease unless a written notice of such intention is given to Tenant or unless the termination thereof is decreed by a court of competent jurisdiction. Notwithstanding any such reletting without termination, Landlord may at any time thereafter elect to terminate this Lease for such previous breach. Should Landlord at any time terminate this Lease for any breach, in addition to any other remedies it may have, it may recover from Tenant all damages it may incur by reason of such breach, including the cost of recovering the Premises, all of which amount shall be immediately due and payable from Tenant to Landlord. Landlord shall use its best efforts to mitigate its damages hereunder; however, the failure or refusal of Landlord to relet the Premises shall not affect Tenant's liability. The terms "entry" and "re-entry" are not limited to their technical meanings. If Tenant shall default hereunder prior to the date fixed as the Opening of any renewal or extension of this Lease, Landlord may cancel and terminate such renewal or extension provision or agreement by written notice. In the event of re-entry by Landlord, Landlord may remove all persons and property from the Premises and such property may be stored in a public warehouse or elsewhere at the cost of, and for the account of Tenant, without notice or resort to legal process and without Landlord being deemed guilty of trespass, or becoming liable for any loss or damage which may be occasioned thereby. In the event Tenant shall not remove its property from the Premises within ten (10) days after Tenant has vacated the Premises, then such property shall be deemed abandoned by Tenant and Landlord may dispose of the same without liability to Tenant.

(c) At any time that Tenant has either failed to pay Fixed Rent, or other charges within ten (10) days after the same shall be due or shall have delivered checks to Landlord for payments pursuant to this Lease which shall have on at least three (3) occasions during the Term of this Lease (whether consecutive or not or whether involving the same check or different checks) been returned by Landlord's bank for any reason, Landlord shall not be obligated to accept any payment from Tenant unless such payment is made by cashier's check or in bank certified funds.

(d) For purposes of Section 17.01(a), "worth at the time of award" shall be computed by allowing interest at the "Interest Rate", as defined in Section 26.08); the rental reserved in this Lease shall be deemed to be a monthly rental arrived at (i) by adding to the monthly installment of Fixed Rent payable under this Lease, plus (ii) one twelfth (1/12th) of the annual average of all Percentage and Additional Rent payable by Tenant hereunder (such as, by way of example, Tenant's share of Real Estate Taxes).

ARTICLE XVIII

UNAVOIDABLE DELAYS, FORCE MAJEURE

In the event either party hereto shall be delayed in the performance of any obligation of this Lease, other than economic obligations, by reasons of strikes, lockouts, labor troubles, inability to procure materials or reasons of a similar nature not the fault of the party delayed in performing work or doing acts required under the terms of the Lease (as the case may be, "Force

Majeure"), then performance of such act shall be excused for the period of the delay and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay. The provisions of this Article XVIII shall not operate to excuse Tenant from prompt payment of Fixed Rent or as to Landlord or Tenant from any other payments required by the terms of this Lease. It shall be a condition of Landlord and Tenant's right to claim an extension of time as a result hereof that the delayed party notify the other party in writing within ten (10) calendar days after the first occurrence of any such event, and the cause, specifying the nature thereof and the period of time contemplated or necessary for performance.

ARTICLE XIX

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NOTICES

Any notice, demand, request, consent, approval or other communication ("Notice") which either party hereto is required or desires to give or make or communicate to the other hereunder shall be in writing and shall be given or made or communicated either by personal delivery, reputable overnight courier service or by United States registered or certified mail, return receipt requested, postage prepaid, and addressed in the case of Landlord to:

c/o Westfield Corporation, Inc.
11601 Wilshire Boulevard, 12th Floor
Los Angeles, California 90025-1748
Attention: President

with a copy thereof to:

Westfield Corporation, Inc.
11601 Wilshire Boulevard, 12th Floor
Los Angeles, California 90025-1748
Attention: Office of Legal Counsel

and addressed in the case of Tenant to:

Chicago Pizza & Brewery, Inc.
3780 Kilroy Avenue Suite 200
Long Beach, California 90806
Attn: President

with a copy thereof to: Chicago Pizza & Brewery, Inc.
26131 Marguerite Pkwy, Suite A
Mission Viejo, California 92692
Attn: Chief Executive Officer

Subject to the right of either party to designate different addresses by giving notice as above provided. Any Notice hereunder shall be deemed to have been given, made or communicated, as the case may be, (i) on the date received or the date of the first attempted delivery thereof if the same was deposited in the United States mail as registered or certified matter, with postage fully prepaid, (ii) on the next business day, if delivered by reputable overnight courier service (private or public), or (iii) on the date of delivery, if by personal delivery. Notwithstanding anything herein to the contrary, neither party may designate an address for delivery of Notices which does not indicate a street address, which shall include a building name and/or number, street designation, city, state and zip code.

ARTICLE XX

ACCESS

After the Opening Date, Landlord and its designees shall have the right to enter upon the Premises at reasonable hours accompanied by an employee of Tenant for any reasonable purpose upon reasonable advance notice to Tenant, including the inspection of the Premises, for the exhibition of prospective purchasers and/or mortgagees, or during the period commencing three hundred sixty five (365) days prior to the end of the Lease Term, for the purpose of exhibiting same to prospective tenants. Landlord and its designees shall use their best efforts to not interrupt Tenants business or interfere with Tenant's customers.

ARTICLE XXI

END OF TERM

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SECTION 21.01. REMOVAL BY TENANT. Upon the expiration or other termination of the Lease Term, Tenant shall peaceably and quietly quit and surrender the Premises, and together with all Alterations which are then part of the realty, broom clean, in good order and condition, reasonable wear and tear and the provisions of Articles XIV and XV excepted. Notwithstanding the foregoing to the contrary, Tenant's Personal Property, regardless of the manner or mode of attachment, including, but not limited to, display cases, counters, shelves, racks, and general restaurant fixtures, shall be and remain the property of Tenant and may be removed by Tenant at any time during the Lease Term or within the period of ten (10) days after the expiration or sooner termination of this Lease. When Tenant vacates the Premises, Tenant shall not remove from the Premises the then existing HVAC equipment, plumbing fixtures, , hydraulic lifts or any other items (other than trade fixtures) deemed to be real estate by reason of affixation to improvements, except as Landlord and Tenant may mutually agree. Tenant shall promptly repair all damage to Premises caused by removal of any such Personal Property by Tenant or its subtenants or licensees. Any Personal Property remaining in the Premises after the expiration of such ten (10) day period shall be deemed abandoned and shall become the property of Landlord without payment therefor, unless Landlord shall have required removal by Tenant by notice given to Tenant not less than thirty (30) days prior to the expiration date.

ARTICLE XXII

HOLDING OVER AND SUCCESSORS

SECTION 22.01. HOLDING OVER. If bona fide negotiations have commenced between Landlord and Tenant for renewal of this Lease prior to the expiration of the Lease Term, any holding over after the expiration of the Lease Term with the consent of Landlord shall be construed to be a tenancy from month to month on the same terms and conditions as herein specified so far as applicable. Any other holding over after expiration of the Lease Term without the consent of the Landlord, and after written demand from Landlord for surrender of the Premises, shall be construed to be a tenancy from month to month at one-twelfth (1/12th) of an amount equal to one hundred fifty percent (150%) of the Fixed Rent and Additional Rent required to be paid by Tenant for the last full Lease Year of the Lease Term, and shall otherwise be on the same terms and conditions as herein specified so far as applicable. Any holding over without Landlord's consent shall entitle Landlord to reenter the Premises as provided in Section 17.01 of this Lease

SECTION 22.02. SUCCESSORS. All rights and liabilities herein given to, or imposed upon the parties to this Lease shall inure to and be imposed upon the respective heirs, executors, administrators, successors and assigns of the said parties; and if there shall be more than one Tenant, they shall all be bound jointly and severally by the terms, covenants and agreements herein. No rights,

however, shall inure to the benefit of any assignee of Tenant unless the assignment to such assignee has been approved in advance by Landlord in writing or permitted by Section 8.01.

ARTICLE XXIII

BROKERS

Landlord and Tenant each represent that it dealt with no broker or brokers or other person in connection with the negotiation, execution and delivery of this Lease, except for Ira Spilkey, whom Tenant has agreed to compensate per a separate agreement. Landlord and Tenant shall each defend, indemnify and hold the other harmless from and against any claims or demands for any other brokerage commissions, finder's fees and/or other compensation arising out of the acts or omissions of the indemnifying party.

ARTICLE XXIV

ESTOPPEL STATEMENT, ATTORNMENT AND SUBORDINATION

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SECTION 24.01. ESTOPPEL STATEMENT. Within ten (10) days after request therefor by either party. The requested party shall execute, in recordable form, and deliver to the requesting party a statement, in writing, certifying (a) that this Lease is in full force and effect, (b) the Commencement Date, the Rental Commencement Date and the expiration date of this Lease, (c) that Rental and all other charges hereunder are paid currently without any offset or defense thereto, (d) the amount of Rental and all other charges hereunder, if any, paid in advance, (e) whether this Lease has been modified and, if so, identifying the modifications, (f) that there are no uncured defaults by either party or stating in reasonable detail those claimed by Tenant (provided that, in fact, such details are accurate and ascertainable), and (g) such other matters as may be reasonably requested.. The requested parties failure or refusal to execute timely such statement shall constitute an acknowledgment that the statements contained in such statement are true and correct without exception, and may be relied upon.

SECTION 24.02. ATTORNMENT.

In the event any proceedings are brought for the foreclosure of, or in the event of exercise of the power of sale under any mortgage and/or deed of trust made by Landlord covering the Premises, or in the event Landlord sells, conveys or otherwise transfers its interest in the Center or any portion thereof containing the Premises, this Lease shall remain in full force and effect and Tenant hereby automatically attorns to the new owner. Tenant covenants and agrees, at such new owners request, to execute an instrument evidencing such attornment reasonably satisfactory to the new owner, recognizing the new owner as the landlord under this Lease. Tenant acknowledges that such new owner shall not be bound by (i) any prepayment of more than one (1) month's Rent (except rental deposit but only to the extent received by said successor) or (ii) any material amendment of the Lease made after the later of the Opening Date, or the date that such successor's lien or interest first arose, unless said successor shall have consented to such amendment or (iii) any claims, offsets or defenses of Tenant arising prior to such attornment, except for those specifically provided in the Lease. Payment by or performance of this Lease by any person, firm or corporation claiming an interest in this Lease or the Premises by, through or under Tenant without Landlord's consent in writing shall not constitute an attornment or create any interest in this Lease or the Premises. At Tenant's request, the new owner shall acknowledge in writing that, subject to the provisions of this Section, Tenant's interest in the Premises and rights under this Lease shall not be disturbed so long as Tenant is not in default under the terms of this Lease beyond the time permitted to cure such default.

SECTION 24.03. SUBORDINATION. Tenant further agrees this Lease shall be subject and subordinate to the lien and terms of any mortgage, deed of trust or any ground lease that is now or may hereafter be placed upon the Premises or the Center and to any and all advances to be made thereunder, and to the interest thereon, and all renewals, modifications, replacement and extensions thereof. The foregoing shall be self-operative and no further instruments shall be required to effect such subordination of this Lease. Tenant also agrees that any mortgagee, beneficiary or ground lessor may elect to have this Lease constitute a prior lien to its mortgage, deed of trust or ground lease, and in the event of such election and upon notification by such mortgagee, beneficiary or ground lessor to Tenant to that effect, this Lease shall be deemed a prior lien to such mortgage, deed of trust or ground lease, whether this Lease is dated prior to or subsequent to the date of said mortgage, deed of trust or ground lease. Tenant agrees that upon the demand of Landlord, or any mortgagee, beneficiary or ground lessor, Tenant shall, within ten (10) days of the receipt of said demand, execute whatever instruments may be required to carry out the intent of this Section 24.03 in the form requested by Landlord or such mortgagee, beneficiary or ground lessor, including, without limitation, an appropriate recordable subordination agreement. In the event Tenant fails to execute such instruments within as set forth in this Section 24.03 ten (10) days after demand, Tenant does hereby irrevocably appoint Landlord as its attorney-in-fact and in its place and stead so to do.

SECTION 24.04. NOTICE TO MORTGAGEE, BENEFICIARY OR GROUND LESSOR.

If Tenant is given notice of the name and address of a mortgagee, beneficiary or ground lessor, then Tenant shall give written notice of any default by Landlord to such mortgagee, beneficiary or ground lessor specifying the default in reasonable detail. Tenant shall afford any

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such mortgagee, beneficiary or ground lessor the right to cure such default and if such mortgagee, beneficiary or ground lessor does perform on behalf of Landlord, such default shall be deemed cured.

ARTICLE XXV

COMMON AREA AND PARKING AREA
OPERATIONS AND MAINTENANCE

SECTION 25.01. RIGHTS OF LANDLORD.

(a) Landlord hereby: (i) reserves the right at any time, and from time to time, to make alterations or additions to, and to build additional stories on any building except the Premises within the Center, (ii) reserves the right at any time, and from time to time, to construct other buildings and improvements in the Center to enlarge or reduce the area of the Center and to make alterations therein or additions thereto, and to modify the existing layouts thereof, and to build adjoining thereto and to construct decks or elevated parking facilities, and to sell or lease any part of the land comprising the Center, for the construction thereon of a building or buildings to be occupied by one or more department stores which may or may not be part of the Center. Landlord reserves the right at any time to relocate, expand, reduce or eliminate Parking Areas and other Common Areas shown on Exhibit B. Landlord may at any time close any Common Area and Parking Area to make repairs or changes, to prevent the acquisition of public rights in such area or to discourage non-customer parking, to use areas for attendant or valet parking, and may do such other acts in and to the Common Areas as in its judgment may be desirable to improve the convenience thereof. Landlord shall use commercially reasonable efforts to cause any construction work undertaken in the exercise of Landlord's

rights under this Section to be performed in such manner as to minimize to the extent practicable the interruption of Tenant's business; and not to materially interfere with Tenant's use of Premises nor diminish access to Premises unless no reasonable alternative exists. If Tenant's use of the Premises is reduced during or as a result of any work performed pursuant to this section, Fixed Rent and Tenant's proportionate payment of Common Area Maintenance Costs and Expenses charges will be abated in a manner fair and equitable under the circumstances.

(b) Landlord reserves the right, from time to time, to utilize portions of the Common Areas, for carnival-type shows, rides and entertainment, outdoor shows, displays, automobile and other product shows, the leasing of kiosks, or such other uses which in Landlord's judgment tend to attract the public. Further, Landlord reserves the right to utilize the lighting standards and other areas in the Parking Area for advertising purposes.

Notwithstanding anything to the contrary herein, any act by Landlord pursuant to this section shall be; (a) done in good taste recognized in a first class center, (b) done using best efforts not to interrupt Tenants business or interfere with Tenant's customers and (c) not within the Protected Area.

(c) Notwithstanding anything to the contrary contained herein, Landlord represents, warrants and covenants, that Landlord shall not without Tenant's written consent, which consent shall not be unreasonably withheld or delayed, erect any buildings, structures or building improvements or materially alter the layout and configuration of the parking areas, driveways, lighting, curb cuts and other Common Areas within the "Protected Area" as shown on Exhibit B, It would be reasonable for Tenant to withhold its consent to any of the foregoing, if Tenant reasonably believes same would have a material, adverse affect on conducting its business in the Premises.

SECTION 25.02. OPERATION OF COMMON AREAS. Landlord shall, at its sole cost and expense, operate, maintain, repair and replace the Common Areas in accordance with the practices prevailing in regional shopping centers in the proximate geographical area as the Center. In this connection, Landlord shall clean and sweep the Common Areas, remove snow therefrom and treat ice thereon; maintain, service and clear the storm drainage systems, except those that are exclusive service the Premises; maintain and operate all utility services (including

electricity and lighting) serving the Common Areas to the extent the same is not an obligation of public utility companies.

[THIS SECTION INTENTIONALLY DELETED]

[THIS SECTION INTENTIONALLY DELETED]

ARTICLE XXVI

MISCELLANEOUS

SECTION 26.01. WAIVER; ELECTION OF REMEDIES. One or more waivers of any covenant or condition by any party hereto shall not be construed as a waiver of a subsequent breach of the same covenant or condition, and the consent or approval by any party hereto to or of any act by the other party requiring the other party's consent or approval shall not be deemed to render unnecessary such consent or approval to or of any subsequent similar act by the other party. No breach by any party hereto of a covenant or condition of this Lease shall be deemed to have been waived by the other party unless such waiver is in writing signed by the other party. The rights and remedies of the other party under this Lease or under any specific Section, subsection or clause hereof shall be cumulative and in addition to any and all other remedies which the other party has or may have elsewhere under this Lease or at law or equity, whether or not such Section, subsection or clause expressly so states.

SECTION 26.02. ENTIRE AGREEMENT. This Lease and the Exhibits attached hereto and forming a part hereof, set forth all the covenants, promises, agreements, conditions and understandings between Landlord and Tenant concerning the subject matter hereof and there are no covenants, promises, agreements, conditions or understandings heretofore made, either oral or written, between the parties other than as herein set forth. No modification, amendment, change or addition to this Lease shall be binding upon Landlord or Tenant unless reduced to writing and signed by each party. Landlord has made no representations or warranties regarding the profitability of the Premises or the Center, and Tenant has not entered into this Lease in reliance on any such representations, warranties or financial projections prepared or furnished to Tenant by Landlord.

SECTION 26.03. INTERPRETATION; USE OF PRONOUNS; AUTHORITY. Nothing contained herein shall be deemed or construed by the parties hereto, nor by any third party, as creating the relationship of principal and agent or of partnership or of joint ventures between the parties hereto, it being understood and agreed that neither the method of computation of Fixed Rent nor any other provision contained herein, nor any acts of the parties herein, shall be deemed to create any relationship between the parties hereto other than the relationship of Landlord and Tenant. Whenever herein the singular number is used the same shall include the plural, and the masculine gender shall include the feminine and neuter genders. If this Lease is signed on behalf of a corporation, partnership or other entity, the signer is duly authorized to execute this Lease on behalf of such corporation, partnership or entity.

SECTION 26.04. CAPTIONS AND SECTION NUMBERS. The captions, section numbers, article numbers and index appearing in this Lease are inserted only as a matter of convenience and in no way define, limit, construe or describe the scope or intent of such sections or articles of this Lease nor in any way affect this Lease.

SECTION 26.05. RECORDING. Neither Landlord nor Tenant shall record this

Lease; however, upon the request of either party hereto, the other party shall join in the execution of a memorandum or so-called "short form" of lease for the purposes of recordation. Said memorandum or short form of lease shall describe the parties, the Premises, the Lease Term, any subordination, any special provisions other than those pertaining to rent, and shall contain such additional information as may be required for recordation in the jurisdiction in which the Premises is located and shall incorporate this Lease by reference.

SECTION 26.06. FURNISHING OF FINANCIAL STATEMENTS. Tenant has provided Landlord at or prior to the date of this Lease with statements reflecting its financial condition as of a date within the last twelve (12) months as an inducement to Landlord to enter into this Lease, and Tenant hereby represents and warrants that its financial condition has not materially changed since the date of those statements. Upon Landlord's written request, Tenant shall promptly furnish Landlord, from time to time, but not more frequently than once in any Lease Year with financial statements reflecting Tenant's financial condition as of a date within twelve (12) months prior thereto. Landlord shall treat such financial statements and information provided to it confidentially, and shall not disclose them except to Landlord's lenders or otherwise as required by law.

SECTION 26.07. TRANSFER OF LANDLORD'S INTEREST. In the event of any transfer or transfers of Landlord's interest in the Center including a so-called sale-leaseback, the transferor shall be automatically relieved of any and all obligations on the part of Landlord accruing from and after the date of such transfer, provided that (a) the interest shall be turned over, subject to such interest, to the then transferee; (b) notice of such sale, transfer or lease shall be given to Tenant as required by law; and (c) such transferee shall assume in writing the obligations of Landlord under this Lease. Upon the termination of any such Lease in a sale-leaseback transaction prior to termination of this Lease, the former lessee thereunder shall become and remain liable as Landlord hereunder until a further transfer. In addition to the provisions of this Section, the transferor shall be automatically relieved of any and all obligations on the part of Landlord accruing from and after the date of such transfer, only provided the then transferee assumes in writing all of Landlord's obligations under the Lease.

SECTION 26.08. INTEREST ON PAST-DUE OBLIGATIONS. Any amount due from either party to the other under this Lease which is not paid within ten (10) days after written notice that such amount was not received when due (including, without limitation, amounts due as reimbursement for costs incurred in performing obligations of such party hereunder upon its failure to so perform) shall bear interest at the prime rate of Bank of America N.A. ("Interest Rate") from the date due until paid, unless otherwise specifically provided herein, but the payment of such interest shall not excuse or cure any default by Tenant under this Lease.

SECTION 26.09. LIABILITY OF LANDLORD. If Landlord shall fail to perform any covenant, term or condition of this Lease upon Landlord's part to be performed, and if as a consequence of such default Tenant shall recover a money judgment against Landlord, such judgment shall be satisfied only out of the proceeds of sale received upon execution of such

judgment and levied thereon against the right, title and interest of Landlord in the Center and out of rents or other income from such property receivable by Landlord, any insurance proceeds receivable by Landlord, or out of the consideration received by Landlord from the sale or other disposition of all or any part of Landlord's right, title and interest in the Center.

SECTION 26.10. ACCORD AND SATISFACTION. Payment by any party or receipt by the other party of a lesser amount than the rent or other charges herein stipulated shall be deemed to be on account of the earliest rent or other charges due from Tenant to Landlord. No endorsements or statement on any check or letter accompanying any check or payment as rent or other charges shall be

deemed an accord and satisfaction, and any party may accept such check or payment without prejudice to its right to recover the balance of such rent or other charges or to pursue any other remedy provided in this Lease or by law.

SECTION 26.11. EXECUTION OF LEASE; NO OPTION. The submission of this Lease to Tenant shall be for examination purposes only, and does not and shall not constitute a reservation of an option for Tenant to lease, or otherwise create any interest by Tenant in the Center or any other premises in the Center. Execution of this Lease by Tenant and the return of same to Landlord shall not be binding upon Landlord, notwithstanding any time interval, until Landlord has executed and delivered this Lease to Tenant.

SECTION 26.12. GOVERNING LAW. This Lease shall be governed by and construed in accordance with laws of the State of California. If any provision of this Lease or the application thereof to any person or circumstances shall, to any extent be invalid or unenforceable, such provision shall be adjusted rather than voided, if possible, in order to achieve the intent of the parties, to the extent possible; in any event, all other provisions of this Lease shall be deemed valid and enforceable to the fullest extent.

SECTION 26.13. SPECIFIC PERFORMANCE . Either of the parties hereto shall have the right to obtain specific performance of any and all covenants or obligations of the other under this Lease, and nothing contained in this Lease shall be construed as or shall have the effect of abridging such right.

SECTION 26.14. SURVIVAL OF TENANT'S OBLIGATIONS. All obligations under this Lease which cannot be ascertained to have been fully performed prior to the end of the Lease Term shall survive the expiration or termination of this Lease, whichever occurs earlier.

SECTION 26.15. CERTAIN RULES OF CONSTRUCTION. Notwithstanding the fact that certain references elsewhere in this Lease to acts required to be performed by either party hereunder, or to breaches or defaults of this Lease by either party, omit to state that such acts shall be performed at such party's sole cost and expense, or omit to state that such breaches or defaults are material, unless the context clearly implies to the contrary, each and every act to be performed or obligation to be fulfilled at such party's sole cost and expense, and all breaches or defaults by either party hereunder shall be deemed material. Tenant shall be fully responsible and liable for the observance and compliance by concessionaires, licensees, subtenants or assignees (the "Additional Parties") of and with all the terms and conditions of this Lease, which terms and conditions shall be applicable to the Additional Parties as fully as if they were the Tenant hereunder and failure by an Additional Party fully to observe and comply with the terms and conditions of this Lease shall constitute a default hereunder by Tenant. Nothing contained in the preceding sentence shall constitute a consent by Landlord to any concession, subletting or other arrangement proscribed by Article VIII.

SECTION 26.16. HAZARDOUS MATERIALS. "Hazardous Materials" means any biologically or chemically active or other hazardous substances or materials in any manner regulated by Legal Requirement or Insurance Requirement, including without limitation, those described in the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. Section 9601 et seq.), the Hazardous Materials Transportation Act (49 U.S.C. Section 1801 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. Section 6901 et seq.), the Toxic Substances Control Act (15 U.S.C. Section 2601 et seq.), the Clean Air Act (42 U.S.C. Section 7401 et seq.), the Federal Water Pollution Control Act (33 U.S.C. Section 1251 et seq.), and any applicable state or local laws and the regulations adopted under these acts. Tenant shall not (either with or without negligence)

cause or permit the escape, disposal or release of any Hazardous Materials in any manner not sanctioned by law and the highest standards prevailing in the

shopping center industry of the storage and use of such materials, nor allow to be brought into the Shopping Center any Hazardous Materials except to use in the ordinary course of Tenant's business, and then only after written notice is given to Landlord of the identity of such materials provided, however, that such notice need not be given as to any Hazardous Materials normally used in the restaurant industry by operators or agents such as janitorial services, particularly restaurants similar to Tenants. If any lender or governmental agency shall ever require testing of any materials to ascertain whether or not there has been any release of Hazardous Materials, then the reasonable costs thereof shall be reimbursed by Tenant to Landlord upon demand as Additional Rent if such requirement can be reasonably applied to Tenant's Work or other work or alterations Tenant performed on the Premises or the conduct of Tenant's business in the Premises. Tenant shall execute affidavits, representations and the like from time to time at Landlord's request concerning Tenant's best knowledge and belief regarding the presence of Hazardous Materials contained on or within the Premises. Tenant shall defend, indemnify, protect and hold harmless Landlord its affiliates, parent corporation, subsidiaries, partners, management company, successors and assigns, and the employees, agents, officers, directors of any of them from and against any and all Claims (including, without limitation, consultant, investigation and laboratory fees) directly or indirectly arising out of, or in any way related to (i) any breach by Tenant of any of the provisions of this Section; (ii) the presence, use, generation, transportation, disposal, spillage, discharge, emission, leakage, release, or threatened release of any Hazardous Materials which is at, in, on, under, about, from or affecting the Premises or the Shopping Center, to the extent proven to be caused by Tenant or any of its Permittees; (iii) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to any such Hazardous Materials; (iv) any lawsuit brought or threatened, settlement reached, or governmental order or directive relating to such Hazardous Materials; or (v) any violation of any Environmental Law relating to such Hazardous Materials. To the best knowledge and belief of Landlord there is no Hazardous Materials contained on or under the Premises as of the date of execution of this Lease and, further, Landlord indemnifies, protects and holds harmless Tenant its parent, affiliates, subsidiaries, directors, officers, employees, agents, successors and assigns from and against any and all claims, directly or indirectly, arising out of, or related to contamination which occurred prior to, or subsequent to, Tenant's occupancy of the Premises. This Section 26.16 shall survive the expiration or earlier termination of the term of this Lease.

SECTION 26.17. CONFIDENTIALITY. Any and all information contained in this Lease or provided to or by Tenant and/or Landlord by reason of the covenants and conditions of this Lease, economic or otherwise, shall remain confidential between Landlord and Tenant and shall not be divulged to third parties; provided, however either party shall be permitted to divulge the contents of this lease and of statements and reports derived and received in connection with the provisions of Article VIII or the provision of Article IV in connection with any contemplated sales, transfers, assignments, encumbrances or financing arrangements of Landlord's interest in the Center. This section shall not apply in connection with any administrative or judicial proceedings in which either party may be required to divulge such information.

SECTION 26.18. ATTORNEY FEES. If at any time after the date that this Lease has been executed by Landlord and Tenant, either Landlord or Tenant institutes any action or proceeding against the other relating to the provisions of this Lease or any default hereunder, the non-prevailing party in such action or proceeding shall reimburse the prevailing party for the reasonable expenses of attorney fees and all costs and disbursements incurred therein by the prevailing party, including, without limitation, any such fees, costs or disbursements incurred on any appeal from such action or proceeding. Subject to the provisions of local law, the prevailing party shall recover all such fees, costs or disbursements as costs taxable by the court or arbiter in the action or proceeding itself without the necessity for a cross-action by the prevailing party.

Notwithstanding anything to the contrary contained herein, if Landlord is compelled to engage the services of attorneys (either outside counsel or

in-house counsel) to enforce the provisions of this Lease, to the extent that Landlord incurs any cost or expense (including such reasonable attorney fees) in connection with such enforcement, including instituting, prosecuting or defending its rights in any action, proceeding or dispute by reason of any default by Tenant, or as otherwise set forth in this Section 26.18 or elsewhere in this Lease, the sum or sums so paid or

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billed to Landlord, together with all interest, costs and disbursements, shall be deemed Additional Rent and shall be due from Tenant immediately upon receipt of an invoice therefor following the occurrence of such expenses

SECTION 26.19. REAL ESTATE INVESTMENT TRUST. If the ownership of the Center is in a Real Estate Investment Trust, then Landlord and Tenant agree that Fixed Rent and all Additional Rent paid to Landlord under this Lease (collectively referred to in this Section as "Rent") shall qualify as "rents from real property" within the meaning of Section 856(d) of the Internal Revenue Code of 1986, as amended (the "Code") and the U.S. Department of Treasury Regulations promulgated thereunder (the "Regulations"). Should the Code or the Regulations, or interpretations thereof by the Internal Revenue Service contained in Revenue Rulings, be changed so that any Rent no longer qualifies as "rent from real property" for the purposes of Section 856(d) of the Code and the Regulations promulgated thereunder, other than by reason of the application of Section 856(d)(2)(B) or 856(d)(5) of the Code or the Regulations relating thereto, such Rent shall be adjusted so that it will so qualify; provided, however, that any adjustments required pursuant to this Section shall be made so as to produce the equivalent (in economic terms) Rent as payable prior to such adjustment.

SECTION 26.20. TENANT'S PERSONAL PROPERTY. Tenant shall have the right to finance and grant a security interest in Tenant's Personal Property. Landlord acknowledges that, notwithstanding any provision to the contrary contained in law or otherwise, it does not have any lien on Tenant's Personal Property. Landlord shall execute and deliver any and all documentation reasonably required by any lender thereof, including, without limitation, a waiver of any lien Landlord may have thereon, within fifteen (15) days after request therefor by Tenant or Tenant's lender.

[SIGNATURES APPEAR ON NEXT PAGE]

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IN WITNESS WHEREOF, Landlord and Tenant, personally or by their duly authorized agents have executed this Lease as of the day and year first above written.

Chicago Pizza & Brewery, Inc., a California corporation

EASTLAND SHOPPING CENTER LLC, a Delaware limited liability company

By: _____
Its: _____

By: Eastland Manager LLC, a Delaware limited liability company, its managing member

By: Westfield America Investor L.P., a Delaware limited partnership, its sole member

By: Westfield America, Inc., a
Missouri corporation, its general
partner

TENANT

By: _____
Its: _____

LANDLORD

EXHIBIT A
LEGAL DESCRIPTION OF SHOPPING CENTER

EXHIBIT B
SITE PLAN

EXHIBIT C

ARBITRATION

A. Any dispute that this Lease specifically makes subject to arbitration shall be resolved by arbitration under this Exhibit; however, nothing herein requires arbitration of any dispute arising under this Lease which is not specifically herein made subject to arbitration.

B. If Landlord and Tenant cannot reach an agreement, after the exercise of their reasonable efforts, within thirty (30) days after notice of an arbitrable dispute is given by either party to the other party, then either Landlord or Tenant may at any time within ten (10) days after the end of said thirty (30) day period refer the dispute to arbitration by giving written notice of demand therefor to the other (the "Demand for Arbitration"), and the Landlord and Tenant agree to cooperate in obtaining such arbitration. The party demanding arbitration shall in its Demand for Arbitration designate one person, as hereinafter provided, to represent it as an arbitrator. Within ten (10) days after it has received such Demand for Arbitration, the other party shall, in its "Response", designate one person, as hereinafter provided, to represent it as an arbitrator. The arbitrators so appoint by landlord and Tenant shall within five (5) business days after both have been designated, designate a third person as arbitrator. If the first two are unable to select third arbitrator, the third arbitrator shall be selected by the Chief Judge of the U.S. District Court of the District where the Center is located, upon application of either Landlord or Tenant. The three (3) arbitrators so selected shall constitute the "Board of Arbitration." Any person designated as an arbitrator shall be neutral and impartial and shall be knowledgeable and experienced in the matters sought to be arbitrated, but shall not then be, and shall not have been at any time in the employment of either Landlord or Tenant directly, indirectly or as an agent, except in connection with the arbitration then proceeding or any prior

arbitration.

C. The Demand for Arbitration, and the Response thereto, shall set forth with particularity the facts, circumstances, lease provisions and law each party in good faith deems relevant to its position on the disputed issue(s), as well as such party's statement and binding offer as to the reasonable, fair and proper settlement and resolution of such issue(s). The Board of Arbitration shall meet or otherwise confer as deemed necessary by the arbitrators to resolve the dispute and a decision of a majority of the arbitrators will be binding upon Landlord and Tenant. In making its final determination, the Board of Arbitration shall select the proposed settlement and resolution which most closely, in the opinion of the majority of the arbitrators, approximates the issue(s), and shall adopt such proffered resolution in its entirety without deviation therefrom or modification thereto. The decision of the Board of Arbitration shall be in writing, and shall be made as promptly as possibly after the designation of the last additional arbitrator, but in no event later than thirty (30) days from the date of the designation of the last additional arbitrator. A copy of the decision of the arbitrators shall be signed by at least a majority of the arbitrators and given to landlord and Tenant.

D. All arbitration proceedings pursuant to this Section 27.21 shall be conducted in accordance with the rules of the American Arbitration Association relation to commercial arbitrations except to the extent such rules conflict with the provisions hereof. The arbitrators shall have no authority to pass upon the validity, enforceability or fairness of any provision of this Lease to any person or to any situation. No person other than Landlord and Tenant shall be a party to any arbitration proceeding without the consent of both Landlord and Tenant, which consents Landlord and Tenant each may grant or deny in its sole and absolute discretion. The arbitrators shall have no power to sub poena witnesses or to order discovery; and Landlord and Tenant shall be entitled to claim all privileges available to them in a judicial civil proceeding.

E. For each arbitrable dispute the cost and expense of the arbitrators as well as all reasonable attorney's fees and costs of arbitration to the prevailing party, shall be paid by the non-prevailing party immediately upon rendition of the Board of Arbitration's written decision.

EXHIBIT D
ADDITIONAL INSURED ENTITIES

Additional insured entities pursuant to the requirements outlined in the Lease to which this Exhibit is attached are as follows:

1. Eastland Shopping Center LLC.,
a Delaware limited liability company
2. Westfield America, Inc.,
a Missouri corporation
3. Westfield Corporation, Inc.,
a Delaware corporation
4. Westfield Services, Inc.,
a Delaware corporation
5. Westfield Management Company,
a California corporation

The insurance certificate should be sent to:

General Manager
Eastland Center
112 Plaza Drive
West Covina, CA 91790

EXHIBIT E
MENU

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET AND CONSOLIDATED STATEMENT OF OPERATIONS INCLUDED IN THE COMPANY'S FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

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