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

FORM 10-QSB

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1997

OR

[ ] TRANSACTION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NO. 0-21423

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

CALIFORNIA	33-0485615
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(IRS EMPLOYER IDENTIFICATION NO.)

26131 MARGUERITE PARKWAY, SUITE A, MISSION VIEJO, CA 92692
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)
(ZIP CODE)

ISSUER'S TELEPHONE NUMBER: (714) 367-8616

Check whether the issuer (1) filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the past twelve 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.

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of equity, as of the latest practicable date: At November 3, 1997, 6,408,321 shares of the small business issuer's common stock were outstanding.

Transitional Small Business Disclosure Format (check one):
Yes No X

CHICAGO PIZZA & BREWERY, INC. AND SUBSIDIARIES

PART I

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

CHICAGO PIZZA & BREWERY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS	September 30, 1997	December 31, 1996
Current assets:		
Cash and cash equivalents	$ 2,908,112	$ 5,485,808
Restricted cash	200,000	200,000
Accounts receivable	211,789	157,422
Inventory	312,175	256,668
Prepaids and other current assets	391,016	343,176
Total current assets	4,023,092	6,443,074
Property and equipment, net	8,301,602	6,234,061
Other assets	316,984	191,118
Restricted cash	369,123	369,123
Intangible assets, net	5,545,527	5,676,349
TOTAL ASSETS	$ 18,556,328	$ 18,913,725

LIABILITIES AND SHAREHOLDERS' EQUITY	September 30, 1997	December 31, 1996
Current liabilities:		
Accounts payable	$ 1,338,316	$ 1,264,798
Accrued expenses	1,239,865	1,199,092
Notes payable to related parties	312,892	328,681
Current portion of long-term debt	230,438	255,636
Current portion of obligations under capital leases	69,359	66,266
Total current liabilities	3,190,870	3,114,473
Notes payable to related parties	2,154,136	2,386,547
Obligations under capital leases	129,454	110,322
Long-term debt	643,362	816,187
Other liabilities	138,309	147,771
Total liabilities	6,256,131	6,575,300
Minority interest in partnership	208,172	215,128
Shareholders' equity:		
Preferred stock, 5,000,000 shares authorized, none issued or outstanding		
Common stock, no par value, 60,000,000 shares authorized, 6,408,321 issued and outstanding	15,039,646	15,039,646
Capital surplus	1,196,029	1,196,029
Accumulated deficit	(4,143,650)	(4,112,378)
Total shareholders' equity	12,092,025	12,123,297
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 18,556,328	$ 18,913,725

See accompanying notes.

CHICAGO PIZZA & BREWERY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Nine Months Ended September 30,		Three Months Ended September 30,	
	1997	1996	1997	1996
Revenues	$19,633,523	$14,317,569	$7,208,665	$6,009,515
Cost of sales	5,826,283	4,471,998	2,175,779	1,857,808
Gross profit	13,807,240	9,845,571	5,032,886	4,151,707
Operating expenses:				
Labor and benefits	6,692,401	5,053,538	2,462,211	1,965,408
Occupancy	1,791,274	1,226,936	613,329	531,220
Operating expenses	2,502,164	2,306,756	889,395	978,121
General and administrative	2,016,388	1,284,442	665,219	451,516
Depreciation and amortization	954,182	723,171	350,978	286,812
Total operating expenses	13,956,409	10,594,843	4,981,132	4,213,077
Income (loss) from operations	(149,169)	(749,272)	51,754	(61,370)
Other income (expense):				
Gain on involuntary conversion of assets	190,722			
Interest expense, net	(76,200)	(631,744)	(18,085)	(246,085)
Other	12,041	7,342	2,928	-
Total other income (expense)	126,563	(624,402)	(15,157)	(246,085)
Income (loss) before minority interest and income taxes	(22,606)	(1,373,674)	36,597	(307,455)
Minority interest in partnership	(7,866)	(793)	(14,042)	651
Income (loss) before income taxes	(30,472)	(1,374,467)	22,555	(306,804)
Income tax expense	(800)	(8,570)		(1,489)
Net income (loss)	$ (31,272)	$(1,383,037)	$ 22,555	$ (308,293)
Net income (loss) per common share	$ (0.00)	$ (0.37)	$ 0.00	$ (0.08)
Weighted average common shares outstanding	6,408,321	3,788,878	6,408,321	3,788,878

See accompanying notes.

CHICAGO PIZZA & BREWERY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30, 1997	Nine Months Ended September 30, 1996
Cash flows provided by (used in) operating activities:		
Net loss	$ (31,272)	$(1,383,037)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	954,182	723,171
Gain on sale of restaurant	(17,015)	
Minority interest in partnership	7,866	793
Noncash interest and consulting expense on private placement offering warrants		50,000
Changes in assets and liabilities:		
Accounts receivable	(54,367)	9,279
Inventory	(55,507)	15,080
Prepaids and other current assets	(181,267)	(1,438,787)
Other assets	(125,866)	(66,400)
Accounts payable	73,519	753,059
Accrued expenses	40,773	417,199
Other liabilities	(9,462)	169,330
Net cash provided by (used in) operating activities	601,584	(750,313)
Cash flows used by investing activities:		
Acquisition of Chicago Pizza Northwest		(2,591,208)
Acquisition of Brea, California Micro-brewery leasehold interests		(930,400)
Purchase of equipment	(2,713,318)	(1,343,281)
Proceeds from sale of restaurants, net of expenses	45,063	950,000
Net cash used in investing activities	(2,668,255)	(3,914,889)
Cash flows provided by (used in) financing activities:		
Borrowing on related party debt		3,100,000
Borrowing on short-term debt		227,912
Borrowing on long-term debt		750,771
Payments on related party debt	(248,200)	(646,436)
Payments on long-term debt	(198,023)	(342,658)
Capital lease payments	(49,980)	(36,894)
Distribution to minority interest	(14,822)	
Net cash (used in) provided by financing activities	(511,025)	3,052,695
Net decrease in cash and cash equivalents	(2,577,696)	(1,612,507)
Cash and cash equivalents, beginning of period	5,485,808	1,791,769
Cash and cash equivalents, end of period	$ 2,908,112	$ 179,262

See accompanying notes.

CHICAGO PIZZA & BREWERY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION:

The accompanying consolidated financial statements of Chicago Pizza & Brewery, Inc. and its subsidiaries (the "Company") for the nine months and three months ended September 30, 1997 and 1996 have been prepared in accordance with generally accepted accounting principles, and with the instructions to Form 10-QSB and Item 310 (b) of Regulation S-B. These financial statements have not been audited by independent accountants, but include all adjustments (consisting of normal recurring adjustments) which are, in Management's opinion, necessary for a fair presentation of the financial condition, results of operations and cash flows for such periods. However, these results are not necessarily indicative of results for any other interim period or for the full year. The accompanying consolidated balance sheet as of December 31,1996 has been derived from the audited consolidated financial statements of the Company.

Certain information and footnote disclosures normally included in financial statements in accordance with generally accepted accounting principles have been omitted pursuant to requirements of the Securities and Exchange Commission (SEC). A description of the Company's accounting policies and other financial information is included in the audited consolidated financial statements as filed with the SEC on Form 10-KSB for the year ended December 31, 1996. Management believes that the disclosures included in the accompanying interim financial statements and footnotes are adequate to make the information not misleading, but should be read in conjunction with the consolidated financial statements and notes thereto included in the Form 10-KSB.

2. RECLASSIFICATIONS:

Certain prior period items have been reclassified to conform to the current year's presentation.

3. ORGANIZATION:

The accompanying financial statements of the Company for the nine months and three months ended September 30, 1997 and 1996 are presented on a consolidated basis, and include the accounts of the Company, Chicago Pizza Northwest, Inc. and BJ's Lahaina, L.P. during the periods owned. All significant intercompany transactions and balances have been eliminated.

On March 29, 1996, the Company acquired 26 restaurants located in Oregon and Washington by providing the funding for the Debtor's (Pietro's Corp.) Plan of Reorganization. The Company funded the Debtor's Plan of Reorganization on March 29, 1996, and thereby acquired all the stock in the reorganized entity known as Chicago Pizza Northwest, Inc. On May 15, 1996, the Company agreed to sell seven of the restaurants purchased from Pietro's Holdings. Two of the restaurants were sold on May 31, 1996, two additional restaurants were sold on June 24, 1996 and three additional restaurants were sold on June 26, 1996.

On June 1, 1997, an additional restaurant acquired from Pietro's Holdings was sold to an independent operator. This restaurant, located in North Bend, Oregon did not figure significantly in the Company's future plans and would have required a commitment by the Company to a long-term lease extension.

On February 19, 1997, the Pietro's restaurant located in Aloha, Oregon was heavily damaged by fire. The Company has received a preliminary settlement from the insurance carrier for the loss of personal property. This settlement, due to the coverage provided by the Company's replacement cost policy,

resulted in the recognition of a gain during the second quarter of 1997 on this involuntary conversion of assets. The Company is presently in the early stages of refurbishing the restaurant and will resume operations at this location. A business interruption insurance policy will substantially offset the loss of business during the rebuilding period.

4. INTANGIBLE ASSETS:

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.

5. INCOME TAXES:

As of December 31, 1996, the Company had net operating loss carryforwards for federal and California purposes of approximately $4,069,000 and $2,065,000, respectively. 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 therefore has not recognized a deferred tax asset as of September 30, 1997.

6. SUBSEQUENT EVENTS:

The Company closed its La Jolla Prospect restaurant in 1995 and the lease was assigned, subject to a continuing guarantee by the Company, to a third party restaurant operator. That operator defaulted on the terms of the lease as of May 1997 and filed bankruptcy under Chapter 7. The owner of the property has filed an action against the Company for the full rental obligation through the remaining term of the lease, which was estimated at $700,000. In October 1997 the Company agreed to a settlement and mutual release of this lease in the amount of $150,000. The Company had recorded a liability for accrued rent in accordance with the terms of the lease for $17,000 during the second quarter and an additional $26,000 during the third quarter ending September 30, 1997. A charge for the balance of the settlement will be taken by the Company in the fourth quarter of 1997 in the amount of $107,000.

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

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

GENERAL

In March and April, 1996, the Company opened two new restaurants in Westwood Village (Los Angeles) and Brea, California, respectively. In addition, on March 29, 1996 the Company acquired 26 restaurants located in Washington and Oregon by providing the funding for a plan of reorganization filed with the U.S. Bankruptcy Court by Pietro's Corporation, a Washington state corporation. The Company sold 7 of the 26 restaurants in the second quarter 1996 and 1 of the restaurants in the second quarter 1997. The Company has also developed a restaurant and brewery in Boulder, Colorado in February 1997 and has converted four of the Pietro's restaurants to the BJ's restaurant and/or brewery concept in April, July, August and October 1997. Consequently, the results of operations for 1997 are not necessarily comparable to the results of operations for the same period in 1996.

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.

Certain pre-opening costs, including direct and incremental costs associated with the opening of a new restaurant, are amortized over a period of one year from the opening date of such restaurant. These costs include primarily those incurred to train a new restaurant management team, food, beverage and supply costs incurred to test all equipment and systems, and any rent or operating expenses incurred prior to opening. Construction costs, including leasehold capital improvements are amortized over the remaining useful life of the related asset, or for leasehold improvements, over the initial term of the lease, if less.

The Company utilizes a calendar year-end for financial reporting purposes.

RESULTS OF OPERATIONS

Nine-Month Period Ended September 30, 1997 Compared to Nine-Month Period Ended September 30, 1996

Revenues. Total revenues for the nine-month period ended September 30, 1997 increased to $19,634,000 from $14,318,000 for the comparable period in 1996, an increase of $5,316,000 or 37.1%. Excluding the Northwest Restaurants, which were not owned the entire comparable period of 1996, total revenues for the nine-month period ended September 30, 1997 increased to $11,355,000 from $7,897,000 for the comparable period in 1996, an increase of $3,458,000 or 43.8%. The increase was primarily due to the opening of the Westwood Village (Los Angeles) and Brea, California restaurants in March and April, 1996 respectively as well as the opening of the Boulder, Colorado restaurant in February, 1997. Revenues for the seven stores open the entire nine-month comparable period increased to $6,113,000 in 1997 from $5,692,000 in 1996, an increase of $421,000 or 7.4%.

Cost of Sales. Cost of food, beverages and paper (cost of sales) for the restaurants increased to $5,826,000 for the nine-month period ended September 30, 1997 from $4,472,000 for the comparable period in 1996, an increase of $1,354,000 or 30.3%. However, as a percentage of revenues, cost of sales decreased to 29.7% for the 1997 period from 31.2% for the comparable period in 1996. The decrease in cost of sales as a percentage of revenues was primarily due to (i) additional non-recurring costs incurred during the first half of 1996 associated with the testing and initial implementation phase of the menu expansion, (ii) special promotional pricing of certain of the new menu items through May 1996, (iii) more efficient purchasing and enhanced control systems, and (iv) a reduction in discounting at the Pietro's restaurants. These factors were partially offset by the generally higher cost of sales relative to revenues at the Pietro's restaurants, which were owned by the Company for the entire nine month period in 1997 but for only six months of the comparable period in 1996.

Labor. Labor costs for the restaurants increased to $6,692,000 for the nine-month period ended September 30, 1997 from $5,054,000 for the comparable period in 1996, an increase of $1,638,000 or 32.4%. However, as a percentage of revenues, labor costs decreased to 34.1% for the 1997 period from 35.3% for the comparable period in 1996. The decrease in labor costs as a percentage of revenue was primarily due to the elevated labor costs in the first half of 1996 associated with the planned extra staffing during the opening months of the Westwood Village (Los Angeles) and Brea, California restaurants and the implementation of the major menu and concept expansion in 1996. These factors were partially offset by the increased staffing relating to the re-opening of the three converted Pietro's restaurants in 1997.

Occupancy. Occupancy costs increased to $1,791,000 for the nine-month period ended September 30, 1997 from $1,227,000 for the comparable period in 1996, an increase of $564,000 or 46.0%. As a percentage of revenues, occupancy costs increased to 9.1% for the 1997 period from 8.6% for the comparable period in 1996. The increase in occupancy costs as a percentage of revenue was primarily due to annual rental increases experienced in several of the restaurant locations.

Operating Expenses. Operating expenses increased to $2,502,000 for the nine-month period ended September 30, 1997 from $2,307,000 for the comparable period in 1996, an increase of $195,000 or 8.5%. However, as a percentage of revenues, operating expenses decreased to 12.7% for the 1997 period from 16.1% for the comparable period in 1996. The primary reason for the decrease in operating expenses as a percentage of revenues for the nine-month period ended September 30, 1997 was an increased focus on operating the restaurants more efficiently as well as the implementation of improved expense monitoring systems. 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 increased to $2,016,000 for the nine-month period ended September 30, 1997 from $1,284,000 for the comparable period in 1996, an increase of $732,000 or 57.0%. As a percentage of revenues, general and administrative expenses increased to 10.3% for the 1997 period from 9.0% for the comparable period in 1996. The increase in general and administrative expenses in total and as a percentage of revenues for the nine-month period ended September 30, 1997 was due to the acquisition of the Northwest Restaurants in March, 1996, increased expenses associated with being a publicly held company and the hiring of additional personnel relating to the physical and operational conversion of the Pietro's restaurants to the BJ's concept.

Depreciation and Amortization. Depreciation and amortization increased to $954,000 for the nine-month period ended September 30, 1997 from $723,000 for the comparable period in 1996, an increase of $231,000 or 32.0%. The increase was primarily due to (i) the acquisition of the Northwest Restaurants in March, 1996, (ii) the opening of the Westwood Village (Los Angeles) and (iii) Brea, California restaurants in March and April 1996, (iv) the opening of the Boulder, Colorado restaurant in February, 1997 and (v) the amortization of pre-opening costs associated with the Boulder, Colorado restaurant and the converted Pietro's restaurants.

Interest Expense, Net. Interest expense, net of interest income, decreased to $76,000 for the nine-month period ended September 30, 1997 from $632,000 for the comparable period in 1996, a decrease of $556,000 or 88.0%. The decrease was primarily due to (i) the conversion in October 1996 of $3,000,000 in convertible debt, issued in February 1996, into common stock and warrants and the resulting elimination of interest expense and finance costs associated with the convertible debt and (ii) the increase in interest income from investment of the proceeds of the Company's initial public offering in October 1996.

Three-Month Period Ended September 30, 1997 Compared to Three-Month Period Ended September 30, 1996

Revenues. Total revenues for the three-month period ended September 30, 1997 increased to $7,209,000, from $6,010,000 for the comparable period in 1996, an increase of $1,199,000 or 20.0%. The increase in revenues for the three-month period ended September 30, 1997 was due primarily to (i) the opening of the BJ's Pizza, Grill & Brewery restaurant in Boulder, Colorado in February of 1997, (ii) an increase in sales of 13.8% at the BJ's restaurants open the entire comparable period, and (iii) the increase in sales due to the conversion of three of the Pietro's restaurants in Oregon to the BJ's concept in 1997. The converted restaurants achieved the following increases in revenue during the three-month period ended September 30, 1997 as compared to the comparable period in 1996:

aa aa Location	aa aa Date Converted	Revenues for the Three-Months Ended September 30, 1997	Revenues for the Three-Months Ended September 30, 1996
Eugene	April, 1997	$ 361,000	$ 130,000
Stark St.	July, 1997	$ 305,000	$ 191,000
Jantzen Bch.	August, 1997	$ 204,000*	$ 152,000

* Closed for five weeks during the period for conversion.

The increase in total revenues was achieved despite a decrease in sales at the Pietro's restaurants open the entire comparable period of 3.6% and the closure of the Pietro's restaurant in Aloha, Oregon for the entire third quarter of 1997 due to fire damage. The increase in comparable store sales at the BJ's restaurants was primarily due to increased customer counts and check averages which management believes are reflective of continued acceptance of the enhanced BJ's menu and concept. The decrease in revenues at the Pietro's restaurants was primarily due to the decrease in coupon based advertising. Management believes that as the remaining Pietro's restaurants are converted to the BJ's concept such restaurants will experience significant sales increases.

Cost of Sales. Cost of food, beverages and paper (cost of sales) for the restaurants increased to $2,176,000 for the three-months ended September 30, 1997 from $1,858,000 for the comparable period in 1996, an increase of $318,000 or 17.1%. As a percentage of revenues, cost of sales decreased to 30.2% for the period in 1997 from 30.9% for the comparable period in 1996. Several offsetting factors impacted cost of sales for the three-months ended September 30, 1997. Those factors contributing to a reduction in cost of sales as a percentage of revenue were: (i) a decrease in the cost of cheese, (ii) more efficient purchasing and enhanced control systems at the mature (open for more than one year) BJ's restaurants, and (iii) a reduction in discounting at the Pietro's restaurants. Partially offsetting the above-mentioned factors was an increased cost of sales, as anticipated, at the restaurants recently converted from Pietro's to BJ's. Management anticipates that newly-converted restaurants will achieve the cost of sales levels of mature restaurants within a three-month period after conversion.

Labor. Labor costs for the restaurants increased to $2,462,000 for the three-month period ended September 30, 1997 from $1,965,000 for the comparable period in 1996, an increase of $497,000 or 25.3%. As a percentage of revenues, labor costs increased to 34.2% for the period in 1997 from 32.7% for the comparable period in 1996. The increase in labor cost as a percentage of revenue was primarily due to an increase in the Federal, California and Oregon minimum wage as well as planned increased staffing levels at the newly-converted restaurants. Management anticipates that newly-converted restaurants will achieve the staffing levels of mature restaurants within a six-month period after conversion.

Occupancy. Occupancy costs increased to $613,000 for the three-month period ended September 30, 1997 from $531,000 for the comparable period in 1996, an increase of $82,000 or 15.4%. As a percentage of revenues, occupancy costs decreased to 8.5% for the period in 1997 from 8.8% for the comparable period in 1996. Management believes the decrease in occupancy costs as a percentage of revenues is primarily due to increased revenues and that occupancy costs as a percentage of revenues will continue to decline as additional Pietro's restaurants are converted to BJ's.

Operating Expenses. Operating expenses decreased to $889,000 for the three-month period ended September 30, 1997 from $978,000 for the comparable period in 1996, a decrease of $89,000 or 9.1%. As a percentage of revenues, operating expenses decreased to 12.3% for the 1997 period from 16.3% for the comparable period in 1996. The primary reason for the decrease in operating expenses as a percentage of revenue was an increased focus on operating the restaurants more efficiently as well as the implementation of improved expense monitoring systems. 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 increased to $665,000 for the three-month period ended September 30, 1997 from $452,000 for the comparable period in 1996, an increase of $213,000 or 47.1%. As a percentage of revenues, general and administrative expenses increased to 9.2% for the 1997 period from 7.5% for the comparable period in 1996. The increase in general and administrative expenses both in total and as a percentage of revenues is primarily due to the increased expenses associated with being a publicly held company and the hiring of additional personnel relating to the physical and operational conversions of the Pietro's restaurants to the BJ's concept.

Depreciation and Amortization. Depreciation and amortization increased to $351,000 for the three-month period ended September 30, 1997 from $287,000 for the comparable period in 1996, an increase of $64,000 or 22.3%. The increase in depreciation and amortization is primarily due to (I) the addition of the Boulder, Colorado restaurant in February 1997, (ii) the depreciation associated with the physical conversion costs of the three Pietro's restaurants converted to BJ's and (iii) the amortization of pre-opening costs associated with the Boulder, Colorado restaurant and the converted Pietro's restaurants. The above-mentioned factors were partially offset by the reduction of pre-opening expense amortization relating to the Westwood Village (Los Angeles) and Brea, California restaurants which were opened in March and April of 1996, respectively.

Interest Expense, Net. Interest expense, net of interest income, decreased to $18,000 for the three-month period ended September 30, 1997 from $246,000 for the comparable period in 1996, a decrease of $228,000 or 92.7%. The decrease was primarily due to (i) the conversion in October 1996 of $3,000,000 in convertible debt, issued in February 1996, into common stock and warrants and the resulting elimination of interest expense and finance costs associated with the convertible debt, and (ii) the increase in interest income from invested proceeds from the Company's initial public offering in October 1996.

LIQUIDITY AND CAPITAL RESOURCES

On October 15, 1996 the Company completed its initial public offering (the "Offering") of 1,800,000 shares of Common Stock and 1,800,000 Redeemable Warrants. On November 26, 1996, the representative of the underwriters of the Offering exercised the over-allotment option pursuant to the Prospectus to purchase 270,000 additional Redeemable Warrants (the "Over-Allotment Option"). The Offering, including the Over-Allotment Option resulted in approximately $6,804,000 in net proceeds. The funds have been and will be used for the continued development of the Northwest Restaurants and other sites if possible, as well as for the reduction of debt and increased working capital.

Since the completion of the Offering in October of 1996, the Company has invested in restaurant development and reduced debt. Net cash provided by operating activities for the nine-month period ended September 30, 1997 was $602,000 and net cash used by operating activities for the nine-month period ended September 30, 1996 was $750,000. The acquisitions of the 26 Northwest Restaurants, net of the proceeds from the sale of 7 of those restaurants, and the Brea leasehold interests accounted for $2,572,000 of total capital expenditures for the nine-months ended September 30, 1996. The balance of capital expenditures for that period, and total capital expenditures for the nine-months period ending September 30, 1997, were for the acquisition of restaurant and brewery equipment and leasehold improvements to

develop or convert the acquired restaurants.

During 1995 and early 1996 the Company incurred a number of non-recurring charges in connection with the development and implementation of its extended menu, restaurant concept change and brewery concept for the BJ's Pizza, Grill & Brewery and BJ's Pizza & Grill restaurants. Expenditures for the new menu items included food development costs, menu development costs, menu design and printing, management and staff training and new kitchen equipment to facilitate new menu items. Expenditures for the BJ's Pizza, Grill & Brewery and BJ's Pizza & Grill restaurant concepts included new interior design, logo design, signage design and uniform design. Expenditures for the brewery concept included the hiring of a director of brewing operations, beer menu development costs and brewery design.

Management believes that the Company can become profitable through increased sales as a result of its expanded menu developed in 1996 and the continuing conversion and refurbishment of the Northwest Restaurants. Management also believes that profitability may be enhanced by reduced costs associated with Company produced beer and vendor volume purchasing discounts made possible with the acquisition of the Northwest Restaurants.

The Company currently intends to utilize the remaining proceeds of the Offering primarily for the conversion and refurbishment of the Northwest Restaurants and the acquisition of other sites, if possible, as well as for working capital purposes. Management currently anticipates a total of $3,000,000 in additional capital expenditure requirements, which includes requirements for the Northwest Restaurant conversions and other sites, if possible. The Company opened a BJ's Pizza Grill & Brewery in Boulder, Colorado in February 1997 and a BJ's Pizza & Grill in Eugene, Oregon and Portland, Oregon (Stark St.) in April and July 1997, respectively, a BJ's Pizza Grill & Brewery in Portland, Oregon (Jantzen Beach) in August 1997 and a BJ's Pizza, Grill & Brewery in Portland Oregon (Lloyd Center) in October 1997. Management intends to continue to develop and convert the Northwest Restaurants through 1997 and to complete the conversion in the third quarter of 1998. Management believes that the net proceeds from the Company's Offering and operating cash flow will be sufficient for the Company to fund its operations and continue to meet its business plan over the next 12 months. While Management will be required to close certain restaurants or sections of such restaurants while undergoing conversion, management believes that it can reduce the impact of such closings by coordinating with neighboring locations, where possible, to continue delivery operations. However, 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.

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 been higher volume periods than other periods of the year.

IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

In February 1997, the Financial Accounting Standards Board issued SFAS No. 128, "Earnings Per Share," which establishes standards for computing and presenting earnings per share. SFAS No. 128 requires the replacement of primary earnings per share with basic earnings per share. Basic earnings per share excludes dilution, and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding during the period. The Company will be required to adopt the provisions of SFAS No. 128 for 1997. It is not expected that the adoption of SFAS No. 128 will have a material impact on earnings per share results reported by the Company under the Company's current capital structure.

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

PART II

ITEM 1. LEGAL PROCEEDINGS

The Company closed its La Jolla Prospect restaurant in 1995 and the lease was assigned, subject to a continuing guarantee by the Company, to a third party restaurant operator. That operator defaulted on the terms of the lease as of May 1997 and filed bankruptcy under Chapter 7. The owner of the property has filed an action against the Company for the full rental obligation through the remaining term of the lease, which was estimated at $700,000. In October 1997 the Company agreed to a settlement and mutual release of this lease in the amount of $150,000. The Company had recorded a liability for accrued rent in accordance with the terms of the lease for $17,000 during the second quarter and an additional $26,000 during the third quarter ending September 30, 1997. A charge for the balance of the settlement will be taken by the Company in the fourth quarter of 1997 in the amount of $107,000.

ITEM 2. CHANGES IN SECURITIES

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

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

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit Number	Description
27.1	Financial Data Schedule

(b) Reports on Form 8-K

None

SIGNATURES

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

CHICAGO PIZZA & BREWERY, INC.
(Registrant)

November 13, 1997

By: /s/ PAUL A. MOTENKO

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

By: /s/ JEREMIAH J. HENNESSY

Jeremiah J. Hennessy
President, Chief Operating Officer,
Chief Financial Officer and Director

WARNING: THE EDGAR SYSTEM ENCOUNTERED ERROR(S) WHILE PROCESSING THIS SCHEDULE.

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Exhibits 27.1 Financial Data Schedule

This schedule contains summary financial information extracted from Chicago Pizza & Brewery, Inc. Consolidated financial statements for the nine month period ended September 30, 1997 and is qualified in its entirety by reference to such financial statements.
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