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GRILL CONCEPTS INC  
Form DEF 14A  
April 26, 2004

SCHEDULE 14A INFORMATION  
Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )

Filed by the Registrant [X]  
Filed by a Party other than the Registrant [ ]

Check the appropriate box:

- [ ] Preliminary Proxy Statement of the Commission Only [ ] Confidential, for Use (as permitted by Rule 14a-6(e)(2))
- [X] Definitive Proxy Statement
- [ ] Definitive Additional Materials
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GRILL CONCEPTS, INC.

-----  
(Name of Registrant As Specified in its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- [X] No fee required.
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1. Amount Previously Paid:

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4. Date Filed:

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GRILL CONCEPTS, INC.  
11661 San Vicente Blvd., Suite 404  
Los Angeles, California 90049

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

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DATE	June 23, 2004
TIME	9:00 a.m., Pacific Time
PLACE	The Grill on the Alley 9560 Dayton Way Beverly Hills, California 90210
ITEMS OF BUSINESS	(1) To elect seven directors of the Company to hold office until the next annual meeting of shareholders or until their successors are duly elected and qualified.  (2) To consider a proposal to ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent certifying accountants.  (3) To transact such other business as may properly come before the meeting or any adjournment thereof.
RECORD DATE	Holders of Grill Concepts common stock of record at the close of business on April 26, 2004 are entitled to vote at the meeting.
ANNUAL REPORT	The Company's 2003 annual report, which is not part of the proxy soliciting materials, is included with this document.

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PROXY VOTING            It is important that your shares be represented and voted at the meeting. You can vote your shares by completing and returning the proxy card sent to you. Shareholders may be able to vote their shares over the Internet or by telephone. If Internet or telephone voting is available to you, voting instructions are printed on the proxy card sent to you. You can revoke a proxy at any time prior to its exercise at the meeting by following the instructions in the accompanying proxy statement.

You are cordially invited to attend the meeting. Whether or not you are planning to attend the meeting, you are urged to complete, date and sign the enclosed proxy card and return it promptly.

By Order of the Board of Directors

Michael Weinstock  
Chairman

Los Angeles, California  
April 26, 2004

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GRILL CONCEPTS, INC.  
11661 SAN VICENTE BLVD., SUITE 404  
LOS ANGELES, CALIFORNIA 90049

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PROXY STATEMENT  
FOR  
ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD JUNE 23, 2004

-----  
INTRODUCTION  
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GENERAL

This Proxy Statement is being furnished in connection with the solicitation of proxies on behalf of the Board of Directors of Grill Concepts, Inc. (the "Company") for use at the 2004 Annual Meeting of Shareholders of the Company and at any adjournment thereof (the "Annual Meeting"). The Annual Meeting is scheduled to be held at The Grill on the Alley, 9560 Dayton Way, Beverly Hills, California, on Wednesday, June 23, 2004 at 9:00 a.m. local time. This Proxy Statement and the enclosed form of proxy will first be sent to shareholders on or about April 28, 2004.

MATTERS TO BE VOTED ON BY SHAREHOLDERS

At the Annual Meeting, the shareholders will vote upon two proposals, the election of directors and the ratification of the appointment of PricewaterhouseCoopers LLP as independent certifying accountants, as described further in this Proxy Statement. The Board of Directors is not aware of any matters that are expected to come before the Annual Meeting other than those referred to in this Proxy Statement.

PROXIES

The shares represented by any proxy in the enclosed form, if such proxy is properly executed and is received by the Company prior to or at the Annual Meeting prior to the closing of the polls, will be voted in accordance with the specifications made thereon. Proxies on which no specification has been made by

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the shareholder will be voted FOR the election to the Board of Directors of the nominees of the Board of Directors named herein and FOR the ratification of the appointment of the designated independent accountants. If any other matter should come before the Annual Meeting, the persons named in the accompanying proxy intend to vote such proxies in accordance with their best judgment.

### REVOCAION OF PROXIES

Proxies are revocable by written notice received by the Secretary of the Company at any time prior to their exercise or by executing a later dated proxy. Proxies will be deemed revoked by voting in person at the Annual Meeting.

### RECORD DATE

Shareholders of record at the close of business on April 26, 2004 (the "Record Date") are entitled to notice of and to vote at the Annual Meeting.

### VOTING SECURITIES

On the Record Date, the total number of shares of common stock of the Company, \$0.00004 par value per share (the "Common Stock"), outstanding and entitled to vote was 5,588,019.

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### QUORUM

The presence at the Annual Meeting, in person or by proxy, of the holders of a majority of the outstanding shares of Common Stock entitled to vote at the Annual Meeting is necessary to constitute a quorum.

### VOTING PROCEDURES

Casting Votes. "Record" shareholders of Common Stock (that is, persons holding Common Stock in their own name in Grill Concepts' stock records maintained by our transfer agent, Securities Transfer Corporation), may attend the Annual Meeting and vote in person or complete and sign the accompanying proxy card and return it to Grill Concepts.

"Street name" shareholders of Common Stock (that is, shareholders who hold Common Stock through a broker or other nominee) who wish to vote at the Annual Meeting will need to obtain a proxy form from the institution that holds their shares and to follow the voting instructions on that form.

Counting of Votes. The holders of all outstanding shares of Common Stock are entitled to one vote for each share of Common Stock registered in their names on the books of the Company at the close of business on the Record Date. Additionally, every shareholder voting for the election of directors may cumulate such shareholder's votes and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of shares held by the shareholder as of the Record Date, or distribute such shareholder's votes on the same principle among as many candidates as the shareholder may select, provided that votes cannot be cast for more than the number of directors to be elected. However, no shareholder shall be entitled to cumulate votes unless the candidate's name has been placed in nomination prior to the voting and the shareholder, or any other shareholder, has given notice at the meeting prior to the voting of the intention to cumulate the shareholder's votes.

Broker Non-Votes. A broker non-vote occurs when a broker submits a proxy card with respect to shares of common stock held in a fiduciary capacity (typically referred to as being held in "street name"), but declines to vote on a

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particular matter because the broker has not received voting instructions from the beneficial owner. Under the rules that govern brokers who are voting with respect to shares held in street name, brokers have the discretion to vote such shares on routine matters, but not on non-routine matters. Routine matters include the election of directors, increases in authorized common stock for general corporate purposes and ratification of auditors. Non-routine matters include amendments to stock plans.

Required Vote to Constitute a Quorum and Approve Proposals. Shares of Common Stock represented by a properly dated, signed and returned proxy will be counted as present at the Annual Meeting for purposes of determining a quorum, without regard to whether the proxy is marked as casting a vote or abstaining. Directors will be elected by a plurality of the votes cast at the Annual Meeting. Each of the other matters scheduled to come before the Annual Meeting requires the approval of a majority of the votes cast at the Annual Meeting. Therefore, abstentions and broker non-votes will have no effect on the election of directors or any other matter.

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### PROPOSALS

The stockholders are being asked to consider and vote upon two proposals at the meeting. The following is a summary of the proposals and the voting recommendations of the Board of Directors:

PROPOSAL	BOARD RECOMMENDATION
----- 1 - Election of Directors -----	----- FOR -----
2 - Ratification of Appointment of Auditors -----	----- FOR -----

Following is a detailed description of the proposals to be considered by the stockholders.

#### PROPOSAL 1 - ELECTION OF DIRECTORS

The first proposal to be vote on is the election of seven directors. The Board's nominees are Robert Spivak, Michael Weinstock, Glenn Golenberg, Lewis Wolff, Stephen Ross, Norman MacLeod and Bruce Schwartz. Each of the nominees other than Mr. Schwartz is presently serving as a Grill Concepts director. Biographical information about each of the nominees is included in "Director Information" below. If elected, each of the nominees will serve a one-year term and will be subject to reelection next year along with the other directors.

The Board of Directors has no reason to believe that any nominee will be unable to serve or decline to serve as a director if elected. If a nominee becomes unable or unwilling to accept nomination or election, the Board will either select a substitute nominee or will reduce the size of the Board. If you have submitted a proxy and a substitute nominee is selected, your shares will be voted for the election of the substitute nominee.

In accordance with Grill Concepts' bylaws, directors are elected by a plurality vote of shares represented and entitled to vote at the meeting. That means the seven nominees will be elected if they receive more affirmative votes than any other nominees. In accordance with applicable law, in electing directors, stockholders may cumulate their votes and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of

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shares held by the stockholder as of the Record Date, or distribute such stockholder's votes on the same principle among as many candidates as the stockholder may select, provided that votes cannot be cast for more than the number of directors to be elected. However, no stockholder shall be entitled to cumulate votes unless the candidate's name has been placed in nomination prior to the voting and the stockholder, or any other stockholder, has given notice at the meeting prior to the voting of the intention to cumulate the stockholder's votes.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" ALL NOMINEES.

### DIRECTOR INFORMATION

Set out below is certain information concerning our nominees for election as directors of the Company:

GLENN GOLENBERG Age: 63 Director since 1995 Committees: Audit and Compensation	Mr. Golenberg is a Managing Director of Golenberg & Company, formed in 1995. The Bellwether Group, LLC, merchant banking firms that invest in and provide consulting and financial advisory services to a broad range of businesses. In forming Golenberg & Company, Mr. Golenberg served in various research and management positions in the investment banking industry from 1966 to 1978. Previously, Mr. Golenberg was a CPA with Arthur Andersen & Co.
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NORMAN MACLEOD Age: 53 Director since 2001 No Board Committees	Mr. MacLeod is Executive Vice President of the Sheraton Hotels & Resorts and Starwood Hotels & Resorts Worldwide, Inc. Mr. MacLeod has served in various management positions with Starwood since 1996, beginning as Area Managing Director for the North American Southeast operations of the company's Westin Hotel division and then Executive Vice President of the Westin Hotels & Resorts, most recently, Executive Vice President, Operations, North America Division. Previously, Mr. MacLeod served in various management positions with Omni
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STEPHEN ROSS Age: 55 Director since 2001 Committees: Audit and Compensation	Mr. Ross is a consultant and private investor. From 1989 to 2001, Mr. Ross served as Executive Vice President - Special Projects for Warner Bros. Previously, Mr. Ross served as Senior Vice President and General Counsel for Lorimar Telepictures Corporation, and its predecessors, from 1981 to 1989. Since 2001, Mr. Ross has served as a director of MAI Systems Corporation, an information technology solutions provider for the hotel industry.
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BRUCE SCHWARTZ Age: 64 Director Nominee	Mr. Schwartz served, from 1989 until his retirement in 2003, in various capacities with Sysco Food Services of Los Angeles, Inc., a major food service company and subsidiary of NYSE traded Sysco Corporation. From 1989 to 1996, Mr. Schwartz served as President and Chief Operating Officer of Sysco Food Services. From 1996 to 2003, Mr. Schwartz served as Chairman of the Board and Chief Executive Officer of Sysco Food Services.
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ROBERT SPIVAK Age: 60 Director since 1995 No Board Committees	Mr. Spivak has served as President, Chief Executive Officer and a director of Grill Concepts, Inc. since 1995. Mr. Spivak was a co-founder of the Company's predecessor, Grill Concepts, Inc. (a California corporation) ("GCI") and served as President, Chief Executive Officer and a director of GCI from the company's inception in 1995. Prior to forming GCI, Mr. Spivak co-founded, and operated, The Grill Alley restaurant in Beverly Hills in 1984. Mr. Spivak is a founder and past president of the Beverly Hills Restaurant Association. Mr. Spivak also chairs the executive board of the Collins School of Hotel and Restaurant Management at California State Polytechnic University at Pomona, is Director Emeritus of the California Restaurant Association and is a member of the Board of Directors of DiRoNA - Distinguished Restaurants of North America.
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MICHAEL WEINSTOCK  
Age: 61  
Director since 1995  
No Board Committees

Mr. Weinstock has served as Executive Vice President and a director of the Company since 1995 and as Chairman of the Board since 2000. From 1995 to 2000, Mr. Weinstock served as Vice-Chairman of the Board. Mr. Weinstock was a co-founder of GCI and served as Chairman of the Board, Vice President and a director of the Company from 1988 until 1995. Prior to forming GCI, Mr. Weinstock co-founded The Grill Alley restaurant in Beverly Hills in 1984. Mr. Weinstock previously served as President, Chief Executive Officer and a director of Morse Security Group, a security systems manufacturer.

LEWIS WOLFF  
Age: 68  
Director since 2001  
No Board Committees

Mr. Wolff is Chairman of Wolff DiNapoli LLC and Wolff Urban Management, two real estate acquisition, investment, development and management firms. Mr. Wolff is also co-founder and, since 1994, has served as Chairman of Maritz, Wolff's privately held hotel investment group that acquires top-tier luxury hotels. Maritz, Wolff's holdings exceed \$1.0 billion. Since 1999, Mr. Wolff has served as co-Chairman of Fairmont Hotels & Resorts, a hotel management company formed by Fairmont Hotel Management Company and Canada Pacific Hotels & Resorts, Inc.

### PROPOSAL 2 - RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

The Board of Directors has selected PricewaterhouseCoopers LLP as independent auditors for the fiscal year ending December 26, 2004, and recommends that the shareholders vote for ratification of such appointment. PricewaterhouseCoopers, and its predecessor firm, Coopers & Lybrand LLP, has served as the Company's independent auditors since 1997. In the event of a negative vote on such ratification, the Board of Directors will reconsider its selection.

Representatives of PricewaterhouseCoopers LLP are expected to be present at the Annual Meeting, will be afforded an opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate inquiries from shareholders.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS INDEPENDENT ACCOUNTANTS FOR GRILL CONCEPTS.

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### EXECUTIVE COMPENSATION AND OTHER INFORMATION

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#### COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Board of Directors reviews and approves the general compensation policies of the Company with respect to stock options and the compensation plans and specific compensation levels for executives of the Company. The Compensation Committee consists of the three directors named below. The Board has determined that all members of the Compensation Committee are (i) independent as defined under applicable Nasdaq rules, (ii) non-employees within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, and (iii) "outside directors" within the meaning of Section 162(m) of the Internal Revenue Code.

The primary consideration of the Compensation Committee in determining overall executive compensation is to motivate, reward and retain the best management team to achieve the company's objective and thus compensation is based upon a combination of overall financial performance of the company, the meeting of long



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term objectives and each individuals' experience and past performance, while considering salaries of other executives in similar companies. In developing performance criteria, individual and company objectives, compensation structures and comparables, the Compensation Committee may, at its election, retain third party compensation consultants. In 2003, the Compensation Committee utilized the services of compensation consultant to assist the Committee in developing certain elements of the compensation plan for our Chief Executive Officer ("CEO").

The CEO recommends, based on the Company's performance evaluation policies and procedures, the compensation to be paid to executive officers other than himself; final determination of the amount of compensation rests with the Compensation Committee. The CEO's compensation, including all components thereof, is fixed periodically by employment agreement based on negotiations between the CEO and the Compensation Committee. Other than those negotiations, the CEO does not participate in discussions about his compensation matters or in the making of recommendations about his compensation.

The executive compensation system consists of three major components: base salary, annual incentive - consisting of participation in a cash bonus program, and long-term incentive compensation - consisting of stock option grants.

**Base Salary.** For fiscal 2003, the base salary of the executive officers, other than the Chief Executive Officer whose salary is determined by an employment agreement, were set based upon the results of the executive's performance review. Each executive is reviewed by the Chief Executive Officer and given specific objectives, which vary with the executive's position and responsibilities. At the next annual review, the actual performance of the executive is compared to the previously established specific objectives and base salary is adjusted accordingly based on the recommendation of the CEO subject to review and approval by the Compensation Committee.

**Cash Bonus Program.** During 2003, the Compensation Committee established a formula for cash bonuses to be paid to executive officers that is based upon financial performance of the Company. The formula provides for a pool of money to be split among the various executives. The amount of the bonus pool is based upon the Company's financial performance taking into account financial performance of the Company relative to budgeted profitability targets and other performance criteria established by the Compensation Committee. The maximum annual bonus available under the bonus plan ranged from 10% to 50% of base salary during 2003, depending on the individual's position in the Company and measurement of Company financial performance against the foregoing annual incentive compensation criteria.

During fiscal 2003 the Company's performance did not meet the required financial performance goals and thus no cash bonuses were paid.

**Stock Options.** The Company believes that the granting of stock options serves as a long-term incentive to officers and other employees of the Company and its subsidiaries. The 1995 and 1998 stock option plans provide the Company with flexibility in awarding of stock options.

Based on a review of the level of options held and other equity ownership in the Company, stock option grants to officers during 2003 were made to select management personnel.

**2003 Compensation of the CEO.** The 2003 salary of the CEO was fixed at \$250,000 by an employment agreement entered into in January 2001 based on the Committee's review of Mr. Spivak's prior performance, the Company's future plans and the

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salaries of CEO's of similarly positioned companies. Mr. Spivak voluntarily agreed to limit his salary during 2003 to, and actual salary paid to Mr. Spivak during 2003 was, \$244,039. Pursuant to his employment agreement with the Company, Mr. Spivak also received, in addition to benefits generally available to all employees, a non-accountable expense allowance of \$18,000, a \$1,000,000 life insurance policy, the annual premiums of which totaled \$22,222 during 2003, and use of a leased automobile and reimbursement of expenses relating to the use of the same, totaling \$14,965 during 2003.

Based on a review of performance versus the Company's plan, during 2003, the Company paid no bonus to Mr. Spivak and granted no additional options to Mr. Spivak.

Tax Deductibility of Executive Compensation. Section 162(m) of the Internal Revenue Code contains provisions, which could limit the deductibility of certain compensation payments to the Company's executive officers. The Company believes that any compensation realized in connection with the exercise of stock options granted by the Company will continue to be deductible as performance based compensation. The policy of the Company is to design its compensation programs generally to preserve the tax deductibility of compensation paid to its executive officers. The Committee could determine, however, taking into consideration the burdens of compliance with Section 162(m) and other relevant facts and circumstances, to pay compensation that is not fully deductible, if the Committee believes such payments are in the Company's best interests.

COMPENSATION COMMITTEE

Charles Frank, Chairman  
 Glenn Golenberg  
 Stephen Ross

SUMMARY COMPENSATION TABLE

The following table sets forth information concerning cash and non-cash compensation paid or accrued for services in all capacities to the Company during the year ended December 28, 2003 of each person who served as the Company's Chief Executive Officer during fiscal 2003 and the next four most highly paid executive officers (the "Named Officers").

Name and Principal Position	Year	Annual Compensation			Long Term Compensatio Stock Options
		Salary(\$)	Bonus(\$)	Other (\$)	
Robert Spivak	2003	244,039	-0-	55,178 (1)	
President and	2002	235,000	-0-	33,500 (1)	
Chief Executive Officer	2001	225,000	-0-	33,500 (1)	100,
Daryl Ansel	2003	145,385	-0-	-0-	7,
Chief Financial Officer	2002	140,000	-0-	-0-	15,
	2001	130,000	-0-	-0-	50,
John Sola	2003	151,460	-0-	-0-	6,
Vice President - Operations	2002	146,000	-0-	-0-	12,
and Development	2001	138,000	-0-	-0-	9,
Michael Weinstock	2003	116,829	-0-	-0-	
Executive Vice President and	2002	112,500	-0-	-0-	

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Chairman of the Board

2001 112,500

-0-

-0-