GRILL CONCEPTS INC
Form DEF 14A
May 25, 2005

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

Filed by the Registrant [X]
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Check the appropriate box:
[ ] Preliminary Proxy Statement
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GRILL CONCEPTS, INC.

(Name of Registrant As Specified in its Charter)

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

Payment of Filing Fee (Check the appropriate box):
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1. Title of each class of securities to which transaction applies:

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1. Amount Previously Paid:

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2. Form, Schedule or Registration Statement No.:

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3. Filing Party:

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4. Date Filed:

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

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

DATE	July 27, 2005
TIME	9:00 a.m., Pacific Time
PLACE	Daily Grill Restaurant 612 South Flower Street Los Angeles, California
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 Moss Adams 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 June 1, 2005 are entitled to vote at the meeting.
ANNUAL REPORT	The Company's 2004 annual report, which is not part of the proxy soliciting materials, is included with this document.
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

/s/ Michael Weinstock

Michael Weinstock
Chairman

Los Angeles, California
May 24, 2005

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

PROXY STATEMENT
FOR
ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD July 27, 2005

INTRODUCTION

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 2005 Annual Meeting of Shareholders of the Company and at any adjournment thereof (the "Annual Meeting"). The Annual Meeting is scheduled to be held at Daily Grill, 612 South Flower Street, Los Angeles, California, on Wednesday, July 27, 2005 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 June 3, 2005.

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 Moss Adams 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 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.

REVOCATION 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 June 1, 2005 (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 5,650,146.

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 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.

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, Richard Dantas and Bruce Schwartz. Each of the nominees, other than Richard Dantas, is currently serving as a director of the Company. Mr. Dantas replaces Norman Macleod as designee of Starwood Hotels & Resorts Worldwide, Inc. pursuant to a contractual right of Starwood to designate a director nominee. 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 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:

RICHARD DANTAS Age: 38 Nominee No Board Committees	Mr. Dantas has served as Vice President, Strategy of Starwood Hotels and Resorts Worldwide, Inc since April 2005. Previously, Mr. Dantas was with PepsiCo's Frito-Lay Division from 1993 to 2005 where he held a variety of line, staff and general management positions in Europe, South Africa and North America. Most recently he was Frito-Lay North America's Vice-President for the Mid-Atlantic region.
GLENN GOLENBERG Age: 64 Director since 1995 Committees: Audit and Compensation	Mr. Golenberg is a Managing Director of Golenberg & Company, formed in 1978, and The Bellwether Group, LLC, merchant banking firms that invest in and provide consulting and financial advisory services to a broad range of businesses. Prior to 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.

STEPHEN ROSS Age: 56 Director since 2001 Committees: Audit and Compensation	Mr. Ross is a consultant to the entertainment and related industries. 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.
BRUCE SCHWARTZ Age: 65 Director since 2004 Committees: Audit	Mr. Schwartz served, from 1989 until his retirement in 2003, in various executive capacities with Sysco Food Services of Los Angeles, Inc., a major food services 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 and, from 1996 to 2003, Mr. Schwartz served as Chairman of the Board and Chief Executive Officer of Sysco Food Services.
ROBERT SPIVAK Age: 61 Director since 1995 No Board Committees	Mr. Spivak has served as President, Chief Executive Officer and a director of the Company 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 1988 until 1995. Prior to forming GCI, Mr. Spivak co-founded, and operated, The Grill on the 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 advisory 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.

MICHAEL WEINSTOCK Age: 62 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 GCI from 1988 until 1995. Prior to forming GCI, Mr. Weinstock co-founded The Grill on the Alley restaurant in Beverly Hills in 1984. Mr. Weinstock previously served as President, Chief Executive Officer and a director of Morse Security Group, Inc., a security systems manufacturer.
LEWIS WOLFF Age: 69 Director since 2001 No Board Committees	Mr. Wolff has served as a Director since 2001. Mr. Wolff is Chairman of Wolff Urban Management, Inc. and Wolff Urban Development LLC, real estate acquisition, investment, development and management firms. Mr. Wolff is also co-founder and, since 1994, has served as Chairman of Maritz, Wolff & Co., a privately held hotel investment group that acquires top-tier luxury hotel properties. Maritz, Wolff's holdings exceed $1.0 billion. Mr. Wolff is currently Chairman of Sunstone Hotel Investors Inc. (NYSE: SHO) and Managing Partner of Oakland Athletics Major League Baseball team.

PROPOSAL 2 - RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

The Board of Directors has selected Moss Adams LLP as independent auditors for the fiscal year ending December 25, 2005, and recommends that the shareholders vote for ratification of such appointment. Moss Adams LLP, has served as the Company's independent auditors since 2004. In the event of a negative vote on such ratification, the Board of Directors will reconsider its selection.

Representatives of Moss Adams 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 MOSS ADAMS LLP AS INDEPENDENT ACCOUNTANTS FOR GRILL CONCEPTS.

EXECUTIVE COMPENSATION AND OTHER INFORMATION

COMPENSATION COMMITTEE REPORT

Policy. 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 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. No compensation consultants were used in 2004.

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 2004, the base salary of the executive officers, other than the Chief Executive Officer and Chief Financial Officer whose salaries are determined by employment agreements, was 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 2004, 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 2004, depending on the individual's position in the Company and measurement of Company financial performance against the foregoing annual incentive compensation criteria.

During fiscal 2004 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 2004 were made to select management personnel. Stock option grants in 2004 to all employees totaled 205,000 shares, or 3.63% of the shares outstanding at year-end, of which 81,000 options were granted to executive officers.

2004 Compensation of the CEO. The 2004 salary of the CEO was fixed at $260,000 by an employment agreement entered into and effective January 1, 2004 based on the Committee's review of Mr. Spivak's prior performance, the Company's future plans and the salaries of CEO's of similarly positioned companies. 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 $16,831 during 2004, use of a leased automobile and reimbursement of expenses relating to the use of the same, totaling $13,219 during 2004 and a stock option grant covering 25,000 shares exercisable at $3.14 per share and vesting ratably over three years. The current employment agreement with Mr. Spivak runs through 2006 and provides for base salary of $280,000 in 2005 and $300,000 in 2006 and provides that Mr. Spivak and his spouse will be provided with continuing coverage, at the Company's expense, under the Company's existing group life, health, accident, disability, liability or hospitalization insurance plans, pension plans, severance plans or retirement plans for a period of five years following the term of Mr. Spivak's employment agreement.

For 2004 and later years covered by Mr. Spivak's employment agreement, Mr. Spivak was eligible to earn a cash bonus ranging up to 50% of his base salary based on attainment of performance goals established by the Committee annually. Based on a review of performance versus the Company's plan, during 2004, the Company paid no bonus to Mr. Spivak.

In conjunction with the execution of a new employment agreement with Mr. Spivak, the Committee approved and the Company entered into a Consulting Agreement with Mr. Spivak pursuant to which Mr. Spivak will provide ongoing consulting services to the Company for a period of ten years following the end of his employment with the Company. Under the terms of the consulting agreement, Mr. Spivak will provide an estimated 40 hours of services per month and will receive $12,500 per month plus use of an office and, for a period of eighteen months, an automobile, a restaurant meal allowance of $1,000 per month and medical, life and disability insurance.

In entering into the employment agreement and consulting agreement with Mr. Spivak, and fixing Mr. Spivak's compensation during 2004 and later years, the Committee took into account the critical role Mr. Spivak has played in developing and implementing the Company's operating strategies and the Committee's belief that securing Mr. Spivak's ongoing advice and services following his eventual departure from the Company would be critical to an effective transition in leadership when that time arrives.

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.

Review of all Components of Executive Compensation. The Committee has reviewed all components of the compensation packages of the Company's CEO and other most highly compensated executive officers, including salary, bonus, stock option grants, potential realizable value of options held, the dollar value to the executive and cost to the Company of all perquisites and other personal benefits provided and the value of future severance and post-retirement payment obligations.

Committee Conclusions. Based on the foregoing, the Committee finds that the total compensation of the CEO and the other highest paid executives, in the aggregate is reasonable and not excessive.

COMPENSATION COMMITTEE

Stephen Ross, Chairman
Glenn Golenberg
Norman Macleod

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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 26, 2004 of each person who served as the Company's Chief Executive Officer during fiscal 2004 and the next four most highly paid executive officers whose salary exceeded $100,000 (the "Named Officers").

Name and Principal Position	Year	Annual Compensation Salary($)	Bonus($)	Other ($)	C St
Robert Spivak	2004	259,123	-0-	48,050 (1)	
President and	2003	244,039	-0-	55,178 (1)	
Chief Executive Officer	2002	235,000	-0-	33,500 (1)	
John Sola	2004	150,148	-0-	-0-	
Vice President - Operations	2003	151,460	-0-	-0-	
and Development	2002	146,000	-0-	-0-	
Michael Weinstock	2004	148,327	-0-	-0-	
Executive Vice President and	2003	116,829	-0-	-0-	
Chairman of the Board	2002	112,500	-0-	-0-	
Philip Gay	2004	93,101	-0-	15,000 (2)	
Chief Financial Officer and	2003	-0-	-0-	-0-	
Executive Vice President	2002	-0-	-0-	-0-	