

GRILL CONCEPTS, INC.

NEWS RELEASE

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GRILL CONCEPTS REPORTS 2009 THIRD QUARTER FINANCIAL RESULTS

-- Major Shareholder Invests Additional \$15 Million in the Company --

WOODLAND HILLS, Calif. – December 26, 2009 – Grill Concepts, Inc. (Pink Sheets: GLLC), operators of *The Grill on the Alley* and *Daily Grill*-branded restaurants and the *In Short Order – Daily Grill* quick casual concept, today reported unaudited financial results for its third quarter and nine months ended September 27, 2009.

Sales at company-owned restaurants for the fiscal 2009 and 2008 three and nine month periods and the change in comparable same-store sales are reflected in the table below:

	Three Months Ended		Nine Months Ended	
	September 27, 2009	September 28, 2008	September 27, 2009	September 28, 2008
<i>(amounts in thousands)</i>				
Revenues:				
Sales	\$ 14,330	\$ 16,675	\$ 48,274	\$ 52,299
Management and license fees	556	846	1,506	2,227
Total revenues	14,886	17,521	49,780	54,526
Same-store sales				
Daily Grill	(17.7)%	(10.7)%	(16.4)%	(7.7)%
The Grill on the Alley	(21.6)%	(4.5)%	(21.9)%	(3.4)%
Consolidated	(19.3)%	(8.0)%	(18.4)%	(6.0)%

The company said revenues reflect the general downturn in the U.S. economy and accompanying decline in consumer spending and the closure of the Universal CityWalk *Daily Grill* on September 7, 2009 and a temporary closure of its Westlake *Grill on the Alley* restaurant, due to a fire at the premises that occurred during non-operational hours on June 4, 2009. After repairs were completed, the restaurant re-opened on August 31st. A loss claim was filed with the insurance company, and the company has received reimbursement for damages and business interruption covering the entire period of closure.

Total operating expenses for the 2009 fiscal third quarter amounted to \$16.5 million, down 25% from \$21.9 million in the corresponding prior-year period. The company noted that its 2008 third quarter operating expenses included a number of items for which there was no comparative expenses in the current period. These include preopening costs of \$856,000, a restructuring cost of \$1.7 million associated with strategic terminations of certain new lease commitments for 2009 and a litigation claim settlement expense of \$268,000.

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The company incurred a net loss applicable to common stock of \$2.2 million, or \$0.26 per share, for the 2009 fiscal third quarter after a tax provision of \$48,000. This compares with a net loss applicable to common stock of \$11.1 million, equal to \$1.26 per share, after a tax provision of \$6.3 million. As reported a year earlier, the company recorded a full valuation allowance against its net deferred tax assets at September 28, 2008 of \$7.9 million, or \$0.90 per share, resulting in the \$6.3 million net tax provision.

Loss before interest, taxes, depreciation and amortization, preopening costs, minority interest, stock based compensation, write-off of debt issuance costs, restructuring costs and litigation settlement accruals was reduced to \$124,000 for the 2009 fiscal third quarter from \$845,000 for the same period a year ago.

“We are pleased that we are now seeing tangible benefits from the strategic actions taken earlier in the year,” said Philip Gay, president and chief executive officer. “Total operating expenses declined significantly from the prior-year period, led by a 39 percent planned reduction in general and administrative costs.”

The company also announced that in September 2009, it entered into a securities purchase agreement with a major shareholder through which the shareholder made a total additional investment of \$15 million in Grill Concepts. As part of the agreement, the company issued fifteen 10% secured convertible debentures and 1,500 shares of convertible preferred stock. Additional details about the transaction may be found in the company’s quarterly report for the period ended September 27, 2009, which is available online at <http://www.pinksheets.com/pink/quote/quote.jsp?symbol=gllc>.

Following the September 2009 financing, common stock outstanding totaled 8,794,462 shares and fully diluted common stock outstanding, giving effect to conversion of the securities issued in the financing and other outstanding convertible securities, totaled 77,906,040. Of this total, 75% of the outstanding common stock is held directly by the major shareholder.

Pursuant to the September 2009 financing transaction, the major shareholder entered into agreements to sell, and finance the sale, to certain members of Grill Concepts’ management (the “Co-Investors”), a portion of the debentures and Series D preferred stock. As a result, the Co-Investors hold 19% of the debentures and Series D preferred stock. Assuming exercise or conversion of all derivative securities (including, Series C preferred stock, debentures and Series D preferred stock), 89.5% of the outstanding common stock would be held by the major shareholder and affiliates and the Co-Investors.

In conjunction with the completion of the convertible debenture financing in September 2009, Glenn Golenberg, Stephen Ross, Bruce Schwartz and Rudolph Borneo each resigned as directors of the company and Charles Mathewson, Bob Mathewson, Claude Cognian and Bud Glisson were appointed as new directors.

“We continue to make further progress with our strategic plan to focus the company’s resources for the long term and contain our operating expenses,” Gay said. “Given our anticipation for an extended recovery period in our core markets, we expect to make a few additional adjustments to our lease and operational structures before the end of the year. All-in-all, we believe our actions will enhance our

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ability to weather the current economic storm and capitalize on the opportunities ahead, one of which will be our planned opening of the *Daily Grill* restaurant in the Westin Hotel at LAX, CA early in 2010.”

“We are also pleased in the confidence in Grill Concepts shown by Chuck Mathewson and his team in their commitment of additional funding to support the company and our strategic plan and would like to extend our gratitude to Glenn Golenberg, Stephen Ross, Bruce Schwartz and Rudolph Borneo for the long and loyal service as directors of Grill Concepts.”

About Grill Concepts, Inc.

Grill Concepts owns, manages and licenses upscale casual and fine dining, full service restaurants under two core brand names: *The Grill on the Alley* and *Daily Grill*; as well as a newly launched quick casual concept named *In Short Order – Daily Grill*. The company operates 30 restaurants including seven *The Grill on the Alley*-branded restaurants in Beverly Hills, Hollywood, San Jose and Westlake Village, California; Chicago, Illinois; Dallas, Texas; and Aventura, Florida; 22 *Daily Grill* restaurants in California; the Washington, D.C. metropolitan region; Houston and Austin, Texas; Portland, Oregon; Seattle, Washington; Boston, Massachusetts; and Tulsa, Oklahoma; as well as one *In Short Order – Daily Grill* in Seattle, Washington.

Non-GAAP Financial Measure

The company believes that earnings before interest, taxes, depreciation and amortization (“EBITDA”), although a non-GAAP measure, provides greater comparability regarding its ongoing operating performance. However, EBITDA should not be considered an alternative to measurements required by accounting principles generally accepted in the United States (“U.S. GAAP”). A reconciliation of the company’s U.S. GAAP information to EBITDA is provided in the attached table.

This news release contains forward-looking statements, which are based on current operations, plans and expectations. Such statements include, but are not limited to, the company’s plans to refuel its expansion when the economy rebounds. Actual results may differ materially from these statements due to risks and uncertainties beyond the company’s control, which are detailed from time to time in its filings with the Pink OTC Markets Inc.

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(tables follow)

GRILL CONCEPTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 27, 2009	September 28, 2008	September 27, 2009	September 28, 2008
Revenues:				
Sales	\$ 14,330	\$ 16,675	\$ 48,274	\$ 52,299
Management and license fees	556	846	1,506	2,227
Total revenues	<u>14,886</u>	<u>17,521</u>	<u>49,780</u>	<u>54,526</u>
Operating expenses:				
Cost of sales	4,169	4,890	13,695	15,054
Restaurant payroll and related	5,909	6,292	18,914	19,315
Restaurant operating	2,395	3,128	8,231	9,110
Occupancy	1,479	1,448	4,659	4,232
General and administrative	1,427	2,352	4,656	6,050
Depreciation and amortization	1,037	1,016	3,195	2,740
Preopening costs	-	856	9	1,573
Abandoned projects	-	1,697	-	1,697
Loss on disposal of furniture, equipment and improvements	66	-	66	-
Litigation claim settlement	-	268	-	1,048
Total operating expenses	<u>16,482</u>	<u>21,947</u>	<u>53,425</u>	<u>60,819</u>
Loss from operations	(1,596)	(4,426)	(3,645)	(6,293)
Interest, net	(544)	(173)	(1,074)	(320)
Loss before income taxes and minority interest	<u>(2,140)</u>	<u>(4,599)</u>	<u>(4,719)</u>	<u>(6,612)</u>
Provision for income taxes	(48)	(6,304)	(142)	(5,469)
Loss before minority interest	<u>(2,188)</u>	<u>(10,903)</u>	<u>(4,861)</u>	<u>(12,081)</u>
Minority interest in net (profit) loss of subsidiaries	(11)	(169)	92	(122)
Net loss	<u>(2,199)</u>	<u>(11,072)</u>	<u>(4,769)</u>	<u>(12,203)</u>
Preferred dividends accrued	(94)	-	(281)	-
Net loss applicable to common stock	<u>\$ (2,293)</u>	<u>\$ (11,072)</u>	<u>\$ (5,050)</u>	<u>\$ (12,203)</u>
Net loss per share applicable to common stock				
Basic	<u>\$ (0.26)</u>	<u>\$ (1.26)</u>	<u>\$ (0.57)</u>	<u>\$ (1.39)</u>
Diluted	<u>\$ (0.26)</u>	<u>\$ (1.26)</u>	<u>\$ (0.57)</u>	<u>\$ (1.39)</u>
Weighted-average shares outstanding:				
Basic	<u>8,794</u>	<u>8,801</u>	<u>8,799</u>	<u>8,798</u>
Diluted	<u>8,794</u>	<u>8,801</u>	<u>8,799</u>	<u>8,798</u>

GRILL CONCEPTS, INC. AND SUBSIDIARIES
RECONCILIATION OF NON-U.S. GAAP MEASURES TO U.S. GAAP

(dollars in thousands)

(Unaudited)

The following tables set forth the reconciliation of net loss to net (loss) earnings before interest, taxes, depreciation and amortization (EBITDA), before preopening costs, minority interest, stock based compensation, write-off of debt issuance costs, restructuring costs and litigation claim settlement accruals:

	Three Months Ended		Nine Months Ended	
	September 27, 2009	September 28, 2008	September 27, 2009	September 28, 2008
Net loss	\$ (2,199)	\$ (11,072)	\$ (4,769)	\$ (12,203)
Add (deduct):				
Interest, net	544	173	1,074	320
Provision for income taxes	48	6,304	142	5,469
Depreciation and amortization	1,037	1,016	3,195	2,740
Preopening costs	–	856	9	1,573
Minority interest	(11)	(169)	92	(122)
Stock based compensation	166	82	479	226
Write-off of debt issuance costs	291	–	291	–
Restructuring costs	–	1,697	–	1,697
Litigation claim settlement	–	268	–	1,048
EBITDA (as defined)	<u>\$ (124)</u>	<u>\$ (845)</u>	<u>\$ 513</u>	<u>\$ 748</u>