

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

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FILER

GRILL CONCEPTS INC

CIK: **895041** | IRS No.: **133319172** | State of Incorpor.: **DE** | Fiscal Year End: **1231**
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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): December 13, 1996

GRILL CONCEPTS, INC.

(Exact name of registrant as specified in its charter)

0-23226

(Commission File Number)

Delaware

(State or other jurisdiction of
incorporation)

13-3319172

(IRS Employer Identification No.)

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

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (310) 820-5559

(Former name or former address, if changed since last report)

ITEM 9. SALES OF EQUITY SECURITIES PURSUANT TO REGULATION S.

(a) On December 13, 1996, Grill Concepts, Inc. (the "Company") sold 65 shares of Series B Convertible Preferred Stock at \$10,000 per share.

(b) The securities were sold to an offshore institutional investor.

(c) The aggregate sales price of such securities was \$650,000. A six percent (6%) commission was paid with respect to such sale in addition to a \$30,000 expense allowance and a three year warrant exercisable to acquire up to 46,222 shares at \$3.00 per share.

(d) The securities were offered pursuant to Regulation S. The offer was directed exclusively to non-U.S. persons based on representations from the investor that such investor would comply with the provisions of Regulation S. The securities will be held in escrow pending completion of the applicable restricted period.

(e) The Series B Preferred Shares are convertible into common stock of the Company at a conversion price equal to the lower of (i) \$2.50 per share, or (ii) the average closing bid price of the Company's common stock over the five trading day period preceding conversion multiplied by the following percentage when converted during the period after the issuance of the preferred shares indicated: 61 to 90 days - 85.0%; 91 to 130 days - 83.5%; 131 to 180 days - 82.0%; and, 181 or more days - 80.0%. Conversions of the preferred shares may not exceed 1/3 of the original amount issued commencing after the 60th day following the date of issuance, 2/3 of the original amount commencing after the 75th day following issuance and all of the preferred shares may be converted after the 90th day following issuance.

Any conversions for which the conversion price is less than \$1.00 per share shall be subject to the right of the Company to redeem the preferred shares at \$10,600 per share if notice of conversion is submitted prior to the

90th day following the issuance of the preferred shares and at \$11,000 per share where notice of conversion is submitted on or after 90 days following issuance.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(c) Exhibits

Exhibit No. -----	Description -----
3.1	Certificate of Designation fixing terms of Series B Preferred Stock
4.1	Warrant Agreement dated December 13, 1996

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SIGNATURES

Pursuant to 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 hereunto duly authorized.

GRILL CONCEPTS, INC.
(REGISTRANT)

Date: December 19, 1996

By: /s/ Robert Spivak

Robert Spivak, President

CERTIFICATE OF DESIGNATIONS, VOTING POWERS,

PREFERENCES AND RIGHTS

OF

THE SERIES OF PREFERRED STOCK

OF

GRILL CONCEPTS, INC.

TO BE DESIGNATED

SERIES B CONVERTIBLE PREFERRED STOCK

Pursuant to Section 151(g) of the Delaware General Corporation Law, I, Robert Spivak, President of Grill Concepts, Inc., a Delaware corporation (the "Corporation"), hereby certify that the following is a true and correct copy of a resolution duly adopted by the unanimous written consent of the Corporation's Board of Directors dated as of December 4, 1996, and that said resolution has not been amended or rescinded and is in full force and effect at the date hereof:

RESOLVED, that pursuant to the authority expressly granted and vested in the Board of Directors of the Corporation by the Corporation's Certificate of Incorporation, as amended to date, the Board of Directors hereby creates a series of Preferred Stock of the Corporation, par value \$0.001 per share, to be designated "Series B Convertible Preferred Stock" and to consist of sixty-five (65) shares, and hereby fixes the voting powers, designations, preferences and relative, participating, optional or other rights and the qualifications, limitations or restrictions thereon, of the Series B Preferred Stock (the "Series B Preferred Stock"), as follows:

1. VOTING RIGHTS. The holders of Series B Preferred Stock will not have any voting rights except as set forth below or as otherwise from time to time required by law. The affirmative vote or consent of the holders of at least a majority of the outstanding shares of Series B Preferred Stock, voting separately as a class, will be required for an amendment, alteration or repeal of the Corporation's Certificate of Incorporation (including any certificate of designation of preferences) if, and only if, the amendment, alteration or repeal adversely affects the powers, preferences or special rights of the Series B Preferred Stock.

To the extent that under Delaware law the vote of the holders of Series B Preferred Stock, voting separately as a class, is required to authorize a given action of the Corporation, the affirmative vote or

consent of the holders of at least a majority of the outstanding shares of Series B Preferred Stock shall constitute the approval of such action by the class. To the extent that under Delaware law the holders of Series B Preferred Stock are entitled to vote on a matter with holders of Common Stock, voting together as one class, each share of Series B Preferred Stock shall be entitled to a number of votes equal to the number of shares of Common Stock into which it is then convertible using the record date for the taking of such vote of stockholders as the date as of which the Conversion Price is calculated. Holders of Series B Preferred Stock shall be entitled to notice of all shareholders meetings or written consents with respect to which they would be entitled to vote, which notice would be provided pursuant to the Corporation's by-laws and applicable statutes.

2. Liquidation, Dissolution or Reorganization. Subject to the prior rights of the Corporation's creditors and holders of securities senior to the Series B Preferred Stock in respect of distributions upon liquidation, dissolution, winding-up or reorganization of the Corporation, in the event of the voluntary or involuntary liquidation, dissolution, winding-up or reorganization of the Corporation, the holders of Series B Preferred Stock shall be entitled to receive \$10,000 per share (the "Liquidation Preference"), together with accrued and unpaid dividends payable thereon to the date fixed for payment of such distribution, if any, all of which shall be paid in cash, before any distribution is made to holders of any Junior Stock. If, upon any such liquidation, dissolution, winding-up or reorganization of the Corporation, the assets distributable among the holders of Series B Preferred Stock (and any series of preferred stock ranking in parity with the Series B Preferred Stock in respect of distributions upon liquidation, dissolution, winding-up or reorganization of the Corporation) shall be insufficient to permit the payment in full to such holders of the preferential amount payable to such holders determined as aforesaid, then the holders of

Series B Preferred Stock will share ratably in any distribution of the Corporation's assets in proportion to the respective preferential amounts that would have been payable if such assets were sufficient to permit payment in full of all such amounts. After payment of the full amount of the Liquidation Preference to which they are entitled, the holders of Series B Preferred Stock will not be entitled to any further participation in any distribution of assets by the Corporation. Under this Section 2, a distribution of assets in any liquidation, dissolution, winding-up or reorganization shall include (a) any consolidation or merger of the Corporation with or into any other corporation in which the Corporation is not the surviving corporation, (b) a sale or other disposition of all or substantially all of the Corporation's assets in consideration for cash and/or the issuance of

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equity securities of another corporation, or (c) a Change of Control of the Corporation.

3. CONVERSION RIGHTS.

- (a) CONVERSION. The Series B Preferred Stock shall be convertible at the option of the holder thereof into fully paid and non-assessable unlegended shares (rounded up to the nearest full share) of Common Stock of the Corporation (the "Conversion Shares") at a conversion price (the "Conversion Price") equal to the lower of (x) \$2.50 per share of Common Stock or (y) (i) the average closing bid price of the Corporation's Common Stock as calculated over the five (5) trading-day period ending on the day prior to the date of a written notice from a holder of the Series B Preferred Stock of such conversion multiplied by (ii) the following percentage when converted during the periods after the date of first issuance of

the Series B Preferred Stock (the "Issue Date") indicated:

61- 90 days.....	85.0%
91-130 days.....	83.5%
131-180 days.....	82.0%
181 or more days.....	80.0%

provided, however, that the Corporation shall be required to convert no more than one-third of the aggregate stated value of such holder's Series B Preferred Stock as of the Issue Date (the "Original Amount") until after the sixtieth (60th) calendar day following the Issue Date, two-thirds of the Original Amount after the seventy-fifth (75th) calendar day following the Issue Date, and all Series B Preferred Stock after the ninetieth (90th) calendar day following the Issue Date.

The number of Conversion Shares issuable upon conversion of each share of Series B Preferred Stock shall be determined by dividing \$10,000 by the Conversion Price in effect on the Conversion Date, as defined below. An individual share of Series B Preferred Stock may only be permitted to convert in its entirety. Partial conversion of an individual share of Series B Preferred Stock is not permitted.

- (b) MECHANICS OF CONVERSION. The holder of any shares of Series B Preferred Stock may exercise the conversion right as to any part thereof by delivering via facsimile to the Corporation, at the office of the Corporation at 11661 San Vincente Boulevard, Suite 404, Los Angeles, California 90049, a conversion notice (the "Conversion Notice") in the form attached to the subscription agreements pursuant to which the Series B Preferred Stock is issued

(the "Subscription Agreements"). The Conversion Notice shall state (i) that the holder elects to convert its shares, (ii) the number of shares of Series B Preferred Stock which such holder is converting, (iii) subject to applicable securities laws, the name(s) in which the certificate(s) representing the Conversion Shares and Dividend Shares, if any, to which such holder is entitled are to be issued, and (iv) the telecopier number to which the Corporation shall telecopy its confirmation described below. Notice given by telecopier to telecopier number 310-820-6530 shall be deemed notice for purposes of this paragraph and shall be deemed given at the time of holder's transmittal. Immediately upon receipt of any Conversion Notice, the Corporation shall, by telecopier, confirm receipt thereof at the telecopier number included thereon, which confirmation shall set forth the number of Conversion Shares and Dividend Shares, if any, to be issued by the Corporation as a result of such conversion. The Conversion Notice shall be deemed accepted by the Corporation provided the holder surrenders, or causes any agent for the holder to surrender, the certificate(s) for the Series B Preferred Stock to be converted, duly endorsed or assigned in blank, to the Corporation, at the location set forth above, within seven (7) business days after delivery of the Conversion Notice. Provided that the certificate(s) are delivered in accordance with the preceding sentence, the conversion shall be deemed to have been effected on the date of delivery of the Conversion Notice by telecopier, and such date is referred to herein as the "Conversion Date." Within three (3) business days of receipt by the Corporation of the certificate(s) representing the Series B Preferred Stock, the Corporation shall issue to such holder an unlegended certificate or certificates representing the number of full Conversion Shares and Dividend Shares, if any, which such holder is entitled to receive together with a check or cash in respect of any dividends as provided in Section 4(a) hereof.

The person in whose name the certificate(s) for the Conversion Shares and any Dividend Shares are to be issued shall be deemed to have become a stockholder of record on the applicable Conversion Date unless the transfer books of the Corporation are closed on that date, in which event he or she shall be deemed to have become a stockholder of record on the next succeeding date on which the transfer books are open, but the Conversion Price shall be that in effect on the Conversion Date. Upon conversion of only a portion of the number of whole shares covered by a certificate representing shares of Series B Preferred Stock surrendered for conversion, the

Corporation shall issue and deliver to or upon the written order of the holder of the certificate so surrendered for conversion, at the expense of the Corporation, a new certificate covering the number of shares of Series B Preferred Stock representing the unconverted portion of the certificate so surrendered, which new certificate shall entitle in all respects the holder thereof to the rights of Series B Preferred Stock represented thereby to the same extent as if the certificate theretofore covering such unconverted shares had not been surrendered for conversion.

- (c) LIQUIDATED DAMAGES. In the event the Corporation does not issue and deliver to any holder of Series B Preferred Stock unlegended certificate(s) for the aggregate number of Conversion Shares and Dividend Shares, if any, to which such holder is entitled within fifteen (15) business days after submission by such holder of a Conversion Notice, then the Corporation shall immediately pay in cash to such holder the sum of \$50,000 as liquidated damages (and shall pay an additional \$50,000 if, five (5) business days thereafter, the Corporation has not issued and delivered certificate(s) for the Conversion Shares and Dividend Shares, if any, by such date), unless such failure to deliver certificate(s) for the Conversion Shares and Dividend Shares, if any, is a result of a regulatory development, including, but not limited to, an amendment of Regulation S, or a "no-action" or written interpretative guidance from the Securities and Exchange Commission, which calls into question the ability of the Corporation to issue and deliver the Conversion Shares or any Dividend Shares without registration and the Corporation has received an opinion of its securities counsel to such effect, and provided that the Corporation fully complies with its obligations in Section 8 hereof. Nothing in this paragraph shall be construed as modifying the Corporation's obligation to issue to holders of Series B Preferred Stock unlegended certificate(s) for the Conversion Shares within three (3) business days of receipt by the Corporation of a Conversion Notice, as provided for in paragraph

(b) of this Section.

(d) ADJUSTMENTS TO CONVERSION PRICE FOR CERTAIN EVENTS. The Conversion Price shall be subject to adjustment from time to time as set forth in this subsection (d).

(i) In case at any time, or from time to time, the Corporation shall: (A) take a record of the holders of its Common Stock for the purpose of entitling them to receive a dividend or other distribution payable in shares of capital stock; (B) subdivide its outstanding shares of Common Stock into a larger

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number of shares; (C) combine its outstanding shares of Common Stock into a smaller number of shares; or (D) issue by reclassification or recapitalization of its Common Stock any other class or series of shares of the Corporation (including any such reclassification or recapitalization in connection with a consolidation or merger in which the Corporation is the continuing corporation), the Conversion Price in effect at the time of the record date for such dividend or of the effective date of such subdivision, combination, reclassification or recapitalization shall be proportionately adjusted so that the holder of any Series B Preferred Stock surrendered for conversion after such time shall be entitled to receive the aggregate number and kind of shares which, if such Series B Preferred Stock had been converted immediately prior to such time, such holder would have owned or have been entitled to receive. Such adjustment shall be made successively whenever any event listed above shall occur. In the event that such dividend or distribution is not so made, the Conversion Price shall again be adjusted to be the Conversion Price which would

then be in effect if such record date has not been fixed.

- (ii) In case at any time, or from time to time, the Corporation shall (except as hereinafter provided) issue or sell any Additional Shares of Common Stock at a discount to the Current Market Price on the date set forth below which is greater than the then applicable discount set forth in the table in Section 3(a), such table shall be adjusted to reflect the greater discount. For the purposes of this subsection (d)(ii), the date as of which the Current Market Price for such Additional Shares of Common Stock shall be computed shall be the earlier of (x) the date on which the Corporation shall enter into a legally binding contract for the issuance or sale of such Additional Shares of Common Stock or (y) the date of the actual issuance of such Additional Shares of Common Stock. The provisions of this subsection (d)(ii) shall not apply to any issuance of Additional Shares of Common Stock for which an adjustment is provided under subsection (i) hereof. No adjustment shall be made under this subsection (d)(ii) upon the issuance of any Additional Shares of Common Stock which are issued pursuant to the exercise of any warrants or other subscription or purchase rights or pursuant to the exercise of any conversion or exchange rights in any Convertible Securities, if any such adjustment shall previously have been made upon the issuance of such warrants or other rights or upon the issuance of such Convertible Securities (or upon the

issuance of any warrant or other rights therefor) pursuant to subsection (d)(iii) hereof. Adjustments shall be made successively whenever such an issuance of Additional Shares of

Common Stock shall occur. In the event that such Additional Shares of Common Stock are not so issued or sold, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such issuance had not occurred.

- (iii) In case at any time, or from time to time, the Corporation shall take a record of the holders of the Common Stock for the purpose of entitling them to receive a distribution of, or shall otherwise issue, any warrants or other rights to subscribe for or purchase any Additional Shares of Common Stock or any Convertible Securities and the consideration per share for which Additional Shares of Common Stock may at any time thereafter be issuable pursuant to such warrants or other rights or pursuant to the terms of such Convertible Securities shall be less than the Current Market Price, then the Conversion Price immediately thereafter shall be adjusted as provided in subsection (d)(ii) hereof on the basis that (a) the maximum number of Additional Shares of Common Stock issuable pursuant to all such warrants or other rights or necessary to effect the conversion or exchange of all such Convertible Securities shall be deemed to have been issued as of the date for the determination of the Current Market Price per share of Common Stock as hereinafter provided, and (b) the aggregate consideration for such maximum number of Additional Shares of Common Stock shall be deemed to be the minimum consideration received and receivable by the Corporation for the issuance of such Additional Shares of Common Stock pursuant to such warrants or other rights or pursuant to the terms of such Convertible Securities. For the purposes of this subsection (d)(iii), the date as of which the Current Market Price per share of Common Stock shall be computed shall be the earliest of (i) the date on which the Corporation shall take a record of the holders of its Common Stock for the purpose of entitling them to receive any such warrants or other rights, (ii) the date on which the Corporation shall enter into a legally binding contract for the issuance of such warrants or other rights or (iii) the date of actual issuance of such warrants or

other rights. Such reduction shall be made successively whenever such a record date is fixed. In the event that such rights or warrants are not so issued or (if issued) to the extent not exercised, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such record date had not been fixed or such unexercised rights or warrants had not been issued.

- (iv) In case at any time, or from time to time, the Corporation shall take a record of the holders of its Common Stock for the purpose of entitling them to receive a distribution, by dividend or otherwise, of evidences of its indebtedness or assets (including securities, but excluding (x) any dividend or distribution referred to in subsection (d)(i) hereof and (y) any dividend or distribution paid in cash out of funds legally available therefor of the Corporation), then in each such case the Conversion Price in effect after such record date shall be determined by multiplying the Conversion Price in effect immediately prior to such record date by a fraction, of which the numerator shall be the total number of outstanding shares of Common Stock multiplied by the Current Market Price on such record date, less the fair market value (as determined by the Board of Directors of the Corporation, whose determination shall be conclusive) of the portion of the assets or evidences of indebtedness so to be distributed, and of which the denominator shall be the total number of outstanding shares of Common Stock multiplied by such Current Market Price. Such adjustment shall be made successively whenever such a record date is fixed. In the event that such distribution is not so made, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such record date had not been fixed.
- (v) No adjustment in the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least five percent (5%) in such conversion price; provided, however, that any adjustment which by reason of this paragraph (v) is not required to be made shall be carried forward and

taken into account in any subsequent adjustment. All calculations under this subsection (d) shall be made to the nearest cent or to the nearest 1/100 of a share, as the case may be.

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- (e) AUTOMATIC CONVERSION. The Series B Preferred Stock shall mature two years after the Issue Date (the "Maturity Date") and shall automatically convert into Conversion Shares at the then current Conversion Price on the Maturity Date. All accrued but unpaid dividends on the Series B Preferred Stock shall be payable to the holders on the Maturity Date in either Dividend Shares or cash, at the option of the Corporation.
- (f) NO IMPAIRMENT. The Corporation will not, by amendment of its Certificate of Incorporation or through any reorganization (pursuant to any petition under the Bankruptcy Code or otherwise), transfer of assets, consolidation, merger or dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Corporation, but will at all times in good faith assist in the carrying out of all the provisions of this Section 3 and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the holders of the Series B Preferred Stock against impairment.
- (g) NOTICE PROVISIONS.

- (i) Whenever any conversion price shall be adjusted pursuant to subsection (d) hereof, the Corporation shall forthwith obtain a certificate signed by the Corporation's chief financial officer, setting forth, in reasonable detail, the event requiring the adjustment and the method by which such adjustment was calculated (including a description of the basis on which the Corporation's independent public accountants determined the fair value of any evidences of indebtedness, shares of stock, other securities or property or assets or warrants or other subscription or purchase rights referred to in subsections (d)(ii) through (d)(v) hereof) and specifying the new conversion prices and (if applicable) describing the amount and kind of common stock, securities, property or assets or cash which may be received upon conversion of the Series B Preferred Stock, after giving effect to such adjustment. The Corporation shall promptly cause a signed copy of such certificate to be delivered to each holder of Series B Preferred Stock.
- (ii) In case the Corporation shall propose (a) to pay any dividend payable in stock of any class to the holders of its Common Stock or to make any other distribution to the holders of its Common Stock, (b) to offer to the holders of its Common Stock

rights to subscribe for or to purchase any Convertible Securities or Additional Shares of Common Stock or shares of stock of any class or any other securities, rights or options, (c) to effect any reclassification of its Common Stock (other than a reclassification involving only the subdivision or combination of outstanding shares of Common Stock), (d) to

effect any capital reorganization, (e) to effect any consolidation, merger or sale, transfer or other distribution of all or substantially all its property, assets or business, (f) to file a voluntary petition seeking liquidation, reorganization, arrangement, readjustment of debts or for any other relief under the Bankruptcy Code or under any other act or law pertaining to insolvency or debtor relief, whether state, federal or foreign, now or hereafter existing, or (g) to effect the liquidation, dissolution, winding-up or reorganization of the Corporation, then in each such case, the Corporation shall give to each holder of Series B Preferred Stock a notice of such proposed action, which shall specify the date on which a record is to be taken for the purposes of such stock dividend, distribution or rights, or the date on which such reclassification, reorganization, consolidation, merger, sale, transfer, disposition, filing of bankruptcy, liquidation, dissolution or winding-up is to take place and the date of participation therein by the holders of Common Stock, if any such date is to be fixed, and shall also set forth such facts with respect thereto as shall be reasonably necessary to indicate the effect of such action on the Common Stock and the conversion prices after giving effect to any adjustment which will be required as a result of such action. Such notice shall be so given in the case of any action covered by (a) or (b) above at least 20 days prior to the record date for determining holders of the Common Stock for purposes of such action and, in the case of any other such action, at least 20 days prior to the date of the taking of such proposed action or the date of participation therein by the holders of Common Stock, whichever shall be the earlier.

- (h) TREASURY STOCK. The sale or other disposition of any issued shares of Common Stock owned or held by or for the account of the Corporation shall be deemed an issuance thereof for purposes of subsection (d) hereof, but until so issued such shares shall not be deemed to be outstanding.

- (i) COMPUTATION OF CONSIDERATION. To the extent that any Additional Shares of Common Stock or any Convertible Securities or any warrants or other rights to subscribe for or purchase any Additional Shares of Common Stock or any Convertible Securities shall be issued for a cash consideration, the consideration received by the Corporation therefor shall be deemed to be the amount of the cash received by the Corporation therefor, or, if such Additional Shares of Common Stock or Convertible Securities are offered by the Corporation for subscription, the subscription price, or, if such Additional Shares of Common Stock or Convertible Securities are sold to underwriters or dealers for public offering without a subscription offering, the initial public offering price, in any such case excluding any amounts paid or receivable for accrued interest or accrued dividends and without deduction of any compensation, discounts or expenses paid or incurred by the Corporation for and in the underwriting of, or otherwise in connection with, the issue thereof. To the extent that such issuance shall be for a consideration other than cash, then, except as herein otherwise expressly provided, the amount of such consideration shall be deemed to be the fair value of such consideration at the time of such issuance as determined by the Board of Directors of the Corporation. The consideration for any Additional Shares of Common Stock issuable pursuant to any warrants or other rights to subscribe for or purchase the same shall be the consideration received by the Corporation for issuing such warrants or other rights, plus the additional consideration payable to the Corporation upon the exercise of such warrants or other rights. The consideration for any Additional Shares of Common Stock issuable pursuant to the terms of any Convertible Securities shall be the consideration received by the Corporation for issuing any warrants or other rights to subscribe for or purchase such Convertible Securities, plus the consideration paid or payable to the Corporation in respect of the subscription for or purchase of such Convertible Securities, plus the additional consideration, if any, payable to the Corporation upon the exercise of the right of conversion or exchange in such Convertible Securities. In case of the issuance at any time of any Additional Shares of Common Stock or Convertible

Securities in payment or satisfaction of any dividend upon any class of stock other than Common Stock or in payment of any debt, the Corporation shall be deemed to have received for such Additional Shares of Common Stock or Convertible Securities a consideration equal to the amount of such dividend or debt so paid or satisfied.

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- (j) ANTIDILUTION PROVISIONS. No adjustment shall be made as a result of any increase in the number of Additional Shares of Common Stock issuable or any decrease in the consideration payable upon any issuance of Additional Shares of Common Stock, pursuant to any provisions intended solely to avoid dilution contained in any warrants, rights or Convertible Securities.
- (k) WHEN ADJUSTMENT NOT REQUIRED.
 - (i) If the Corporation shall take a record of the holders of its Common Stock for the purpose of entitling them to receive a dividend or distribution or subscription or purchase rights and shall, thereafter and before the distribution to stockholders thereof, legally abandon its plan to pay or deliver such dividend, distribution, subscription or purchase rights, then thereafter no adjustment shall be required by reason of the taking of such record and any such adjustment previously made in respect thereof shall be rescinded and annulled.
 - (ii) If the Corporation declares or makes any dividend or distribution with respect to Common Stock, other than regular cash dividends or dividends payable solely in shares of Common Stock, and each holder of Series B Preferred Stock concurrently receives dividends or distributions equal in

amount and in the same kind of property (whether cash, securities or other property) as such holder would be entitled to receive if all of the outstanding Series B Preferred Stock were converted into Common Stock as of the record date of such dividend or distribution with respect to Common Stock, then thereafter no adjustment shall be required with respect to such dividend or distribution.

- (l) OTHER ACTION AFFECTING COMMON STOCK. If a state of facts shall occur which, without being specifically controlled by the other provisions of this Section 3, would not fairly protect the conversion rights of the Series B Preferred Stock in accordance with the essential intent and principles of such provisions, then the Board of Directors of the Corporation shall in good faith make an adjustment in the application of such provisions, in accordance with such essential intent and principles, so as to protect such conversion rights.
- (m) NECESSARY CORPORATE ACTION. Before taking any action which would result in an adjustment in the Conversion Price, the Corporation shall obtain all such authorizations or exemptions thereof, or

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consents thereto, as may be necessary from any public regulatory body or bodies having jurisdiction thereof.

- (n) TAXES UPON CONVERSION. The Corporation shall pay all documentary, stamp or other transaction taxes attributable to the issuance or delivery of shares of Common Stock upon conversion of any shares of Series B Preferred Stock.
- (o) RESERVATION OF COMMON STOCK. The Corporation shall at all times

reserve and keep available out of its authorized but unissued shares of Common Stock solely for the purpose of effecting the conversion of shares of Series B Preferred Stock, the full number of whole shares of Common Stock then deliverable upon the conversion of all shares of Series B Preferred Stock at the time outstanding (assuming full payment of dividends with Dividend Shares). All shares of Common Stock which shall be so issuable shall, when issued upon conversion of all or any portion of the Series B Preferred Stock, be duly and validly issued and fully paid and non-assessable and free from all taxes, liens and charges with respect to the issuance thereof. Upon conversion of Series B Preferred Stock, the shares of Series B Preferred Stock so converted shall have the status of authorized and unissued Preferred Stock, and the number of shares of Series B Preferred Stock which the Corporation shall have authority to issue shall be decreased by any such conversion.

- (p) DIVIDENDS CONSTITUTE CORPORATE DEBT. All dividends accrued and unpaid on Series B Preferred Stock to and including the date of conversion, whether or not declared by the Board of Directors, shall constitute a debt of the Corporation payable without interest to the converting holders and shall be paid by the Corporation on the Conversion Date, in its option, either in cash or by the issuance of Dividend Shares as provided in Section 4 hereof.

4. DIVIDENDS.

- (a) DIVIDENDS. Each holder of shares of Series B Preferred Stock shall be entitled to receive, in preference to the holders of Common Stock or any other Junior Stock, a cumulative annual dividend payment of \$800 for each share of Series B Preferred Stock held; provided, however, a holder shall be entitled to receive an annual dividend payment of \$400 on shares of Series B Preferred Stock which have been converted and certificates representing the Conversion Shares have been delivered to such holder prior to one hundred eighty (180) days after the Issue Date. Dividends are payable only upon conversion or redemption of the shares of Series

B Preferred Stock pursuant to Section 3 or Section 5 hereof and are payable upon conversion or redemption either (i) in shares of Common Stock ("Dividend Shares"), with the number thereof to be determined by dividing the accrued dividend payable by the Conversion Price in effect on the Conversion Date and rounded up to the nearest full share, or (ii) in cash, at the option of the Corporation. Dividends on the shares of Series B Preferred Stock shall accumulate from the Issue Date through the date of conversion or redemption, as the case may be, on the basis of a calendar year consisting of twelve (12) months each consisting of thirty (30) days. Dividends shall be payable in cash only out of the assets of the Corporation legally available for the payment thereof.

- (b) RESTRICTIONS ON DIVIDENDS, ETC. As long as any shares of Series B Preferred Stock shall be outstanding, the Corporation shall not declare, pay or set aside for payment any dividend or declare or make any distributions upon or purchase, redeem or otherwise acquire Common Stock or any other series or class of capital stock; provided, however, that the Corporation may declare, pay or set aside for payment, dividends required by the preferences, rights and designations of the Series A Preferred Stock and any other series or class of Preferred Stock ranking senior to, or pari passu with, Series B Preferred Stock.

5. REDEMPTION.

- (a) OPTIONAL REDEMPTION OF OUTSTANDING SERIES B PREFERRED STOCK. The Corporation shall have the right to redeem the outstanding Series B Preferred Stock, in whole or in part, at any time and from time to time, after the Issue Date by paying to the holders thereof in cash the redemption price per share of \$12,500, together with cash in the amount of all accrued and unpaid dividends thereon through the Redemption Date (as defined in subsection (d) herein); provided, however, that the Corporation may not, pursuant to this subsection (a), redeem any shares of Series B Preferred Stock for which it has received, on or prior to the Redemption Date, a Conversion Notice. If, on the Redemption Date, the Corporation fails to pay to the holder(s) the redemption price in cash for the shares of Series B Preferred Stock which were subject to the Redemption Notice then such shares of Series B Preferred Stock shall remain issued and outstanding as if the Redemption Notice had not been sent.
- (b) OPTIONAL REDEMPTION OF CONVERSIONS OF SERIES B PREFERRED STOCK. The Corporation shall have the right to redeem all, but not less

than all, shares of Series B Preferred Stock subject to a

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Conversion Notice for which the Conversion Price is less than \$1.00 per share, by paying to the holders thereof in cash the redemption price per share of (a) \$11,000 per share of Series B Preferred Stock, together with cash in the amount of all accrued and unpaid dividends thereon through the Redemption Date (as defined in subsection (d) herein), if the Conversion Notice is submitted on or after the ninetieth (90th) calendar day following the Issue Date or (b) \$10,600 per share of Series B Preferred Stock, together with cash in the amount of all accrued and unpaid dividends thereon through the Redemption Date, if the Conversion Notice is submitted prior to the ninetieth (90th) calendar day following the Issue Date; provided, however, prior to the Redemption Date fixed for any such conversion, the holder may withdraw the Conversion Notice by delivering to the Corporation, via facsimile, a notice of such withdrawal. The withdrawal notice shall state (i) the name of the holder and that such holder elects to withdraw the Conversion Notice previously delivered by such holder to the Corporation, (ii) the date such Conversion Notice was delivered to the Corporation, and (iii) the telecopier number to which the Corporation shall telecopy its confirmation that it has received the holder's notice of withdrawal. Notice given by telecopier to telecopier number 310-820-6530 shall be deemed notice for purposes of this paragraph and shall be deemed given when receipt is acknowledged by transmittal confirmation report. Immediately upon receipt of any notice of withdrawal, the Corporation shall, by telecopier, confirm receipt thereof at the telecopier number included thereon. If, on the Redemption Date, the Corporation fails to pay to the holder the redemption price in cash for all of the shares of Series B

Preferred Stock which were subject to the conversion notice submitted by the holder thereof then such shares of Series B Preferred Stock shall be converted as originally requested by the holder thereof in the conversion notice.

- (c) MANDATORY REDEMPTION. The Corporation shall be required to redeem the outstanding shares of Series B Preferred Stock, by paying to the holders of such outstanding Series B Preferred Stock in cash the redemption price of \$11,800 per share of Series B Preferred Stock, together with cash in the amount of all accrued and unpaid dividends thereon through the Redemption Date (as defined in subsection (d) herein), if a Conversion Notice is submitted which, if accepted, would otherwise require the Corporation to issue a greater number of shares of Common Stock than the Corporation was authorized to issue at the time of submission of such Conversion Notice. If, on the Redemption Date, the Corporation fails to pay to the holder(s) the redemption price in cash for all of the

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outstanding shares of Series B Preferred Stock then the Corporation shall pay in cash to the holder(s) thereof, as liquidated damages, an amount equal to 1.5% of the redemption price for each thirty (30) calendar day period, or portion thereof, during which the redemption price remains unpaid, which period shall commence on the Redemption Date. Any payments required to be made by the Corporation pursuant to the preceding sentence shall be made in cash and on the last day of each period as described therein and shall not have the effect of reducing the redemption price.

- (d) NOTICE OF REDEMPTION. If any shares of Series B Preferred Stock are to be redeemed pursuant to subsection (b) or (c) hereof, notice

thereof (the "Redemption Notice") shall be sent (which such notice shall be sent not later than one (1) business day after the date on which the Corporation received the Conversion Notice which is the subject of subsections (b) or (c) hereof) to each holder of record whose Series B Preferred Stock is to be redeemed pursuant to subsection (b) or (c) hereof, by telecopier and for overnight delivery by a nationally recognized overnight express courier service, to such holder at such holder's address and telecopier number as the same shall appear on the books of the Corporation. The Corporation shall redeem the shares of Series B Preferred Stock it is redeeming pursuant to subsections (a) or (c) hereof on the seventh (7th) calendar day following the date on which the Corporation provides notice to the holders of its intention to redeem such shares of Series B Preferred Stock (the "Redemption Date"). If any shares of Series B Preferred Stock are to be redeemed pursuant to subsection (b) hereof, the Redemption Date shall be the tenth (10th) calendar day following the date on which the Corporation delivers the Redemption Notice to the holders thereof. The Redemption Notice shall state (a) the shares of Preferred Stock will be redeemed at the close of business on the Redemption Date, (b) the redemption price, (c) the place at which certificates for shares of Series B Preferred Stock called for redemption must be surrendered to collect the redemption price, (d) that dividends on shares of Series B Preferred Stock called for redemption cease to accrue at the close of the last day prior to the Redemption Date, (e) the Section of this Certificate of Designation, Voting Powers, Preferences and Rights pursuant to which they are to be redeemed and (f) that shares of Series B Preferred Stock may be converted at any time prior to the close of business on the Redemption Date by delivery of a Conversion Notice by facsimile to the Corporation pursuant to Section 3(b) hereof.

- (e) PARTIAL REDEMPTION. If less than all of the outstanding shares of Series B Preferred Stock are to be redeemed, the shares to be redeemed shall be determined pro rata relative to each holder's percentage of ownership of the outstanding shares of Series B Preferred Stock as of the date of the Redemption Notice. On or after the Redemption Date, each holder of shares of Series B Preferred Stock that were called for redemption shall present and surrender the certificate or certificates for such shares to the Corporation at the place designated in the Redemption Notice and thereupon the redemption price of such shares shall be paid to, or to the order of, the person whose name appears on such certificate or certificates as the owner thereof. From and after the Redemption Date, unless the Corporation shall default in the payment of redemption price pursuant to the Redemption Notice, all dividends on the Series B Preferred Stock shall cease to accrue and all rights of the holders thereof as stockholders of the Corporation, except the right to receive the redemption price (but without interest thereon), shall cease and terminate. Any and all shares of Series B Preferred Stock redeemed, purchased or otherwise acquired by the Corporation thereafter shall be canceled and returned to the status of authorized and unissued Preferred Stock.
- (f) TRANSFER BOOKS. To facilitate the redemption of any shares of Series B Preferred Stock, the Board of Directors is authorized to cause the transfer books for such Series B Preferred Stock to be closed as to the shares to be redeemed, unless the rules of any national securities exchange or automated quotation system on which the Series B Preferred Stock may be listed or quoted prohibit the closing of such transfer books.

6. PURCHASE OPTION.

- (a) PURCHASE OPTION. If, at any time when any shares of Series B Preferred Stock shall remain outstanding, the Corporation shall issue shares of Common Stock at a purchase price, or Convertible Securities with a conversion, exchange or exercise price, less than the then Current Market Price and any such shares of Common Stock may become freely transferrable prior to 180 days following the Issue Date ("Purchase Option Trigger Event"), then each holder of any shares of Series B Preferred Stock then outstanding shall, upon notice from the Corporation in accordance with Section 6(b) hereof, be entitled to elect (the "Purchase Option") to have the Corporation purchase 75% of the shares of Series B Preferred Stock then held by such holder for a purchase price payable in cash of \$10,800 per share of Series B Preferred Stock (the "Purchase

Amount"). Nothing contained in this Section 6 shall require the Company to purchase any shares of Series B Preferred Stock if such purchase is prohibited by applicable law.

- (b) NOTICE. If the Corporation expects that a Purchase Option Trigger Event will occur, then the Corporation shall, not less than ten (10) calendar days prior to the occurrence of the Purchase Option Trigger Event, give written notice (the "Purchase Option Notice") thereof to each holder of record of shares of Series B Preferred Stock. The Purchase Option Notice shall be sent by telecopier and by a nationally recognized overnight express courier service for overnight delivery to each holder of record of shares of Series B Preferred Stock at such holders' address and telecopier number as the same shall appear on the books of the Corporation. The Purchase Option Notice shall state that: (i) the Corporation will purchase on the Purchase Date 75% of the shares of Series B Preferred Stock held by any holder who, prior to the close of business on the third (3rd) calendar day prior to the anticipated date of the occurrence of the Purchase Option Trigger Event set forth in the Purchase Option Notice, sends written notice (a "Purchase Option Exercise Notice") to the Corporation delivered by telecopier in the same manner as a Conversion Notice (which Purchase Option Exercise Notice shall state (A) that such holder elects to exercise its Purchase Option as set forth herein and (B) the name in which the bank check in payment of the Purchase Amount shall be issued and the address to which it shall be delivered, if different from the registered name and address of such holder); (ii) the Purchase Amount per share of Series B Preferred Stock; (iii) the place at which certificates for shares of Series B Preferred Stock which any holder wishes to sell to the Corporation pursuant to the Purchase Option must be surrendered to collect the

Purchase Price; and (iv) that the "Purchase Date" shall be the date of the occurrence of the Purchase Option Trigger Event (which shall be no more than one (1) business day after the expected Purchase Date set forth in the Purchase Option Notice).

- (c) PENALTY PAYMENTS. If for any reason the Corporation shall fail to purchase any share or shares of Series B Preferred Stock for which it has received a Purchase Option Exercise Notice in accordance with Section 6(b) hereof, then (i) the Corporation shall be obligated to pay to each holder of any such shares a monthly penalty payment in cash in an amount each month equal to 1-1/2% of the Payment Amount that was payable by the Corporation to such holder on the Payment Date and (ii) dividends shall continue to accrue on such shares, in each case until such date (the "Actual Purchase Date") as the Corporation shall purchase such share or shares from

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such holder in accordance with the provisions of this Section 6 at a Purchase Amount which shall include not only the amount specified in Section 6(a) hereof but also (x) all dividends accrued and unpaid from the original Purchase Date to the Actual Purchase Date and (y) all penalty payments required pursuant to this Section 6(c) accrued and, notwithstanding the immediately succeeding sentence, unpaid from the original Purchase Date to the Actual Purchase Date. The first such penalty payment shall be due and payable on the thirtieth day following the Purchase Date, and each subsequent penalty payment shall be due and payable on each succeeding monthly anniversary of the Purchase Date. Penalty payments shall be pro rated for any partial monthly period ending on the Actual Payment Date.

(d) STATUS OF PURCHASED SHARES. Any and all shares of Series B Preferred Stock purchased pursuant to this Section 6 shall be canceled and returned to the status of authorized and unissued Preferred Stock.

7. NO PREEMPTIVE RIGHTS. No holder of Series B Preferred Stock shall have any preemptive or preferential right of subscription to any shares of stock of the Corporation, or to options, warrants or other interests therein or therefor, or to any obligations convertible into stock of the Corporation, issued or sold, or any right of subscription to any thereof other than such, if any, as the Board of Directors, in its discretion, from time to time may determine and at such price or prices as the Board of Directors from time to time may fix pursuant to the authority conferred by the Corporation's Certificate of Incorporation.
8. CERTAIN RESTRICTIONS. So long as any Series B Preferred Stock is outstanding, the Corporation shall not, without the consent of holders of a majority of the outstanding shares of Series B Preferred Stock, (i) purchase, redeem or otherwise acquire any shares of any class of the Corporation's outstanding capital stock (except as otherwise provided in Section 4(b) hereof), (ii) issue any class or series of any class of capital stock which ranks prior to the Series B Preferred Stock with respect to dividend rights or rights on liquidation, winding-up or dissolution of the Corporation or (iii) amend, alter or change the preferences or rights of any series or class of capital stock of the Corporation (including the Series B Preferred Stock) or the qualifications, limitations or restrictions thereof if such amendment, alteration or change adversely affects the Series B Preferred Stock. The Series B Preferred Stock shall rank pari passu with the Series A Preferred Stock with respect to rights on dividends, liquidation and redemption.

9. REGISTRATION. The Corporation hereby agrees that, upon demand of the holders of the Series B Preferred Stock or the Conversion Shares, as a result of a regulatory development including, but not limited to, an amendment of Regulation S, or any "no-action" or written interpretive guidance from the Securities and Exchange Commission, which calls into question the ability of the holders of the Series B Preferred Stock or the Conversion Shares to resell the Series B Preferred Stock or the Conversion Shares without registration, the Corporation will file, and use its reasonable best efforts to cause to become effective a registration statement on Form S-3 (or any other available form) under the Securities Act covering the resale of the Series B Preferred Stock and the Conversion Shares. Any such registration statement shall remain effective for up to twelve (12) months, or until all of the Conversion Shares are sold, whichever is earlier. The Corporation shall provide the holders of the Series B Preferred Stock or the Conversion Shares with such number of copies of the prospectus as shall be reasonably requested to facilitate the sale of the Series A Preferred Stock and the Conversion Shares. The Corporation shall bear all expenses incurred in connection with any such registration, excluding discounts and commissions and other expenses of the holders (including, but not limited to any holder's counsel's fees).

10. DEFINITIONS.

- (a) "Additional Shares of Common Stock" shall mean all shares of Common Stock issued by the Corporation after December 4, 1996, except Common Stock which may be issued pursuant to: (i) the conversion of the Series A Preferred Stock; (ii) the conversion of the Series B Preferred Stock; (iii) the exercise by employees of the Corporation or any of its subsidiaries of options granted pursuant to any stock option plan which may hereafter be adopted by the Corporation where the exercise price of such options is not less than the fair market value of a share of Common Stock on the date of grant thereof; and (iv) the exercise of any warrants to purchase Common Stock issued by the Corporation and outstanding as of December 4, 1996.
- (b) "Bankruptcy Code" shall mean 11 U.S.C. 101 et seq, as amended, and any successor statute or statute having substantially the same function.
- (c) "Change in Control" shall mean a merger or consolidation of the Corporation with any other corporation, other than a merger or consolidation which would result in the voting securities of the Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the total of the voting power represented by the

voting securities of the Corporation or such surviving entity outstanding immediately after such merger or consolidation or, except as provided under Section 2 hereof, the closing of a sale or disposition by the Corporation of all or substantially all of the Corporation's assets (other than to a subsidiary or subsidiaries of the Corporation).

- (d) "Common Stock" shall mean the shares of common stock of the Corporation, par value \$.00001 per share, and any stock into which such Common Stock may hereinafter be changed.
- (e) "Conversion Date" shall have the meaning such term is given in Section 3(b) hereof.
- (f) "Conversion Notice" shall have the meaning such term is given in Section 3(b) hereof.
- (g) "Conversion Price" shall have the meaning such term is given in Section 3(a) hereof.
- (h) "Conversion Shares" shall have the meaning such term is given in Section 3(a) hereof.
- (i) "Convertible Securities" shall mean evidences of indebtedness, shares of stock or other securities which are convertible into or exercisable or exchangeable for, with or without payment of additional consideration in cash or property, for Additional Shares of Common Stock, either immediately or upon the arrival of a specified date or the happening of a specified event.
- (j) "Current Market Price" per share of Common Stock at any date herein specified shall mean the average of the daily market prices for 5

consecutive Trading Days ending on the last trading day prior to such date, except that for purposes of Section 3(c) hereof, the "Current Market Price" per share of Common Stock shall mean the market prices on the Trading Day therein specified. The market price for each such Trading Day shall be (i) if the Common Stock is quoted on the Nasdaq National Market or Nasdaq Small Cap Market, the reported last sales price, or (ii) if the Common Stock is listed or admitted to trading on a national securities exchange, the last reported sales prices regular way, or (iii) if the Common Stock is quoted on the NASD OTC Bulletin Board, the average of the closing bid and asked prices regular way, or (iv) if the Common Stock is not so quoted, as reasonably determined by the Board of Directors of the Corporation.

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- (k) "Dividend Shares" shall have the meaning such term is given in Section 4 hereof.
- (l) "Issue Date" shall have the meaning such term is given in Section 3(a) hereof.
- (m) "Junior Stock" shall mean the Common Stock or any other class or series of capital stock of the Corporation which at the time of issuance is not declared to be senior to or on a parity with the Series B Preferred Stock as to dividends or rights upon liquidation and shall not include the Corporation's outstanding Series A Preferred Stock (other than for purposes of Section 2 hereof). Solely for the purposes of Section 2 hereof, the Series B Preferred Stock shall be deemed to rank pari passu to the Corporation's Series A Preferred Stock, \$0.001 par value per share.

- (n) "Liquidation Preference" shall have the meaning such term is given in Section 2 hereof.
- (o) "Maturity Date" shall have the meaning such term is given in Section 3(f) hereof.
- (p) "Person" shall mean any individual, corporation, association, company, business trust, partnership, joint venture, joint-stock company, trust, unincorporated organization or association or government or any agency or political subdivision thereof.
- (q) "Redemption Date" shall have the meaning such term is given in Section 5(c) hereof.
- (r) "Redemption Notice" shall have the meaning such term is given in Section 5(c) hereof.
- (s) "Securities Act" shall mean the Securities Act of 1933, as amended.
- (t) "Trading Day" shall mean any day on which trading takes place (a) in the over-the-counter-market and prices reflecting such trading are published by the National Association of Securities Dealers Automated Quotation System or (b) if the Common Stock is then listed or admitted to trading on a national securities exchange, on the principal national securities exchange on which the Common Stock is then listed or admitted to trading.

IN WITNESS WHEREOF, the undersigned has executed this Certificate this 12th day of December, 1996.

By: /s/ Michael Weinstock

Name: Michael Weinstock
Title: Executive Vice-President

ATTEST:

By: /s/ Ben Sumner

Name: Ben Sumner
Title: Assistant Secretary

GRILL CONCEPTS, INC.

AND

ROCHON CAPITAL GROUP, LTD.

WARRANT AGREEMENT

Dated as of December , 1996

WARRANT AGREEMENT, dated as of December _____, 1996 by and between GRILL

CONCEPTS, INC., a Delaware corporation (the "Company"), and ROCHON CAPITAL
GROUP, LTD. ("Placement Agent").

The Company proposes to issue to the Placement Agent warrants as hereinafter described (the "Warrants") to purchase that number of common shares of the Company, \$0.00001 par value per share ("Common Stock"), calculated pursuant to the formula set forth in Section 4 hereof, subject to adjustment as provided in Section 8 hereof (such number of shares, as adjusted, being hereinafter referred to as the "Shares"), each Warrant entitling the holder ("Holder") thereof to purchase one share of Common Stock. All capitalized terms used herein and not otherwise defined herein shall have the same meanings as assigned thereto in that certain placement agency agreement, dated as of December 4, 1996, by and between the Company and the Placement Agent.

NOW THEREFORE, in consideration of the premises and the mutual agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. ISSUANCE OF WARRANTS; FORM OF WARRANT. On the Closing Date the Company will issue, sell and deliver the Warrants to the Placement Agent or its bona fide officers or principals for an aggregate price of \$100. The form of the Warrant and of the form of election to purchase Shares to be attached thereto shall be substantially as set forth on Exhibit A attached hereto. The Warrants shall be executed on behalf of the Company by the manual or facsimile signature of the present or any future Chairman or Co-Chairman, President or any Vice President of the Company, under its corporate seal, affixed or in facsimile, and attested by the manual or facsimile signature of the present or any future Secretary or Assistant Secretary of the Company.

2. REGISTRATION. The Warrants shall be numbered and shall be registered in a Warrant register (the "Warrant Register"). The Company shall be entitled to treat the registered holder of any Warrant on the Warrant Register as the owner in fact thereof for all purposes and shall not be bound to recognize any equitable or other claim to or interest in such Warrant on the part of any other person, and shall not be liable for any registration or

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transfer of Warrants which are registered or are to be registered in the name of a fiduciary or the nominee of a fiduciary unless made with the actual knowledge that a fiduciary or nominee is committing a breach of trust in requesting such registration or transfer, or with such knowledge or such facts that its participation therein amounts to bad faith. The Warrants shall be registered initially in the name of the Placement Agent in such denominations as the Placement Agent may request in writing to the Company; provided, however, that the Placement Agent may designate that all or a portion of the Warrants be issued in varying amounts directly to its bona fide officers or principals and not to itself. Such designation will only be made by the Placement Agent if it determines that such issuances would not violate the interpretation of the Board of Governors of the National Association of Securities Dealers, Inc. (the "NASD"), relating to the review of corporate financing arrangements.

3. TRANSFER OF WARRANTS. The Holder of a Warrant Certificate, by

its acceptance thereof, acknowledges that the Warrants are "restricted securities" which have not been registered under the Securities Act, and represents that the Warrants are being acquired as an investment and not with a view to the distribution thereof and will not transfer such Warrants, except to bona fide officers, directors, shareholders, principals, employees or registered representatives of the Holder upon written request to the Company delivered in accordance with Section 12 hereof and upon delivery of the Warrant Certificate duly endorsed by the Holder or by his duly authorized attorney or representative, or accompanied by proper evidence of succession, assignment or authority to transfer. In all cases of transfer by an attorney, the original power of attorney, duly approved, or an official copy thereof, duly certified, shall be deposited with the Company. In case of transfer by executors, administrators, guardians or other legal representatives, duly authenticated evidence of their authority shall be produced, and may be required to be deposited with the Company in its discretion. Upon any registration of transfer, the Company shall deliver a new Warrant or Warrants to the persons entitled thereto. The Warrants may be exchanged at the option of the Holder thereof for other Warrants of different denominations, of like tenor and representing in the aggregate the right to purchase a like number of shares of Common Stock upon surrender to the Company or its duly authorized agent. The

Company may require payment of a sum sufficient to cover all taxes and other governmental charges that may be imposed in connection with any voluntary transfer, exchange or other disposition of the Warrants. Notwithstanding the foregoing, the Company shall have no obligation to cause Warrants to be transferred on its books to any person, if such transfer would violate the Securities Act or applicable state securities laws.

4. TERM OF WARRANTS; EXERCISE OF WARRANTS. The Placement Agent is hereby granted that number of warrants equal to ten percent (10%) of the aggregate gross proceeds raised in the Placement divided by the average closing bid price of the Common Stock (the "Closing Date Average") as calculated over the five (5) trading day period ending on the Closing Date, at any time from the first anniversary of the Closing Date until 5:00 p.m., Los Angeles time, on December , 1999. Each Warrant entitles the registered

owner thereof to purchase one Share at a purchase price equal to two hundred percent (200%) of the Closing Date Average, but in no event less than \$3.00 per share (as adjusted from time to time pursuant to the provisions hereof, the "Exercise Price"). The Exercise Price and the Shares issuable upon exercise of Warrants are subject to adjustment upon the occurrence of certain events, pursuant to the provisions of Section 8 of this Agreement. Subject to the provisions of this Agreement, each Holder shall have the right, which may be exercised as set forth in such Warrants, to purchase from the Company (and the Company shall issue and sell to such Holder) the number of fully paid and nonassessable Shares of Common Stock (rounded up to the nearest full share) specified in such Warrants, upon surrender to the Company, or its duly authorized agent, of such Warrants, with the form of election to purchase attached thereto duly completed and signed, with signatures guaranteed by a member firm of a national securities exchange, a commercial bank (not a savings bank or savings and loan association) or trust company located in the United States or a member of the NASD and upon payment to the Company of the Exercise Price, as adjusted in accordance with the provisions of Section 8 of this Agreement, for the number of Shares in respect of which such Warrants are then exercised. Payment of such Exercise Price may be made in cash or by certified check or official bank check payable to the order of the Company. No adjustment shall be made for any

dividends on any Shares issuable upon exercise of a Warrant. Upon each surrender of Warrants and payment of the Exercise Price as aforesaid, the Company shall issue and cause to be delivered with all reasonable dispatch to or upon the written order of the Holder of such Warrants and in such name or names as such Holder may designate, a certificate or certificates for the number of full Shares so purchased upon the exercise of such Warrants. Such certificate or certificates shall be deemed to have been issued and any person so designated to be named therein shall be deemed to have become a holder of record of such Shares as of the date of the surrender of Warrants and payment of the Exercise Price as aforesaid; provided, however, that if, at the date of surrender of such Warrants and payment of such Exercise Price, the transfer books for the Common Stock or other class of securities issuable upon the exercise of such Warrants shall be closed, the certificates for the Shares shall be issuable as of the date on which such books shall next be opened and until such date the Company shall be under no duty to deliver any certificate for such Shares; provided, further, however, that the transfer books or record, unless otherwise required by law, shall not be closed at any one time for a period longer than twenty (20) days. The rights of purchase represented by the Warrants shall be exercisable, at the election of the Holder(s) thereof, either in full or from time to time in part and, in the event that any Warrant is exercised in respect of less than all of the Shares issuable upon such exercise, a new Warrant or Warrants will be issued for the remaining number of Shares specified in the Warrant so surrendered.

5. PAYMENT OF TAXES. The Company will pay all documentary stamp taxes, if any, attributable to the issuance of Shares upon the exercise of Warrants; provided, however, that the Company shall not be required to pay any tax or taxes which may be payable in respect of any transfer involved in the issue or delivery of any certificates for Shares in a name other than that of the Holder of Warrants in respect of which such Shares are issued.

6. MUTILATED OR MISSING WARRANTS. In case any of the Warrants shall be mutilated, lost, stolen or destroyed, the Company shall issue and deliver in exchange and substitution for and upon cancellation of the mutilated Warrant,

or in lieu of and substitution for the Warrant lost, stolen or destroyed, a new Warrant of like tenor and representing an equivalent right or interest, but

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only upon receipt of evidence reasonably satisfactory to the Company of such mutilation, loss, theft or destruction of such Warrant and indemnity, if requested, reasonably satisfactory to the Company. An applicant for such substitute Warrants shall also comply with such other reasonable regulations and pay such other reasonable charges and expenses as the Company may prescribe.

7. RESERVATION OF SHARES, ETC. There have been reserved, and the Company shall at all times keep reserved, out of the authorized and unissued Common Stock of the Company, a number of shares of Common Stock sufficient to provide for the exercise of the rights of purchase represented by the outstanding Warrants. Securities Transfer Corporation, transfer agent for the Common Stock (the "Transfer Agent"), and every subsequent transfer agent, if any, for the Company's securities issuable upon the exercise of the Warrants will be irrevocably authorized and directed at all times to reserve such number of authorized and unissued shares as shall be required for such purpose. The Company will keep a copy of this Agreement on file with the Transfer Agent and with every subsequent transfer agent for any shares of the Company's securities

issuable upon the exercise of the Warrants. The Company will supply the Transfer Agent or any subsequent transfer agent with duly executed certificates for such purpose. All Warrants surrendered in the exercise of the rights thereby evidenced shall be canceled, and such canceled Warrants shall constitute sufficient evidence of the number of Shares that have been issued upon the exercise of such Warrants.

8. ADJUSTMENTS OF EXERCISE PRICE AND NUMBER OF SHARES. The Exercise Price and the number and kind of securities issuable upon exercise of each Warrant shall be subject to adjustment from time to time upon the happening of certain events, as follows:

(a) In case the Company shall (i) declare a dividend on its Common Stock in shares of Common Stock or make a distribution in shares of Common Stock, (ii) subdivide its outstanding shares of Common Stock, (iii) combine its outstanding shares of Common Stock into a smaller number of shares of Common Stock or (iv) issue by reclassification of its shares of Common Stock other securities of the Company (including any such reclassification in connection with a consolidation or merger in which the

Company is the continuing corporation), the number of Shares purchasable upon exercise of each Warrant immediately prior thereto shall be adjusted

so that the Holder of each Warrant shall be entitled to receive the kind and number of Shares or other securities of the Company which he would have owned or have been entitled to receive after the happening of any of the events described above, had such Warrant been exercised immediately prior to the happening of such event or any record date with respect thereto. An adjustment made pursuant to this paragraph (a) shall become effective immediately after the effective date of such event retroactive to immediately after the record date, if any, for such event.

(b) In case the Company shall issue rights, options or warrants to all holders of its shares of Common Stock, without any charge to such holders, entitling them (for a period expiring within 45 days after the record date mentioned below in this paragraph (b)) to subscribe for or to purchase shares of Common Stock at a price per share that is lower at the record date mentioned below than the then current market price per share of Common Stock (as defined in paragraph (d) below), the number of shares thereafter purchasable upon exercise of each Warrant shall be determined by multiplying the number of Shares theretofore purchasable upon exercise of each Warrant by a fraction, of which the numerator shall be the number of shares of Common Stock outstanding on such record date plus the number of additional shares of Common Stock offered for subscription or purchase, and of which the denominator shall be the number of shares of Common Stock outstanding on such record date plus the number of shares which the aggregate offering price of the total number of shares of Common Stock so offered would purchase at the then current market price per share of Common Stock. Such adjustment shall be made whenever such rights, options or warrants are issued, and shall become effective retroactively to immediately after the record date for the determination of shareholders entitled to receive such rights, options or warrants.

(c) In case the Company shall distribute to all holders of its shares of Common Stock shares of stock other than Common Stock or evidences of its indebtedness or assets (excluding cash dividends payable

out of consolidated earnings or retained earnings and dividends or distributions referred to in paragraph (a) above) or rights, options or warrants or convertible or exchangeable securities containing the right to subscribe for or purchase shares of Common Stock (excluding those referred to in paragraph (b) above), then in each case the number of Shares thereafter issuable upon the exercise of each Warrant shall be determined by multiplying the number of Shares theretofore issuable upon the exercise of each Warrant, by a fraction, of which the numerator shall be the current market price per share of Common Stock (as defined in paragraph (d) below) on the record date mentioned below in this paragraph (c), and of which the denominator shall be the current market price per share of Common Stock on such record date, less the then fair value (as determined in good faith by the Board of Directors of the Company, whose determination shall be conclusive) of the portion of the shares of stock other than Common Stock or assets or evidences of indebtedness so distributed or of such subscription rights, options or warrants, or of such convertible or exchangeable securities applicable to one share of Common Stock. Such adjustment shall be made whenever any such distribution is made, and shall become effective on the date of distribution retroactive to immediately after the record date for the determination of shareholders entitled to receive such distribution.

(d) For the purpose of any computation under paragraphs (b) and (c) of this Section 8, the current market price per share of Common Stock at any date (the "Current Market Price") shall be the average of the daily closing prices for fifteen (15) consecutive trading days commencing twenty (20) trading days before the date of such computation. The closing price for each day shall be the last reported sale price regular way or, in case no such reported sale takes place on such day, the average of the closing bid and asked prices regular way for such day, in either case on the principal national securities exchange on which the shares are listed or admitted to trading, or if they are not listed or admitted to trading on any national securities exchange, but are traded in the over-the-counter market, the closing sale price of the Common Stock or, in case no sale is publicly reported, the average of the representative closing bid

and asked quotations for the Common Stock, on the NASDAQ system or any comparable system, or if the Common Stock is not listed on the NASDAQ system or a comparable system, the closing sale price of the Common Stock or, in case no sale is publicly reported, the average of the closing bid and asked prices as furnished by two members of the NASD selected from time to time by the Company for that purpose.

(e) No adjustment in the number of Shares purchasable hereunder shall be required unless such adjustment would require an increase or decrease of at least one percent (1%) in the number of Shares purchasable upon the exercise of each Warrant; provided, however, that any adjustments which by reason of this paragraph (e) are not required to be made shall be carried forward and taken into account in any subsequent adjustment but not later than three years after the happening of the specified event or events. All calculations shall be made to the nearest one thousandth of a share.

(f) Whenever the number of Shares purchasable upon the exercise of each Warrant is adjusted, as herein provided, the Exercise Price shall be adjusted by multiplying the Exercise Price in effect immediately prior to such adjustment by a fraction, of which the numerator shall be the

number of Shares purchasable upon the exercise of each Warrant immediately prior to such adjustment, and of which the denominator shall be the number of Shares so purchasable immediately thereafter.

(g) For the purpose of this Section 8, the term "shares of Common Stock" shall mean (i) the class of stock designated as the Common Stock of the Company at the date of this Agreement or (ii) any other class of stock resulting from successive changes or reclassifications of such shares consisting solely of changes in par value, or from no par value to par value, or from par value to no par value. In the event that at any time, as a result of an adjustment made pursuant to paragraph (a) above, the Holders shall become entitled to purchase any shares of capital stock of the Company other than shares of Common Stock, thereafter the number of

such other shares so purchasable upon exercise of each Warrant and the Exercise Price of such shares shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Shares contained in paragraphs (a) through (f), inclusive, and paragraphs (h) through (m), inclusive, of this Section

8, and the provisions of Sections 4, 5, 7 and 10, with respect to the Shares, shall apply on like terms to any such other shares.

(h) Upon the expiration of any rights, options, warrants or conversion rights or exchange privileges, if any thereof shall not have been exercised, the Exercise Price and the number of shares of Common Stock purchasable upon the exercise of each Warrant shall, upon such expiration, be readjusted and shall thereafter be such as it would have been had it originally been adjusted (or had the original adjustment not been required, as the case may be) as if (i) the only shares of Common Stock so issued were the shares of Common Stock, if any, actually issued or sold upon the exercise of such rights, options, warrants or conversion rights or exchange privileges and (ii) such shares of Common Stock, if any, were issued or sold for the consideration actually received by the Company upon such exercise plus the aggregate consideration, if any, actually received by the Company for the issuance, sale or grant of all of such rights, options, warrants or conversion rights or exchange privileges whether or not exercised; provided, however, that no such readjustment shall have the effect of decreasing the number of shares issuable upon the exercise of each Warrant or increasing the Exercise Price by an amount in excess of the amount of the adjustment initially made in respect of the issuance, sale or grant of such rights, options, warrants or conversion rights or exchange privileges.

(i) The Company may, at its option at any time during the term of the Warrants, reduce the then current Exercise Price to any amount deemed appropriate by the Board of Directors of the Company.

(j) Whenever the number of Shares issuable upon the exercise of each Warrant or the Exercise Price of such Shares is adjusted, as herein provided, the Company shall promptly mail by first class mail, postage

prepaid, to each Holder, notice of such adjustment or adjustments. The Company shall retain a firm of independent public accountants (who may be the regular accountants employed by the Company) to make any computation required by this Section 8 and shall cause such accountants to prepare a certificate setting forth the number of Shares issuable upon the exercise of each Warrant and the Exercise Price of such Shares after such adjustment, setting forth a brief statement of the facts requiring such adjustment and setting forth the computation by which such adjustment was made. Such certificate shall be conclusive as to the correctness of such adjustment and each Holder shall have the right to inspect such certificate during reasonable business hours.

(k) Except as provided in this Section 8, no adjustment in respect of any dividends shall be made during the term of a Warrant or upon the exercise of a Warrant.

(l) In case of any consolidation of the Company with or merger of the Company with or into another corporation or in case of any sale or conveyance to another corporation of the property of the Company as an entirety or substantially as an entirety, the Company or such successor or purchasing corporation (or an affiliate of such successor or purchasing corporation), as the case may be, agrees that each Holder shall have the right thereafter upon payment of the Exercise Price in effect immediately prior to such action to purchase upon exercise of each Warrant the kind and amount of shares and other securities and property (including cash) which he would have owned or have been entitled to receive after the happening of such consolidation, merger, sale or conveyance had such Warrant been exercised immediately prior to such action. The provisions of this paragraph (l) shall similarly apply to successive consolidations, mergers, sales or conveyances.

(m) Notwithstanding any adjustment in the Exercise Price or the number or kind of shares purchasable upon the exercise of the Warrants pursuant to this Agreement, certificates for Warrants issued prior or subsequent to such adjustment may continue to express the same price and

number and kind of Shares as are initially issuable pursuant to this Agreement.

9. RESERVED.

10. REGISTRATION RIGHTS.

(a) DEMAND REGISTRATION RIGHTS. The Company covenants and agrees with the Placement Agent and any other or subsequent Holders of the Registrable Securities (as defined in paragraph (f) of this Section 10) that, subject to the availability of audited financial statements which would comply with Regulation S-X under the Securities Act, upon written request of the then Holder(s) of at least a majority of the Warrants or the Registrable Securities, or both, which were originally issued to the Placement Agent or its designees, made at any time within the period commencing one year and ending five years after the Closing Date, the Company will file as promptly as practicable and, in any event, within 60 days after receipt of such written request, at its expense (other than the fees of counsel and sales commissions for such Holders), no more than once, a post-effective amendment (the "Amendment") to a registration statement, or a new registration statement or a Regulation A Offering Statement (an "Offering Statement") under the Securities Act, registering or qualifying the Registrable Securities for sale. Within fifteen (15) days after receiving any such notice, the Company shall give notice to the other Holders of the Registrable Securities advising that the

Company is proceeding with such Amendment, registration statement or Offering Statement and offering to include therein the Registrable Securities of such Holders. The Company shall not be obligated to any such other Holder unless such other Holder shall accept such offer by notice in writing to the Company within ten (10) days thereafter. The Company will use its best efforts, through its officers, directors, auditors and counsel in all matters necessary or advisable, to file and cause to become effective such Amendment, registration statement or Offering Statement as promptly as practicable and for a period of nine months thereafter to reflect in the Amendment, registration statement or Offering Statement financial statements which are prepared in accordance with Section 10(a) (3) of the Securities Act and any facts or events arising that, individually, or in the aggregate, represent a fundamental and/or material change in the information set forth in the Amendment, registration statement or Offering Statement to

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enable any Holders of the Warrants to either sell such Warrants or to exercise such Warrants and sell Shares, or to enable any holders of Shares to sell such Shares, during said nine-month period. The Holders may sell the Registrable Securities pursuant to the Amendment, registration statement or the Offering Statement without exercising the Warrants. If any registration pursuant to this paragraph (a) is an underwritten offering, the Holders of a majority of the Registrable Securities to be included in such registration shall be

entitled to select the underwriter or managing underwriter (in the case of a syndicated offering) of such offering, subject to the Company's approval which shall not be unreasonably withheld.

(b) PIGGYBACK REGISTRATION RIGHTS. The Company covenants and agrees with the Placement Agent and any other Holders or subsequent Holders of the Registrable Securities that if, at any time within the period commencing one year and ending five years after the Closing Date, it proposes to file a registration statement or Offering Statement with respect to any class of equity or equity-related security (other than in connection with an offering to the Company's employees or in connection with an acquisition, merger or similar transaction) under the Securities Act in a primary registration on behalf of the Company and/or in a secondary registration on behalf of holders of such securities and the registration form or Offering Statement to be used may be used for registration of the Registrable Securities, the Company will give prompt written notice (which, in the case of a registration statement or notification pursuant to the exercise of demand registration rights other than those provided in Section 10(a) of this Agreement, shall be within ten (10) business days after the Company's receipt of notice of such exercise and, in any event, shall be at least 30 days prior to such filing) to the Holders of Registrable Securities (regardless of whether some of the Holders shall have theretofore availed themselves of the right provided in Section 10(a) of this Agreement) at the addresses appearing on the records of the Company of its intention to file a registration statement or Offering Statement and will offer to include in such registration statement or Offering Statement all but not less than 20% of the Registrable Securities and limited, in the case of a Regulation A offering, to the amount of the available exemption, subject to paragraphs (i) and (ii) of this paragraph (b), such number of Registrable

Securities with respect to which the Company has received written requests for inclusion therein within ten (10) days after the giving of notice by the Company. All registrations requested pursuant to this paragraph (b) are referred to herein as "Piggyback Registrations". All Piggyback Registrations pursuant to this paragraph (b) will be made solely at the Company's expense. This paragraph is not applicable to a registration statement filed by the Company with the Commission on Forms S-4 or S-8 or any successor forms.

(i) PRIORITY ON PRIMARY REGISTRATIONS. If a Piggyback Registration includes an underwritten primary registration on behalf of such Company and the underwriter(s) for such offering determines in good faith and advises the Company in writing that in its/their opinion the number of Registrable Securities requested to be included in such registration exceeds the number that can be sold in such offering without materially adversely affecting the distribution of such securities by the Company, the Company will include in such registration (A) first, the securities that the Company proposes to sell and (B) second, the Registrable Securities requested to be included in such registration, apportioned pro rata among the Holders of Registrable Securities, and (C) third, securities of the holders of other securities requesting registration.

(ii) PRIORITY ON SECONDARY REGISTRATIONS. If a Piggyback Registration consists only of an underwritten secondary registration on behalf of holders of securities of the Company (other than pursuant to Section 10(a)), and the underwriter(s) for such offering advises the Company in writing that in its/their opinion the number of Registrable Securities requested to be included in such registration exceeds the number which can be sold in such offering without materially adversely affecting the distribution of such securities by the Company, the Company will include in such registration (A) first, the securities requested to be included therein by the holders requesting such registration and the Registrable Securities requested to be included in such registration, pro rata among all such holders on the basis of the number of shares requested to be included by each such holder, provided, however, the Company will use its best efforts to include not less than 20% of the Registrable

Securities, and (B) second, other securities requested to be included in such registration.

Notwithstanding the foregoing, if any such underwriter shall determine in good faith and advise the Company in writing that the distribution of the Registrable Securities requested to be included in the registration concurrently with the securities being registered by the Company would materially adversely affect the distribution of such securities by the Company, then the Holders of such Registrable Securities shall delay their offering and sale for such period ending on the earliest of (1) 90 days following the effective date of the Company's registration statement, (2) the day upon which the underwriting syndicate, if any, for such offering shall have been disbanded or, (3) such date as the Company, managing underwriter and Holders of Registrable Securities shall otherwise agree. In the event of such delay, the Company shall file such supplements, post-effective amendments and take any such other steps as may be necessary to permit such Holders to make their proposed offering and sale for a period of 120 days immediately following the end of such period of delay. If any party disapproves of the terms of any such underwriting, it may elect to withdraw therefrom by written notice to the Company, the underwriter, and the Placement Agent. Notwithstanding the foregoing, the Company shall not be required to file a registration statement to include Shares pursuant to this Section 10(b) if independent counsel, reasonably satisfactory to counsel for the Company and counsel for the Placement Agent, renders an opinion to the Company that the Shares proposed to be disposed of may be transferred pursuant to the provisions of Rule 144 under the Securities Act or otherwise without registration under the Securities Act.

(c) OTHER REGISTRATION RIGHTS. In addition to the rights above provided, the Company will cooperate with the then Holders of the Registrable Securities in preparing and signing any registration statement or Offering Statement, in addition to the registration statements and Offering Statements discussed above, required in order to sell or transfer the Registrable Securities and will supply all information required therefor, but such additional registration statement or Offering Statement, shall be at the then Holders' cost and expense; provided, however, that if the Company elects to register or qualify additional shares of Common Stock, the cost and expense of such registration statement or Offering Statement will be prorated between the

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Company and the Holders of the Registrable Securities according to the aggregate sales price of the securities being issued. Notwithstanding the foregoing, the Company will not be required to file a registration statement or Offering Statement pursuant to this paragraph (c), (i) at a time when the audited financial statements required to be included therein are not available, which time shall be limited to the period commencing 45 days after the end of the Company's last fiscal year and ending 90 days after the end of such fiscal year, or (ii) within 90 days after completion of a public offering by the Company of any of its Common Stock or equity-related securities or (iii) if it would adversely impact the Company its capital raising plans or otherwise

(in which latter case filing may be delayed no longer than 120 days).

(d) ACTION TO BE TAKEN BY THE COMPANY. In connection with the registration of Registrable Securities in accordance with paragraphs (a), (b) or (c) of this Section 10, the Company agrees to:

(i) Bear the expenses of any registration or qualification under paragraphs (a) or (b) of this Section 10, including but not limited to, legal, accounting and printing fees; provided, however, that in no event shall the Company be obligated to pay (A) any fees and disbursements of special counsel for Holders of Registrable Securities, or (B) any underwriters' discount or commission in respect of such Registrable Securities, (C) any stock transfer taxes attributable to the sale of the Registrable Securities, or (D) upon the exercise of any demand registration right provided for in paragraph (a) of this Section 10, the cost of any liability or similar insurance required by an underwriter, to the extent that such costs are attributable solely to the offering of such Registrable Securities, payment of which shall, in each case, be the sole responsibility of the Holders of the Registrable Securities.

(ii) Use its best efforts to register or qualify the Registrable Securities for offer or sale under state securities or Blue Sky laws of such jurisdictions in which the Placement Agent or such Holders shall reasonably request, provided, however, that no qualification shall be required in any jurisdiction where, as a result thereof, the Company would

be subject to service of general process or to taxation as a foreign corporation doing business in such jurisdiction to which it is not then subject, and to do any and all other acts and things which may be necessary or advisable to enable the holders to consummate the proposed sale, transfer or other disposition of such securities in any jurisdiction; and

(iii) Enter into a cross-indemnity agreement, in customary form, with each underwriter, if any, and each holder of securities included in such Amendment, registration statement or Offering Statement.

(e) ACTION TO BE TAKEN BY THE HOLDERS. In connection with the registration of the Registrable Securities in accordance with paragraphs (a), (b) or (c) of this Section 10, the Company's obligation shall be conditioned as to each such public offering upon a timely receipt by the Company in writing of:

(i) Information as to the terms of such public offering furnished by or on behalf of each Holder intending to make a public offering of his, her or its Registrable Securities; and

(ii) Such other information as the Company may reasonably require from such Holders, or any underwriter for any of them, for inclusion in such registration statement or Notification on Form 1-A.

(f) For purposes of this Section 10, (i) the term "Holder" shall include holders of Shares, and (ii) the term "Registrable Securities" shall mean the Shares, if issued.

11. NOTICE TO HOLDERS.

(a) Nothing contained in this Agreement or in any of the Warrants shall be construed as conferring upon the Holders thereof the right to vote or to receive dividends or to consent or to receive notice as shareholders in respect of the meetings of shareholders or the election of directors of the Company or any other matter, or any rights whatsoever as shareholders of the Company; provided, however, that in the event that a meeting of shareholders

shall be called to consider and take action on a proposal for the voluntary dissolution of the Company, other than in connection with a consolidation, merger or sale of all, or substantially all, of its property, assets, business and good will as an entirety, then and in that event the Company shall cause a notice thereof to be sent by first-class mail, postage prepaid, at least twenty (20) days prior to the date fixed as a record date or the date of closing the transfer books in relation to such meeting, to each registered Holder of Warrants at such Holder's address appearing on the Warrant Register; but failure to mail or to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of any action taken in connection with such voluntary dissolution.

(b) In the event the Company intends to make any distribution on its Common Stock (or other securities which may be issuable in lieu thereof upon the exercise of Warrants), including, without limitation, any such distribution to be made in connection with a consolidation or merger in which the Company is the continuing corporation, or to issue subscription rights or warrants to holders of its Common Stock, the Company shall cause a notice of its intention to make such distribution to be sent by first-class mail, postage prepaid, at least twenty (20) days prior to the date fixed as a record date or the date of closing the transfer books in relation to such distribution, to each registered Holder of Warrants at such Holder's address appearing on the Warrant Register, but failure to mail or to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of any action taken in connection with such distribution.

12. NOTICES. Any notice pursuant to this Agreement to be given or made by the Holder of any Warrant and/or the holder of any Share to or on the Company shall be sufficiently given or made if sent by first-class mail,

postage prepaid, addressed as follows or to such other address as the Company may designate by notice given in accordance with this Section 12, to the Holders of Warrants and/or the holders of Shares:

GRILL CONCEPTS, INC.
11661 San Vincente Boulevard
Suite 404
Los Angeles, CA 90049
Attention: Secretary

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Notices or demands authorized by this Agreement to be given or made by the Company to or on the Holder of any Warrant and/or the holder of any Share shall be sufficiently given or made (except as otherwise provided in this Agreement) if sent by first-class mail, postage prepaid, addressed to such Holder or such holder of Shares at the address of such Holder or such holder of Shares as shown on the Warrant Register or the books of the Company, as the case may be.

13. GOVERNING LAW. This Agreement and each Warrant issued hereunder shall be governed by and construed in accordance with the substantive laws of the State of California. The Company hereby agrees to accept service of process by notice given to it pursuant to the provisions of Section 12.

14. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original; but such counterparts together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day, month and year first above written.

GRILL CONCEPTS, INC.
(registrant)

By:

Name: Michael Weinstock
Title: Executive Vice President

ROCHON CAPITAL GROUP, LTD.

By:

Name: Phillip L. Neiman
Title: President

No.

Warrants

GRILL CONCEPTS, INC.

Warrant Certificate

THIS CERTIFIES THAT for value received _____ ,

or registered assigns, is the owner of the number of Warrants set forth above, each of which entitle the owner thereof to purchase one fully paid and nonassessable share of common stock, \$0.0001 par value (the "Common Stock"), of GRILL CONCEPTS, INC., a Delaware corporation (the "Company"), at the purchase price equal to the Exercise Price, as defined in the Warrant Agreement, dated as of December , 1996 (the "Warrant Agreement"), between the Company and

Rochon Capital Group, Ltd. upon presentation and surrender of this Warrant Certificate with the Form of Election to Purchase duly executed. The number of Warrants evidenced by this Warrant Certificate (and the number of shares which may be purchased upon exercise thereof, rounded up to the nearest full share) set forth above, and the Exercise Price per share set forth above, are the number and Exercise Price as of the date of original issuance of the Warrants, based on the shares of Common Stock of the Company as constituted at such date. As provided in the Warrant Agreement, the Exercise Price and the number or kind of shares which may be purchased upon the exercise of the Warrants evidenced by this Warrant Certificate are, upon the happening or certain events, subject to modification and adjustment.

This Warrant Certificate is subject to, and entitled to the benefits of, all of the terms, provisions and conditions of the Warrant Agreement, which Warrant Agreement is hereby incorporated herein by reference and made a part hereof and to which Warrant Agreement reference is hereby made for a full description of the rights, limitations of rights, duties and immunities hereunder of the Company and the holders of the Warrant Certificates. Copies of the Warrant Agreement are on file at the principal office of the Company.

This Warrant Certificate, with or without other Warrant Certificates, upon surrender at the principal office of the Company, may be exchanged for

another Warrant Certificate or Warrant Certificates of like tenor and date evidencing Warrants entitling the holder to purchase a like aggregate number of shares of Common Stock as the Warrants evidenced by the Warrant Certificate or Warrant Certificates surrendered entitled such holder to purchase. If this Warrant Certificate shall be exercised in part, the holder hereof shall be entitled to receive upon surrender hereof another Warrant Certificate or Warrant Certificates for the number of whole Warrants not exercised.

No holder of this Warrant Certificate shall be entitled to vote, receive dividends, subscription rights or be deemed the holder of Common Stock or any other securities of the Company which may at any time be issuable on the exercise hereof for any purpose, nor shall anything contained in the Warrant Agreement or herein be construed to confer upon the holder hereof, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action (whether upon any recapitalization, issue of stock, reclassification of stock, change of par value or change of stock to no par value, consolidation, merger, conveyance, or otherwise) or, except as provided in the Warrant Agreement, to receive notice of meetings, until the Warrant or Warrants evidenced by this Warrant Certificate shall have been exercised and the Shares shall have become deliverable as provided in the Warrant Agreement.

If this Warrant shall be surrendered for exercise within any period during which the transfer books for the Company's Common Stock or other class of stock purchasable upon the exercise of this Warrant are closed for any purpose, the Company shall not be required to make delivery of certificates for shares purchasable upon such exercise until the date of the reopening of said transfer books, provided, however, that such books shall not be closed for longer than a 20-day period.

IN WITNESS WHEREOF, THE COMPANY has caused the signature (or facsimile signature) of its President and its Secretary to be printed hereon and its corporate seal (or facsimile) to be printed hereon.

Date: December , 1996

GRILL CONCEPTS, INC.
(registrant)

By: _____

Name: Robert Spivak
Title: President

Attest:

By:

Name: Michael Weinstock

Title: Secretary

FORM OF
ASSIGNMENT

(To be executed by the registered holder if such holder desires to transfer the Warrant Certificate.)

FOR VALUE RECEIVED

hereby sells, assigns and

transfers unto this Warrant Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint

, to transfer the within Warrant Certificate on the

books of the within-named Company, with full power of substitution.

Dated: _____, 19

Signature

Signature Guaranteed:

NOTICE

The signature of the foregoing Assignment must correspond to the name as written upon the face of this Warrant Certificate in every particular, without alteration or enlargement or any change whatsoever.

FORM OF
ELECTION TO PURCHASE

(To be executed if holder desires to exercise the Warrant Certificate.)

TO: GRILL CONCEPTS, INC.

The undersigned hereby irrevocably elects to exercise Warrants represented by this Warrant Certificate to purchase _____ shares of Common Stock issuable upon the exercise of such Warrants and requests that certificates for such shares be issued in the name of:

(Please insert social security, tax identification or other identifying number)

(Please print name and address)

Date: _____, 19 _____

Signature

(Signature must conform in all respects to name of holder as specified on the face of this Warrant Certificate)

Signature Guaranteed:

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