

KONA GRILL INC
Form 10-Q
October 29, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2010

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-34082

Kona Grill, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or other jurisdiction of incorporation or organization)

20-0216690
(I.R.S. Employer Identification No.)

7150 East Camelback Road, Suite 220
Scottsdale, Arizona 85251
(480) 922-8100

(Address, including zip code, and telephone number, including area code, of principal executive offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer S (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No S

As of October 29, 2010 there were 9,171,871 shares of the registrant’s common stock outstanding.

KONA GRILL, INC.

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PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

KONA GRILL, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	September 30, 2010 (Unaudited)	December 31, 2009 (Note 1)
ASSETS		
Current assets:		
Cash and cash equivalents	\$2,011	\$2,404
Investments	174	6,282
Receivables	134	308
Other current assets	1,156	1,111
Total current assets	3,475	10,105
Other assets	653	668
Property and equipment, net	38,282	39,190
Total assets	\$42,410	\$49,963
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$2,099	\$2,922
Accrued expenses	5,843	5,753
Current portion of notes payable	570	684
Line of credit	—	5,800
Total current liabilities	8,512	15,159
Notes payable	219	636
Deferred rent	16,390	16,185
Total liabilities	25,121	31,980
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Preferred stock, \$0.01 par value, 2,000,000 shares authorized, none issued	—	—
Common stock, \$0.01 par value, 15,000,000 shares authorized, 9,288,071 shares issued and 9,171,871 shares outstanding at September 30, 2010 and 9,262,895 shares issued and 9,146,695 shares outstanding at December 31, 2009	93	93
Additional paid-in capital	58,041	57,649
Accumulated deficit	(39,845)	(38,759)
Treasury stock, at cost, 116,200 shares at September 30, 2010 and December 31, 2009	(1,000)	(1,000)
Total stockholders' equity	17,289	17,983
Total liabilities and stockholders' equity	\$42,410	\$49,963

See accompanying notes to the unaudited consolidated financial statements.

KONA GRILL, INC.
 UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
 (in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Restaurant sales	\$21,605	\$20,173	\$65,343	\$61,096
Costs and expenses:				
Cost of sales	5,936	5,267	17,525	15,825
Labor	7,535	7,117	22,900	21,135
Occupancy	1,777	1,655	5,327	4,711
Restaurant operating expenses	3,582	3,296	10,456	9,568
General and administrative	1,446	1,590	5,456	6,138
Preopening expense	382	480	509	1,332
Depreciation and amortization	1,384	1,820	4,178	5,373
Total costs and expenses	22,042	21,225	66,351	64,082
Loss from operations	(437) (1,052		