

KONA GRILL INC  
Form 10-Q  
May 04, 2012

---

---

**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 March 31, 2012**

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

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 (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

As of April 30, 2012, there were 8,798,394 shares of the registrant's common stock outstanding.

---

---

---

**KONA GRILL, INC.**

**TABLE OF CONTENTS**

		<u>Page</u>
<b>PART I. FINANCIAL INFORMATION</b>		
Item 1.	Consolidated Financial Statements	
	Consolidated Balance Sheets as of March 31, 2012 (Unaudited) and December 31, 2011	2
	Unaudited Consolidated Statements of Comprehensive Income for the Three Months Ended March 31, 2012 and 2011	3
	Unaudited Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2012 and 2011	4
	Notes to Unaudited Consolidated Financial Statements	5
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	10
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	18
Item 4.	Controls and Procedures	19
<b>PART II. OTHER INFORMATION</b>		
Item 1.	Legal Proceedings	19
Item 1A.	Risk Factors	19
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	19
Item 3.	Defaults Upon Senior Securities	20
Item 4.	Mine Safety Disclosures	20
Item 5.	Other Information	20
Item 6.	Exhibits	20

**PART I FINANCIAL INFORMATION****Item 1. Consolidated Financial Statements****KONA GRILL, INC.****CONSOLIDATED BALANCE SHEETS**

(in thousands, except share data)

	<b>March 31, 2012</b>	<b>December 31, 2011</b>
	(Unaudited)	(Note 1)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 5,649	\$ 6,327
Investments	176	176
Receivables	221	3
Other current assets	1,221	1,203
Total current assets	7,267	7,709
Other assets	833	694
Property and equipment, net	31,673	32,944
Total assets	\$ 39,773	\$ 41,347
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 1,706	\$ 1,912
Accrued expenses	6,942	8,045
Current portion of notes payable	158	132
Total current liabilities	8,806	10,089
Notes payable	329	
Deferred rent	13,293	13,574
Total liabilities	22,428	23,663
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, 8,914,594 shares issued and 8,798,394 shares outstanding at March 31, 2012; 9,071,923 shares issued and 8,955,723 shares outstanding at December 31, 2011	89	91
Additional paid-in capital	55,382	56,903
Accumulated deficit	(37,126 )	(38,310 )
Treasury stock, at cost, 116,200 shares at March 31, 2012 and December 31, 2011	(1,000 )	(1,000 )
Total stockholders' equity	17,345	17,684
Total liabilities and stockholders' equity	\$ 39,773	\$ 41,347

See accompanying notes to the unaudited consolidated financial statements.

2

---

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

	<b>Three Months Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
Restaurant sales	\$24,155	\$22,242
Costs and expenses:		
Cost of sales	6,495	6,236
Labor	7,948	7,524
Occupancy	1,533	1,651
Restaurant operating expenses	3,376	3,481
General and administrative	2,084	1,881
Preopening expense		
Depreciation and amortization	1,463	1,476
Total costs and expenses	22,899	22,249
Income (loss) from operations	1,256	(7 )
Nonoperating income (expense):		
Interest income and other, net		1
Interest expense	(12 )	(12 )
Income (loss) from continuing operations before provision for income taxes	1,244	(18 )
Provision for income taxes	60	10
Income (loss) from continuing operations	1,184	(28 )
Loss from discontinued operations, net of tax		(64 )
Net income (loss)		