

KONA GRILL INC  
Form SC 13D/A  
December 30, 2008

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 13D**

**Under the Securities Exchange Act of 1934**

**(Amendment No. 2)\***

**Kona Grill, Inc.**

(Name of Issuer)

**Common Stock, par value \$0.01 per share**

(Title of Class of Securities)

**50047H201**

(CUSIP Number)

**Mill Road Capital, L.P.**

Edgar Filing: KONA GRILL INC - Form SC 13D/A

**Attn: Thomas E. Lynch**

**Two Sound View Drive**

**Suite 300**

**Greenwich, CT 06830**

**203-987-3501**

**With a copy to:**

**Peter M. Rosenblum, Esq.**

**Foley Hoag LLP**

**155 Seaport Blvd.**

**Boston, MA 02210**

**617-832-1151**

**(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications)**

**December 30, 2008**

**(Date of Event which Requires Filing of this Statement)**

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box. "

**Note:** Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See §240.13d-7 for other parties to whom copies are sent.

\* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page. The information required on the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 ( Act ) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

1. Names of Reporting Persons.

Thomas E. Lynch

2. Check the Appropriate Box if a Member of a Group (See Instructions)

(a) ..

(b) ..

3. SEC Use Only

4. Source of Funds (See Instructions)

OO

5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) ..

6. Citizenship or Place of Organization

USA

7. Sole Voting Power  
Number of

Shares 8. Shared Voting Power

Beneficially

Owned by 648,171  
Each 9. Sole Dispositive Power

Reporting 10. Shared Dispositive Power  
Person

With 648,171  
11. Aggregate Amount Beneficially Owned by Each Reporting Person

648,171  
12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) ..

13. Percent of Class Represented by Amount in Row (11)

10.0%

14. Type of Reporting Person (See Instructions)

IN; HC

1. Names of Reporting Persons.

Charles M. B. Goldman

2. Check the Appropriate Box if a Member of a Group (See Instructions)

(a) ..

(b) ..

3. SEC Use Only

4. Source of Funds (See Instructions)

OO

5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) ..

6. Citizenship or Place of Organization

USA

7. Sole Voting Power  
Number of

8. Shared Voting Power  
Shares

Beneficially

Owned by  
Each 648,171  
9. Sole Dispositive Power

Reporting  
Person 10. Shared Dispositive Power

With  
648,171

11. Aggregate Amount Beneficially Owned by Each Reporting Person

648,171

12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) ..

13. Percent of Class Represented by Amount in Row (11)

10.0%

14. Type of Reporting Person (See Instructions)

IN; HC

1. Names of Reporting Persons.

Scott P. Scharfman

2. Check the Appropriate Box if a Member of a Group (See Instructions)

(a) ..

(b) ..

3. SEC Use Only

4. Source of Funds (See Instructions)

OO

5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) ..

6. Citizenship or Place of Organization

USA

7. Sole Voting Power  
Number of

Shares 8. Shared Voting Power

Beneficially

Owned by 648,171

Each 9. Sole Dispositive Power

Reporting 10. Shared Dispositive Power

Person

With 648,171

11. Aggregate Amount Beneficially Owned by Each Reporting Person

648,171

12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) ..

13. Percent of Class Represented by Amount in Row (11)

10.0%

14. Type of Reporting Person (See Instructions)

IN; HC



1. Names of Reporting Persons

Mill Road Capital GP LLC

2. Check the Appropriate Box if a Member of a Group (See Instructions)

(a) ..

(b) ..

3. SEC Use Only

4. Source of Funds (See Instructions)

OO

5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) ..

6. Citizenship or Place of Organization

Delaware

7. Sole Voting Power

Number of

Shares

648,171

Beneficially

8. Shared Voting Power

Owned by

Each

9. Sole Dispositive Power

Reporting

Person

648,171

10. Shared Dispositive Power

With

11. Aggregate Amount Beneficially Owned by Each Reporting Person

648,171

12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) ..

13. Percent of Class Represented by Amount in Row (11)

10.0%

14. Type of Reporting Person (See Instructions)

OO; HC

1. Names of Reporting Persons.

Mill Road Capital, L.P.

2. Check the Appropriate Box if a Member of a Group (See Instructions)

(a) ..

(b) ..

3. SEC Use Only

4. Source of Funds (See Instructions)

WC

5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) ..

6. Citizenship or Place of Organization

Delaware

7. Sole Voting Power

Number of

Shares

648,171

Beneficially

8. Shared Voting Power

Owned by

Each

9. Sole Dispositive Power

Reporting

Person

648,171

10. Shared Dispositive Power

With

11. Aggregate Amount Beneficially Owned by Each Reporting Person

648,171

12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) ..

13. Percent of Class Represented by Amount in Row (11)

10.0%

14. Type of Reporting Person (See Instructions)

PN

This Amendment No. 2 (this Amendment) to the joint statement on Schedule 13D with respect to the common stock, par value \$0.01 per share, of Kona Grill, Inc., a Delaware corporation, filed by the undersigned on June 26, 2008 (the Initial Filing), as amended by Amendment No. 1 on Schedule 13D filed by the undersigned on November 14, 2008 with respect to the Initial Filing (the Schedule 13D), amends the Schedule 13D as follows:

1. Item 4 of the Schedule 13D shall hereby be amended and restated in full as follows:

**Item 4. Purpose of Transaction.**

The Reporting Persons acquired shares of the Common Stock based on their belief that the Common Stock represents an attractive investment opportunity. The Reporting Persons further believe that the Issuer would be better able to realize its full value as a private entity. Accordingly, on March 28, 2008, the Fund transmitted a letter to the Issuer, attached hereto as Exhibit 5, in which it submitted a non-binding offer to acquire all of the Issuer's capital stock at a cash price of \$10.75 per share. The Issuer responded, in a letter to the Fund dated April 18, 2008 and attached hereto as Exhibit 6, indicating that the Fund's letter had been distributed to the Issuer's Board of Directors for discussion at its next regularly scheduled meeting. On May 1, 2008, the Issuer orally responded to the Fund, indicating that it was not currently interested in pursuing such transaction.

On December 30, 2008, the Fund transmitted a letter to the Issuer, attached hereto as Exhibit 7, concerning further financing for the Issuer.

The Reporting Persons intend to review continuously their equity interest in the Issuer and may wish to engage in a constructive dialogue with management and the Board of Directors of the Issuer. Depending upon their evaluation of the factors described below, one or more of the Reporting Persons may from time to time purchase additional securities of the Issuer, dispose of all or a portion of the securities then held by such Reporting Person, or cease buying or selling such securities. Any such additional purchases or sales of securities of the Issuer may be in the open market or privately negotiated transactions or otherwise. The factors that the Reporting Persons may consider in evaluating their equity interest in the Issuer's business include the following: (i) the Issuer's business and prospects; (ii) the performance of the Common Stock and the availability of the Common Stock for purchase at particular price levels; (iii) the availability and nature of opportunities to dispose of the Reporting Persons' interests; (iv) general economic conditions; (v) stock market conditions; (vi) other business and investment opportunities available to the Reporting Persons; and (vii) other plans and requirements of the Reporting Persons.

Depending on their assessment of the foregoing factors, the Reporting Persons may, from time to time, modify their present intention as stated in this Item 4.

Except as set forth above, including the Reporting Persons' efforts with respect to the Fund's interest in making an offer to acquire all of the outstanding shares of the Issuer, the Reporting Persons intend to continuously review their options but do not have at this

time any specific plans that would result in (a) the acquisition of additional securities of the Issuer or the disposition of securities of the Issuer; (b) any extraordinary corporate transactions such as a merger, reorganization or liquidation involving the Issuer or any of its subsidiaries; (c) any sale or transfer of a material amount of the assets of the Issuer or of any of its subsidiaries; (d) any change in the present management or Board of Directors of the Issuer, including any plans or proposals to change the number or term of directors or to fill any existing vacancies on the Issuer's Board of Directors; (e) any material change in the present capitalization or dividend policy of the Issuer; (f) any other material change in the Issuer's business or corporate structure; (g) any change in the Issuer's charter or by-laws that may impede the acquisition of control of the Issuer by any person; (h) the Issuer's Common Stock being delisted from a national securities exchange or ceasing to be authorized to be quoted in an inter-dealer quotation system or a registered national securities association; (i) causing a class of equity securities of the Issuer to become eligible for termination of registration pursuant to Section 12(g)(4) of the Securities Exchange Act of 1934, as amended; or (j) any action similar to those enumerated above.

2. Item 5(a) of the Schedule 13D shall hereby be amended and restated in full as follows:

(a) In the aggregate, the Reporting Persons beneficially own, as of December 30, 2008, 648,171 shares of the Common Stock, representing approximately 10.0% of such class of securities. The Fund, the GP, as the sole general partner of the Fund, and each Manager, as a management committee director of the GP, each beneficially owns, as of December 30, 2008, 648,171 shares of the Common Stock, representing approximately 10.0% of such class of securities. These percentages of beneficial ownership are based on a total of 6,501,870 shares of the Common Stock outstanding as of October 31, 2008, as reported in the most recent quarterly report of the Issuer on Form 10-Q for the fiscal quarter ended September 30, 2008.

3. The first clause of Item 5(c) of the Schedule 13D shall hereby be amended and restated in full as follows:

No Reporting Person, other than the Fund as set forth in the table below, effected any transaction in shares of the Common Stock from April 17, 2008 (the date 60 days prior to the event which required the initial filing of this statement) to December 30, 2008:

4. Item 7 of the Schedule 13D shall hereby be amended by adding an Exhibit 7 as follows:

Exhibit 7 Letter from Mill Road Capital, L.P. to Kona Grill, Inc. dated December 30, 2008.

5. Except as expressly modified hereby, all provisions of the Schedule 13D shall continue in full force and effect.

[signature page follows]

*Signature*

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

DATE: December 30, 2008

MILL ROAD CAPITAL, L.P.

By: Mill Road Capital GP LLC,  
its General Partner

By: /s/ Charles M. B. Goldman  
Charles M. B. Goldman  
Management Committee Director

MILL ROAD CAPITAL GP LLC

By: /s/ Charles M. B. Goldman  
Charles M. B. Goldman  
Management Committee Director

THOMAS E. LYNCH

By: /s/ Charles M. B. Goldman  
Charles M. B. Goldman, attorney-in-fact

CHARLES M. B. GOLDMAN

/s/ Charles M. B. Goldman  
Charles M. B. Goldman

SCOTT P. SCHARFMAN

By: /s/ Charles M. B. Goldman  
Charles M. B. Goldman, attorney-in-fact