

Goldman Charles
Form PRRN14A
March 23, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant ..

Filed by a Party other than the Registrant p

Check the appropriate box:

p Preliminary Proxy Statement

.. **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

.. Definitive Proxy Statement

.. Definitive Additional Materials

.. Soliciting Material Pursuant to §240.14a-12

Kona Grill, Inc.

(Name of Registrant as Specified In Its Charter)

Mill Road Capital, L.P.

Mill Road Capital GP LLC

Mill Road Capital Management LLC

Thomas E. Lynch

Scott P. Scharfman

Charles M. B. Goldman

Justin C. Jacobs

Craig S. Miller

Lawrence F. Harris

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Edgar Filing: Goldman Charles - Form PRRN14A

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

2010 ANNUAL MEETING OF STOCKHOLDERS

OF

KONA GRILL, INC.

PROXY STATEMENT

OF

MILL ROAD CAPITAL, L.P.

MILL ROAD CAPITAL GP LLC

MILL ROAD CAPITAL MANAGEMENT LLC

THOMAS E. LYNCH

SCOTT P. SCHARFMAN

CHARLES M. B. GOLDMAN

JUSTIN C. JACOBS

CRAIG S. MILLER

LAWRENCE F. HARRIS

This proxy statement relates to the 2010 annual meeting of stockholders of Kona Grill, Inc. The annual meeting will take place as follows:

Date: April 28, 2010

Time: 2:00 p.m.

Place: Greenberg Traurig, LLP
2375 East Camelback Road
Suite 700
Phoenix, Arizona 85016

This proxy statement and the accompanying Gold proxy card are being furnished to the stockholders (Stockholders) of Kona Grill, Inc. (Kona) in connection with the solicitation of proxies by Mill Road Capital, L.P. (Mill Road) and the Participants (as hereinafter defined), to be used at the 2010 annual meeting of Stockholders of Kona, or any other meeting of Stockholders held in lieu thereof, and any adjournments, postponements, reschedulings or continuations thereof (the Annual Meeting), which is scheduled to be held at 2:00 p.m., local time, on April 28, 2010, at the offices of Greenberg Traurig, LLP at 2375 East Camelback Road, Suite 700, Phoenix, Arizona 85016. Kona s principal executive office is located at 7150 East Camelback Road, Suite 220, Scottsdale, Arizona 85251. Mill Road is mailing this proxy statement and the enclosed Gold proxy card to Stockholders on or about March [___], 2010.

ANNUAL MEETING OF STOCKHOLDERS

Purpose of the Annual Meeting:

The Annual Meeting is being held for the following purposes:

Purpose 1: To elect three Class II directors for three-year terms.

Purpose 2: To transact such other business as may properly come before the Annual Meeting or any adjournment(s) or postponement(s) thereof.

At the Annual Meeting, Mill Road and the Participants (as hereinafter defined) will seek to elect to the Board of Directors of Kona (the Board) the following persons (each a Nominee and collectively, the Nominees):

Thomas E. Lynch

Craig S. Miller

Lawrence F. Harris

Each of the Nominees has consented to being named in this proxy statement and, if elected, to serve as a director of Kona.

According to Kona's definitive proxy statement dated March 9, 2010, the Board has nominated Douglas G. Hipskind, Anthony L. Winczewski and Mark A. Zesbaugh for election as Class II directors. In addition, according to Kona's definitive proxy statement, Marcus E. Jundt, Kona's former Chairman, President and Chief Executive Officer and a former director of Kona, has stated his intention to appear at the Annual Meeting to place his name into nomination for election as a Class II director. Kona's definitive proxy statement indicates that Kona has accepted the validity of Mr. Jundt's (advance notice) stockholder nomination for purposes of Kona's by-laws, but that Kona would neither nominate Mr. Jundt as a Board nominee nor recommend him as a candidate for election as a director at the Annual Meeting.

MILL ROAD AND THE PARTICIPANTS URGE YOU TO VOTE THE GOLD PROXY CARD FOR THOMAS E. LYNCH, CRAIG S. MILLER AND LAWRENCE F. HARRIS AS DIRECTORS.

Record Date:

The Board has fixed the close of business on March 1, 2010 as the record date for the Annual Meeting. Only Stockholders of record at the close of business on that date are entitled to receive notice of the Annual Meeting and to vote at the Annual Meeting. At the close of business on the record date, there were issued and outstanding 9,160,445 shares of Kona's common stock, par value \$0.01 per share (Common Stock), which are entitled to cast 9,160,445 votes.¹

¹ This information is derived from Kona's definitive proxy statement dated March 9, 2010.

Quorum:

Kona s by-laws provide that the presence in person or by proxy of the holders of shares of stock having a majority of the votes that could be cast by the holders of all outstanding shares of stock entitled to vote at the Annual Meeting shall constitute a quorum.

Stockholders can either vote for or withhold their vote for director-nominees. A properly executed proxy card marked withhold with respect to a director-nominee will not be voted with respect to the election of that director-nominee, although such withhold indication and any broker non-vote will be counted for purposes of determining whether there is a quorum present at the Annual Meeting for the transaction of business. As a result, such withhold indications and broker non-votes will have no effect on the election of any director-nominee because only votes affirmatively cast for a director-nominee will be counted towards the election of such director-nominee.

If your shares are held in street name, whether through a broker, bank or other nominee, only such bank, broker or other nominee can sign the Gold proxy card with respect to your shares. A broker non-vote occurs if you do not give specific voting instructions to your broker, bank or other nominee regarding how to vote your shares on your behalf with respect to the election of Class II directors at the Annual Meeting before the 10th day prior to the Annual Meeting. The election of directors at the Annual Meeting is a non-routine matter and brokers do not have discretionary authority to vote your shares of Common Stock on non-routine matters. If you fail to provide voting instructions, your broker will have no discretionary authority to vote your shares on your behalf with respect to the election of Class II directors and your shares will not be voted for any of the Nominees. We strongly encourage you to contact the person(s) responsible for your account and give them instructions for how to complete a Gold proxy card representing your shares so that a Gold proxy card can be timely returned on your behalf.

Vote Required:

The election of each Class II director will require the affirmative vote of a plurality of the shares of Common Stock properly cast at the Annual Meeting if a quorum is present. Plurality means that the individuals who receive the largest number of votes cast are elected as directors, up to the maximum number of directors to be chosen at the Annual Meeting.

Methods of Voting:

If you are a holder of record of Common Stock as of the record date, you may vote by completing, signing and returning by mail the enclosed Gold proxy card. Please mark, sign and date the enclosed Gold proxy card and return it in the pre-addressed, postage-paid envelope enclosed for such purpose. If you are a holder of record of Common Stock as of the record date,

you may also vote in person by attending the Annual Meeting. Votes at the Annual Meeting will be taken by written ballot. At the commencement of the Annual Meeting, a written ballot will be distributed to any Stockholder of record who attends the Annual Meeting and wishes to vote thereat in person.

If your shares are held in street name, whether through a broker, bank or other nominee, only such bank, broker or other nominee can sign the Gold proxy card with respect to your shares. You are therefore urged to contact the person(s) responsible for your account and give them instructions for how to complete a Gold proxy card representing your shares so that a Gold proxy card can be timely returned on your behalf. You also should confirm in writing your instructions to the person(s) responsible for your account and provide a copy of those instructions to our proxy solicitor, InvestorCom, Inc., 65 Locust Avenue, Third Floor, New Canaan, CT 06840, so that they can attempt to ensure that your instructions are followed. If you wish instead to vote in person at the Annual Meeting, you must obtain a valid proxy from your broker, bank or other nominee.

If you are a holder of record of Common Stock as of the record date and plan to attend the Annual Meeting, please be sure to bring with you valid government-issued personal identification with a picture (such as a current driver's license or passport) in order to gain admission to the Annual Meeting. If your shares are held in street name through a broker, bank or other nominee, you will have to bring evidence of your ownership of Common Stock as of the record date, in addition to valid government-issued personal identification, if you wish to attend the Annual Meeting. Examples of proof of Common Stock ownership include: a signed letter from your broker or bank stating that you owned your shares as of the record date; a brokerage account statement indicating that you owned your shares as of the record date; or a copy of the voting instruction card provided by your broker indicating that you owned your shares as of the record date. If you hold a proxy on behalf of a holder of record of Common Stock as of the record date, then you must also bring the validly executed proxy naming you as the proxy holder, signed by the Stockholder of record who owned such shares of Common Stock as of the record date.

If you have any questions about the procedures for admission to the Annual Meeting, please contact our proxy solicitors, InvestorCom, Inc., toll free at 877-972-0090. Please see the section below entitled Revocation of Proxies for a discussion of how to revoke your proxy.

Revocation of Proxies:

MILL ROAD AND THE PARTICIPANTS URGE YOU NOT TO SIGN ANY PROXY CARD SENT TO YOU BY KONA OR MARCUS E. JUNDT. IF YOU HAVE ALREADY DONE SO, YOU MAY REVOKE YOUR PROXY AS FOLLOWS.

A Stockholder who has executed a proxy may revoke the proxy at any time before it is exercised at the Annual Meeting in three ways:

by giving written notice of revocation to Mill Road at the following address:

Mill Road Capital, L.P.

c/o InvestorCom, Inc.

65 Locust Avenue, Third Floor

New Canaan, CT 06840

by signing and returning another proxy with a later date; or

by attending the Annual Meeting and voting, in person thereat, the shares represented by your proxy card.

Although a revocation is effective if delivered to Kona, Mill Road and the Participants request that either the original or a copy of any revocation be mailed to Mill Road c/o InvestorCom, Inc., 65 Locust Avenue, Third Floor, New Canaan, CT 06840.

Mere attendance at the Annual Meeting will not in and of itself revoke the proxy. Accordingly, Stockholders who have executed and returned proxies in advance of the Annual Meeting may change their votes at any time before or at the Annual Meeting pursuant to one of the methods set forth above.

PARTICIPANTS IN SOLICITATION OF PROXIES

In addition to the Nominees (who are Thomas E. Lynch, Craig S. Miller and Lawrence F. Harris), the participants in the solicitation of proxies (the Participants) from the Stockholders of Kona include the following: Mill Road, Mill Road Capital GP LLC (MRCGP), Mill Road Capital Management LLC (MRCM), Scott P. Scharfman, Charles M. B. Goldman, and Justin C. Jacobs.

Mill Road is a Delaware limited partnership. The principal business of Mill Road is to operate as an investment firm that focuses on investments in publicly traded companies under \$250 million in size. The address of the principal business and principal office of Mill Road is 382 Greenwich Avenue, Suite One, Greenwich, Connecticut 06830. Mill Road beneficially owns 899,330 shares of Common Stock, 1,000 of which are held of record.

The general partner of Mill Road is MRCGP, and the principal business of MRCGP is to act as the sole general partner of Mill Road. The address of MRCGP is 382 Greenwich Avenue, Suite One, Greenwich, Connecticut 06830. The name, business address, present principal occupation and employment history of each person controlling MRCGP are set forth below. Each of Mr. Lynch and Scott P. Scharfman, Management Committee Directors of MRCGP, has shared power to vote and dispose of the 899,330 shares of Common Stock beneficially owned by Mill Road.

MRCM is a Delaware limited liability company. The principal business of MRCM is to provide advisory and administrative services to MRCGP. The address of MRCM is 382 Greenwich Avenue, Suite One, Greenwich, Connecticut 06830.

Set forth below are the name, present principal occupation or employment, and material occupations, positions, offices or employment for the past five years of each person controlling

MRCGP. The principal business address of each person controlling MRCGP is c/o Mill Road Capital, L.P., 382 Greenwich Avenue, Suite One, Greenwich, Connecticut 06830.

Thomas E. Lynch is a Management Committee Director of MRCGP. Mr. Lynch's present principal occupation or employment is as a Management Committee Director of MRCGP and of MRCM, which provides advisory and administrative services to MRCGP. Mr. Lynch is also the Senior Managing Director of Mill Road. Prior to forming Mill Road, Mr. Lynch was the founder and a Managing Director of Lazard Capital Partners. Prior to Lazard, Mr. Lynch was a Managing Director at The Blackstone Group.

Scott P. Scharfman is a Management Committee Director of MRCGP. Mr. Scharfman's present principal occupation or employment is as a Management Committee Director of MRCGP and of MRCM, which provides advisory and administrative services to MRCGP. Mr. Scharfman is also a Managing Director of Mill Road. Prior to joining Mill Road, Mr. Scharfman was the Senior Manager of the Equity Capital Markets Origination Group at Robertson Stephens.

Charles M. B. Goldman is a Management Committee Director of MRCGP. Mr. Goldman's present principal occupation or employment is as a Management Committee Director of MRCGP and of MRCM, which provides advisory and administrative services to MRCGP. Mr. Goldman is also a Managing Director of Mill Road. Prior to joining Mill Road, Mr. Goldman was the executive vice president of acquisitions and development for Ascend Media, a company focused on acquiring and integrating business-to-business magazines, journals and tradeshow.

Justin C. Jacobs is a Management Committee Director of MRCGP. Mr. Jacobs' present principal occupation or employment is as a Management Committee Director of MRCGP and of MRCM, which provides advisory and administrative services to MRCGP. Mr. Jacobs is also a Managing Director of Mill Road. Prior to joining Mill Road, Mr. Jacobs worked at LiveWire Capital, an investment and management group in which he held interim operational positions in portfolio companies and was involved in investment activities. Prior to joining LiveWire, Mr. Jacobs was an investment professional at The Blackstone Group.

Transactions with Kona as Related Persons:

Mill Road first acquired shares of Common Stock of Kona in 2007, and has beneficially owned more than 5% of the Common Stock since 2008. Mill Road has acquired shares of Common Stock based on its belief that Kona has not realized its full value and has significant growth potential.

On June 9, 2009, Kona completed a rights offering pursuant to which each Stockholder received one non-transferrable subscription right for every 2.5 shares of Common Stock owned by such Stockholder as of April 17, 2009 (the Rights Offering). Each subscription right entitled such Stockholder to purchase one share of Common Stock at a purchase price of \$1.35 per share. The expiration date of the Rights Offering was June 5, 2009. Mill Road purchased 259,268 shares of Common Stock in the Rights Offering for an aggregate purchase price of \$350,011.80. At the time of this transaction, Mill Road was the beneficial owner of more than

5% of the Common Stock. Each of Messrs. Lynch and Scharfman, Management Committee Directors of MRCGP, the sole general partner of Mill Road, acquired shared power to vote and dispose of such 259,268 shares of Common Stock purchased by Mill Road in the Rights Offering and had an interest of \$350,011.80 in Mill Road's purchase of such shares of Common Stock.

ELECTION OF DIRECTORS

One purpose of the Annual Meeting is to elect three Class II directors to the Board. In compliance with Kona's by-laws, Mill Road and the Participants have nominated Thomas E. Lynch, Lawrence F. Harris and Craig S. Miller for election as Class II directors. The Class II directors elected at the Annual Meeting will hold office until the Annual Meeting of Stockholders in 2013 and until their successors are duly elected and qualified.

According to Kona's definitive proxy statement dated March 9, 2010, the Board has nominated Douglas G. Hipskind, Anthony L. Winczewski and Mark A. Zesbaugh for election as Class II directors. All three such nominees are incumbent directors of Kona. In addition, according to Kona's definitive proxy statement, Marcus E. Jundt, Kona's former Chairman, President and Chief Executive Officer and a former director of Kona, has stated his intention to appear at the Annual Meeting to place his name into nomination for election as a Class II director. Kona's definitive proxy statement indicates that Kona has accepted the validity of Mr. Jundt's (advance notice) stockholder nomination for purposes of Kona's by-laws, but that Kona would neither nominate Mr. Jundt as a Board nominee nor recommend him as a candidate for election as a director at the Annual Meeting.

Set forth below is the Performance Graph included in Kona's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (the Form 10-K) filed with the Securities and Exchange Commission on March 4, 2010, which compares Kona's cumulative total stockholder returns for the period from August 16, 2005 through December 31, 2009 for (1) the Common Stock; (2) the NASDAQ Composite (U.S.) Index; and (3) a restaurant peer group consisting of P.F. Chang's China Bistro, Inc., The Cheesecake Factory Incorporated, McCormick & Schmick's Seafood Restaurants, Inc., Benihana, Inc., BJ's Restaurants, Inc., Granite City Food & Brewery Ltd., and J. Alexander's Corporation. According to the Form 10-K, the graph assumes an investment of \$100 on August 16, 2005, which was the first day on which the Common Stock was listed on the NASDAQ Global Market. Also, according to the Form 10-K, the calculations of cumulative stockholder return for the NASDAQ Composite (U.S.) Index and the restaurant peer group include reinvestment of dividends, but the calculation of cumulative stockholder return on Kona's Common Stock does not include reinvestment of dividends because Kona did not pay any dividends during the measurement period.

Mill Road and the Participants believe that the experience of Mr. Harris, Mr. Miller and Mr. Lynch make them desirable candidates for the Board. Mill Road and the Participants further believe that the Nominees' election to the Board would help Kona address its declining stockholder return and improve its performance. Accordingly, Mill Road and the Participants urge the Stockholders to read the biographical information of Thomas E. Lynch, Lawrence F. Harris and Craig S. Miller provided herein and to vote for their election.

As of the record date, Mill Road, the Participants and their affiliates beneficially owned an aggregate of 899,330 shares of Common Stock, representing approximately 9.8% of the outstanding shares of Common Stock. Mill Road, the Participants and their affiliates intend to vote such shares of Common Stock FOR the election of Thomas E. Lynch, Lawrence F. Harris and Craig S. Miller.

Information regarding each of the Nominees is set forth below. The Nominees would not be barred from being considered independent under the independence requirements of NASDAQ OMX Group, Inc. and the independence standards applicable to Kona under paragraph (a)(1) of Item 407 of Regulation S-K under the Securities Exchange Act of 1934, as amended.

MILL ROAD AND THE PARTICIPANTS RECOMMEND THAT YOU VOTE FOR THE ELECTION OF THOMAS E. LYNCH, LAWRENCE F. HARRIS AND CRAIG S. MILLER, AS CLASS II DIRECTORS OF KONA.

Biographical Information Regarding the Nominees:

Thomas E. Lynch:

Mr. Lynch, 50, is the Senior Managing Director of Mill Road Capital, L.P. which is an investment firm that focuses on investments in publicly traded companies under \$250 million in size and where he has worked since 2006. Mr. Lynch is also a Management Committee Director of Mill Road Capital GP LLC, which is the sole general partner of Mill Road Capital, L.P. and where he has worked since 2006. Mr. Lynch is also a Management Committee Director of Mill Road Capital Management LLC, which provides advisory services to Mill Road Capital GP LLC and where he has worked since 2004. Mr. Lynch has over two decades of investing, management consulting and operating experience. Prior to Mill Road, Mr. Lynch was the founder and a managing director of Lazard Capital Partners, where he created the fund's strategy and recruited the investment team. Prior to Lazard, Mr. Lynch was a managing director at The Blackstone Group. Mr. Lynch came to Blackstone from the Monitor Company, a management-consulting firm where he worked with companies in the retail, chemicals, plastics, coatings and packaging industries. Mr. Lynch began his career as an advertising executive at the Interpublic Group of Companies. Mr. Lynch served as a member of the Board of Directors of Panera Bread Company, a publicly traded company, from 2003 to 2006 and was re-appointed to the Panera Board in March 2010. Mr. Lynch served as a member of the Board of Directors of Galaxy Nutritional Foods, Inc. from May 2009 to June 2009, then a publicly traded company. Mr. Lynch has extensive, relevant experience in strategy, finance, the restaurant industry, and public company boards.

Business address of the Nominee and the name, principal business and address of the organizations in which the Nominee's present principal occupation or employment is carried on:

Thomas E. Lynch, c/o Mill Road Capital, L.P., 382 Greenwich Avenue, Suite One, Greenwich, Connecticut, 06830. Mill Road Capital, L.P. is an investment firm that focuses on investments in publicly traded companies under \$250 million in size, and its business address is 382 Greenwich Avenue, Suite One, Greenwich, Connecticut, 06830. Mill Road Capital GP LLC's principal business is to act as the sole general partner of Mill Road, and its business address is c/o Mill Road Capital, L.P., 382 Greenwich Avenue, Suite One, Greenwich, Connecticut, 06830. Mill Road Capital Management LLC's principal business is to provide advisory and administrative services to Mill Road Capital GP LLC, and its business address is c/o Mill Road Capital, L.P., 382 Greenwich Avenue, Suite One, Greenwich, Connecticut, 06830.

Ownership of securities of Kona:

Mr. Lynch, a Management Committee Director of Mill Road Capital GP LLC, the sole general partner of Mill Road Capital, L.P., has shared power to vote and dispose of the 899,330 shares of Common Stock beneficially owned by Mill Road Capital, L.P., of which 1,000 shares are held of record by Mill Road Capital, L.P. Except with regard to Mill Road's participation in the Rights Offering described above, Mr. Lynch has not been a party to any transaction requiring disclosure pursuant to Item 404(a) of Regulation S-K.

Lawrence F. Harris:

Mr. Harris, 50, is the Chief Executive Officer, Chairman of the Board and a Partner of Food Management Partners, Inc., a restaurant management company where he has worked since 2005. Mr. Harris has been the owner and Chief Executive Officer of R&H Food Services, Ltd. since

1999, Chief Executive Officer and a Partner of Alamo Wing, LLC and Rio Wing, LLC since 2001 and a Partner of Zio's Restaurant Company since 2007. Mr. Harris is a seasoned restaurant industry executive with more than 30 years of public and private restaurant experience at all levels. Mr. Harris' experience in the restaurant industry includes ten years with Pizza Hut, Inc. and PepsiCo Foods International, during which he served as the Chief Operations Officer for Pizza Hut operations in Mexico, as well as employment as the Vice President of Operations for Boston Chicken, Inc. (currently named Boston Market Corporation) and the President of the Harvest Restaurant Group, Inc. Mr. Harris does not hold any directorships in any company with a class of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, or subject to the requirements of Section 15(d) of such Act or any company registered as an investment company under the Investment Company Act of 1940, as amended. Mr. Harris has in-depth experience in all aspects of restaurants including strategy, operations, and growth. Mr. Harris also has extensive experience in turnaround work for restaurants.

Business address of the Nominee and the name, principal business and address of the corporation or other organization in which the Nominee's present principal occupation or employment is carried on:

Lawrence F. Harris, c/o Food Management Partners, Inc., 1723 N. Loop 1604 E., Suite 209, San Antonio, Texas 78232. Food Management Partners, Inc.'s principal business is to operate as a restaurant management company, and its address is 1723 N. Loop 1604 E., Suite 209, San Antonio, Texas 78232.

Ownership of securities of Kona:

Mr. Harris does not beneficially own or own of record any securities of Kona.

Craig S. Miller:

Mr. Miller, 60, is the Managing Partner of Miller-Sinton Capital Partners LLC, a restaurant investment advisory firm, where he has worked since 2008. Mr. Miller is also the owner of Miller Partners Restaurant Solutions, a family-owned restaurant management company, where he has served as an officer since 1989. Mr. Miller has extensive restaurant experience including serving as the President and Chief Executive Officer of Ruth's Chris Steak House, Inc. (currently named Ruth's Hospitality Group, Inc.) from 2004 to 2008, and he also served as the Chairman of the Board of Ruth's Chris Steak House, Inc. from 2006 to 2008. Mr. Miller served as the President of UNO Restaurants, Inc. from 1986 to 2001 and served as its Chief Executive Officer from 1996 to 2001. Mr. Miller also served as the President and Chief Executive Officer of Furr's Restaurant Group from 2001 to 2002. Mr. Miller serves on the Board of Directors of Tim Hortons Inc., a publicly traded restaurant chain. Mr. Miller has in-depth experience in all aspects of restaurants including strategy, operations, and growth. Mr. Miller also has extensive experience with public company boards.

Business address of the Nominee and the name, principal business and address of the corporation or other organization in which the Nominee's present principal occupation or employment is carried on:

Mr. Miller's principal business address is c/o Alan Weinstein CPA, PO Box 940385, Maitland, Florida 32794. Miller-Sinton Capital Partners LLC's principal business is to operate as a restaurant investment advisory firm and its address is c/o Alan Weinstein CPA, PO Box 940385, Maitland, Florida 32794. Miller Partners Restaurant Solutions' principal business is to operate as a restaurant management company, and its address is c/o Alan Weinstein CPA, PO Box 940385, Maitland, Florida 32794.

Ownership of securities of Kona:

Mr. Miller does not beneficially own or own of record any securities of Kona.

Mill Road has entered into agreements with each of the Nominees other than Thomas E. Lynch, pursuant to which, among other things, such Nominees will be indemnified against certain potential liabilities that might arise in connection with being named as a director-nominee and related matters. Mill Road also intends to reimburse such Nominees for certain expenses incurred by such Nominees in the performance of their responsibilities as Nominees. Except for such agreements, there is no arrangement or understanding between Mill Road and any Nominee or other person or persons pursuant to which the Nominees are to be nominated by Mill Road.

As reported in Kona's definitive proxy statement dated March 9, 2010:

On May 15, 2009, Mr. Marcus E. Jundt, the former Chairman, President and Chief Executive Officer, resigned as an officer and as a director of the Company. As we previously announced and publicly disclosed in our press release and Current Report on Form 8-K dated May 15, 2009, Mr. Jundt's resignation followed the substantial vote of no confidence (represented by withheld authority votes from the holders of 53% of our common stock), he received from our stockholders at the 2009 annual meeting of stockholders. On August 6, 2009, the Company entered into a Separation Agreement (the "Agreement") with Mr. Jundt relating to Mr. Jundt's resignation from the Company. Pursuant to the terms of the Agreement, for a period of 12 months following Mr. Jundt's termination, Mr. Jundt receives severance compensation equal to his base salary in effect at the time of termination, paid in the manner and at such times as the base salary otherwise would have been payable, and continuation of medical and dental benefits in effect under COBRA. In addition, pursuant to the Agreement, all unvested portions of Mr. Jundt's stock options that were scheduled to vest over a period of 12 months following the date of termination became vested and immediately exercisable for a period of three months following the separation date.

On March 10, 2010, Mill Road demanded, pursuant to the applicable provisions of the Delaware General Corporation Law, the opportunity to inspect and make copies of certain books and records of Kona related to the resignation of Mr. Jundt or the preparation, negotiation and execution of the Executive Employment Agreement dated as of May 11, 2009 or the Separation Agreement dated as of August 6, 2009, each between Kona and Mr. Jundt. On March 17, 2010, Mill Road received a letter from Kona's legal counsel in response to the March 10, 2010 demand letter, which stated that the Board intends to accommodate Mill Road to the extent legally required. However, the March 17 letter indicated that prior to making available for inspection and copying books and records of Kona responsive to Mill Road's request, the Board will require

Mill Road to execute a confidentiality agreement acceptable to the Board. As of March 22, 2010 Mill Road had not received a proposed confidentiality agreement from Kona. Mill Road believes that obtaining the information requested in its demand letter is important for purposes of determining the suitability of Mr. Jundt and the Board's nominees (Messrs. Hipskind, Winczewski and Zesbaugh) to stand for election as Class II directors at the Annual Meeting and for purposes of determining the adequacy and accuracy of the disclosures contained in Kona's definitive proxy statement dated March 9, 2010. Although Mill Road believes that this information is relevant to all Stockholders in deciding how to vote with respect to the election of directors at the Annual Meeting, Mill Road may be prohibited under the confidentiality agreement from sharing this information with the other Stockholders.

Except as set forth in this proxy statement, to the knowledge of Mill Road and the Participants as of the date hereof (i) no Participant is, or was within the past year, a party to any contract, arrangements or understandings with any person with respect to any securities of Kona, including, but not limited to, joint ventures, loan or option arrangements, puts or calls, guarantees against loss or guarantees of profit, division of losses or profits, or the giving or withholding of proxies; (ii) there is no transaction or series of similar transactions since January 1, 2007, or currently proposed transaction or series of similar transactions, in which Kona or any of its subsidiaries was or is to be a participant, in which the amount involved exceeds \$120,000 and in which any Participant or any associate of any Participant, or any member of the immediate family (including any person (other than a tenant or employee) sharing the same household) of any Participant or of any associate of any Participant, had or will have a direct or indirect material interest; (iii) no Participant or associate of any Participant has any arrangement or understanding with any person (a) with respect to any future employment by Kona or its affiliates (except in the capacity as a director) or (b) with respect to any future transactions to which Kona or any of its affiliates will or may be a party; (iv) no Participant has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon at the Annual Meeting, except each Nominee's interest in being nominated for election as a director, and certain of the Participants' beneficial ownership of Kona's Common Stock as reported herein; (v) except for the stockholder derivative suit described in Note 14 to the consolidated financial statements of Kona contained in the Form 10-K, there are no material proceedings to which any Nominee or any associate of any Nominee is a party adverse to Kona or any of its subsidiaries or has a material interest adverse to Kona or any of its subsidiaries; (vi) no occupation or employment (including positions or offices with Kona) is or was, during the last five years, carried on by any Nominee with Kona or any corporation or organization which is or was a parent, subsidiary or other affiliate of Kona; (vii) there exist no family relationships between any Nominee and any other Nominee, or any director or executive officer of Kona or any person nominated or chosen by Kona to become a director or executive officer of Kona; (viii) during the last five years, no Nominee was involved in any of the events described in Item 401(f) of Regulation S-K and that are material to an evaluation of the ability or integrity of such Nominee to become a director of Kona; and (ix) no Nominee or associate of any Nominee has been awarded or paid, earned or received any cash compensation, cash bonuses, deferred compensation, compensation pursuant to plans, or other compensation from, or in respect of services rendered to or on behalf of, Kona and its subsidiaries that is required to be disclosed under, or is subject to any arrangement described in, Item 402 of Regulation S-K.

SECURITY OWNERSHIP OF MILL ROAD AND THE PARTICIPANTS

Certain information regarding the securities of Kona held by Kona's directors, management and 5% Stockholders is contained in Kona's definitive proxy statement dated March 9, 2010. Mill Road and the Participants take no responsibility for the accuracy or completeness of the information contained in Kona's public filings.

Beneficial Ownership of Kona Securities by Mill Road and the Participants:

As of the record date, Mill Road, the Participants and their associates beneficially owned an aggregate of 899,330 shares of Common Stock, representing approximately 9.8% of the outstanding shares of Common Stock. The following table provides information about the beneficial ownership of Common Stock by Mill Road, MRCGP, Mr. Lynch and Mr. Scharfman as of March [__], 2010. The other Participants and the associates of Mill Road and the Participants do not beneficially own any shares of Common Stock. Mill Road and the Participants do not beneficially own any securities of any parent or subsidiary of Kona.

In accordance with Securities and Exchange Commission rules, beneficial ownership includes any shares for which a person has sole or shared voting power or investment power and any shares of which the person has the right to acquire beneficial ownership within 60 days after March [__], 2010 through the exercise of any option or otherwise. Except as noted below, Mill Road and the Participants believe that the persons named in the table have sole voting and investment power with respect to the shares of Common Stock set forth opposite their names. The inclusion of shares listed as beneficially owned does not constitute an admission of beneficial ownership. Percentage of beneficial ownership is based on 9,160,445 shares of Common Stock outstanding as of March 1, 2010.² In calculating a person's percentage ownership, Mill Road and the Participants have treated as outstanding any shares that the person has the right to acquire within 60 days of March [__], 2010.

| Title of Class | Name and Address of Beneficial Owner | Amount and Nature of Beneficial Ownership | | | Percent of Class |
|----------------|--|---|------------------|--------------|------------------|
| | | Shares Held | Right to Acquire | Total Number | |
| Common Stock | Mill Road Capital, L.P. (1) 382 Greenwich Avenue, Suite One, Greenwich, Connecticut 06830 | 899,330 | 0 | 899,330 | 9.8% |
| Common Stock | Mill Road Capital GP LLC (2) 382 Greenwich Avenue, Suite One, Greenwich, Connecticut 06830 | 899,330 | 0 | 899,330 | 9.8% |

² This information is derived from Kona's definitive proxy statement dated March 9, 2010.

Edgar Filing: Goldman Charles - Form PRRN14A

| Title of Class | Name and Address of Beneficial Owner | Amount and Nature of Beneficial Ownership | | | Percent of Class |
|----------------|---|---|------------------|--------------|------------------|
| | | Shares Held | Right to Acquire | Total Number | |
| Common Stock | Thomas E. Lynch (2) c/o Mill Road Capital GP LLC 382 Greenwich Avenue, Suite One, Greenwich, Connecticut 06830 | 899,330 | 0 | 899,330 | 9.8% |
| Common Stock | Scott P. Scharfman (2) c/o Mill Road Capital GP LLC 382 Greenwich Avenue, Suite One, Greenwich, Connecticut 06830 | 899,330 | 0 | 899,330 | 9.8% |

- (1) Mill Road Capital, L.P. beneficially owns 899,330 shares of Common Stock, 1,000 of which are held of record.
(2) Mill Road Capital GP LLC, and Mr. Lynch and Mr. Scharfman as the Management Committee Directors of Mill Road Capital GP LLC, each has shared power to vote and dispose of the 899,330 shares of Common Stock beneficially owned by Mill Road Capital, L.P.

TRANSACTIONS IN SECURITIES OF KONA GRILL, INC.

DURING THE PAST TWO YEARS BY MILL ROAD CAPITAL, L.P.

Common Stock Purchased or Sold by Mill Road Capital, L.P.:

| Date of Purchase/Sale | Shares of Common Stock Purchased/(Sold) | Price per Share | Total Cost* |
|-----------------------|---|-----------------|-------------|
| 03/04/08 | 8,830 | 9.45 | 83,467.34 |
| 03/07/08 | 4,139 | 8.77 | 36,284.54 |
| 03/07/08 | 3,004 | 8.62 | 25,895.68 |
| 03/10/08 | 4,151 | 8.59 | 35,651.28 |
| 03/25/08 | 150 | 8.90 | 1,335.00 |
| 03/26/08 | 8,010 | 8.92 | 71,444.39 |
| 04/01/08 | 1,900 | 8.77 | 16,659.96 |
| 06/11/08 | 2,500 | 7.00 | 17,499.50 |
| 06/16/08 | 143,858 | 6.21 | 892,753.98 |
| 06/17/08 | 12,518 | 7.02 | 87,848.82 |
| 06/18/08 | 15,100 | 6.99 | 105,559.57 |
| 06/19/08 | 1,400 | 7.03 | 9,836.96 |
| 06/20/08 | 16,100 | 7.18 | 115,588.34 |
| 06/23/08 | 15,500 | 7.23 | 112,071.20 |
| 06/24/08 | 4,000 | 7.20 | 28,811.60 |
| 06/25/08 | 8,191 | 7.44 | 60,928.75 |
| 06/26/08 | 2,000 | 7.32 | 14,640.00 |
| 06/26/08 | 510 | 7.38 | 3,764.41 |
| 07/16/08 | 1,030 | 6.91 | 7,119.57 |
| 07/25/08 | 2,406 | 6.87 | 16,528.02 |
| 07/25/08 | 365 | 6.85 | 2,500.25 |
| 07/29/08 | 900 | 6.60 | 5,940.00 |
| 07/30/08 | 5,000 | 6.25 | 31,266.00 |
| 07/30/08 | 5,000 | 5.95 | 29,750.00 |
| 08/01/08 | 5,000 | 5.50 | 27,500.00 |
| 09/05/08 | 100 | 6.31 | 630.80 |

| Date of Purchase/Sale | Shares of Common Stock Purchased/(Sold) | Price per Share | Total Cost* |
|-----------------------|--|-----------------|--------------|
| 09/09/08 | 3,000 | 6.31 | 18,926.10 |
| 09/10/08 | 1,620 | 6.20 | 10,044.00 |
| 09/16/08 | 228 | 5.79 | 1,319.12 |
| 09/16/08 | 100 | 5.79 | 579.00 |
| 10/06/08 | 11,700 | 4.94 | 57,793.32 |
| 10/07/08 | 3,150 | 4.60 | 14,490.00 |
| 10/09/08 | 4,335 | 3.95 | 17,122.38 |
| 10/10/08 | 8,200 | 3.55 | 29,083.76 |
| 11/12/08 | 800 | 2.02 | 1,618.48 |
| 11/12/08 | 10,000 | 2.01 | 20,100.00 |
| 11/13/08 | 12,500 | 1.98 | 24,750.00 |
| 11/13/08 | 8,000 | 1.85 | 14,800.00 |
| 11/14/08 | 10,000 | 1.83 | 18,300.00 |
| 11/14/08 | 8,000 | 1.87 | 14,937.60 |
| 04/15/09 | (18,109) | 2.36 | 42,726.37 |
| 04/30/09 | 10,000 | 2.10 | 20,982.00 |
| 06/05/09 | 259,268 | 1.35 | 350,011.80** |

All purchases of Common Stock were funded by working capital which may, at any given time, include margin loans made by brokerage firms in the ordinary course of business. As of March [___], 2010 there was no indebtedness outstanding related to Mill Road's purchase of Common Stock.

* Excludes commissions and other execution-related costs.

** This purchase is in connection with Kona's Rights Offering. The date reflects Mill Road's prime broker's records. The subscription occurred on June 3, 2009 and Kona's records indicate that the offering was completed on June 9, 2009.

STOCKHOLDER PROPOSALS

Pursuant to Kona's definitive proxy statement dated March 9, 2010, (i) any Stockholder that wishes to present any proposal for Stockholder action at Kona's annual meeting of Stockholders to be held in 2011 must notify Kona at their principal offices no later than November 20, 2010 in order for such proposal to be included in Kona's proxy statement and form of proxy relating to that meeting and (ii) under Kona's by-laws, Stockholders must follow certain procedures to nominate persons for election as directors or to introduce an item of business at the annual meeting of Stockholders. Mill Road and the Participants take no responsibility for the accuracy or completeness of the information contained in Kona's proxy statement regarding stockholder proposals.

COST AND METHOD OF SOLICITATION

In connection with the solicitation of proxies in support of the Nominees, the Nominees may make solicitations of proxies. It is anticipated that certain regular employees of Mill Road

will participate in any solicitation of proxies that Mill Road and the Participants may undertake in support of the Nominees. Such employees will receive no additional consideration if they assist in the solicitation of proxies. It is anticipated that any proxies would be solicited by mail, courier services, telephone, facsimile or in person. Mill Road has retained InvestorCom, Inc. as a proxy solicitor who will assist with the solicitation of proxies for which InvestorCom, Inc. is to receive a fee not to exceed \$25,000, plus reimbursement for its reasonable out-of-pocket expenses. Mill Road has entered into an agreement with InvestorCom, Inc., pursuant to which, among other things, InvestorCom, Inc. will be indemnified against certain potential liabilities that might arise in connection with InvestorCom, Inc.'s service as proxy solicitor. It is anticipated that InvestorCom, Inc. will employ up to 15 persons to solicit proxies from Stockholders for the Annual Meeting. The costs related to any solicitation of proxies, including expected expenditures for attorneys, accountants, public relations and financial advisors, proxy solicitors, advertising, printing, transportation and related expenses, will be borne by Mill Road. The total expenditures in furtherance of, or in connection with the solicitation of proxies is approximately \$140,000 to date, and is estimated to be \$250,000 in total. To the extent legally permissible, Mill Road will seek reimbursement from Kona for those expenses if one or more of the Nominees is elected. Mill Road does not currently intend to submit the question of such reimbursement to a vote of the Stockholders.

KONA GRILL, INC.

2010 ANNUAL MEETING OF STOCKHOLDERS

GOLD PROXY CARD

GOLD PROXY CARD

THIS PROXY IS SOLICITED ON BEHALF OF

MILL ROAD CAPITAL, L.P., MILL ROAD CAPITAL GP LLC,

MILL ROAD CAPITAL MANAGEMENT LLC, THOMAS E. LYNCH, SCOTT P. SCHARFMAN,

CHARLES M. B. GOLDMAN, JUSTIN C. JACOBS, CRAIG S. MILLER, AND

LAWRENCE F. HARRIS (THE PARTICIPANTS)

The undersigned stockholder of KONA GRILL, INC., a Delaware corporation (Kona), hereby acknowledges receipt of the Proxy Statement of the Participants, dated March [], 2010, and hereby appoints [] and [], each of them proxies and attorneys-in-fact, with full power to each of substitution, on behalf and in the name of the undersigned, to represent the undersigned at Kona s 2010 Annual Meeting of Stockholders, to be held on Wednesday, April 28, 2010, at 2:00 p.m., local time, at the offices of Greenberg Traurig, LLP, at 2375 E. Camelback Road, Suite 700, Phoenix, Arizona 85016, and at any other meeting of stockholders held in lieu thereof or any postponements, reschedulings, continuations or adjournments thereof (the Annual Meeting), and to vote all shares of Kona Common Stock that the undersigned would be entitled to vote if then and there personally present, on the matters set forth on the reverse side of this Proxy. The undersigned stockholder hereby revokes any proxies previously given with respect to the matters set forth on the reverse side of this Proxy.

This Proxy will be voted as directed or, if no contrary direction is indicated, will be voted FOR the election of the named Class II directors nominated Mill Road Capital, L.P. to serve for a three-year term expiring in 2013.

If you have any questions or require any assistance in executing this Proxy please call:

InvestorCom, Inc.

877-972-0090

GOLD PROXY CARD

GOLD PROXY CARD

**** Votes must be indicated (x) in Black or Blue ink. ****

The Participants recommend a vote FOR each of the following nominees:

1. ELECTION OF DIRECTORS:

| | FOR | WITHHOLD |
|-----------------|------------|-----------------|
| Thomas E. Lynch | .. | .. |
| Craig S. Miller | .. | .. |

Edgar Filing: Goldman Charles - Form PRRN14A

Lawrence F. Harris " "
To make comments, mark here. "

To change your address, please mark this box. "

(This Proxy should be dated, signed by the stockholder(s) exactly as his or her name appears hereon, and returned promptly in the enclosed envelope. Persons signing in a fiduciary capacity should so indicate. If shares are held by joint tenants or as community property, both stockholders should sign.)

Date _____

Share Owner sign here

Co-Owner sign here