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April 30, 2019

Team,

In March, Kona Grill, Inc. (“Kona Grill”) engaged Piper Jaffray & Co (“Piper Jaffray”) to help evaluate strategic options, including a possible sale of the Company. Since then, Piper Jaffray has engaged in a thorough marketing process and identified several potential buyers.

In order to further the sale process, Kona Grill today filed voluntary petitions for protection under Chapter 11 of the United States Bankruptcy Code. You will very likely see this in the news, and potentially have questions from customers. I’m writing to you today to provide you further details, and hopefully answer any questions you may have.

First, why did we file for Ch. 11? Chapter 11 provides for formal and well-defined sale mechanics that are attractive to buyers, as well as tools that will allow the Company to reduce or eliminate various expenses. It is very common for multi-unit companies like ours to consummate a sale process in bankruptcy court, and buyers are comfortable with the advantages afforded by the court. We expect that this filing will expedite the process and that Kona Grill will be soon be under ownership of a single entity committed to future growth and investment.

Specifically, it is our expectation that the sale will be completed by late July or early August.

In the meantime, our operations will continue as usual, and you should see no impact on your day-to-day responsibilities. I will continue to be the CEO during this process, and together we will focus our efforts on quality daily execution in our stores.

**Importantly, you can expect to receive your usual pay and benefits during this process.**

We have also been in touch with our key suppliers to help ensure that products will continue to be delivered to restaurants in a timely fashion.

Finally, we have completed a round of store closures over the last week and don’t anticipate any further store closures at this time.

We expect this to be a relatively seamless transaction, however, it is a complex process. Please see the frequently-asked-questions (FAQ) attached here for further information. Additional information can be found:

- On the Kona Grill website at [www.Konagrill.com](http://www.Konagrill.com).
- On our Restructuring Information Hotline at 855-424-7676 (toll-free domestic) or 503-597-7718 (direct dial international).



- Court filings and information about the claims process can be found on a website maintained by the Company's claims agent, Epiq, at <https://dm.epiq11.com/konagrill>

Should you have any further questions, please refer them to your direct supervisor.

Thank you for your continued focus and dedication to Kona Grill. Let's continue to Make Every Experience Exceptional

Sincerely,

Jonathan Tibus

Chief Executive Officer

## Frequently Asked Questions for Employees

### What did Kona Grill announce?

- To facilitate its ongoing sale process, Kona Grill and its subsidiaries today filed voluntary petitions for protection under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware.
- Kona Grill has secured \$6M of additional financing to support the day-to-day operational costs of its bankruptcy and sale process.
- Operations will continue in the ordinary course throughout the bankruptcy. Employees can expect to receive their usual pay and benefits

### Is Kona Grill going out of business?

- No. The Company expects to continue operating in the ordinary course of business throughout the restructuring process.

### Will there be a new executive leadership?

- No. There is no intention to change any member of the senior leadership team during this process.

### What does it mean to file for Chapter 11 protection

- A Chapter 11 reorganization is a legal process designed to help companies continue to operate while they develop plans to restructure their finances.
- Chapter 11 permits, and even encourages, daily business operations to continue as usual. Many companies have successfully utilized Chapter 11, including United Airlines, General Motors, Macy's, and MGM.
- Restaurant Companies frequently use Chapter 11 to complete sales (See Ignite Restaurant Group, Macaroni Grill, Real Mex Restaurants, and so on). The actions we are taking are intended to facilitate the sale of Kona's business to a new owner that will invest in future growth of the brand.

### What does this mean for employees?

- First, we do not expect any impact to your job, your responsibilities, your compensation, or your benefits as part of this process.
- Ultimately, we expect the sale of the business to afford the Company the chance to increase investment in our restaurants - enabling us to provide an even better dining experience to our guests. We believe this process will allow us to build an even better company for our team members by creating an atmosphere that you will be proud to serve in.

## **The company closed a number of restaurants. How do I know my location will remain open?**

- Following a careful review and analysis, Kona Grill closed approximately 15 under-performing restaurants since the beginning of 2019. The company regrets having to close these restaurants but believes focusing resources on a core of our best-performing and most profitable restaurants is the responsible approach.
- The remaining 27 core restaurants are being marketed to potential buyers as part of a sale of the entire business.

## **Will anything about my job change?**

- The potential sale and Chapter 11 process are not expected to impact your day-to-day responsibilities.

## **Will the bankruptcy affect my pay and benefits?**

- Employees can expect to receive their usual pay and benefits.
- As is customary in Chapter 11 bankruptcy cases, we have filed motions with the Bankruptcy Court – which we expect will be approved promptly – to allow us to continue to pay all wages, salaries and benefits as usual.
- The Company uses a third party (Paycom) to process all payroll – so there should be no impact on paid wages at the time of the bankruptcy petition.

## **Is Kona's 401(k) plan affected by this bankruptcy?**

- Assets in a 401(k) plan are protected by federal bankruptcy laws. As always, the value of the various investment options in the 401(k) plan can fluctuate based on market conditions.

## **Will there be layoffs as a result of the bankruptcy case?**

- We expect that our operations will continue in the ordinary course throughout this process and you should see no impact on your day-to-day job responsibilities.
- As always, decisions regarding employment and operations will be driven by business needs and customer demand.

## **How can team members help?**

- Over the past two decades, families across Arizona and 16 other states have come to Kona Grill, Inc. for both great food and great service. As always, we need all of our team members to remain committed to providing the best possible experience for our guests, to Make Every Experience Exceptional! We know we can count on all of you to continue doing just that.

## **What if I'm approached by the media?**

- It is likely that this announcement will lead to increased interest in our company, and it is important we speak with one voice on this matter.
- If you receive any inquiries from the media or other interested third parties, please refer them to the Company's website at <http://www.KonaGrill.com> or to a website maintained by the Company's claims agent, Epiq , at <https://dm.epiq11.com/konagrill>.

## **Where can I find more information?**

- You can find information on the chapter 11 process at <https://dm.epiq11.com/konagrill> and 855-424-7676. In addition, if an employee has additional questions they should continue to reach out to their immediate supervisor.