

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

FORM 10-Q

☒ **QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED NOVEMBER 2, 2008**

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 001-15007

Dave & Buster's, Inc.

(Exact Name of Registrant as Specified in Its Charter)

MISSOURI
(State or Other Jurisdiction of
Incorporation or Organization)

43-1532756
(I.R.S. Employer
Identification No.)

2481 Mañana Drive
Dallas, Texas 75220
(Address of principal executive offices)
(Zip Code)

(214) 357-9588
(Registrant's telephone number, including area code)

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 is a large accelerated filer, an accelerated filer or a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, "accelerated filer" and "smaller reporting company" accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

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

Accelerated filer ☐

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 ☒.

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date.

The number of shares of the Issuer's common stock, \$0.01 par value, outstanding as of December 10, 2008 was 100 shares.

DAVE & BUSTER'S, INC.
FORM 10-Q FOR PERIOD ENDING NOVEMBER 2, 2008
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PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

DAVE & BUSTER'S, INC.
CONSOLIDATED BALANCE SHEETS

(in thousands, except share amounts)

| | November 2, 2008 (unaudited) | February 3, 2008 (audited) |
|---|------------------------------------|----------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 6,675 | \$ 19,046 |
| Inventories | 16,061 | 15,002 |
| Prepaid expenses | 8,154 | 8,083 |
| Deferred income taxes | 5,569 | 5,733 |
| Other current assets | 8,153 | 2,676 |
| Total current assets | 44,612 | 50,540 |
| Property and equipment, net | 295,193 | 296,974 |
| Tradename | 63,000 | 63,000 |
| Goodwill | 65,857 | 65,857 |
| Other assets and deferred charges | 18,091 | 19,832 |
| Total assets | <u>\$ 486,753</u> | <u>\$496,203</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Current installments of long-term debt (Note 3) | \$ 500 | \$ 1,000 |
| Accounts payable | 18,946 | 22,019 |
| Accrued liabilities (Note 2) | 45,394 | 54,029 |
| Income taxes payable | 3,051 | 4,158 |
| Deferred income taxes | 382 | — |
| Total current liabilities | 68,273 | 81,206 |
| Deferred income taxes | 17,432 | 21,688 |
| Deferred occupancy costs | 56,925 | 50,524 |
| Other liabilities | 10,489 | 9,654 |
| Long-term debt, less current installments (Note 3) | 243,375 | 242,375 |
| Commitment and contingencies (Note 4) | | |
| Stockholders' equity (Note 1): | | |
| Common stock, \$0.01 par value, 1,000 authorized; 100 issued and Outstanding as of November 2, 2008 and February 3, 2008 | — | — |
| Preferred stock, 10,000,000 authorized; none issued | — | — |
| Paid-in capital | 111,272 | 110,466 |
| Accumulated comprehensive income (loss) | (363) | 1,194 |
| Retained deficit | (20,650) | (20,904) |
| Total stockholders' equity | 90,259 | 90,756 |
| Total liabilities and stockholders' equity | <u>\$ 486,753</u> | <u>\$496,203</u> |

See accompanying notes to consolidated financial statements

DAVE & BUSTER'S, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands)
(unaudited)

| | Thirteen Weeks Ended November 2, 2008 | Thirteen Weeks Ended November 4, 2007 | Thirty-Nine Weeks Ended November 2, 2008 | Thirty-Nine Weeks Ended November 4, 2007 |
|---|--|--|---|---|
| Food and beverage revenues | \$ 63,910 | \$ 67,079 | \$ 210,431 | \$ 211,253 |
| Amusement and other revenues | 55,829 | 56,642 | 188,009 | 179,596 |
| Total revenues | 119,739 | 123,721 | 398,440 | 390,849 |
| Cost of food and beverage | 16,265 | 16,998 | 52,644 | 52,815 |
| Cost of amusement and other | 8,154 | 7,988 | 25,672 | 25,066 |
| Total cost of products | 24,419 | 24,986 | 78,316 | 77,881 |
| Operating payroll and benefits | 33,069 | 35,300 | 105,554 | 106,904 |
| Other store operating expenses | 43,787 | 43,429 | 132,333 | 128,427 |
| General and administrative expenses | 7,693 | 8,725 | 24,804 | 30,224 |
| Depreciation and amortization expense | 12,449 | 12,943 | 36,786 | 38,355 |
| Pre-opening costs | 625 | 675 | 1,867 | 1,032 |
| Total operating costs | 122,042 | 126,058 | 379,660 | 382,823 |
| Operating income (loss) | (2,303) | (2,337) | 18,780 | 8,026 |
| Interest expense, net | 6,996 | 7,644 | 18,953 | 21,565 |
| Income (loss) before provision for income taxes | (9,299) | (9,981) | (173) | (13,539) |
| Provision (benefit) for income taxes | (3,573) | 1,298 | (427) | (746) |
| Net income (loss) | \$ (5,726) | \$ (11,279) | \$ 254 | \$ (12,793) |

See accompanying notes to consolidated financial statements.

DAVE & BUSTER'S, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

| | For the Thirty-Nine Weeks Ended November 2, 2008 | For the Thirty-Nine Weeks Ended November 4, 2007 |
|--|--|--|
| Cash flows from operating activities: | | |
| Net income (loss) | \$ 254 | \$ (12,793) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization expense | 36,786 | 38,355 |
| Deferred income tax expense | (3,710) | (4,774) |
| Share-based compensation charges | 806 | 1,170 |
| Other, net | 783 | 1,882 |
| Changes in assets and liabilities: | | |
| Inventories | (1,059) | (1,851) |
| Prepaid expenses | (71) | (1,843) |
| Other current assets | (1,998) | 179 |
| Other assets and deferred charges | 541 | 563 |
| Accounts payable | (3,073) | 1,109 |
| Accrued liabilities | (8,635) | 667 |
| Income taxes payable | (1,107) | (359) |
| Deferred occupancy costs | 2,922 | 973 |
| Other liabilities | 835 | 1,158 |
| Net cash provided by operating activities | <u>23,274</u> | <u>24,436</u> |
| Cash flows from investing activities: | | |
| Capital expenditures | (36,314) | (22,911) |
| Proceeds from sales of property and equipment | 169 | 355 |
| Net cash used in investing activities | <u>(36,145)</u> | <u>(22,556)</u> |
| Cash flows from financing activities: | | |
| Borrowings under senior secured credit facility | 18,000 | 2,000 |
| Repayments under senior secured credit facility | (2,500) | (750) |
| Repayments under senior notes | (15,000) | — |
| Net cash provided by financing activities | <u>500</u> | <u>1,250</u> |
| Increase in cash and cash equivalents | (12,371) | 3,130 |
| Beginning cash and cash equivalents | 19,046 | 10,372 |
| Ending cash and cash equivalents | <u><u>\$ 6,675</u></u> | <u><u>\$ 13,502</u></u> |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for income taxes-net of refunds | \$ 8,703 | \$ 4,143 |
| Cash paid for interest, net of amounts capitalized | \$ 23,944 | \$ 24,646 |

See accompanying notes to consolidated financial statements.

DAVE & BUSTER'S, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share amounts)

Note 1: Summary of Significant Accounting Policies

Basis of presentation—Dave & Buster's, Inc., a Missouri corporation, is a wholly-owned subsidiary of Dave & Buster's Holdings, Inc. (formerly known as WS Midway Holdings, Inc. ("Holdings")). Affiliates of Wellspring Capital Management LLC ("Wellspring") and HBK Investments L.P. ("HBK") control approximately 82 percent and 18 percent, respectively, of the outstanding capital stock of Holdings. The accompanying consolidated statements of operations and cash flows present the results of operations and cash flows of Dave & Buster's, Inc. and all wholly-owned subsidiaries. References to "Dave & Buster's," the "Company," "we," "us," and "our" are references to Dave & Buster's, Inc. and its subsidiaries and any predecessor companies. All material intercompany accounts and transactions have been eliminated in consolidation.

Holdings filed a Registration Statement on Form S-1 on July 11, 2008 with the Securities and Exchange Commission. On September 12, 2008, Holdings filed Amendment No. 1 to the Registration Statement. The Registration Statement has not been declared effective as of this filing.

As of November 2, 2008, we operated 50 large format, high volume regional entertainment complexes. Our one industry segment is the ownership and operation of restaurant/entertainment complexes (a "Complex" or "Store") under the names "Dave & Buster's," "Dave & Buster's Grand Sports Café" and "Jillian's," which are located in the United States and Canada.

Our fiscal year ends on the Sunday after the Saturday closest to January 31. All references to the third quarter of 2008 and 2007 relate to the thirty-nine week periods ending on November 2, 2008 and November 4, 2007, respectively. All references to 2008 and 2007 relate to the fifty-two week periods ending on February 1, 2009 and February 3, 2008, respectively. In the opinion of management, these financial statements contain all adjustments (consisting of normal recurring entries) necessary to present fairly the financial position, results of operations and cash flows for the periods indicated. However, these operating results are not necessarily indicative of the results expected for the full fiscal year. We expect significant fluctuations in quarterly results due to the timing of new complex openings and seasonality associated with the year-end holidays.

Our quarterly financial data should be read in conjunction with our consolidated financial statements for the year ended February 3, 2008 (including the notes thereto), set forth in our Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on April 24, 2008.

Use of estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires us to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Accounting for income taxes—We use the liability method for recording income taxes, which recognizes the amount of current and deferred taxes payable or refundable at the date of the financial statements as a result of events that are recognized in the financial statements and as measured by the provisions of enacted tax laws. The calculation of tax liabilities involves significant judgment and evaluation of uncertainties in the interpretation of complex tax regulations. Additionally, we file income tax returns which are periodically audited by various federal, state, and foreign jurisdictions. We are generally no longer subject to federal, state or foreign income tax examinations for years prior to 2004. As a result, we have established reserves for taxes that may become payable in future years as a result of audits by tax authorities. Tax reserves are reviewed regularly pursuant to FASB Interpretation 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). On February 5, 2007, we adopted the provisions of FIN 48 which limit the recognition of income tax benefits to those items that meet the "more likely than not" threshold on the effective date. Tax reserves are adjusted as events occur that affect the potential liability for additional taxes, such as the expiration of statutes of limitations, conclusion of tax audits, identification of additional exposure based on current calculations, identification of new issues, or the issuance of statutory or administrative guidance or rendering of a court decision affecting a particular issue. During the third quarter of fiscal 2008, we increased our unrecognized tax benefit by \$42. As of November 2, 2008, we have approximately \$2,863 of unrecognized tax benefits, including approximately \$808 of penalties and interest. We may experience significant changes in tax reserves in the future, if or when, such events occur. Our effective tax rate also differs from the statutory rate due to the deduction for FICA tip credits, state income taxes, changes in our FIN 48 reserve, and changes in our valuation allowance.

In the thirteen weeks ended November 2, 2008, we reduced our estimate of the required valuation allowance against our deferred tax assets by \$169. The valuation allowance has been established in accordance with Statement of Financial Accounting Standards 109, "Accounting for Income Taxes" ("SFAS 109"). As a result of experiencing cumulative losses before income taxes for the three-year period prior to November 2, 2008, we could not conclude that it is more likely than not that our deferred tax assets would be fully realized. The ultimate realization of our deferred tax assets is dependent on the generation of future taxable income during periods in which temporary differences become deductible.

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Comprehensive income—Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. In addition to net income, unrealized foreign currency translation gain is included in comprehensive income. Unrealized translation gains (losses) for the thirteen week periods ended November 2, 2008 and November 4, 2007 were \$(1,203) and \$1,421, respectively and for the thirty-nine week periods ended November 2, 2008 and November 4, 2007 were \$(1,557) and \$1,983, respectively.

Recent accounting pronouncements—On December 4, 2007, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards 141(R), “Business Combinations” (“SFAS 141(R)”), and Statement of Financial Accounting Standards 160, “Non-controlling Interests in Consolidated Financial Statements, an amendment of ARB No. 51” (“SFAS 160”). These new standards will significantly change the accounting for and reporting for future business combination transactions and non-controlling (minority) interests in consolidated financial statements. SFAS 141(R) and SFAS 160 are required to be adopted simultaneously and are effective for the first annual reporting period beginning on or after December 15, 2008. Earlier adoption is prohibited. The impact of adopting SFAS 141(R) and SFAS 160 on our consolidated financial statements will only apply to the extent we have business combinations in the future.

In September 2006, the FASB issued Statement of Financial Accounting Standards 157, “Fair Value Measurements” (“SFAS 157”), which defines fair value, establishes a framework for measuring fair value and requires enhanced disclosures about fair value measurements. SFAS 157 requires companies to disclose the fair value of their financial instruments according to a fair value hierarchy, as defined. SFAS 157 may require companies to provide additional disclosures based on that hierarchy. SFAS 157 was to be effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. In February 2008, the FASB issued Staff Position 157-2, “Effective Date of FASB Statement No. 157” (“FSP 157-2”), which delayed for one year the applicability of SFAS 157’s fair-value measurements to certain nonfinancial assets and liabilities. We adopted SFAS 157 as of February 4, 2008, except as it applies to those nonfinancial assets and liabilities affected by the one-year delay. The partial adoption of SFAS 157 did not have a material impact on the Company’s consolidated financial position or results of operations. We are currently evaluating the potential impact of adopting the remaining provisions of SFAS 157 on our consolidated financial position and results of operations.

Effective February 4, 2008, we adopted Statement of Financial Accounting Standards 159, “The Fair Value Option for Financial Assets and Liabilities” (“SFAS 159”). This statement permits entities to choose to measure many financial instruments and certain other items at fair value. If the fair value option is elected, unrealized gains and losses will be recognized in earnings at each subsequent reporting date. SFAS 159 is effective for fiscal years beginning after November 15, 2007. We did not elect to measure any additional financial assets or liabilities at fair value that were not already measured at fair value under existing standards. Therefore, the adoption of this standard did not have an impact on our consolidated financial statements or results of operations.

Note 2: Accrued liabilities

Accrued liabilities consist of the following (in thousands):

| | November 2, 2008 | February 3, 2008 |
|--------------------------------|---------------------|---------------------|
| Compensation and benefits | \$ 9,645 | \$ 14,800 |
| Interest | 6,070 | 12,114 |
| Deferred amusement revenue | 6,724 | 4,517 |
| Amusement redemption liability | 3,876 | 3,806 |
| Deferred gift card revenue | 3,121 | 3,479 |
| Sales and use taxes | 2,811 | 2,694 |
| Customer deposits | 4,696 | 2,116 |
| Property taxes | 2,499 | 1,692 |
| Other | 5,952 | 8,811 |
| Total accrued liabilities | <u>\$ 45,394</u> | <u>\$ 54,029</u> |

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Note 3: Long-Term Debt

Long-term debt consisted of the following (in thousands):

| | November 2, 2008 | February 3, 2008 |
|---|---------------------|---------------------|
| Senior credit facility—revolving | \$ 16,000 | \$ — |
| Senior credit facility—term | 67,875 | 68,375 |
| Senior notes | 160,000 | 175,000 |
| | 243,875 | 243,375 |
| Less current installments | 500 | 1,000 |
| Long-term debt, less current installments | <u>\$ 243,375</u> | <u>\$242,375</u> |

We are a party to a senior secured credit facility (“senior credit facility”) that (a) provides a \$100,000 term loan facility with a maturity of March 8, 2013, and (b) provides a \$60,000 revolving credit facility with a maturity of March 8, 2011. The \$60,000 revolving credit facility includes (i) a \$20,000 letter of credit sub-facility, (ii) a \$5,000 swingline sub-facility and (iii) a \$5,000 (in US Dollar equivalent) sub-facility available in Canadian dollars to our Canadian subsidiary. The revolving credit facility is available to provide financing for working capital and general corporate purposes. As of November 2, 2008, in addition to the borrowings indicated above, we had \$7,683 in letters of credit outstanding.

The interest rates per annum applicable to loans, other than swingline loans, under the senior credit facility are, at our option, equal to, either a base rate (or, in the case of the Canadian revolving credit facility, a Canadian prime rate) or a Eurodollar rate (or, in the case of the Canadian revolving credit facility, a Canadian cost of funds rate) for one-, two-, three- or six-month (or, in the case of the Canadian revolving credit facility, 30, 60, 90 or 180-day) interest periods chosen by us, in each case, plus an applicable margin percentage. Swingline loans bear interest at the base rate plus the applicable margin. The weighted average rate of interest on the senior credit facility was 7.40 percent at November 2, 2008.

Effective June 30, 2006, we entered into two interest rate swap agreements that expire in 2011. The swap agreements change a portion of the variable rate debt to fixed rate debt. Pursuant to the swap agreements and related amendments, the interest rate on notional amounts aggregating \$74,100 at November 2, 2008 is fixed at 5.31 percent plus applicable margins. The notional amounts decline ratably over the term of the agreements. The agreements have not been designated as hedges and adjustments to mark the instruments to their fair value are recorded as interest expense. The fair value of our swap positions (\$3,091 as of November 2, 2008) was determined by third parties based on inputs defined by SFAS 157 as “significant unobservable inputs.” Based on these estimates, we recorded increases to interest expense of \$354 and \$880 for the thirteen weeks ended November 2, 2008 and November 4, 2007, respectively, and increases (reductions) to interest expense of \$(844) and \$1,056 for the thirty-nine weeks ended on November 2, 2008 and November 4, 2007, respectively.

Our senior credit facility requires compliance with the following financial covenants: a minimum fixed charge coverage ratio test and a maximum leverage ratio test. We are required to maintain a minimum fixed charge coverage ratio of 1.10:1.00 and a maximum leverage ratio of 4.50:1.00 as of November 2, 2008. The financial covenants will become more restrictive over time. The required minimum fixed charge coverage ratio increases annually to a required ratio of 1.20:1.00 in the fourth quarter of fiscal year 2009 and thereafter. The maximum leverage ratio decreases annually to a required ratio of 3.50:1.00 in the fourth quarter of fiscal year 2010 and thereafter. In addition, the senior credit facility includes negative covenants restricting or limiting the ability of Holdings and its subsidiaries to, among other things, incur additional indebtedness, make capital expenditures and sell or acquire assets. Virtually all of our assets are pledged as collateral for the senior credit facility.

The senior credit facility also contains certain customary representations and warranties, affirmative covenants and events of default, including payment defaults, breaches of representations and warranties, covenant defaults, cross-defaults and cross-acceleration to certain indebtedness, certain events of bankruptcy, certain events under ERISA, material judgments, actual or asserted failures of any guarantee or security document supporting the senior credit facility to be in full force and effect and a change of control. If an event of default occurs, the lenders under the senior credit facility would be entitled to take various actions, including acceleration of amounts due under the senior credit facility and all actions permitted to be taken by a secured creditor.

On March 8, 2006, the Company issued \$175,000 aggregate principal amount of senior notes (“notes”). The notes are registered under the Securities Act of 1933 and are general unsecured, unsubordinated obligations of ours and mature on March 15, 2014. Interest on the notes compounds semi-annually and accrues at the rate of 11.25 percent per annum. On or after March 15, 2010, we may redeem all, or from time-to-time, a part of the senior notes upon not less than 30 nor more than 60 days notice, at redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest on the senior notes. Prior to March 15, 2009, we may on any one or more occasions redeem up to 35 percent of the original principal amount of the notes using the proceeds of certain equity offerings completed before March 15, 2009. In addition, our senior credit facility allows us to repurchase our notes in an aggregate amount not to exceed \$15,000. In September 2008 we retired notes with a principal amount of \$15,000. Included in interest

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expense in the third quarter is a \$88 gain on the early extinguishment of debt and an additional expense of \$429 related to the write off of a prorata portion of the transaction costs associated with note issuance.

The senior notes restrict our ability to incur indebtedness, outside of the senior credit facility, unless the consolidated coverage ratio exceeds 2.00:1.00 or other financial and operational requirements are met. Additionally, the terms of the notes restrict our ability to make certain payments to affiliated entities.

The following table sets forth our future debt payment obligations as of November 2, 2008 (excluding repayment obligations under the revolving portion of our senior credit facility which expires on March 8, 2011) (in thousands):

| | November 2, 2008 |
|-----------------------|---------------------|
| 1 year or less | \$ 500 |
| 2 years | 715 |
| 3 years | 982 |
| 4 years | 33,084 |
| 5 years | 32,594 |
| Thereafter | 160,000 |
| Total future payments | <u>\$ 227,875</u> |

The following table sets forth our recorded interest expense (in thousands):

| | Thirteen Weeks Ended November 2, 2008 | Thirteen Weeks Ended November 4, 2007 | Thirty-Nine Weeks Ended November 2, 2008 | Thirty-Nine Weeks Ended November 4, 2007 |
|------------------------|--|--|---|---|
| Gross interest expense | \$ 7,349 | \$ 7,822 | \$ 19,877 | \$ 22,084 |
| Capitalized interest | (146) | (40) | (390) | (151) |
| Interest income | (207) | (138) | (534) | (368) |
| Total interest expense | <u>\$ 6,996</u> | <u>\$ 7,644</u> | <u>\$ 18,953</u> | <u>\$ 21,565</u> |

Note 4: Commitments and Contingencies

We are subject to certain legal proceedings and claims that arise in the ordinary course of its business. Two class action cases have been filed against us and one of our subsidiaries in the State of California alleging violations of California regulations concerning mandatory meal breaks and rest periods. These two cases have been consolidated and coordinated because the potential class members are virtually identical. During the third quarter of 2008, we reached a settlement agreement with the parties involved in the cases described above.

We have made the appropriate provision for settlement in the above matters in our financial statements. In the opinion of management, based upon consultation with legal counsel, the amount of ultimate liability with respect to all other actions will not materially affect the consolidated results of our operations or our financial condition.

We lease certain property and equipment under various non-cancelable capital and operating leases. Some of the leases include options for renewal or extension on various terms. Most of the leases require us to pay property taxes, insurance, and maintenance of the leased assets. Certain leases also have provisions for additional percentage rentals based on revenues.

The following table sets forth lease commitments as of November 2, 2008 (in thousands):

| | November 2, 2008 |
|-----------------------|---------------------|
| 1 year or less | \$ 45,807 |
| 2 years | 46,105 |
| 3 years | 44,060 |
| 4 years | 44,255 |
| 5 years | 44,721 |
| Thereafter | 312,355 |
| Total future payments | <u>\$ 537,303</u> |

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We have signed operating lease agreements for future sites located in Indianapolis, Indiana and Roseville, California. Our commitment under these agreements is contingent upon among other things, the landlord's delivery of access to the premises for construction. Future obligations related to these agreements are not included in the table above.

Note 5: Condensed Consolidating Financial Information

The senior notes (described in Note 3) are guaranteed on a senior basis by all domestic subsidiaries of the Company. The subsidiaries' guarantee of the senior notes are full and unconditional and joint and several.

The accompanying condensed consolidating financial information has been prepared and presented pursuant to SEC Regulation S-X Rule 3-10 "Financial statements of guarantors and issuers of guaranteed securities registered or being registered." No other condensed consolidating financial statements are presented herein. The results of operations and cash flows from operating activities from the non-guarantor subsidiary were \$1,426 and \$(3,911), respectively, for the thirty-nine week period ended November 2, 2008. For the comparable thirty-nine week period ended November 4, 2007, the results of operations and cash flows from operating activities from the non-guarantor subsidiary were \$330 and \$1,877. There are no restrictions on cash distributions from the non-guarantor subsidiary.

November 2, 2008:

| (in thousands) | Issuer and Subsidiary Guarantors | Subsidiary Non- Guarantors | Consolidating Adjustments | Dave & Buster's Inc. |
|--|--|----------------------------------|------------------------------|-------------------------|
| Assets: | | | | |
| Current assets | \$ 43,899 | \$ 713 | \$ — | \$ 44,612 |
| Property and equipment, net | 290,708 | 4,485 | — | 295,193 |
| Tradename | 63,000 | — | — | 63,000 |
| Goodwill | 65,857 | — | — | 65,857 |
| Investment in subsidiary | 3,939 | — | (3,939) | — |
| Other assets and deferred charges | 18,013 | 78 | — | 18,091 |
| Total assets | <u>\$485,416</u> | <u>\$ 5,276</u> | <u>\$ (3,939)</u> | <u>\$ 486,753</u> |
| Liabilities and stockholders' equity: | | | | |
| Current liabilities | \$ 67,077 | \$ 1,196 | \$ — | \$ 68,273 |
| Deferred income taxes | 17,432 | — | — | 17,432 |
| Deferred occupancy costs | 56,784 | 141 | — | 56,925 |
| Other liabilities | 10,489 | — | — | 10,489 |
| Long-term debt, less current installments (Note 3) | 243,375 | — | — | 243,375 |
| Stockholders' equity | 90,259 | 3,939 | (3,939) | 90,259 |
| Total liabilities and stockholders' equity | <u>\$485,416</u> | <u>\$ 5,276</u> | <u>\$ (3,939)</u> | <u>\$ 486,753</u> |

February 3, 2008:

| (in thousands) | Issuer and Subsidiary Guarantors | Subsidiary Non- Guarantors | Consolidating Adjustments | Dave & Buster's Inc. |
|--|--|----------------------------------|------------------------------|-------------------------|
| Assets: | | | | |
| Current assets | \$ 45,597 | \$ 4,943 | \$ — | \$ 50,540 |
| Property and equipment, net | 291,011 | 5,963 | — | 296,974 |
| Tradename | 63,000 | — | — | 63,000 |
| Goodwill | 65,857 | — | — | 65,857 |
| Investment in subsidiary | 3,279 | — | (3,279) | — |
| Other assets and deferred charges | 19,734 | 98 | — | 19,832 |
| Total assets | <u>\$488,478</u> | <u>\$ 11,004</u> | <u>\$ (3,279)</u> | <u>\$ 496,203</u> |
| Liabilities and stockholders' equity: | | | | |
| Current liabilities | \$ 73,876 | \$ 7,330 | \$ — | \$ 81,206 |
| Deferred income taxes | 21,423 | 265 | — | 21,688 |
| Deferred occupancy costs | 50,394 | 130 | — | 50,524 |
| Other liabilities | 9,654 | — | — | 9,654 |
| Long-term debt, less current installments (Note 3) | 242,375 | — | — | 242,375 |
| Stockholders' equity | 90,756 | 3,279 | (3,279) | 90,756 |
| Total liabilities and stockholders' equity | <u>\$488,478</u> | <u>\$ 11,004</u> | <u>\$ (3,279)</u> | <u>\$ 496,203</u> |

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (dollars in thousands).

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended February 3, 2008. Unless otherwise specified, the meanings of all defined terms in Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) are consistent with the meanings of such terms as defined in the Notes to Consolidated Financial Statements. This discussion contains forward-looking statements. Please see “Forward-Looking Statements” for a discussion of the risks, uncertainties and assumptions relating to our forward-looking statements.

General

Our fiscal year ends on the Sunday after the Saturday closest to January 31. All references to the third quarter of 2008 and 2007 relate to the thirty-nine week periods ended November 2, 2008 and November 4, 2007. All references to 2008 and 2007 relate to the fifty-two week periods ending on February 1, 2009 and February 3, 2008. All dollar amounts are presented in thousands, unless otherwise noted, except share and per share amounts.

Merger with WS Midway Acquisition Sub, Inc.

Dave & Buster’s was acquired on March 8, 2006, by Holdings through the Merger. Affiliates of Wellspring and HBK control approximately 82 percent and 18 percent, respectively, of the outstanding capital stock of Holdings. We continue as the same legal entity after the Merger. The accompanying condensed consolidated statements of operations, stockholders’ equity, and cash flows present the results of operations and cash flows for us and our wholly-owned subsidiaries.

Holdings filed a Registration Statement on Form S-1 on July 11, 2008 with the Securities and Exchange Commission. On September 12, 2008, Holdings filed Amendment No. 1 to the Registration Statement. The Registration Statement has not been declared effective as of this filing.

Expense Reimbursement Agreement

We have entered into an expense reimbursement agreement with an affiliate of Wellspring, pursuant to which the Wellspring affiliate provides general advice to us in connection with long-term strategic plans, financial management, strategic transactions and other business matters. The expense reimbursement agreement provides for an annual expense reimbursement of up to \$750 to the Wellspring affiliate for these services. Additionally, the agreement provides that we reimburse the Wellspring affiliate on a dollar-for-dollar basis for certain third party expenses incurred by the affiliate on our behalf. The initial term of the expense reimbursement agreement will expire in March 2011, and after that date, such agreement will renew automatically on a year-to-year basis unless one party gives at least 30 days’ prior notice of its intention not to renew.

Overview

We are a leading owner and operator of high volume entertainment and dining venues in North America based on average unit volume. In 1982, we branded a concept that we believe combines the best attributes of the out-of-home entertainment and dining industries. Each of our locations offers interactive entertainment, including skill/sports-oriented redemption games and technologically advanced video and simulation games, combined with a full menu of high-quality food and beverages. We appeal to a diverse customer base by providing a customizable entertainment experience in a dynamic and fun setting. While our guests are primarily a balanced mix of men and women aged 21 to 44, we are also an attractive venue for families with children and teenagers.

As of November 2, 2008, we owned and operated 50 units in 20 states and Canada. Our units are open seven days a week, typically from 11:30 a.m. to midnight on weekdays and 11:30 a.m. to 2:00 a.m. on weekends. Our units average approximately 51,000 square feet in size and range between 29,000 and 66,000 square feet.

We were founded in 1982 by David “Dave” Corriveau and James “Buster” Corley. We opened our first two locations in Dallas, Texas in 1982 and 1988. Since 1989, we expanded our portfolio nationally from two units in the Dallas metropolitan area to 50 units across 20 states and Canada. From 1997 to early 2006, Dave & Buster’s operated as a public company under the leadership of Dave and Buster. Dave & Buster’s was acquired in March 2006 by Holdings.

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We have defined several key components of our operating results that we monitor in order to evaluate our financial and operating performance. These components include:

Revenues. We derive revenues primarily from food, beverage and amusement sales. For the thirteen weeks ended November 2, 2008, we derived 35.6 percent of our total revenue from food sales, 17.8 percent from beverage sales, 45.3 percent from amusement sales and 1.3 percent from other sources. For the thirty-nine weeks ended November 2, 2008, we derived 35.3 percent of our total revenue from food sales, 17.5 percent from beverage sales, 46.0 percent from amusement sales and 1.2 percent from other sources.

We continually monitor the success of current food and beverage items, the availability of new menu offerings, the menu price structure and our ability to adjust prices where competitively appropriate. With respect to the beverage component, we operate fully-licensed facilities, which means that we offer full beverage service, including alcoholic beverages throughout each unit.

Our units also offer an extensive array of amusements, including state-of-the-art simulators, high-tech video games, traditional pocket billiards and shuffleboard, as well as a variety of redemption games, which dispense coupons that can be redeemed for prizes in the “Winner’s Circle.” Our redemption games include basic games of skill, such as skee-ball and basketball, as well as competitive racing simulation games and individual electronic games of skill. The prizes in the “Winner’s Circle” range from small-ticket novelty items to high-end electronics, such as flatscreen televisions, MP3 players and game systems. We review the amount of game play on existing amusements in an effort to match amusements availability with guest preferences. We intend to continue to invest in new games as they become available and prove to be attractive to guests. In addition to games purchased in connection with new store openings, we currently anticipate spending approximately \$5.5 million on new games in fiscal 2008 of which \$4.8 million has been spent to date. Our unique venue allows us to provide our customers with value driven food and amusement combination offerings such as our “Eat & Play Combo.”

Cost of products. Cost of products includes the cost of food, beverages and the “Winner’s Circle” redemption items. During the third quarter of 2008, the cost of food products averaged 26.2 percent of food revenue and the cost of beverage products averaged 24.1 percent of beverage revenue. The amusement cost of products averaged 12.8 percent of amusement revenues. During the thirty-nine weeks ended November 2, 2008, the cost of food products averaged 25.5 percent of food revenue and the cost of beverage products averaged 24.0 percent of beverage revenue. The amusement cost of products averaged 12.0 percent of amusement revenues. The cost of products is driven by product mix and pricing movements from third-party suppliers. We continually strive to gain efficiencies in both the acquisition and use of products while maintaining high standards of product quality.

Operating payroll and benefits. Operating payroll and benefits consist of wages, employer taxes and benefits for store personnel. We continually review the opportunity for efficiencies principally through scheduling refinements.

Other store operating expenses. Other store operating expenses consist of unit-related, supplies, services, insurance, utilities, repair and maintenance occupancy and marketing and promotional costs.

General and administrative expenses. General and administrative expenses consist primarily of personnel, facilities and professional expenses for our regional operations management team and the various departments of our corporate headquarters.

Depreciation and amortization expenses. Depreciation and amortization expenses include the depreciation of fixed assets, including games, and the amortization of trademarks with finite lives.

Pre-opening costs. Pre-opening costs include costs associated with the opening and organizing of new units or conversion of existing units, including the cost of feasibility studies, staff training and recruiting, and travel costs for employees engaged in such pre-opening activities. All pre-opening costs are expensed as incurred.

Interest expense, net. Interest expense, net includes the cost of our debt obligations, including the amortization of loan fees and fair value adjustments related to our swap agreements, net of any interest income earned.

Liquidity and cash flows. The primary source of cash flow is from our operating activities and availability under our revolving credit facility.

Quarterly fluctuations, seasonality, and inflation. As a result of the substantial revenues associated with each new complex, the timing of new complex openings will result in significant fluctuations in quarterly results. We also expect seasonality to be a factor in the operation or results of the business in the future with anticipated lower third quarter revenues and higher fourth quarter revenues associated with the year-end holidays. The historically higher revenues during the fourth quarter will continue to be susceptible to the impact of severe weather on customer traffic and sales during that period. Additionally, increased volatility

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in financial markets, fluctuations in home values and overall economic concerns continue to exert pressure on both supplier pricing and consumer spending related to entertainment and dining alternatives. Although, there is no assurance that our cost of products will remain stable or that the federal or state minimum wage rate will not increase beyond amounts currently legislated, the effects of any supplier price increases or minimum wage rate increases are expected to be partially offset by selected menu price increases where competitively appropriate.

Results of Operations

The following table sets forth selected data, in thousands of dollars and as a percentage of total revenues (unless otherwise noted) for the periods indicated. All information is derived from the accompanying consolidated statements of operations.

| | Thirteen Weeks Ended November 2, 2008 | | Thirteen Weeks Ended November 4, 2007 | | Thirty-Nine Weeks Ended November 2, 2008 | | Thirty-Nine Weeks Ended November 4, 2007 | |
|--|---|--------|---|--------|--|--------|--|--------|
| (dollars in thousands) | | | | | | | | |
| Food and beverage revenues | \$ 63,910 | 53.4% | \$ 67,079 | 54.2% | \$210,431 | 52.8% | \$211,253 | 54.0% |
| Amusement and other revenues | 55,829 | 46.6 | 56,642 | 45.8 | 188,009 | 47.2 | 179,596 | 46.0 |
| Total revenues | 119,739 | 100.0 | 123,721 | 100.0 | 398,440 | 100.0 | 390,849 | 100.0 |
| Cost of food and beverage (as a percentage of food and beverage revenues) | 16,265 | 25.4 | 16,998 | 25.3 | 52,644 | 25.0 | 52,815 | 25.0 |
| Cost of amusements and other (as a percentage of amusement and other revenues) | 8,154 | 14.6 | 7,988 | 14.1 | 25,672 | 13.7 | 25,066 | 14.0 |
| Total cost of products | 24,419 | 20.4 | 24,986 | 20.2 | 78,316 | 19.7 | 77,881 | 19.9 |
| Operating payroll and benefits | 33,069 | 27.6 | 35,300 | 28.5 | 105,554 | 26.5 | 106,904 | 27.4 |
| Other store operating expenses | 43,787 | 36.6 | 43,429 | 35.1 | 132,333 | 33.2 | 128,427 | 32.9 |
| General and administrative expenses | 7,693 | 6.4 | 8,725 | 7.1 | 24,804 | 6.2 | 30,224 | 7.7 |
| Depreciation and amortization expense | 12,449 | 10.4 | 12,943 | 10.5 | 36,786 | 9.2 | 38,355 | 9.8 |
| Pre-opening costs | 625 | 0.5 | 675 | 0.5 | 1,867 | 0.5 | 1,032 | 0.3 |
| Total operating costs | 122,042 | 101.9 | 126,058 | 101.9 | 379,660 | 95.3 | 382,823 | 98.0 |
| Operating income | (2,303) | (1.9) | (2,337) | (1.9) | 18,780 | 4.7 | 8,026 | 2.0 |
| Interest expense, net | 6,996 | 5.8 | 7,644 | 6.2 | 18,953 | 4.8 | 21,565 | 5.5 |
| Income (loss) before provisions for income taxes | (9,299) | (7.7) | (9,981) | (8.1) | (173) | (0.1) | (13,539) | (3.5) |
| Provision (benefit) for income taxes | (3,573) | (3.0) | 1,298 | 1.0 | (427) | (0.1) | (746) | (0.2) |
| Net income (loss) | \$ (5,726) | (4.7)% | \$ (11,279) | (9.1)% | \$ 254 | 0.0% | \$ (12,793) | (3.3)% |
| Cash provided by (used in): | | | | | | | | |
| Operating activities | | | | | \$ 23,274 | | \$ 24,436 | |
| Investing activities | | | | | (36,145) | | (22,556) | |
| Financing activities | | | | | 500 | | 1,250 | |
| Change in comparable store sales ⁽¹⁾⁽²⁾ | | (6.0)% | | 4.5% | | (0.2)% | | 4.1% |
| Stores open at end of period ⁽³⁾ | | | | | | 50 | | 49 |
| Comparable stores open at end of period | | | | | | 46 | | 43 |

(1) "Comparable store sales" (year-over-year comparison of complexes open at least 18 months as of the beginning of each of the fiscal years) is a key performance indicator used within the industry and is indicative of acceptance of our initiatives as well as local economic and consumer trends.

(2) Our 2007 comparable store revenue growth was impacted by a shift in the calendar weeks that comprise the first thirty-nine weeks of fiscal 2007 compared to the calendar weeks that made up the first thirty-nine weeks of fiscal 2006. The shift in our fiscal calendar is due to the fact that fiscal 2006 included a 53rd week in the fourth quarter.

(3) The number of stores open at November 2, 2008 includes our store in Plymouth Meeting, Pennsylvania, which opened on July 21, 2008 and our store in Tempe, Arizona, which opened on September 17, 2007.

Thirteen Weeks Ended November 2, 2008 Compared to Thirteen Weeks Ended November 4, 2007

Revenues

Total revenues decreased 3.2 percent, or \$3,982, from \$123,721 for the thirteen weeks ended November 4, 2007 to \$119,739 for the thirteen weeks ended November 2, 2008. Comparable stores revenue decreased by 6.0 percent, or \$7,137 for the thirteen weeks ended November 2, 2008 compared to the same period in 2007.

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The decreased revenues were derived from the following sources:

| | |
|-----------------------|------------------|
| Comparable stores | \$(7,137) |
| Non comparable stores | 3,072 |
| Other | 83 |
| Total | <u>\$(3,982)</u> |

During the thirteen weeks ended November 2, 2008, our revenues were significantly impacted by reduced consumer spending stemming from the current economic downturn, the impact of Hurricane Ike on sales in Texas, and the occurrence of high viewership events, as both the Olympics and political campaigns garnered increased customer attention. Food sales at the comparable stores decreased by \$2,254 or 5.3 percent from \$42,395 for the thirteen weeks ended November 4, 2007 to \$40,141 for the thirteen weeks ended November 2, 2008. Beverage sales at comparable stores decreased by \$2,396 or 10.7 percent from \$22,418 for the thirteen weeks ended November 4, 2007 to \$20,022 for the thirteen weeks ended November 2, 2008. Comparable store amusements revenue decreased by \$2,203 or 4.1 percent, from \$53,405 for the thirteen weeks ended November 4, 2007 to \$51,202 for the same period in 2008.

Comparable special events revenues accounted for 13.2 percent of consolidated comparable stores revenue for the thirteen weeks ended November 2, 2008 and 14.3 percent for the same period in 2007.

Our revenue mix was 53.4 percent for food and beverage and 46.6 percent for amusements and other. This compares to 54.2 percent and 45.8 percent, respectively, for the thirteen weeks ended November 4, 2007.

Cost of products

Cost of food and beverage revenues decreased from \$16,998 for the thirteen weeks ended November 4, 2007 to \$16,265 for the thirteen weeks ended November 2, 2008 due to declines in beverage revenue and decreases in liquor and beer costs from the prior year. Cost of food and beverage products, as a percentage of food and beverage revenue increased 10 basis points to 25.4 percent for the thirteen weeks ended November 2, 2008 compared to 25.3 percent for the same period in 2007.

Cost of amusements and other revenues increased to \$8,154 for the thirteen weeks ended November 2, 2008 from \$7,988 for the same period in 2007 primarily due to an adjustment of \$200 to the redemption ticket liability. The costs of amusements and other, as a percentage of amusements and other revenues increased 50 basis points to 14.6 percent of amusement and other revenue for the thirteen weeks ended November 2, 2008 compared to 14.1 percent for the thirteen weeks ended November 4, 2007.

Operating payroll and benefits

Operating payroll and benefits decreased by \$2,231 or 6.3 percent from \$35,300 for the thirteen weeks ended November 4, 2007 to \$33,069 for the thirteen weeks ended November 2, 2008. Operating payroll and benefits declined 90 basis points to 27.6 percent of revenue for the thirteen weeks ended November 2, 2008 compared to 28.5 percent for the same period of 2007. This decrease in percentage of revenue was primarily driven by reduced incentive compensation expenses as a result of sales declines and initiatives designed to reduce store administrative and back-of-house labor costs.

Other store operating expenses

Other store operating expenses increased by \$358, or 0.8 percent, from \$43,429 in the thirteen weeks ended November 4, 2007 to \$43,787 in the thirteen weeks ended November 2, 2008. Other store operating expenses increased 150 basis points to 36.6 percent of revenue for the thirteen weeks ended November 2, 2008 compared to 35.1 percent for the same period of 2007. This increase was primarily driven by additional marketing and promotional costs which were partially offset by lower restaurant and other operating expenses.

General and administrative expenses

General and administrative expenses decreased by \$1,032 or 11.8 percent, from \$8,725 in the thirteen weeks ended November 4, 2007 to \$7,693 in the thirteen weeks ended November 2, 2008 primarily as a result of reduced accruals for incentive compensation estimates. General and administrative expenses decreased 70 basis points to 6.4 percent for the thirteen weeks ended November 2, 2008 compared to 7.1 percent for the same period in 2007.

Depreciation and amortization expense

Depreciation and amortization expense decreased by \$494 or 3.8 percent, from \$12,943 in the thirteen weeks ended November 4, 2007 compared to \$12,449 in the thirteen weeks ended November 2, 2008. Depreciation and amortization expense decreased

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primarily related to the reduction in depreciation expense due to certain fixed assets reaching the end of their depreciable life offset by depreciation expense on new assets added subsequent to the third quarter of 2007.

Pre-opening costs

Pre-opening costs decreased from \$675 for the thirteen weeks ended November 4, 2007 to \$625 for the thirteen weeks ended November 2, 2008. During the thirteen week period ending November 4, 2007, pre-opening costs are attributed to the September 17, 2007 opening of our store in Tempe, Arizona. The third quarter 2008 pre-opening costs are related to the opening of our store in Arlington, Texas on November 24, 2008 and the upcoming opening of our store in Tulsa, Oklahoma in January 2009.

Interest expense

Interest expense decreased by \$648 from \$7,644 for the thirteen weeks ended November 4, 2007 to \$6,996 for the thirteen weeks ended November 2, 2008. The decrease in interest expense is primarily attributed to adjustments recorded to mark the interest rate swap agreements to their fair value. The reduction of interest expense resulting from the September 22, 2008 early retirement of \$15 million of our senior notes was more than offset by approximately \$341 due to the associated write off of debt transaction costs.

Provision for income taxes

Our effective tax rate differs from statutory rates due to the deduction of FICA tip credits, state income taxes and changes in our tax reserves.

In the thirteen weeks ended November 2, 2008, we reduced our estimate of the required valuation allowance against our deferred tax assets by \$169. The valuation allowance has been established in accordance with Statement of Financial Accounting Standards 109, "Accounting for Income Taxes" ("SFAS 109"). As a result of experiencing cumulative losses before income taxes for the three-year period prior to February 3, 2008, we could not conclude that it is more likely that not that our deferred tax assets would be fully realized. The initial valuation allowance was established in the third quarter of 2007 when we recorded a \$3,460 valuation allowance against our deferred tax assets resulting in a \$1,298 tax expense for that quarter. The ultimate realization of our deferred tax assets is dependent on the generation of future taxable income during periods in which temporary differences become deductible.

On February 5, 2007, we adopted the provisions of FASB Interpretation 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). FIN 48 limits the recognition of income tax benefits to those items that meet the "more likely than not" threshold on the effective date. As of November 2, 2008, we have approximately \$2,863 of unrecognized tax benefits, including approximate \$808 of penalties and interest. During the thirteen weeks ended November 2, 2008, we increased our unrecognized tax benefit by \$42. This increase resulted primarily from an increase in interest from uncertain tax positions taken in prior years. We do not currently anticipate any additional material changes in fiscal year 2008. Future recognition of potential interest or penalties, if any, will be recorded as a component of income tax expense. The entire balance of unrecognized tax benefits, if recognized, would affect the effective tax rate.

We file income tax returns which are periodically audited by various federal, state and foreign jurisdictions. We are generally no longer subject to federal, state or foreign income tax examinations for years prior to 2004.

Thirty-Nine Weeks Ended November 2, 2008 Compared to Thirty-Nine Weeks Ended November 4, 2007

Revenues

Total revenues increased 1.9 percent, or \$7,591 from \$390,849 for thirty-nine weeks ended November 4, 2007 compared to \$398,440 for the thirty-nine weeks ended November 2, 2008. Revenue gains at our non comparable stores were partially offset by a decline in our comparable stores of approximately 0.2 percent, or \$587 for thirty-nine weeks ended November 2, 2008 compared to the thirty-nine weeks ended November 4, 2007.

The increased revenues were derived from the following sources:

| | |
|-----------------------|-----------------|
| Comparable stores | \$ (587) |
| Non comparable stores | 9,297 |
| Other | (1,119) |
| Total | <u>\$ 7,591</u> |

Our year-to-date revenue gains were negatively impacted by the overall reduction in consumer spending experienced during the third quarter of fiscal 2008. Increased advertising on cable television in all our markets and spot radio in selected markets helped to mitigate a portion of the negative economic pressure on revenues. Food sales at the comparable stores decreased by \$1,788 or 1.3 percent, from \$136,281 in the thirty-nine weeks ended November 4, 2007 to \$134,493 in the thirty-nine weeks ended

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November 2, 2008. Beverage sales at comparable stores decreased by \$3,844 or 5.5 percent, from \$70,134 in the thirty-nine weeks ended November 4, 2007 to \$66,290 in the thirty-nine weeks ended November 2, 2008. Comparable store amusement revenues in the thirty-nine weeks ended November 2, 2008 increased by \$5,509 or 3.2 percent, from \$171,221 in the thirty-nine weeks ended November 4, 2007 to \$176,730 in the thirty-nine weeks ended November 2, 2008. Amusement revenue continued to reflect the positive impact of increased points of sale available through the installation of sales kiosks throughout the system and an expansion of available predenominated Power Card alternatives.

Comparable special events revenues accounted for 13.2 percent of consolidated comparable stores revenue for the thirty-nine weeks ended November 2, 2008 and 13.8 percent in the thirty-nine weeks ended November 4, 2007.

Our revenue mix was 52.8 percent for food and beverage and 47.2 percent for amusements and other for the thirty-nine weeks ended November 2, 2008. This compares to 54.0 percent and 46.0 percent, respectively, for the thirty-nine weeks ended November 4, 2007.

Cost of products

Cost of food and beverage revenues decreased from \$52,815 for the thirty-nine weeks ended November 4, 2007 to \$52,644 for the thirty-nine weeks ended November 2, 2008. Cost of food and beverage products, as a percent of food and beverage revenue remained relatively flat at 25.0 percent of revenue for the thirty-nine weeks ended November 2, 2008 and the same period of 2007. Margin pressure experienced in our poultry and grocery cost categories were offset by lower costs, as a percent of revenue, in our meat and beverage categories.

Cost of amusements and other revenues increased from \$25,066 for the thirty-nine weeks ended November 4, 2007 to \$25,672 for the thirty-nine weeks ended November 2, 2008. The costs of amusements and other, as a percentage of amusements and other revenues decreased 30 basis points to 13.7 percent of amusement and other revenue for the thirty-nine weeks ended November 2, 2008 compared to 14.0 percent for the thirty-nine weeks ended November 4, 2007. This decrease was achieved through reduced redemption costs.

Operating payroll and benefits

Operating payroll and benefits decreased by \$1,350 or 1.3 percent, from \$106,904 in the thirty-nine weeks ended November 4, 2007 to \$105,554 in the thirty-nine weeks ended November 2, 2008. Operating payroll and benefits declined 90 basis points to 26.5 percent of revenue for the thirty-nine weeks ended November 2, 2008 compared to 27.4 percent for the same period of 2007. This decrease in percentage of revenue was primarily driven by initiatives designed to reduce store administrative and back-of-house labor costs.

Other store operating expenses

Other store operating expenses increased by \$3,906, or 3.0 percent, from \$128,427 in the thirty-nine weeks ended November 4, 2007 to \$132,333 in the thirty-nine weeks ended November 2, 2008. Other store operating expenses increased 30 basis points to 33.2 percent for the thirty-nine weeks ended November 2, 2008 compared to 32.9 percent for the same period of 2007 as improved sales performance and reductions in supply costs and occupancy and sales related taxes offset increased repair, security and marketing costs.

General and administrative expenses

General and administrative expenses decreased by \$5,420 from \$30,224 for the thirty-nine weeks ended November 4, 2007 to \$24,804 for the thirty-nine weeks ended November 2, 2008. General and administrative expenses decreased 150 basis points from 7.7 percent for the thirty-nine weeks ended November 4, 2007 compared to 6.2 percent for the thirty-nine weeks ended November 2, 2008, primarily due to the absence of severance costs associated with the departure of certain executives during the first quarter of 2007.

Depreciation and amortization expense

Depreciation and amortization expense decreased by \$1,569, or 4.1 percent, from \$38,355 for the thirty-nine weeks ended November 4, 2007 to \$36,786 for the thirty-nine weeks ended November 2, 2008. The reduction in depreciation expense is due to certain fixed assets reaching the end of their depreciable life offset by depreciation expense on new assets added subsequent to the third quarter of 2007.

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Pre-opening costs

Pre-opening costs increased by \$835 from \$1,032 in the thirty-nine weeks ended November 4, 2007 to \$1,867 in the thirty-nine weeks ended November 2, 2008. The increase in pre-opening costs is primarily attributable to the opening of a new store in Plymouth Meeting, Pennsylvania on July 21, 2008 and the upcoming openings of our stores in Arlington, Texas on November 24, 2008 and in Tulsa, Oklahoma in January 2009.

Interest expense

Interest expense decreased by \$2,612 from \$21,565 for the thirty-nine weeks ended November 4, 2007 to \$18,953 for the thirty-nine weeks ended November 2, 2008. The decrease in interest expense is primarily attributed to adjustments recorded to mark our interest rate swap agreements to their fair value.

Provision for income taxes

Our effective tax rate differs from statutory rates due to the deduction of FICA tip credits, state income taxes and changes in our tax reserves.

In the thirty-nine weeks ended November 2, 2008, we recorded a \$303 increase to our valuation allowance against our deferred tax assets. The valuation allowance was established in accordance with Statement of Financial Accounting Standards 109, "Accounting for Income Taxes" ("SFAS 109"). As a result of experiencing cumulative losses before income taxes for the three-year period prior to February 3, 2008, we could not conclude that it is more likely than not that our deferred tax assets would be fully realized. The initial valuation allowance was established in the third quarter of 2007 when we recorded a \$3,460 valuation allowance against our deferred tax assets resulting in a \$746 tax benefit for the thirty-nine weeks ended November 4, 2007. The ultimate realization of our deferred tax assets is dependent on the generation of future taxable income during periods in which temporary differences become deductible.

On February 5, 2007, we adopted the provisions of FASB Interpretation 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). FIN 48 limits the recognition of income tax benefits to those items that meet the "more likely than not" threshold on the effective date. As of November 2, 2008, we have approximately \$2,863 of unrecognized tax benefits, including approximately \$808 of penalties and interest. During the thirty-nine weeks ended November 2, 2008, we increased our unrecognized tax benefit by \$136. This increase resulted primarily from an increase in interest from uncertain tax positions taken in prior years. We do not currently anticipate any additional material changes in fiscal year 2008. Future recognition of potential interest or penalties, if any, will be recorded as a component of income tax expense. The entire balance of unrecognized tax benefits, if recognized, would affect the effective tax rate.

We file income tax returns which are periodically audited by various federal, state and foreign jurisdictions. We are generally no longer subject to federal, state or foreign income tax examinations for years prior to 2004.

Liquidity and Capital Resources

To date, we have financed our activities through cash flow from operations, our 11.25 percent senior notes and borrowings under our senior credit facility. As of November 2, 2008, we had cash and cash equivalents of \$6,675, a working capital deficit of \$23,661 and outstanding debt obligations of \$243,875. We also had \$36,317 in borrowing availability under our senior credit facility.

In the past we have had, and anticipate that in the future we will have, negative working capital balances. We are able to operate with a working capital deficit because cash from operations is usually received before related liabilities for product, supplies, labor and services become due. We typically use funds available from operations that are not needed immediately to pay for operating expenses for noncurrent capital expenditures and payment of long-term debt obligations under our senior credit facility.

Short-Term Liquidity Requirements. We generally consider our short-term liquidity requirements to consist of those items that are expected to be incurred within the next twelve months and believe that those requirements consist primarily of funds necessary to pay operating expenses, interest and principal payments on our debt, capital expenditures related to new store construction and other expenditures associated with acquiring new games, remodeling facilities and recurring replacement of equipment and improvements.

We expect our 2008 short-term liquidity requirements to include (a) \$44,500 of capital expenditures (net of cash contributions from landlords) of which approximately \$33,000 has been incurred for fiscal 2008, (b) \$26,200 of debt service payments of which approximately \$24,500 has been incurred for fiscal 2008, and (c) lease obligation payments of \$44,100 of which approximately \$32,800 has been incurred for fiscal 2008.

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Based on our current business plan, we believe that our existing cash balances and availability under our credit facility will be sufficient to meet our anticipated cash needs for working capital and capital expenditures for the foreseeable future. If our estimates of revenues, expenses or capital or liquidity requirements change or are inaccurate or if cash generated from operations is insufficient to satisfy our liquidity requirements, we believe that our existing credit facility will be sufficient to meet our operating requirements.

Long-Term Liquidity Requirements. We generally consider our long-term liquidity requirements to consist of those items that are expected to be incurred beyond the next twelve months and believe that these requirements consist primarily of funds necessary for new store development and construction, payments of scheduled debt maturities, and to perform necessary renovations and other non-recurring capital expenditures that need to be made periodically to our units. We intend to satisfy our long-term liquidity requirements through various sources of capital, including our cash provided by operations, and borrowings under our senior credit facility.

We believe that the sources of capital described above will continue to be available to us in the future and will be sufficient to meet our long-term liquidity requirements.

We believe that cash flow from operations, together with borrowings under the senior credit facility, will be sufficient to cover working capital, capital expenditures, and debt service needs in the foreseeable future. Our ability to make scheduled payments of principal or interest on, or to refinance, the indebtedness, or to fund planned capital expenditures, will depend on future performance, which is subject to general economic conditions, competitive environment and other factors as described in Part I, Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended February 3, 2008.

Historical indebtedness

Senior credit facility. In connection with the acquisition of Dave & Buster's by Holdings, we entered into a senior credit facility providing for a \$100,000 term loan facility with a maturity date of March 8, 2013 and providing for a \$60,000 revolving credit facility with a maturity date of March 8, 2011. The \$60,000 revolving credit facility includes (i) a \$20,000 letter of credit sub-facility, (ii) a \$5,000 swingline sub-facility and (iii) a sub-facility available to the Canadian subsidiary in the Canadian dollar equivalent to U.S. \$5,000. The revolving credit facility is available to provide financing for working capital and general corporate purposes. As of November 2, 2008, we had \$16,000 in borrowings under the revolving credit facility, \$67,875 of borrowings under the term loan facility and \$7,683 in letters of credit outstanding.

Our senior credit facility is secured by all of our assets and is unconditionally guaranteed by Holdings. Borrowings on our senior credit facility bear interest, at our option, based upon either a base rate (or, in the case of the Canadian revolving credit facility, a Canadian prime rate) or a Eurodollar rate (or, in the case of the Canadian revolving credit facility, a Canadian cost of funds rate) for one-, two-, three- or six-month (or, in the case of the Canadian revolving credit facility, 30-, 60-, 90- or 180-day) interest periods chosen by us, in each case, plus an applicable margin percentage. Swingline loans bear interest at the base rate plus the applicable margin. Effective June 30, 2006, we entered into two interest rate swap agreements that expire in 2011, to change a substantial portion of the variable rate debt to fixed rate debt. Pursuant to the swap agreements, the interest rate on notional amounts of \$74,100 is fixed at 5.31 percent plus applicable margin. The weighted average rate of interest on the senior credit facility was 7.40 percent at November 2, 2008.

Interest rates on borrowings under our senior credit facility vary based on the movement of prescribed indexes and applicable margin percentages. On the last day of each calendar quarter, we are required to pay a commitment fee of 0.5 percent on any unused commitments under the revolving credit facilities or the term loan facility. Our senior credit facility requires scheduled quarterly payments of principal on the term loans at the end of each of the fiscal quarters in aggregate annual amounts equal to 1.0 percent of the original aggregate principal amount of the term loan with the balance payable ratably over the final four quarters.

Senior notes. In connection with the acquisition of Dave & Buster's by Holdings, on March 8, 2006, we closed a placement of \$175,000 aggregate principal amount of 11.25 percent senior notes. On September 22, 2006, we completed an exchange with the holders of the senior notes pursuant to which the existing notes sold in March 2006 pursuant to Rule 144A and Regulation S of the Securities Act, were exchanged for an equal amount of newly issued senior notes, which have been registered under the Securities Act. The notes are general unsecured, unsubordinated obligations of ours and mature on March 15, 2014. Interest on the notes compounds semi-annually and accrues at the rate of 11.25 percent per annum. On or after March 15, 2010, we may redeem all, or from time-to-time, a part of the senior notes upon not less than 30 nor more than 60 days notice, at redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest on the senior notes. Prior to March 15, 2009, we may on any one or more occasions redeem up to 35 percent of the original principal amount of the notes using the proceeds of certain equity offerings completed before March 15, 2009. In addition, our senior credit facility allows us to repurchase our notes in an aggregate amount not to exceed \$15,000. In September 2008, we retired notes with a principal amount of \$15,000. The retirement resulted in an \$88 gain on the early extinguishment of debt and an additional expense of \$429 related to the write off of a prorata portion of the transaction costs associated with note issuance.

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Our senior credit facility and the indenture governing the senior notes contain restrictive covenants that, among other things, limit our ability and the ability of our subsidiaries to, among other things: incur additional indebtedness, make loans or advances to subsidiaries and other entities, make capital expenditures, declare dividends, acquire other businesses or sell assets. In addition, under our senior credit facility, we are required to meet certain financial covenants, ratios and tests, including a minimum fixed charge coverage ratio and a maximum leverage ratio. The indenture under which the senior notes were issued also contains customary covenants and events of defaults.

Historical Cash Flows

Thirty-Nine Weeks Ended November 2, 2008 Compared to Thirty-Nine Weeks Ended November 4, 2007

As of November 2, 2008, we had cash and cash equivalents of \$6,675 and available borrowing capacity of \$36,317 under the senior credit facility.

Cash provided in operating activities was \$23,274 for the thirty-nine weeks of 2008 compared to \$24,436 for the thirty-nine weeks of 2007. Operating cash flow was positively impacted due to an improvement in net income of \$13,047 over the same period in 2007, offset by working capital reductions of \$13,867.

Cash used in investing activities was \$36,145 for the thirty-nine weeks of 2008 compared to \$22,556 for the thirty-nine weeks of 2007. The investing activities for the third quarter of 2008 primarily include \$36,314 in capital expenditures. The investing activities for the third quarter of 2007 primarily include \$22,911 in capital expenditures. During the thirty-nine week period ending November 2, 2008, we completed construction and opened one new store and began construction on two additional stores that are scheduled to open in the fourth quarter of fiscal 2008. During fiscal year 2007, our single new store was completed and opened in the third quarter.

We plan on financing future growth through operating cash flows, debt facilities, and tenant improvement allowances from landlords. We expect to spend approximately \$52,500 (\$44,500 net of cash contributions from landlords) in capital expenditures during fiscal year 2008. The 2008 expenditures will include approximately \$35,700 (\$27,700 net of cash contributions from landlords) for new stores and operating improvement initiatives and \$16,800 in maintenance capital and new games.

Cash provided by financing activities was \$500 for the thirty-nine weeks of 2008 compared to \$1,250 in the thirty-nine weeks of 2007. The financing activities for the fiscal year of 2008 include required paydowns under our term loan facility of \$500 and borrowings under our revolving credit facility of \$16,000. In September 2008, we utilized existing cash balances to retire \$15,000 of our senior notes. The financing activities for the third quarter of 2007 include borrowings under our revolving credit facility of \$2,000 offset by required paydowns under our term loan facility of \$750.

Contractual Obligations and Commercial Commitments

There have been no material changes during the period covered by this report, outside of the ordinary course of our business, to the contractual obligations specified in the table of contractual obligations included in the section "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the Annual Report on Form 10-K.

Accounting Policies

The preparation of condensed consolidated financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions about future events. These estimates and assumptions affect amounts of assets, liabilities, revenues and expenses and the disclosure of gain and loss contingencies at the date of the Condensed Consolidated Financial Statements. Our current estimates are subject to change if different assumptions as to the outcome of future events were made. We evaluate our estimates and judgments on an ongoing basis and predicate those estimates and judgments on historical experience and on various other factors that we believe are reasonable under the circumstances. We make adjustments to our assumptions and judgments when facts and circumstances dictate. Since future events and their effects cannot be determined with absolute certainty, actual results may differ from the estimates we used in preparing the accompanying Condensed Consolidated Financial Statements. A complete description of our critical accounting policies is included in our Annual Report on Form 10-K for the fiscal year ended February 3, 2008.

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Recent Accounting Pronouncements

On December 4, 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards 141(R), "Business Combinations" ("SFAS 141(R)"), and Statement of Financial Accounting Standards 160, "Non-controlling Interests in Consolidated Financial Statements, an amendment of ARB No. 51" ("SFAS 160"). These new standards will significantly change the accounting for and reporting for future business combination transactions and non-controlling (minority) interests in consolidated financial statements. SFAS 141(R) and SFAS 160 are required to be adopted simultaneously and are effective for the first annual reporting period beginning on or after December 15, 2008. Earlier adoption is prohibited. The impact of adopting SFAS 141(R) and SFAS 160 on our consolidated financial statements will only apply to the extent we have business combinations in the future.

In September 2006, the FASB issued Statement of Financial Accounting Standards 157, "Fair Value Measurements" ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value and requires enhanced disclosures about fair value measurements. SFAS 157 requires companies to disclose the fair value of their financial instruments according to a fair value hierarchy, as defined. SFAS 157 may require companies to provide additional disclosures based on that hierarchy. SFAS 157 was to be effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. In February 2008, the FASB issued Staff Position 157-2, "Effective Date of FASB Statement No. 157" ("FSP 157-2"), which delayed for one year the applicability of SFAS 157's fair-value measurements to certain nonfinancial assets and liabilities. We adopted SFAS 157 as of February 4, 2008, except as it applies to those nonfinancial assets and liabilities affected by the one-year delay. The partial adoption of SFAS 157 did not have a material impact on the Company's consolidated financial position or results of operations. We are currently evaluating the potential impact of adopting the remaining provisions of SFAS 157 on our consolidated financial position and results of operations.

Effective February 4, 2008, we adopted Statement of Financial Accounting Standards 159, "The Fair Value Option for Financial Assets and Liabilities" ("SFAS 159"). This statement permits entities to choose to measure many financial instruments and certain other items at fair value. If the fair value option is elected, unrealized gains and losses will be recognized in earnings at each subsequent reporting date. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The adoption of SFAS No. 159 did not have a material impact on the Company's financial condition or results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the Company's market risk exposures from those reported in our Annual Report on Form 10-K for the year ended February 3, 2008.

ITEM 4T. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Based on their evaluation of our disclosure controls and procedures as required by Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, as of the end of the period covered by this Quarterly Report on Form 10-Q, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are effective.

Internal Controls Over Financial Reporting

There were no significant changes in our internal controls over financial reporting that occurred during our third quarter ended November 2, 2008, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

FORWARD-LOOKING STATEMENTS

This Form 10-Q includes statements that are, or may be deemed to be, "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes,"

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“estimates,” “anticipates,” “expects,” “intends,” “may,” “will” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Form 10-Q and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this Form 10-Q. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate are consistent with the forward-looking statements contained in this Form 10-Q, those results or developments may not be indicative of results or developments in subsequent periods. An expanded discussion of these risk factors is contained in Part I, Item 1A, “Risk Factors,” in our Annual Report on Form 10-K for the year ended February 3, 2008.

PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information regarding legal proceedings is incorporated by reference from Note 4 to our Unaudited Consolidated Financial Statements set forth in Part I of this report.

ITEM 1A. RISK FACTORS

Except as set forth below, there have been no material changes to the risk factors set forth in Part 1, Item 1A, “Risk Factors,” in our Annual Report on Form 10-K for the year ended February 3, 2008.

Recent economic volatility may adversely impact our business.

Our industry has been affected by macro economic factors, including changes in national, regional, and local economic conditions, employment conditions, and consumer spending patterns. The disruptions and volatility experienced in the overall economy and financial markets has reduced consumer confidence and discretionary spending on dining and entertainment and negatively affected customer utilization of and spending at our units. A prolonged continuation of the global financial crisis and economic downturn could be harmful to our financial condition and results of operations and adversely affect both the availability of credit to the Company and our ability to comply with the covenants under our credit facility. There can be no assurances that government responses to the global financial crisis and economic downturn will stabilize the financial markets or restore consumer confidence.

ITEM 6. EXHIBITS

| Exhibit Number | Description |
|---------------------------|---|
| 12.1 | Statement Regarding Computation of Ratio of Earnings to Fixed Charges. |
| 31.1 | Certification of Stephen M. King, Chief Executive Officer and Director of the Registrant, pursuant to 17 CFR 240.13a-14(a) or 17 CFR 240.15d-14(a). |
| 31.2 | Certification of Brian A. Jenkins, Senior Vice President and Chief Financial Officer of the Registrant, pursuant to 17 CFR 240.13a-14(a) or 17 CFR 240.15d-14(a). |
| 32.1 | Certification of Stephen M. King, Chief Executive Officer and Director of the Registrant, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of Brian A. Jenkins, Senior Vice President and Chief Financial Officer of the Registrant, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DAVE & BUSTER'S, INC.,
a Missouri corporation

Date: December 10, 2008

By: /s/ Stephen M. King

Stephen M. King
Chief Executive Officer

Date: December 10, 2008

By: /s/ Brian A. Jenkins

Brian A. Jenkins
Senior Vice President and Chief Financial Officer

DAVE & BUSTER'S, INC.
COMPUTATION OF RATIO OF EARNINGS
TO FIXED CHARGES

(dollars in thousands, except ratios)

| | Thirty-Nine Weeks Ended November 2, 2008 | Thirty-Nine Weeks Ended November 4, 2007 |
|---|--|--|
| Income (loss) before provision for income taxes | \$ (173) | \$ (13,539) |
| Add: Total fixed charges (per below) | 30,059 | 31,891 |
| Less: Capitalized interest | 390 | 151 |
| Total income before provision for income taxes, plus fixed charges, less capitalized interest | 29,496 | 18,201 |
| Fixed charges: | | |
| Interest expense ⁽¹⁾ | 19,488 | 21,934 |
| Capitalized interest | 390 | 151 |
| Estimate of interest included in rental expense ⁽²⁾ | 10,181 | 9,806 |
| Total fixed charges | \$ 30,059 | \$ 31,891 |
| Ratio of earnings to fixed charges ⁽³⁾ | 0.98x | 0.57x |

⁽¹⁾ Interest expense includes interest in association with debt and amortization of debt issuance costs.

⁽²⁾ Fixed charges include our estimate of interest included in rental payments (one-third of rent expense under operating leases).

⁽³⁾ Earnings for the thirty-nine weeks ended November 2, 2008 and thirty-nine weeks ended November 4, 2007 were insufficient to cover the fixed charges by \$563 and \$13,690, respectively.

CERTIFICATION

I, Stephen M. King, Chief Executive Officer of Dave & Buster's, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dave & Buster's, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's third fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 10, 2008

/s/ Stephen M. King
Stephen M. King
Chief Executive Officer

CERTIFICATION

I, Brian A. Jenkins, Senior Vice President and Chief Financial Officer of Dave & Buster's, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dave & Buster's, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's third fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 10, 2008

/s/ Brian A. Jenkins

Brian A. Jenkins
Senior Vice President and Chief Financial Officer

CERTIFICATION

In connection with the Quarterly Report of Dave & Buster's, Inc. (the "Company") on Form 10-Q for the period ended November 2, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen M. King, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, that:

- (1) The Report fully complies with the applicable requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 10, 2008

/s/ Stephen M. King
Stephen M. King
Chief Executive Officer

CERTIFICATION

In connection with the Quarterly Report of Dave & Buster's, Inc. (the "Company") on Form 10-Q for the period ended November 2, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian A. Jenkins, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, that:

- (1) The Report fully complies with the applicable requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 10, 2008

/s/ Brian A. Jenkins

Brian A. Jenkins

Senior Vice President and Chief Financial Officer