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

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**FORM 10-Q**

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**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE QUARTERLY PERIOD ENDED AUGUST 2, 2009**

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**

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**Dave & Buster's, Inc.**

(Exact Name of Registrant as Specified in Its Charter)

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**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)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares of the Issuer's common stock, \$0.01 par value, outstanding as of September 9, 2009, was 100 shares.

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**DAVE & BUSTER'S, INC.**  
**FORM 10-Q FOR PERIOD ENDING AUGUST 2, 2009**

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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)

	August 2, 2009 <u>(unaudited)</u>	February 1, 2009 <u>(audited)</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 20,719	\$ 8,534
Inventories	13,278	15,105
Prepaid expenses	9,533	7,750
Deferred income taxes	4,349	5,304
Income tax receivable	312	2,254
Other current assets	1,373	206
Total current assets	49,564	39,153
Property and equipment, net	293,609	296,805
Tradenname	63,000	63,000
Goodwill	65,857	65,857
Other assets and deferred charges	14,879	16,121
Total assets	<u>\$ 486,909</u>	<u>\$ 480,936</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current installments of long-term debt (Note 5)	\$ 595	\$ 500
Accounts payable	23,415	18,886
Accrued liabilities	47,732	54,497
Income taxes payable	5,602	466
Deferred income taxes	1,074	—
Total current liabilities	78,418	74,349
Deferred income taxes	11,132	17,915
Deferred occupancy costs	61,369	56,572
Other liabilities	11,616	10,827
Long-term debt, less current installments (Note 5)	226,905	229,250
Commitment and contingencies (Note 6)		
Stockholders' equity:		
Common stock, \$0.01 par value, 1,000 authorized; 100 issued and Outstanding as of August 2, 2009 and February 1, 2009	—	—
Preferred stock, 10,000,000 authorized; none issued	—	—
Paid-in capital	111,559	111,346
Accumulated comprehensive loss	(32)	(34)
Retained earnings (deficit)	(14,058)	(19,289)
Total stockholders' equity	97,469	92,023
Total liabilities and stockholders' equity	<u>\$ 486,909</u>	<u>\$ 480,936</u>

See accompanying notes to consolidated financial statements

**DAVE & BUSTER'S, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, unaudited)

	Thirteen Weeks Ended <u>August 2, 2009</u>	Thirteen Weeks Ended <u>August 3, 2008</u>	Twenty-Six Weeks Ended <u>August 2, 2009</u>	Twenty-Six Weeks Ended <u>August 3, 2008</u>
Food and beverage revenues	\$ 66,591	\$ 71,856	\$ 137,591	\$ 146,521
Amusement and other revenues	64,936	64,382	132,362	132,180
Total revenues	131,527	136,238	269,953	278,701
Cost of food and beverage	16,151	17,908	33,557	36,379
Cost of amusement and other	10,055	8,894	19,605	17,518
Total cost of products	26,206	26,802	53,162	53,897
Operating payroll and benefits	33,752	35,613	68,284	72,485
Other store operating expenses	45,457	45,367	88,060	88,546
General and administrative expenses	7,672	8,629	15,077	17,111
Depreciation and amortization expense	13,168	11,898	25,902	24,337
Pre-opening costs	1,052	960	2,196	1,242
Total operating costs	127,307	129,269	252,681	257,618
Operating income	4,220	6,969	17,272	21,083
Interest expense, net	5,635	5,811	11,184	11,957
Income (loss) before provision for income taxes	(1,415)	1,158	6,088	9,126
Provision (benefit) for income taxes	(1,478)	188	857	3,146
Net income	\$ 63	\$ 970	\$ 5,231	\$ 5,980

See accompanying notes to consolidated financial statements.

**DAVE & BUSTER'S, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands, unaudited)

	For the Twenty-Six Weeks Ended August 2, 2009	For the Twenty-Six Weeks Ended August 3, 2008
<b>Cash flows from operating activities:</b>		
Net income	\$ 5,231	\$ 5,980
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	25,902	24,337
Deferred income tax expense	(4,754)	(3,373)
Stock-based compensation charges	213	551
Other, net	621	643
Changes in assets and liabilities:		
Inventories	1,990	(990)
Prepaid expenses	(1,756)	360
Income tax receivable	1,942	—
Other current assets	(924)	2,173
Other assets and deferred charges	442	329
Accounts payable	4,525	(1,046)
Accrued liabilities	(6,920)	(2,885)
Income taxes payable	5,136	220
Deferred occupancy costs	2,437	2,618
Acquisition of limited partnership interest, net of cash acquired	(82)	—
Other liabilities	789	1,187
Net cash provided by operating activities	<u>34,792</u>	<u>30,104</u>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(20,363)	(21,880)
Proceeds from sales of property and equipment	6	79
Net cash used in investing activities	<u>(20,357)</u>	<u>(21,801)</u>
<b>Cash flows from financing activities:</b>		
Repayments under senior secured credit facility	(2,250)	(375)
Net cash used in financing activities	<u>(2,250)</u>	<u>(375)</u>
Increase in cash and cash equivalents	12,185	7,928
Beginning cash and cash equivalents	8,534	19,046
<b>Ending cash and cash equivalents</b>	<u>\$ 20,719</u>	<u>\$ 26,974</u>
Supplemental disclosures of cash flow information:		
Cash paid (refunds received) for income taxes, net	\$ (1,405)	\$ 6,263
Cash paid for interest, net of amounts capitalized	\$ 11,616	\$ 12,716

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, was acquired on March 8, 2006, by Dave & Buster's Holdings, Inc. ("D&B Holdings"), formerly known as WS Midway Holdings, Inc., a newly-formed Delaware corporation, through the merger (the "Merger") of WS Midway Acquisition Sub, Inc., a newly-formed Missouri corporation and a direct, wholly-owned subsidiary of D&B Holdings, with and into Dave & Buster's, Inc. with Dave & Buster's, Inc. as the surviving corporation. 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 D&B Holdings. D&B Holdings owns no other significant assets or operations other than all of the common stock of Dave & Buster's, Inc. Dave & Buster's, Inc. continues as the same legal entity after the Merger. 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. The Merger transactions resulted in a change in ownership of 100 percent of Dave & Buster's, Inc. outstanding common stock and have been accounted for in accordance with Statement of Financial Accounting Standards 141, "Business Combinations." The purchase price paid in the Merger is allocated to record the assets acquired and liabilities assumed based on their fair value. The Merger and the allocation of the purchase price to the assets and liabilities as of March 8, 2006 was finalized as of the end of fiscal 2006 and was recorded based on valuation studies and management estimates of fair value. References to "Dave & Buster's," the "Company," "we," "us," and "our" are references to Dave & Buster's, Inc. and its subsidiaries and Predecessor and its subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

Our one industry segment is the ownership, operation and licensing of high-volume entertainment and dining venues under the names "Dave & Buster's," "Dave & Buster's Grand Sports Café" and "Jillian's." As of August 2, 2009, there were 54 company-owned locations in the United States and Canada and one franchise location in Canada.

Our fiscal year ends on the Sunday after the Saturday closest to January 31. All references to the second quarter of 2009 and 2008 relate to the thirteen-week periods ending on August 2, 2009 and August 3, 2008, respectively. All references to 2009 and 2008 relate to the fifty-two week periods ending on January 31, 2010 and February 1, 2009, 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 timing of new unit openings and seasonality associated with the year-end holidays.

*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.

*Cash and cash equivalents*—We consider amounts receivable from credit card companies and all highly liquid temporary investments with original maturities of three months or less to be cash equivalents.

*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 all events that are recognized in the financial statements and as measured by the provisions of enacted tax laws. Our effective tax rate also differs from the federal corporate statutory rate due to the deduction for FICA tip credits, state income taxes, Canadian income taxes, the change in our estimated liabilities related to uncertain tax positions and the changes in our valuation allowances.

The calculation of tax liabilities involves significant judgment and evaluation of uncertainties in the interpretation of complex tax regulations. 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 and, if necessary, 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. Accordingly, we may experience significant changes in tax reserves in the future, if or when such events occur.

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As a result of our experiencing cumulative losses before income taxes for the three-year fiscal period ended August 2, 2009, we have concluded that it is more likely than not that a portion of our federal and state deferred tax assets will not be fully realized. At August 2, 2009, we estimate that an increase in our valuation allowance for the year ending January 31, 2010 in the amount of \$1,983 will be required. This increase in our valuation allowance is attributable to deductible temporary differences and carryforwards originating during the year and has been included in our calculation of the annual estimated effective tax rate.

Historically, we have had a full valuation allowance against all state net operating loss carryforwards. Based on our review of historical operating results and expectations of future taxable income, we concluded that it is more likely than not that net operating loss carryforwards in certain states will be realized. Consequently, we released \$920 of our valuation allowance associated with those carryforwards and recorded the benefit as a discrete adjustment during the first half of 2009.

On February 5, 2007, we adopted the provisions of Financial Accounting Standards Board (“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 August 2, 2009, we have accrued approximately \$2,479 and \$1,028 of unrecognized tax benefits and interest and penalties, respectively. During the second quarter of 2009, we decreased our unrecognized tax benefits by \$42 and increased our accrual for interest and penalties by \$47. Additionally, we increased our deferred tax asset and increased our FIN 48 reserve by \$779. The \$779 adjustment was made to reflect the underlying deferred tax assets on a gross basis rather than net of the related FIN 48 reserves. During the second quarter, one state jurisdiction completed its income tax audit. The Company settled and has released the related FIN 48 reserve. We do not currently anticipate any additional material changes in fiscal 2009. Recognition of interest and penalties are recorded as a component of income tax expense. Because of the impact of deferred tax accounting, \$2,690 of unrecognized tax benefits, if recognized, would impact 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 fiscal 2004.

*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 (loss), unrealized foreign currency translation gain (loss) is included in comprehensive income. Unrealized translation gains (losses) for the thirteen week periods ended August 2, 2009 and August 3, 2008 were \$(23) and \$(91), respectively, and for the twenty-six week periods ended August 2, 2009 and August 3, 2008 were \$2 and \$(354), respectively.

*Recent accounting pronouncements*—On December 4, 2007, the 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 business combination transactions and non-controlling interests in consolidated financial statements. SFAS 141(R) and SFAS 160 became effective for us on February 2, 2009. Refer to Note 2 for additional discussion.

In April 2009, the FASB issued FASB Staff Position No. 107-1, “Interim Disclosures about Fair Value of Financial Instruments” (“FSP 107-1”), which amends Statement of Financial Accounting Standards No. 107, “Disclosures about Fair Value of Financial Instruments,” to require disclosures about the fair value of financial instruments for interim reporting periods in addition to annual reporting periods. FSP 107-1 is effective for all interim and annual reporting periods ending after June 15, 2009. We implemented FSP 107-1 during the second quarter of fiscal 2009 and have included the required disclosures within these interim financial statements. See additional discussion related to recent pronouncements on fair value and derivative instruments in Note 3 and Note 5, respectively.

In May 2009, the FASB issued Statement of Financial Accounting Standards 165, “Subsequent Events” (“SFAS 165”), which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date, but before the financial statements are issued or available to be issued. SFAS 165 requires disclosure of the date through which a company has evaluated subsequent events and the basis for that date, which for public entities is the date the financial statements are issued. SFAS 165 is effective for interim or annual periods ending after June 15, 2009 and was implemented by the Company during the second quarter of fiscal 2009. We performed a review for subsequent events through September 9, 2009, the date of this report. No recognized or non-recognized subsequent events were noted.

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### **Note 2: Acquisition of Limited Partnership**

Effective June 30, 2009, we acquired the 49.9% limited partner interest in a limited partnership which owns a Jillian's unit in the Discover Mills Mall near Atlanta, Georgia. Prior to our June 30, 2009 acquisition, we owned a 50.1% general partner interest in the limited partnership. Historically, we accounted for our ownership of the general partnership interest using the equity method due to the substantive participative rights of the limited partner in the operations of the partnership.

The acquisition date fair value of the consideration given for the limited partner interest was \$1,860 and consisted of an agreement to extend the underlying premises lease by an additional thirty-two months. The fair value of the acquisition has been recorded based on preliminary valuation studies and is subject to change based on the completion of such studies. Under the terms of the extended lease we also agreed to convert the Jillian's operations to the "Dave & Buster's" trade name by January 30, 2010.

The acquisition of the limited partner interest was accounted for in accordance with SFAS 141(R) and, accordingly, resulted in the recognition of the assets acquired and the liabilities assumed at the June 30, 2009 fair values as summarized below:

	<u>Fair Value</u>
<b>Assets:</b>	
Current asset	\$ 1,030
Property and equipment, net	2,168
Total assets	<u>\$ 3,198</u>
<b>Liabilities:</b>	
Current liabilities	\$ 499
Deferred occupancy costs	2,360
Total liabilities	<u>\$ 2,859</u>

The acquisition resulted in a gain of approximately \$339, which is included as a component of Other store operating expenses in the accompanying consolidated statements of operations.

### **Note 3: Fair Value**

Effective February 4, 2008, we adopted Statement of Financial Accounting Standards 157, "Fair Value Measurements" ("SFAS 157"), which 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 three-level fair value hierarchy, that prioritizes the inputs used to measure fair value. SFAS 157 may require companies to provide additional disclosures based on that hierarchy. The three-levels of inputs used to measure fair value are as follows: 1) defined as observable inputs such as quoted prices in active markets for identical assets or liabilities as of the reporting date, 2) defined as pricing inputs other than quoted prices in active markets included in level 1, which are either directly or indirectly observable as of the reporting date, 3) defined as pricing inputs that are generally less observable from objective sources. Effective February 2, 2009, we adopted 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. The disclosure requirements of SFAS 157 and FSP 157-2 as it relates to our interest rate swap contracts are presented below.

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. 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.

As discussed more fully in Note 5, the fair value of our interest rate swap contracts is determined by third parties by means of a mathematical model that calculates the present value of the anticipated cash flows from the transaction using mid-market prices and other economic data and assumptions, or by means of pricing indications from one or more other dealers selected at their discretion.



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The following table presents our financial assets and liabilities as of August 2, 2009 that were measured at fair value on a recurring basis:

	Fair Value Measurements		
	Level 1	Level 2	Level 3
<b>Liabilities:</b>			
Interest rate swap contracts	—	\$3,094	—

### Note 4: Accrued liabilities

Accrued liabilities consist of the following:

	August 2, 2009	February 1, 2009
Compensation and benefits	\$ 9,852	\$ 10,271
Interest	10,262	11,279
Deferred amusement revenue	7,820	7,609
Amusement redemption liability	3,982	3,627
Deferred gift card revenue	3,088	3,930
Sales and use taxes	2,802	4,103
Accrued severance	836	2,104
Customer deposits	1,466	1,706
Other	7,624	9,868
Total accrued liabilities	<u>\$ 47,732</u>	<u>\$ 54,497</u>

### Note 5: Long-Term Debt

Long-term debt consisted of the following:

	August 2, 2009	February 1, 2009
Senior credit facility—revolving	\$ —	\$ 2,000
Senior credit facility—term	67,500	67,750
Senior notes	160,000	160,000
	227,500	229,750
Less current installments	595	500
Long-term debt, less current installments	<u>\$ 226,905</u>	<u>\$ 229,250</u>

*Senior Credit Facility*—In connection with the Merger, we terminated our existing credit facility and entered into a new senior secured credit facility (“senior credit facility”) that (a) provides a \$100,000 term loan facility (\$50,000 of the term loan facility was available as of the date of the Merger, and \$50,000 was available on a delayed draw basis and was borrowed on August 15, 2006) with a maturity of seven years from the closing date of the Merger and (b) provides a \$60,000 revolving credit facility with a maturity of five years from the closing date of the Merger. 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 U.S. Dollar equivalent) sub-facility available in Canadian dollars to our Canadian subsidiary. The revolving credit facility is used to provide financing for working capital and general corporate purposes. As of August 2, 2009, in addition to the borrowings indicated above, we had \$8,661 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 borrowings under our senior credit facility was 6.92 percent at August 2, 2009.

Our senior credit facility requires compliance with financial covenants including 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 1.15:1.00 and a maximum leverage ratio of 4.25:1.00 as of August 2, 2009. 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 3.75:1.00 in the fourth quarter of fiscal 2009.

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and 3.50:1.00 in the fourth quarter of fiscal year 2010 and thereafter. In addition, our senior credit facility includes negative covenants restricting or limiting the ability of D&B Holdings and its subsidiaries to, among other things, incur additional indebtedness, make capital expenditures, make distributions or payments to affiliates outside the normal course of business 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.

*Derivative instrument*—We adopted Statement of Financial Accounting Standards No. 161, “Disclosures About Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133” (“SFAS 161”) as of February 2, 2009. SFAS 161 enhances the disclosure requirements in Statement of Financial Accounting Standards No. 133, “Accounting for Derivative Instruments and Hedging Activities” (“SFAS 133”) about an entity’s derivative instruments and hedging activities. Entities with instruments subject to this statement are required to provide qualitative disclosures including (a) how and why derivative instruments are used, (b) how derivative instruments and related hedge items are accounted for under SFAS 133, and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity’s financial position, financial performance, and cash flows. Additionally, under SFAS 161, entities must disclose the fair values of derivative instruments and their gains and losses in a tabular format that identifies the location of derivative positions and the effect of their use in an entity’s financial statements. The new disclosure requirements of SFAS 161 are presented below.

At August 2, 2009, we held two interest rate swap contracts that expire in 2011. The interest rate swaps are utilized to change a portion of the variable rate debt on our senior credit facility to fixed rate debt. Pursuant to the swap contracts, the interest rate on notional amounts aggregating \$58,500 at August 2, 2009 is fixed at 5.31 percent plus applicable margins. The notional amounts decline ratably over the term of the contracts. The contracts have not been designated as hedges and adjustments to mark the instruments to their fair value are recorded as interest income/expense.

The fair value and balance sheet location of our derivative instrument is as follows:

	Liability Derivative			
	August 2, 2009		February 1, 2009	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
<u>Derivatives not designated as hedging instruments under SFAS 133</u>				
Interest rate swap contracts	Accrued liabilities	\$ 3,094	Accrued liabilities	\$ 3,981

The effect of our derivative instrument on our consolidated statements of operations is as follows:

Derivative not designated as hedging instruments Under SFAS 133	Location of Gain (Loss) Recognized In Income on Derivative	Amount of Gain (Loss) Recognized In Income on Derivative			
		Thirteen Weeks Ended August 2, 2009	Thirteen Weeks Ended August 3, 2008	Twenty-Six Weeks Ended August 2, 2009	Twenty-Six Weeks Ended August 3, 2008
Interest rate swap contracts	Interest expense, net	\$ 398	\$ 774	\$ 1,012	\$ 1,198

*Senior notes*—In connection with the Merger, on March 8, 2006, Dave & Buster’s closed a placement of \$175,000 aggregate principal amount of 11.25 percent senior notes (“notes”). On September 22, 2006, Dave & Buster’s completed an exchange with the holders of the senior notes pursuant to which the previously existing notes (sold in March 2006 pursuant to Rule 144A and Regulation S of the Securities Act, as amended) were exchanged for an equal amount of newly issued senior notes, which have been registered under the Securities Act. The senior notes are general unsecured, unsubordinated obligations of ours and mature on March 15, 2014. Interest on the senior notes compounds semi-annually and accrues at the rate of 11.25 percent per annum. In September 2008, we retired notes with a principal amount of \$15,000. 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 of 105.625 percent (expressed as a percentage of principal amount) plus accrued and unpaid interest on the senior notes. As of August 2, 2009, our \$160,000 of senior notes had an approximate fair value of \$149,000, based on quoted market prices.

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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. The senior notes are guaranteed by the domestic subsidiaries of Dave & Buster's, Inc. The subsidiaries' guarantee of the senior notes is full and unconditional and joint and several. Additionally, the terms of the senior notes restrict our ability to make certain payments to affiliated entities.

*Debt obligations*—The following table sets forth our future debt payment obligations as of August 2, 2009 (excluding repayment obligations under the revolving portion of our senior credit facility, which expires on March 8, 2011):

	<b>Debt Outstanding at August 2, 2009</b>
1 year or less	\$ 595
2 years	982
3 years	17,033
4 years	48,890
5 years	160,000
Thereafter	—
<b>Total future payments</b>	<b>\$ 227,500</b>

The following table sets forth our recorded interest expense, net:

	<b>Thirteen Weeks Ended August 2, 2009</b>	<b>Thirteen Weeks Ended August 3, 2008</b>	<b>Twenty-Six Weeks Ended August 2, 2009</b>	<b>Twenty-Six Weeks Ended August 3, 2008</b>
Gross interest expense	\$ 5,827	\$ 6,060	\$ 11,619	\$ 12,528
Capitalized interest	(119)	(143)	(288)	(244)
Interest income	(73)	(106)	(147)	(327)
<b>Total interest expense, net</b>	<b>\$ 5,635</b>	<b>\$ 5,811</b>	<b>\$ 11,184</b>	<b>\$ 11,957</b>

### **Note 6: 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 previously 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 have been settled. Final court approval of the settlement was obtained on May 28, 2009. 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 our lease commitments as of August 2, 2009:

	<b>Operating Lease Obligations at August 2, 2009</b>
1 year or less	\$ 45,656
2 years	45,942
3 years	45,919
4 years	46,316
5 years	46,781
Thereafter	308,064
	<b>\$ 538,678</b>

We have signed operating lease agreements for future sites located in Columbus, Ohio; Milwaukee, Wisconsin and Roseville, California for which the landlord has fulfilled the obligations required to commit us to the lease terms and therefore, the future obligations related to these locations are included in the table above.

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The senior notes (described in Note 5) 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 \$70 and \$28, respectively, for the twenty-six week period ended August 2, 2009. For the comparable twenty-six week period ended August 3, 2008, the results of operations and cash flows from operating activities from the non-guarantor subsidiary were \$289 and \$1,072, respectively. There are no restrictions on cash distributions from the non-guarantor subsidiary.

**August 2, 2009:**

	<u>Issuer and Subsidiary Guarantors</u>	<u>Subsidiary Non-Guarantors</u>	<u>Consolidating Adjustments</u>	<u>Dave &amp; Buster's Inc.</u>
<b>Assets:</b>				
Current assets	\$ 47,945	\$ 1,619	\$ —	\$ 49,564
Property and equipment, net	289,373	4,236	—	293,609
Tradenname	63,000	—	—	63,000
Goodwill	65,857	—	—	65,857
Investment in subsidiary	4,042	—	(4,042)	—
Other assets and deferred charges	14,792	87	—	14,879
Total assets	<u>\$485,009</u>	<u>\$ 5,942</u>	<u>\$ (4,042)</u>	<u>\$ 486,909</u>
<b>Liabilities and stockholders' equity:</b>				
Current liabilities	\$ 76,716	\$ 1,702	\$ —	\$ 78,418
Deferred income taxes	11,132	—	—	11,132
Deferred occupancy costs	61,171	198	—	61,369
Other liabilities	11,616	—	—	11,616
Long-term debt, less current installments	226,905	—	—	226,905
Stockholders' equity	97,469	4,042	(4,042)	97,469
Total liabilities and stockholders' equity	<u>\$485,009</u>	<u>\$ 5,942</u>	<u>\$ (4,042)</u>	<u>\$ 486,909</u>

**February 1, 2009:**

	<u>Issuer and Subsidiary Guarantors</u>	<u>Subsidiary Non-Guarantors</u>	<u>Consolidating Adjustments</u>	<u>Dave &amp; Buster's Inc.</u>
<b>Assets:</b>				
Current assets	\$ 38,086	\$ 1,067	\$ —	\$ 39,153
Property and equipment, net	292,207	4,598	—	296,805
Tradenname	63,000	—	—	63,000
Goodwill	65,857	—	—	65,857
Investment in subsidiary	3,454	—	(3,454)	—
Other assets and deferred charges	16,045	76	—	16,121
Total assets	<u>\$478,649</u>	<u>\$ 5,741</u>	<u>\$ (3,454)</u>	<u>\$ 480,936</u>
<b>Liabilities and stockholders' equity:</b>				
Current liabilities	\$ 72,212	\$ 2,137	\$ —	\$ 74,349
Deferred income taxes	17,915	—	—	17,915
Deferred occupancy costs	56,422	150	—	56,572
Other liabilities	10,827	—	—	10,827
Long-term debt, less current installments	229,250	—	—	229,250
Stockholders' equity	92,023	3,454	(3,454)	92,023
Total liabilities and stockholders' equity	<u>\$478,649</u>	<u>\$ 5,741</u>	<u>\$ (3,454)</u>	<u>\$ 480,936</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 1, 2009. 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" under Item 4 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 second quarter of 2009 and 2008 relate to the thirteen week periods ended August 2, 2009 and August 3, 2008. All references to 2009 and 2008 relate to the fifty-two week periods ending on January 31, 2010 and February 1, 2009.

**Merger**

Dave & Buster's, Inc. was acquired on March 8, 2006, by D&B Holdings through the Merger. Affiliates of Wellspring and HBK control approximately 82 percent and 18 percent, respectively, of the outstanding capital stock of D&B 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.

**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. 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. The agreement also provides for the dollar-for-dollar reimbursement of certain third-party expenses paid by Wellspring on behalf of the Company.

**Recent events affecting our results of operations**

*Acquisition of limited partnership*

Effective June 30, 2009, we acquired the 49.9% limited partner interest in a limited partnership which owns a Jillian's unit in the Discover Mills Mall near Atlanta, Georgia. Prior to our June 30, 2009 acquisition, we owned a 50.1% general partner interest in the limited partnership. Historically, we accounted for our ownership of the general partnership interest using the equity method due to the substantive participative rights of the limited partner in the operations of the partnership.

The acquisition date fair value of the consideration given for the limited partner interest was approximately \$1,860 and consisted of an agreement to extend the underlying premises lease by an additional thirty-two months. Under the terms of the extended lease, we also agreed to convert the Jillian's operations to the "Dave & Buster's" trade name by January 30, 2010. The acquisition of the limited partner interest was accounted for in accordance with Statement of Financial Accounting Standards 141 (R), "Business Combinations" and, accordingly, resulted in the recognition of the fair value of assets acquired and the liabilities assumed as of June 30, 2009 and the recognition of a non-cash acquisition gain of \$339, which is included as a component of Other store operating expenses.

**Overview**

We monitor and analyze a number of key performance measures and indicators in order to manage our business and evaluate financial and operating performance. Those indicators include:

*Revenues.* We derive revenues primarily from food, beverage, and amusement sales. For the thirteen weeks ended August 2, 2009, we derived 35.0 percent of our total revenue from food sales, 15.6 percent from beverage sales, 48.0 percent from amusement sales, and 1.4 percent from other sources. For the twenty-six weeks ended August 2, 2009, we derived 34.6 percent of our total revenue from food sales, 16.4 percent from beverage sales, 47.8 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. In the beverage component, we operate fully licensed facilities, which means we offer full beverage service, including alcoholic beverages, throughout the complex. Our complexes also offer an extensive array of amusements, including state-of-the-art simulators, high-tech video games, traditional pocket billiards and

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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 game play on existing amusements in an effort to match amusements availability with guest preferences. We will continue to invest in new games as they become available and prove to be attractive to guests. Exclusive of new store openings, we currently anticipate spending approximately \$4,000 on new games during fiscal 2009.

We believe that special events business is an important component of our revenue, and a good way to introduce the concept to new guests. We devote considerable resources towards selling special events through dedicated in-store personnel, corporate sales teams, and a corporate call center.

*Cost of products.* Cost of products includes the cost of food, beverages, and Winner's Circle amusement items. During the second quarter of 2009, the cost of food products averaged 24.2 percent of food revenue and the cost of beverage products averaged 24.4 percent of beverage revenue. The amusement cost of products averaged 14.5 percent of amusement revenues. During the twenty-six weeks ended August 2, 2009, the cost of food products averaged 24.4 percent of food revenue and the cost of beverage products averaged 24.4 percent of beverage revenue. The amusement cost of products averaged 13.7 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 store-related occupancy, restaurant expenses, utilities, repair and maintenance and marketing costs.

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

*Unit-level variability, quarterly fluctuations, seasonality, and inflation.* We have historically operated units varying in size from 29,000 to 66,000 square feet and have experienced significant variability among units in volumes, operating results and net investment costs. Going forward we intend our "large" format stores to range from 32,000 to 40,000 square feet, as we believe that this optimizes the balance between selling space and our costs to build these units. To facilitate further growth of our brand, we have developed an even smaller unit format specifically designed to backfill existing markets and penetrate less densely populated markets. We believe that units between 15,000 and 20,000 square feet will maintain the unique and dynamic guest experience that is the foundation of our brand and allow us flexibility in our site selection process. Preliminary results from the two small format stores we have opened in Tulsa, Oklahoma and Richmond, Virginia, supports this thesis.

Our new locations typically open with sales volumes in excess of their run-rate levels, which we refer to as a "honeymoon" effect. We expect our new unit volumes and margins to be lower in the second and third full year of operations than in their first full year of operations, and to grow in line with the rest of our comparable store base thereafter. 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. In fiscal 2008, we experienced fourth quarter total revenue levels that were below levels achieved in our second quarter. This shift from our historic pattern resulted from the strong reduction in consumer spending in response to difficult economic conditions. Management does not believe that the Company's 2008 experience is indicative of a permanent change to our historic seasonal patterns.

We expect that volatile costs and uncertain economic conditions will 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 federal or state minimum wage rates 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.

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### 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 August 2, 2009		Thirteen Weeks Ended August 3, 2008		Twenty-Six Weeks Ended August 2, 2009		Twenty-Six Weeks Ended August 3, 2008	
Food and beverage revenues	\$ 66,591	50.6%	\$ 71,856	52.7%	\$ 137,591	51.0%	\$ 146,521	52.6%
Amusement and other revenues	64,936	49.4	64,382	47.3	132,362	49.0	132,180	47.4
Total revenues	131,527	100.0	136,238	100.0	269,953	100.0	278,701	100.0
Cost of food and beverage (as a percentage of food and beverage revenues)	16,151	24.3	17,908	24.9	33,557	24.4	36,379	24.8
Cost of amusements and other (as a percentage of amusement and other revenues)	10,055	15.5	8,894	13.8	19,605	14.8	17,518	13.3
Total cost of products	26,206	19.9	26,802	19.7	53,162	19.7	53,897	19.3
Operating payroll and benefits	33,752	25.7	35,613	26.1	68,284	25.3	72,485	26.0
Other store operating expenses	45,457	34.6	45,367	33.3	88,060	32.6	88,546	31.8
General and administrative expenses	7,672	5.8	8,629	6.3	15,077	5.6	17,111	6.1
Depreciation and amortization expense	13,168	10.0	11,898	8.7	25,902	9.6	24,337	8.7
Pre-opening costs	1,052	0.8	960	0.7	2,196	0.8	1,242	0.5
Total operating costs	127,307	96.8	129,269	94.8	252,681	93.6	257,618	92.4
Operating income	4,220	3.2	6,969	5.2	17,272	6.4	21,083	7.6
Interest expense, net	5,635	4.3	5,811	4.3	11,184	4.1	11,957	4.3
Income (loss) before provisions for income taxes	(1,415)	(1.1)	1,158	0.9	6,088	2.3	9,126	3.3
Provision (benefit) for income taxes	(1,478)	(1.1)	188	0.1	857	0.3	3,146	1.1
Net income	\$ 63	0.0%	\$ 970	0.8%	\$ 5,231	2.0%	\$ 5,980	2.2%
Cash provided by (used in):								
Operating activities					\$ 34,792		\$ 30,104	
Investing activities					(20,357)		(21,801)	
Financing activities					(2,250)		(375)	
Change in comparable store sales <sup>(1)</sup>		(10.1)%		1.2%		(9.0)%		2.5%
Stores open at end of period <sup>(2)</sup>						55		50
Comparable stores open at end of period						47		46

<sup>(1)</sup> “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.

<sup>(2)</sup> The number of stores open at August 2, 2009 includes our stores in Plymouth Meeting, Pennsylvania; Arlington, Texas; and Tulsa, Oklahoma, which opened on July 21, 2008, November 24, 2008 and January 12, 2009, respectively. Also included are our stores in Richmond, Virginia and Indianapolis, Indiana, which opened on April 20, 2009 and on June 15, 2009, respectively, as well as a franchise location in Niagara Falls, Ontario, Canada, which opened on June 25, 2009.

#### *Thirteen Weeks Ended August 2, 2009 Compared to Thirteen Weeks Ended August 3, 2008*

##### *Revenues*

Total revenues decreased 3.5 percent, or \$4,711 for the thirteen weeks ended August 2, 2009 compared to the thirteen weeks ended August 3, 2008. Comparable stores revenue decreased 10.1 percent, or \$13,475 for thirteen weeks ended August 2, 2009 compared to the thirteen weeks ended August 3, 2008.

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The decreased revenues were derived from the following sources:

Comparable stores	\$(13,475)
Non comparable stores	8,154
Other	610
Total	<u>\$ (4,711)</u>

Food sales at comparable stores decreased by \$5,552, or 11.7 percent from \$47,549 in the thirteen weeks ended August 3, 2008 to \$41,997 in the thirteen weeks ended August 2, 2009. Beverage sales at comparable stores decreased by \$3,534, or 15.8 percent from \$22,410 in the thirteen weeks ended August 3, 2008 to \$18,876 in the thirteen weeks ended August 2, 2009. Comparable store amusement revenue in the thirteen weeks ended August 2, 2009 decreased by \$3,988, or 6.5 percent from \$61,580 in the thirteen weeks ended August 3, 2008 to \$57,592 in the thirteen weeks ended August 2, 2009.

Comparable special events revenues accounted for 11.4 percent of consolidated comparable stores revenue for the thirteen weeks ended August 2, 2009 and 14.0 percent in the thirteen weeks ended August 3, 2008. This decline represented a 26.8 percent reduction in special event revenues in our comparable store set as we continued to experience significant restrictions in event related spending by our consumer base.

Our revenue mix was 50.6 percent for food and beverage and 49.4 percent for amusements and other for the thirteen weeks ended August 2, 2009. This compares to 52.7 percent and 47.3 percent, respectively, for the thirteen weeks ended August 3, 2008.

### *Cost of products*

Cost of food and beverage decreased from \$17,908 in the thirteen weeks ended August 3, 2008 to \$16,151 in the thirteen weeks ended August 2, 2009. This decrease was primarily driven by lower sales levels in the current quarter compared to the thirteen weeks ended August 3, 2008. Cost of food and beverage declined 60 basis points to 24.3 percent of revenue for the thirteen weeks ended August 2, 2009 compared to 24.9 percent for the thirteen weeks ended August 3, 2008 primarily due to lower dairy and produce costs, partially offset by increases in grocery costs.

Cost of amusement and other revenues increased from \$8,894 in the thirteen weeks ended August 3, 2008 to \$10,055 in the thirteen weeks ended August 2, 2009. The costs of amusements and other, as a percentage of amusements and other revenues, increased 170 basis points to 15.5 percent of amusement and other revenue for the thirteen weeks ended August 2, 2009 compared to 13.8 percent for the thirteen weeks ended August 3, 2008. This increase was primarily driven by an increase in promotional discounts of amusements during the quarter.

### *Operating payroll and benefits*

Operating payroll and benefits decreased by \$1,861, or 5.2 percent, from \$35,613 in the thirteen weeks ended August 3, 2008 to \$33,752 in the thirteen weeks ended August 2, 2009. Operating payroll and benefits declined 40 basis points to 25.7 percent of revenue for the thirteen weeks ended August 2, 2009 compared to 26.1 percent for the thirteen weeks ended August 3, 2008. This decrease was primarily driven by initiatives designed to reduce labor costs through both scheduling and operating efficiencies at our stores.

### *Other store operating expenses*

Other store operating expenses increased by \$90, or 0.2 percent, from \$45,367 in the thirteen weeks ended August 3, 2008 to \$45,457 in the thirteen weeks ended August 2, 2009. Other store operating expenses increased 130 basis points to 34.6 percent for the thirteen weeks ended August 2, 2009 compared to 33.3 percent for the same period of 2008. Net increases in other store operating expenses and the deleveraging impact of lower sales volumes in the current quarter were partially offset by the recognition of a \$339 non-cash gain stemming from our acquisition of the limited partner interest in a limited partnership which owns a Jillian's unit in the Discover Mills Mall near Atlanta, Georgia.

### *General and administrative expenses*

General and administrative expenses consist primarily of personnel, facilities and professional expenses for the various departments of our corporate headquarters. General and administrative expenses decreased by \$957, or 11.1 percent, from \$8,629 in the thirteen weeks ended August 3, 2008 to \$7,672 in the thirteen weeks ended August 2, 2009, primarily due to reduced compensation expenses.



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### *Depreciation and amortization expense*

Depreciation and amortization expense includes the depreciation of fixed assets and the amortization of trademarks with finite lives. Depreciation and amortization expense increased by \$1,270, or 10.7 percent, from \$11,898 in the thirteen weeks ended August 3, 2008 to \$13,168 in the thirteen weeks ended August 2, 2009. This increase is driven by the opening of three new locations in the second and fourth quarters of 2008, as well as the opening of two new locations during the first half of 2009.

### *Pre-opening costs*

Pre-opening costs include costs associated with the opening and organizing of new units or conversion of existing complexes, including the cost of feasibility studies, occupancy costs incurred prior to opening, staff-training and recruiting, and travel costs for employees engaged in such pre-opening activities. Pre-opening costs increased from \$960 in the thirteen weeks ended August 3, 2008 to \$1,052 in the thirteen weeks ended August 2, 2009. Pre-opening costs in the thirteen weeks ended August 2, 2009 principally relate to the recently opened store in Indianapolis, Indiana and costs associated with two additional locations slated for opening later in fiscal 2009 and in fiscal 2010. Pre-opening costs in the thirteen weeks of fiscal 2008 were primarily attributable to our store in Plymouth Meeting, Pennsylvania which opened in July 2008.

### *Interest expense*

Interest expense includes the cost of our debt obligations including the amortization of loan fees, adjustments to mark the interest rate swap contracts to fair value and any interest income earned. Interest expense decreased by \$176 from \$5,811 in the thirteen weeks ended August 3, 2008 to \$5,635 in the thirteen weeks ended August 2, 2009. The decrease in interest expense is primarily attributed to reduced interest costs resulting from the early retirement of \$15,000 of our senior notes in September 2008 and adjustments recorded to mark the interest rate swap contracts to their fair value.

### *Provision for income taxes*

Provision for income taxes consisted of an income tax benefit of \$1,478 in the thirteen weeks of 2009, and a tax provision of \$188 in the thirteen weeks of 2008. Our effective tax rate differs from the statutory rate due to changes in the tax valuation allowance, the deduction for FICA tip credits, state income taxes and the impact of certain expenses that are not deductible for income tax purposes.

As a result of our experiencing cumulative losses before income taxes for the three-year period ended August 2, 2009, we have concluded that it is more likely than not that a portion of our federal and state deferred tax assets will not be fully realized. At August 2, 2009, we estimate an increase in our valuation allowance for the year ending January 31, 2010 in the amount of \$1,983 will be required. This increase in valuation allowance is attributable to deductible temporary differences and carryforwards originating during the year and has been included in our calculation of the annual estimated effective tax rate.

Historically, we have had a full valuation allowance against all state net operating loss carryforwards. Based on our review of historical operating results and expectations of future taxable income, we concluded that it is more likely than not that net operating loss carryforwards in certain states will be realized. Consequently, we released \$920 of our valuation allowance associated with those carryforwards and recorded the benefit as a discrete adjustment during the first half of 2009.

On February 5, 2007, we adopted the provisions of Financial Accounting Standards Board (“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 August 2, 2009, we have accrued approximately \$2,479 of unrecognized tax benefits, including approximately \$1,028 of penalties and interest. During the second quarter of 2009, we decreased our unrecognized tax benefit by \$42 and increased our accrual for interest and penalties by \$47. Additionally, we increased our deferred tax asset and increased our FIN 48 reserve by \$779. The \$779 adjustment was made to reflect the underlying deferred tax assets on a gross basis rather than net of the related FIN 48 reserves. During the second quarter, one state jurisdiction completed its income tax audit. The Company settled and has released the related FIN 48 reserve. We do not currently anticipate any additional material changes in fiscal 2009. Future recognition of potential interest or penalties, if any, will be recorded as a component of income tax expense. Recognition of interest and penalties are recorded as a component of income tax expense. Because of the impact of deferred tax accounting, \$2,690 of unrecognized tax benefits, if recognized, would impact 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 fiscal 2004.

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### **Twenty-Six Weeks Ended August 2, 2009 Compared to Twenty-Six Weeks Ended August 3, 2008**

#### *Revenues*

Total revenues decreased 3.1 percent, or \$8,748 from \$278,701 for the twenty-six weeks ended August 3, 2008 compared to \$269,953 for the twenty-six weeks ended August 2, 2009. Comparable stores revenue decreased by approximately 9.0 percent, or \$24,576 for the twenty-six weeks ended August 2, 2009 compared to the twenty-six weeks ended August 3, 2008.

The decreased revenues were derived from the following sources:

Comparable stores	\$(24,576)
Non comparable stores	15,033
Other	795
Total	<u>\$ (8,748)</u>

Food sales at the comparable stores decreased by \$9,619 or 10.0 percent, from \$95,882 in the twenty-six weeks ended August 3, 2008 to \$86,263 in the twenty-six weeks ended August 2, 2009. Beverage sales at comparable stores decreased by \$6,157 or 13.1 percent, from \$47,091 in the twenty-six weeks ended August 3, 2008 to \$40,934 in the twenty-six weeks ended August 2, 2009. Comparable store amusements and other revenues in the twenty-six weeks ended August 2, 2009 decreased by \$7,920 or 6.2 percent, from \$127,381 in the twenty-six weeks ended August 3, 2008 to \$119,461 in the twenty-six weeks ended August 2, 2009.

Comparable special events revenues accounted for 10.3 percent of consolidated comparable stores revenue for the twenty-six weeks ended August 2, 2009 and 13.1 percent in the twenty-six weeks ended August 3, 2008. This decline represented a 28.3 percent reduction in special event revenues in our comparable store set as we continued to experience greater restrictions in event related spending by our consumer base.

Our revenue mix was 51.0 percent for food and beverage and 49.0 percent for amusements and other for the twenty-six weeks ended August 2, 2009. This compares to 52.6 percent and 47.4 percent, respectively, for the twenty-six weeks ended August 3, 2008.

#### *Cost of products*

Cost of food and beverage revenues decreased from \$36,379 for the twenty-six weeks ended August 3, 2008 to \$33,557 for the twenty-six weeks ended August 2, 2009. Cost of food and beverage products, as a percent of food and beverage revenue decreased 40 basis points to 24.4 percent for the twenty-six weeks ended August 2, 2009 compared to 24.8 percent for the twenty-six weeks ended August 3, 2008. Margin pressure experienced in our beverage and grocery cost categories were offset by lower costs, as a percent of revenue, in our produce and dairy categories.

Cost of amusements and other revenues increased from \$17,518 for the twenty-six weeks ended August 3, 2008 to \$19,605 for the twenty-six weeks ended August 2, 2009. The costs of amusements and other, as a percentage of amusements and other revenues increased 150 basis points to 14.8 percent of amusement and other revenue for the twenty-six weeks ended August 2, 2009 compared to 13.3 percent for the twenty-six weeks ended August 3, 2008. This increase was driven primarily by an increase in promotional discounts of amusements partially offset by reduced freight costs.

#### *Operating payroll and benefits*

Operating payroll and benefits decreased by \$4,201 or 5.8 percent, from \$72,485 in the twenty-six weeks ended August 3, 2008 to \$68,284 in the twenty-six weeks ended August 2, 2009. Operating payroll and benefits declined 70 basis points to 25.3 percent of revenue for the twenty-six weeks ended August 2, 2009 compared to 26.0 percent for the same period of 2008. This decrease in percentage of revenue was primarily driven by initiatives designed to reduce labor costs through scheduling and operating efficiencies at our stores.

#### *Other store operating expenses*

Other store operating expenses decreased by \$486 or 0.5 percent, from \$88,546 in the twenty-six weeks ended August 3, 2008 to \$88,060 in the twenty-six weeks ended August 2, 2009 driven largely by a \$339 non-cash gain stemming from the June 30, 2009 acquisition of the limited partner interest in a limited partnership which owned a single store. Other store operating expenses increased 80 basis points from 31.8 percent of revenue for the twenty-six weeks ended August 3, 2008 to 32.6 percent for the twenty-six weeks ended August 2, 2009 primarily as a result of the deleveraging impact of lower sales on the fixed components of store operating expenses.

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### *General and administrative expenses*

General and administrative expenses decreased by \$2,034 from \$17,111 for the twenty-six weeks ended August 3, 2008 to \$15,077 for the twenty-six weeks ended August 2, 2009. General and administrative expenses decreased 50 basis points from 6.1 percent for the twenty-six weeks ended August 3, 2008 compared to 5.6 percent for the twenty-six weeks ended August 2, 2009, primarily due to reduced compensation expenses.

### *Depreciation and amortization expense*

Depreciation and amortization expense increased by \$1,565, or 6.4 percent, from \$24,337 for the twenty-six weeks ended August 3, 2008 to \$25,902 for the twenty-six weeks ended August 2, 2009. This increase is driven by the opening of three new locations in the second and fourth quarters of 2008, as well as the opening of two new locations during the first half of 2009.

### *Pre-opening costs*

Pre-opening costs increased by \$954 from \$1,242 in the twenty-six weeks ended August 3, 2008 to \$2,196 in the twenty-six weeks ended August 2, 2009. Pre-opening costs in the twenty-six weeks ended August 2, 2009 principally relate to the recently opened stores in Richmond, Virginia and Indianapolis, Indiana and costs associated with two additional locations slated for opening later in fiscal 2009 and in fiscal 2010. Pre-opening costs in the comparable period for 2008 were primarily attributable to our store in Plymouth Meeting, Pennsylvania which opened in July 2008.

### *Interest expense*

Interest expense decreased by \$773 from \$11,957 for the twenty-six weeks ended August 3, 2008 to \$11,184 for the twenty-six weeks ended August 2, 2009. The decrease in interest expense is primarily attributed to reduced interest costs resulting from the early retirement of \$15,000 of our senior notes in September 2008 and adjustments recorded to mark the interest rate swap contracts to their fair value.

### *Provision for income taxes*

Provision for income taxes consisted of an income tax provision of \$857 for the twenty-six weeks ended August 2, 2009 and a tax provision of \$3,146 for the twenty-six weeks ended August 3, 2008. Our effective tax rate differs from statutory rates due to the deduction of FICA tip credits, state income taxes, and the impact of certain expenses that are not deductible for income tax purposes.

In the twenty-six weeks ended August 2, 2009, we recorded a \$2,548 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 August 2, 2009, 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.

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 August 2, 2009, we have approximately \$2,479 of unrecognized tax benefits, including approximately \$1,028 of penalties and interest. During the twenty-six weeks ended August 2, 2009, we increased our unrecognized tax benefit by \$237 and increased our accrual for interest and penalties by \$179. Additionally, in the second quarter of 2009, we increased our deferred tax asset and increased our FIN 48 reserve by \$779. The \$779 adjustment was made to reflect the underlying deferred tax assets on a gross basis rather than net of the related FIN 48 reserves. During the second quarter, one state jurisdiction completed its income tax audit. The Company settled and has released the related FIN 48 reserve. 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. Because of the impact of deferred tax accounting, \$2,690 of unrecognized tax benefits, if recognized, would impact 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 August 2, 2009, we had cash and cash equivalents of \$20,719, a working capital deficit of \$28,854 and outstanding debt obligations of \$227,500. We also had \$51,339 in borrowing availability under our senior credit facility.

## Historical indebtedness

**Senior credit facility.** In connection with the Merger, 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 August 2, 2009, we had no borrowings under the revolving credit facility, \$67,500 of borrowings under the term loan facility and \$8,661 in letters of credit outstanding.

Our senior credit facility is secured by all of our assets and is unconditionally guaranteed by D&B 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 contracts that expire in 2011, to change a substantial portion of the variable rate debt to fixed rate debt. Pursuant to the swap contracts, the interest rate on notional amounts of \$58,500 is fixed at 5.31 percent plus applicable margin. The weighted average rate of interest on borrowings under our senior credit facility was 6.92 percent at August 2, 2009.

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 Merger, 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. In September 2008, we retired notes with a principal amount of \$15,000. 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.

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.

We believe the 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 the Annual Report on Form 10-K.

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### **Historical Cash Flows**

#### **Twenty-Six Weeks Ended August 2, 2009 Compared to Twenty-Six Weeks Ended August 3, 2008**

As of August 2, 2009, we had cash and cash equivalents of \$20,719 and available borrowing capacity of \$51,339 under the senior credit facility.

Cash provided by operating activities was \$34,792 for the twenty-six weeks of 2009 compared to cash provided by operating activities of \$30,104 for the twenty-six weeks of 2008. The increase in cash flow from operations is primarily due to an increase in working capital components related to new store developments.

Cash used in investing activities was \$20,357 for the twenty-six weeks of 2009 compared to \$21,801 for the twenty-six weeks of 2008. The investing activities for the twenty-six weeks of 2009 consist primarily of \$20,363 in capital expenditures. The investing activities for the twenty-six weeks of 2008 primarily include \$21,880 in capital expenditures.

We plan on financing future growth through operating cash flows, debt facilities, and tenant improvement allowances from landlords. We expect to spend approximately \$48,700 (\$40,000 net of tenant improvement allowances) in capital expenditures during fiscal year 2009. The 2009 expenditures will include approximately \$33,700 (\$25,000 net of tenant improvement allowance) for new store construction and operating improvement initiatives, and \$15,000 in maintenance capital and new games.

Cash used in financing activities was \$2,250 for the twenty-six weeks of 2009 compared to cash used in financing activities of \$375 in the twenty-six weeks of 2008. The financing activities for the twenty-six weeks of 2009 include required paydowns under our term loan facility of \$250 as well as paydowns on our revolving credit facility of \$2,000. The financing activities for the twenty-six weeks of 2008 include required paydowns under our term loan facility of \$375.

### **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 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 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 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 1, 2009.

### **Recent Accounting Pronouncements**

On December 4, 2007, the 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 business combination transactions and non-controlling (minority) interests in consolidated financial statements. SFAS 141(R) and SFAS 160 became effective for us on February 2, 2009. The adoption of SFAS 141(R) and SFAS 160 on our consolidated financial statements will only apply to the extent we have combinations in the future.

Effective February 4, 2008, we adopted Statement of Financial Accounting Standards 157, "Fair Value Measurements" ("SFAS 157"), which 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 three-level fair value hierarchy, that prioritizes the inputs used to measure fair value. SFAS 157 may require companies to provide additional disclosures based on that hierarchy. The three-levels of inputs used to measure fair value are as follows: 1) defined as observable inputs such as quoted prices in active markets for identical assets or liabilities as of the reporting date, 2) defined as pricing inputs

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other than quoted prices in active markets included in level 1, which are either directly or indirectly observable as of the reporting date, 3) defined as pricing inputs that are generally less observable from objective sources. Effective February 2, 2009, we adopted 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. The adoption of SFAS 157 and FSP 157-2 did not have a material impact on our consolidated financial position or 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. 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.

We adopted Statement of Financial Accounting Standards No. 161, "Disclosures About Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133" ("SFAS 161") as of February 2, 2009. SFAS 161 enhances the current disclosure requirements in Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133") about an entity's derivative instruments and hedging activities. Entities with instruments subject to this statement will be required to provide qualitative disclosures including (a) how and why derivative instruments are used, (b) how derivative instruments and related hedge items are accounted for under SFAS 133, and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. Additionally, under SFAS 161, entities must disclose the fair values of derivative instruments and their gains and losses in a tabular format that identifies the location of derivative positions and the effect of their use in an entity's financial statements. The adoption of this standard did not have an impact on our consolidated financial statements or results of operations.

In April 2009, the FASB issued FASB Staff Position FAS No. 107-1, "Interim Disclosures about Fair Value of Financial Instruments" ("FSP 107-1"), which amends SFAS No. 107, "Disclosures about Fair Value of Financial Instruments," to require disclosures about the fair value of financial instruments for interim reporting periods in addition to annual reporting periods. FSP 107-1 is effective for all interim and annual reporting periods ending after June 15, 2009. We implemented FSP 107-1 during the second quarter of fiscal 2009 and have included the required disclosures within these August 2, 2009 interim financial statements.

In May 2009, the FASB issued Statement of Financial Accounting Standards 165, "Subsequent Events" ("SFAS 165"), which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date, but before the financial statements are issued or available to be issued. SFAS 165 requires disclosure of the date through which a company has evaluated subsequent events and the basis for that date, which for public entities is the date the financial statements are issued. SFAS 165 does not apply to subsequent events or transactions that are within the scope of other generally accepted accounting principles. SFAS 165 is effective for interim or annual periods ending after June 15, 2009. We implemented SFAS 165 during the second quarter of fiscal 2009. We performed a review for subsequent events through September 9, 2009, the date of this report. No recognized or non-recognized subsequent events were noted.

### **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 1, 2009.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **Evaluation of Disclosure Controls and Procedures**

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures pursuant to Rules 13a-15 and 15d-15 promulgated under the Securities Exchange Act of 1934 as amended, as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective.

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### **Internal Controls Over Financial Reporting**

There were no significant changes in our internal controls over financial reporting that occurred during our second quarter ended August 2, 2009, 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,” “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 1, 2009.

## **PART II**

### **OTHER INFORMATION**

#### **ITEM 1. LEGAL PROCEEDINGS**

Information regarding legal proceedings is incorporated by reference from Note 6 to our Unaudited Consolidated Financial Statements set forth in Part I of this report.

#### **ITEM 1A. RISK FACTORS**

There has been no material change in the risk factors set forth in Part I, Item 1A, “Risk Factors,” in our Form 10-K for the year ended February 1, 2009.

#### **ITEM 6. EXHIBITS**

<u>Exhibit Number</u>	<u>Description</u>
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: September 9, 2009

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

Date: September 9, 2009

By: /s/ Brian A. Jenkins  
Brian A. Jenkins  
Senior Vice President and Chief Financial Officer



## 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 second 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: September 9, 2009

/s/ Stephen M. King

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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 second 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: September 9, 2009

/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 August 2, 2009 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: September 9, 2009

/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 August 2, 2009 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: September 9, 2009

/s/ Brian A. Jenkins

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Brian A. Jenkins

Senior Vice President and Chief Financial Officer