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

FORM 10-Q

☒ **QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED AUGUST 3, 2008

Or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM TO

Commission File Number 001-15007

Dave & Buster's, Inc.
(Exact Name of Registrant as Specified in Its Charter)

MISSOURI **(State or Other Jurisdiction of Incorporation or Organization)**	**43-1532756** **(I.R.S. Employer Identification No.)**

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

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

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

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

Large accelerated filer	☐	**Accelerated filer**	☐
Non-accelerated filer	☒ (Do not check if a smaller reporting company)	**Smaller reporting company**	☐

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

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

The number of shares of the Issuer's common stock, $0.01 par value, outstanding as of September 12, 2008 was 100 shares.

DAVE & BUSTER'S, INC.

FORM 10-Q FOR PERIOD ENDING AUGUST 3, 2008

TABLE OF CONTENTS

		PAGE
PART I.	**FINANCIAL INFORMATION**	
ITEM 1.	CONSOLIDATED FINANCIAL STATEMENTS	3
ITEM 2.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	11
ITEM 3.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	20
ITEM 4T.	CONTROLS AND PROCEDURES	20
PART II	**OTHER INFORMATION**	
ITEM 1.	LEGAL PROCEEDINGS	21
ITEM 1A.	RISK FACTORS	21
ITEM 6.	EXHIBITS	21
	SIGNATURES	22

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

DAVE & BUSTER'S, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share amounts)

	August 3, 2008 (unaudited)	February 3, 2008 (audited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 26,974	$ 19,046
Inventories	15,992	15,002
Prepaid expenses	7,723	8,083
Deferred income taxes	5,405	5,733
Other current assets	503	2,676
Total current assets	56,597	50,540
Property and equipment, net	294,241	296,974
Tradename	63,000	63,000
Goodwill	65,857	65,857
Other assets and deferred charges	18,703	19,832
Total assets	$ 498,398	$ 496,203
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current installments of long-term debt (Note 3)	$ 500	$ 1,000
Accounts payable	20,973	22,019
Accrued liabilities (Note 2)	51,144	54,029
Income taxes payable	4,378	4,158
Deferred income taxes	466	—
Total current liabilities	77,461	81,206
Deferred income taxes	17,521	21,688
Deferred occupancy costs	53,142	50,524
Other liabilities	10,841	9,654
Long-term debt, less current installments (Note 3)	242,500	242,375
Commitment and contingencies (Note 4)		
Stockholders' equity (Note 1):		
Common stock, $0.01 par value, 1,000 authorized; 100 issued and Outstanding as of August 3, 2008 and February 3, 2008	—	—
Preferred stock, 10,000,000 authorized; none issued	—	—
Paid-in capital	111,017	110,466
Accumulated comprehensive income	840	1,194
Retained deficit	(14,924)	(20,904)
Total stockholders' equity	96,933	90,756
Total liabilities and stockholders' equity	$ 498,398	$ 496,203

See accompanying notes to consolidated financial statements

DAVE & BUSTER'S, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands)
(unaudited)

	Thirteen Weeks Ended August 3, 2008	Thirteen Weeks Ended August 5, 2007	Twenty-Six Weeks Ended August 3, 2008	Twenty-Six Weeks Ended August 5, 2007
Food and beverage revenues	$ 71,856	$ 70,350	$ 146,521	$ 144,174
Amusement and other revenues	64,382	61,315	132,180	122,954
Total revenues	136,238	131,665	278,701	267,128
Cost of food and beverage	17,908	17,504	36,379	35,818
Cost of amusement and other	8,894	8,755	17,518	17,078
Total cost of products	26,802	26,259	53,897	52,896
Operating payroll and benefits	35,613	35,224	72,485	71,604
Other store operating expenses	45,367	43,495	88,546	84,999
General and administrative expenses	8,629	8,780	17,111	21,499
Depreciation and amortization expense	11,898	12,809	24,337	25,412
Pre-opening costs	960	299	1,242	357
Total operating costs	129,269	126,866	257,618	256,767
Operating income	6,969	4,799	21,083	10,361
Interest expense, net	5,811	6,347	11,957	13,921
Income (loss) before provision for income taxes	1,158	(1,548)	9,126	(3,560)
Provision (benefit) for income taxes	188	(867)	3,146	(2,044)
Net income (loss)	$ 970	$ (681)	$ 5,980	$ (1,516)

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 3, 2008	For the Twenty-Six Weeks Ended August 5, 2007
Cash flows from operating activities:		
Net income (loss)	$ 5,980	$ (1,516)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization expense	24,337	25,412
Deferred income tax expense	(3,373)	(3,471)
Share-based compensation charges	551	826
Other, net	643	596
Changes in assets and liabilities:		
Inventories	(990)	73
Prepaid expenses	360	(782)
Other current assets	2,173	799
Other assets and deferred charges	329	90
Accounts payable	(1,046)	(562)
Accrued liabilities	(2,885)	984
Income taxes payable	220	(2,037)
Deferred occupancy costs	2,618	(233)
Other liabilities	1,187	360
Net cash provided by operating activities	30,104	20,539
Cash flows from investing activities:		
Capital expenditures	(21,880)	(12,861)
Proceeds from sales of property and equipment	79	245
Net cash used in investing activities	(21,801)	(12,616)
Cash flows from financing activities:		
Borrowings under senior secured credit facility	—	4,000
Repayments under senior secured credit facility	(375)	(4,500)
Net cash used in financing activities	(375)	(500)
Increase in cash and cash equivalents	7,928	7,423
Beginning cash and cash equivalents	19,046	10,372
Ending cash and cash equivalents	$ 26,974	$ 17,795
Supplemental disclosures of cash flow information:		
Cash paid for income taxes-net of refunds	$ 6,263	$ 3,224
Cash paid for interest, net of amounts capitalized	$ 12,716	$ 13,080

See accompanying notes to consolidated financial statements.

DAVE & BUSTER'S, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except per share amounts)

Note 1: Summary of Significant Accounting Policies

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

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

As of August 3, 2008, we operated 50 large format, high volume regional entertainment complexes. Our one industry segment is the ownership and operation of restaurant/entertainment complexes (a "Complex" or "Store") under the names "Dave & Buster's," "Dave & Buster's Grand Sports Café" and "Jillian's," which are located in the United States and Canada.

Our fiscal year ends on the Sunday after the Saturday closest to January 31. All references to the second quarter of 2008 and 2007 relate to the twenty-six week periods ending on August 3, 2008 and August 5, 2007, respectively. All references to 2008 and 2007 relate to the 52 week periods ending on February 1, 2009 and February 3, 2008, respectively. In the opinion of management, these financial statements contain all adjustments (consisting of normal recurring entries) necessary to present fairly the financial position, results of operations and cash flows for the periods indicated. However, these operating results are not necessarily indicative of the results expected for the full fiscal year. We expect significant fluctuations in quarterly results due to the timing of new complex openings and seasonality associated with the year-end holidays

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

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

Accounting for income taxes—We use the liability method for recording income taxes, which recognizes the amount of current and deferred taxes payable or refundable at the date of the financial statements as a result of events that are recognized in the financial statements and as measured by the provisions of enacted tax laws. The calculation of tax liabilities involves significant judgment and evaluation of uncertainties in the interpretation of complex tax regulations. As a result, we have established reserves for taxes that may become payable in future years as a result of audits by tax authorities. Tax reserves are reviewed regularly pursuant to FASB Interpretation 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). On February 5, 2007, we adopted the provisions of FIN 48 which limit the recognition of income tax benefits to those items that meet the "more likely than not" threshold on the effective date. Tax reserves are adjusted as events occur that affect the potential liability for additional taxes, such as the expiration of statutes of limitations, conclusion of tax audits, identification of additional exposure based on current calculations, identification of new issues, or the issuance of statutory or administrative guidance or rendering of a court decision affecting a particular issue. During the second quarter of fiscal 2008, we increased our unrecognized tax benefit by $46. We may experience significant changes in tax reserves in the future, if or when, such events occur. Our effective tax rate also differs from the statutory rate due to the deduction for FICA tip credits, state income taxes, changes in our FIN 48 reserve, and changes in our valuation allowance.

In the thirteen weeks ended August 3, 2008, we reduced our estimate of the required valuation allowance against our deferred tax assets by $99. The valuation allowance has been established in accordance with Statement of Financial Accounting Standards 109, "Accounting for Income Taxes" ("SFAS 109"). As a result of experiencing cumulative losses before income taxes for the three-year period prior to August 3, 2008, we could not conclude that it is more likely that 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.

Comprehensive income—Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. In addition to net income, unrealized foreign currency translation gain is included in comprehensive income. Unrealized translation gains (losses) for the thirteen week periods ended August 3, 2008 and August 5, 2007 were $(91) and $344, respectively and for the twenty-six week periods ended August 3, 2008 and August 5, 2007 were $(354) and $562, respectively.

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

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

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

Note 2: Accrued liabilities

Accrued liabilities consist of the following (in thousands):

	August 3, 2008	February 3, 2008
Compensation and benefits	$ 11,966	$ 14,800
Interest	10,902	12,114
Deferred amusement revenue	5,664	4,517
Amusement redemption liability	3,663	3,806
Deferred gift card revenue	3,052	3,479
Sales and use taxes	3,266	2,694
Customer deposits	2,626	2,116
Other	10,005	10,503
Total accrued liabilities	$ 51,144	$ 54,029

Note 3: Long-Term Debt

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

	August 3, 2008	February 3, 2008
Senior credit facility—revolving	$ —	$ —
Senior credit facility—term	68,000	68,375
Senior notes	175,000	175,000
	243,000	243,375
Less current installments	500	1,000
Long-term debt, less current installments	$ 242,500	$ 242,375

We are a party to a senior secured credit facility ("senior credit facility") that (a) provides a $100,000 term loan facility with a maturity of March 8, 2013, and (b) provides a $60,000 revolving credit facility with a maturity of March 8, 2011. The $60,000 revolving credit facility includes (i) a $20,000 letter of credit sub-facility, (ii) a $5,000 swingline sub-facility and (iii) a $5,000 (in US Dollar equivalent) sub-facility available in Canadian dollars to our Canadian subsidiary. The revolving credit facility is available to provide financing for working capital and general corporate purposes. As of August 3, 2008, in addition to the borrowings indicated above, we had $7,683 in letters of credit outstanding.

The interest rates per annum applicable to loans, other than swingline loans, under the senior credit facility are, at our option, equal to, either a base rate (or, in the case of the Canadian revolving credit facility, a Canadian prime rate) or a Eurodollar rate (or, in the case of the Canadian revolving credit facility, a Canadian cost of funds rate) for one-, two-, three- or six-month (or, in the case of the Canadian revolving credit facility, 30, 60, 90 or 180-day) interest periods chosen by us, in each case, plus an applicable margin percentage. Swingline loans bear interest at the base rate plus the applicable margin. The weighted average rate of interest on the senior credit facility was 7.56 percent at August 3, 2008.

Effective June 30, 2006, we entered into two interest rate swap agreements that expire in 2011, to change a portion of the variable rate debt to fixed rate debt. Pursuant to the swap agreements and related amendments, the interest rate on notional amounts aggregating $74,800 at August 3, 2008 is fixed at 5.31 percent plus applicable margins. The notional amounts decline ratably over the term of the agreements. The agreements have not been designated as hedges and adjustments to mark the instruments to their fair value are recorded as interest expense. Based on third party estimates of the value of our swap positions, we recorded adjustments to interest expense of ($775) and $422 for the thirteen weeks ended August 3, 2008 and August 5, 2007, respectively, and adjustments to interest expense of ($1,198) and $176 for the twenty-six weeks ended on August 3, 2008 and August 5, 2007, respectively.

Our senior credit facility requires compliance with the following financial covenants: a minimum fixed charge coverage ratio test and a maximum leverage ratio test. We are required to maintain a minimum fixed charge coverage ratio of 1.10:1.00 and a maximum leverage ratio of 4.50:1.00 as of August 3, 2008. The financial covenants will become more restrictive over time. The required minimum fixed charge coverage ratio increases annually to a required ratio of 1.20:1.00 in the fourth quarter of fiscal year 2009 and thereafter. The maximum leverage ratio decreases annually to a required ratio of 3.50:1.00 in the fourth quarter of fiscal year 2010 and thereafter. In addition, the senior credit facility includes negative covenants restricting or limiting the ability of Holdings and its subsidiaries to, among other things, incur additional indebtedness, make capital expenditures and sell or acquire assets. Virtually all of our assets are pledged as collateral for the senior credit facility.

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

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

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

The following table sets forth our future debt payment obligations as of August 3, 2008 (excluding repayment obligations under the revolving portion of our senior credit facility which expires on March 8, 2011) (in thousands):

	August 3, 2008
1 year or less	$ 500
2 years	595
3 years	982
4 years	17,033
5 years	48,890
Thereafter	175,000
Total future payments	$ 243,000

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

	Thirteen Weeks Ended August 3, 2008	Thirteen Weeks Ended August 5, 2007	Twenty-Six Weeks Ended August 3, 2008	Twenty-Six Weeks Ended August 5, 2007
Gross interest expense	$ 6,060	$ 6,559	$ 12,528	$ 14,257
Capitalized interest	(143)	(102)	(244)	(112)
Interest income	(106)	(110)	(327)	(224)
Total interest expense	$ 5,811	$ 6,347	$ 11,957	$ 13,921

Note 4: Commitments and Contingencies

We are subject to certain legal proceedings and claims that arise in the ordinary course of its business. Two class action cases have been filed against us and one of our subsidiaries in the State of California alleging violations of California regulations concerning mandatory meal breaks and rest periods. These two cases have been consolidated and coordinated because the potential class members are virtually identical. Various factors, including our internal policies and evidence of compliance with State of California regulations, make early resolution of these cases a possibility.

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

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

The following table sets forth lease commitments as of August 3, 2008 (in thousands):

	August 3, 2008
1 year or less	$ 45,135
2 years	45,771
3 years	44,029
4 years	43,673
5 years	44,080
Thereafter	315,641
Total future payments	$ 538,329

We have signed an operating lease agreement for a future site located in Richmond, Virginia. Our commitment under this agreement is contingent upon among other things, the landlord's delivery of access to the premises for construction. Future obligations related to this agreement are not included in the table above.

Table of Contents

Note 5: Condensed Consolidating Financial Information

The $175,000 senior notes (described in Note 3) are guaranteed on a senior basis by all domestic subsidiaries of the Company. The subsidiaries' guarantee of the senior notes are full and unconditional and joint and several.

The accompanying condensed consolidating financial information has been prepared and presented pursuant to SEC Regulation S-X Rule 3-10 "Financial statements of guarantors and issuers of guaranteed securities registered or being registered." No other condensed consolidating financial statements are presented herein. The results of operations and cash flows from operating activities from the non-guarantor subsidiary were $289 and $1,072, respectively, for the twenty-six week period ended August 3, 2008. For the comparable twenty-six week period ended August 5, 2007, the results of operations and cash flows from operating activities from the non-guarantor subsidiary were $73 and $1,271. There are no restrictions on cash distributions from the non-guarantor subsidiary.

August 3, 2008:

(in thousands)	Issuer and Subsidiary Guarantors	Subsidiary Non-Guarantors	Consolidating Adjustments	Dave & Buster's Inc.
Assets:				
Current assets	$ 50,666	$ 5,931	$ —	$ 56,597
Property and equipment, net	288,752	5,489	—	294,241
Tradename	63,000	—	—	63,000
Goodwill	65,857	—	—	65,857
Investment in subsidiary	3,546	—	(3,546)	—
Other assets and deferred charges	18,611	92	—	18,703
Total assets	$490,432	$ 11,512	$ (3,546)	$ 498,398
Liabilities and stockholders' equity:				
Current liabilities	$ 69,904	$ 7,557	$ —	$ 77,461
Deferred income taxes	17,266	255	—	17,521
Deferred occupancy costs	52,988	154	—	53,142
Other liabilities	10,841	—	—	10,841
Long-term debt, less current installments (Note 3)	242,500	—	—	242,500
Stockholders' equity	96,933	3,546	(3,546)	96,933
Total liabilities and stockholders' equity	$490,432	$ 11,512	$ (3,546)	$ 498,398

February 3, 2008:

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

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

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

General

Our fiscal year ends on the Sunday after the Saturday closest to January 31. All references to the second quarter of 2008 and 2007 relate to the twenty-six week periods ended August 3, 2008 and August 5, 2007. All references to 2008 and 2007 relate to the 52-week periods ending on February 1, 2009 and February 3, 2008. All dollar amounts are presented in thousands, unless otherwise noted, except share and per share amounts.

Merger with WS Midway Acquisition Sub, Inc.

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

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

Expense Reimbursement Agreement

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

Overview

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

As of August 3, 2008, we owned and operated 50 units in 20 states and Canada. Our units are open seven days a week, typically from 11:30 a.m. to midnight on weekdays and 11:30 a.m. to 2:00 a.m. on weekends. Our units average approximately 51,000 square feet in size and range between 29,000 and 66,000 square feet.

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

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

Revenues. We derive revenues primarily from food, beverage and amusement sales. For the thirteen weeks ended August 3, 2008, we derived 35.7 percent of our total revenue from food sales, 17.0 percent from beverage sales, 46.1 percent from amusement sales and 1.2 percent from other sources. For the twenty-six weeks ended August 3, 2008, we derived 35.2 percent of our total revenue from food sales, 17.4 percent from beverage sales, 46.3 percent from amusement sales and 1.1 percent from other sources.

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

Our units also offer an extensive array of amusements, including state-of-the-art simulators, high-tech video games, traditional pocket billiards and shuffleboard, as well as a variety of redemption games, which dispense coupons that can be redeemed for prizes in the "Winner's Circle." Our redemption games include basic games of skill, such as skee-ball and basketball, as well as competitive racing simulation games and individual electronic games of skill. The prizes in the "Winner's Circle" range from small-ticket novelty items to high-end electronics, such as flatscreen televisions, MP3 players and game systems. We review the amount of game play on existing amusements in an effort to match amusements availability with guest preferences. We intend to continue to invest in new games as they become available and prove to be attractive to guests. In addition to games purchased in connection with new store openings, we currently anticipate spending approximately $7.0 million on new games in fiscal 2008. Our unique venue allows us to provide our customers with value driven food and amusement combination offerings such as our "Eat & Play Combo."

Cost of products. Cost of products includes the cost of food, beverages and the "Winner's Circle" redemption items. During the second quarter of 2008, the cost of food products averaged 25.4 percent of food revenue and the cost of beverage products averaged 24.0 percent of beverage revenue. The amusement cost of products averaged 12.0 percent of amusement revenues. During the twenty-six weeks ended August 3, 2008, the cost of food products averaged 25.2 percent of food revenue and the cost of beverage products averaged 24.0 percent of beverage revenue. The amusement cost of products averaged 11.6 percent of amusement revenues. The cost of products is driven by product mix and pricing movements from third-party suppliers. We continually strive to gain efficiencies in both the acquisition and use of products while maintaining high standards of product quality.

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

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

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

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

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

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

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

Quarterly fluctuations, seasonality, and inflation. As a result of the substantial revenues associated with each new complex, the timing of new complex openings will result in significant fluctuations in quarterly results. We also expect seasonality to be a factor in the operation or results of the business in the future with anticipated lower third quarter revenues and higher fourth quarter revenues associated with the year-end holidays. The historically higher revenues during the fourth quarter will continue to be susceptible to the impact of severe weather on customer traffic and sales during that period. Additionally, we expect that volatile energy costs 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 the federal or state minimum wage rate will not increase beyond amounts currently legislated, the effects of any supplier price increases or minimum wage rate increases are expected to be partially offset by selected menu price increases where competitively appropriate.

Results of Operations

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

(dollars in thousands)	Thirteen Weeks Ended August 3, 2008		Thirteen Weeks Ended August 5, 2007		Twenty-Six Weeks Ended August 3, 2008		Twenty-Six Weeks Ended August 5, 2007	
Food and beverage revenues	$ 71,856	52.7%	$ 70,350	53.4%	$146,521	52.6%	$144,174	54.0%
Amusement and other revenues	64,382	47.3	61,315	46.6	132,180	47.4	122,954	46.0
Total revenues	136,238	100.0	131,665	100.0	278,701	100.0	267,128	100.0
Cost of food and beverage (as a percentage of food and beverage revenues)	17,908	24.9	17,504	24.9	36,379	24.8	35,818	24.8
Cost of amusements and other (as a percentage of amusement and other revenues)	8,894	13.8	8,755	14.3	17,518	13.3	17,078	13.9
Total cost of products	26,802	19.7	26,259	19.9	53,897	19.3	52,896	19.8
Operating payroll and benefits	35,613	26.1	35,224	26.8	72,485	26.0	71,604	26.8
Other store operating expenses	45,367	33.3	43,495	33.0	88,546	31.8	84,999	31.8
General and administrative expenses	8,629	6.3	8,780	6.7	17,111	6.1	21,499	8.0
Depreciation and amortization expense	11,898	8.7	12,809	9.7	24,337	8.7	25,412	9.5
Pre-opening costs	960	0.7	299	0.2	1,242	0.5	357	0.1
Total operating costs	129,269	94.8	126,866	96.3	257,618	92.4	256,767	96.0
Operating income	6,969	5.2	4,799	3.7	21,083	7.6	10,361	4.0
Interest expense, net	5,811	4.3	6,347	4.8	11,957	4.3	13,921	5.2
Income (loss) before provisions for income taxes	1,158	0.9	(1,548)	(1.1)	9,126	3.3	(3,560)	(1.2)
Provision (benefit) for income taxes	188	0.1	(867)	(0.7)	3,146	1.1	(2,044)	(0.7)
Net income (loss)	970	0.8%	$ (681)	(0.4)%	$ 5,980	2.2%	$ (1,516)	(0.5)%
Cash provided by (used in):								
Operating activities					$ 30,104		$ 20,539	
Investing activities					(21,801)		(12,616)	
Financing activities					(375)		(500)	
Change in comparable store sales(1)(2)		1.2%		3.5%		2.5%		3.9%
Stores open at end of period(3)						50		48
Comparable stores open at end of period						47		43

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

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

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

Thirteen Weeks Ended August 3, 2008 Compared to Thirteen Weeks Ended August 5, 2007

Revenues

Total revenues increased 3.5 percent, or $4,573, from $131,665 for the thirteen weeks ended August 5, 2007 to $136,238 for the thirteen weeks ended August 3, 2008. Comparable stores revenue increased by 1.2 percent, or $1,557 for the thirteen weeks ended August 3, 2008 compared to the same period in 2007.

The increased revenues were derived from the following sources:

Comparable stores	$1,557
Non comparable stores	3,396
Other	(380)
Total	$4,573

Our revenues during the thirteen weeks ended August 3, 2008 were favorably impacted by increased advertising on cable television in all of our markets and spot radio support in selected markets. Food sales at the comparable stores increased by $366 or 0.8 percent from $46,494 for the thirteen weeks ended August 5, 2007 to $46,860 for the thirteen weeks ended August 3, 2008. Beverage sales at comparable stores decreased by $653 or 2.9 percent from $22,718 for the thirteen weeks ended August 5, 2007 to $22,065 for the thirteen weeks ended August 3, 2008. Comparable store amusements revenue increased by $1,923 or 3.3 percent, from $58,840 for the thirteen weeks ended August 5, 2007 to $60,763 for the same period in 2008. Amusement revenue continued to reflect the positive impact of increased points of sale available through the installation of sales kiosks throughout the system and an expansion of available predenominated Power Card alternatives.

Comparable special events revenues accounted for 14.0 percent of consolidated comparable stores revenue for the thirteen weeks ended August 3, 2008 and 14.1 percent for the same period in 2007.

Our revenue mix was 52.7 percent for food and beverage and 47.3 percent for amusements and other. This compares to 53.4 percent and 46.6 percent, respectively, for the thirteen weeks ended August 5, 2007.

Cost of products

Cost of food and beverage revenues increased from $17,504 for the thirteen weeks ended August 5, 2007 to $17,908 for the thirteen weeks ended August 3, 2008. Cost of food and beverage products, as a percentage of food and beverage revenue remained relatively flat at 24.9 percent for the thirteen weeks ended August 3, 2008 and for the same period in 2007.

Cost of amusements and other revenues increased to $8,894 for the thirteen weeks ended August 3, 2008 from $8,755 for the same period in 2007. The costs of amusements and other, as a percentage of amusements and other revenues decreased 50 basis points to 13.8 percent of amusement and other revenue for the thirteen weeks ended August 3, 2008 compared to 14.3 percent for the thirteen weeks ended August 5, 2007.

Operating payroll and benefits

Operating payroll and benefits increased by $389 or 1.1 percent from $35,224 for the thirteen weeks ended August 5, 2007 to $35,613 for the thirteen weeks ended August 3, 2008. Operating payroll and benefits declined 70 basis points to 26.1 percent of revenue for the thirteen weeks ended August 3, 2008 compared to 26.8 percent for the same period of 2007. This decrease in percentage of revenue was primarily driven by improved sales performance and initiatives designed to reduce store administrative and back-of-house labor costs.

Other store operating expenses

Other store operating expenses increased by $1,872, or 4.3 percent, from $43,495 in the thirteen weeks ended August 5, 2007 to $45,367 in the thirteen weeks ended August 3, 2008. Other store operating expenses increased 30 basis points to 33.3 percent of revenue for the thirteen weeks ended August 3, 2008 compared to 33.0 percent for the same period of 2007. This increase was primarily driven by additional marketing and promotional costs which were partially offset by lower restaurant and other operating expenses.

General and administrative expenses

General and administrative expenses decreased by $151 or 1.7 percent, from $8,780 in the thirteen weeks ended August 5, 2007 to $8,629 in the thirteen weeks ended August 3, 2008. General and administrative expenses decreased 40 basis points to 6.3 percent for the thirteen weeks ended August 3, 2008 compared to 6.7 percent for the same period in 2007.

Depreciation and amortization expense

Depreciation and amortization expense decreased by $911 or 7.1 percent, from $12,809 in the thirteen weeks ended August 5, 2007 compared to $11,898 in the thirteen weeks ended August 3, 2008. Depreciation and amortization expense decreased primarily related to the reduction in depreciation expense due to certain fixed assets reaching the end of their depreciable life offset by depreciation expense on new assets added subsequent to the second quarter of 2007.

Pre-opening costs

Pre-opening costs increased from $299 for the thirteen weeks ended August 5, 2007 to $960 for the thirteen weeks ended August 3, 2008. The increase in pre-opening costs is primarily attributable to new store opening costs associated with the July 21, 2008 opening of our store in Plymouth Meeting, Pennsylvania.

Interest expense

Interest expense decreased by $536 from $6,347 for the thirteen weeks ended August 5, 2007 to $5,811 for the thirteen weeks ended August 3, 2008. The decrease in interest expense is primarily attributed to adjustments recorded to mark the interest rate swap agreements to their fair value.

Provision for income taxes

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

In the thirteen weeks ended August 3, 2008, we reduced our estimate of the required valuation allowance against our deferred tax assets by $99. The valuation allowance has been established in accordance with Statement of Financial Accounting Standards 109, “Accounting for Income Taxes” (“SFAS 109”). As a result of experiencing cumulative losses before income taxes for the three-year period prior to August 3, 2008, we could not conclude that it is more likely that 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 3, 2008, we have approximately $2,913 of unrecognized tax benefits, including approximate $858 of penalties and interest. During the thirteen weeks ended August 3, 2008, we increased our unrecognized tax benefit by $46. This increase resulted primarily from an increase in interest from uncertain tax positions taken in prior years. We do not currently anticipate any additional material changes in fiscal year 2008. Future recognition of potential interest or penalties, if any, will be recorded as a component of income tax expense. The entire balance of unrecognized tax benefits, if recognized, would affect the effective tax rate.

We file income tax returns which are periodically audited by various federal, state and foreign jurisdictions. We are generally no longer subject to federal, state or foreign income tax examinations for years prior to 2003.

Twenty-Six Weeks Ended August 3, 2008 Compared to Twenty-Six Weeks Ended August 5, 2007

Revenues

Total revenues increased 4.3 percent, or $11,573 from $267,128 for twenty-six weeks ended August 5, 2007 compared to $278,701 for the twenty-six weeks ended August 3, 2008. Comparable stores revenue increased by approximately 2.5 percent, or $6,550 for twenty-six weeks ended August 3, 2008 compared to the twenty-six weeks ended August 5, 2007.

The increased revenues were derived from the following sources:

Comparable stores	$ 6,550
Non comparable stores	6,224
Other	(1,201)
Total	$11,573

Our revenues during the twenty-six weeks ended August 3, 2008 were favorably impacted by increased advertising on cable television in all of our markets and spot radio support in selected markets. Food sales at the comparable stores increased by $467 or 0.5 percent, from $93,886 in the twenty-six weeks ended August 5, 2007 to $94,353 in the twenty-six weeks ended August 3, 2008. Beverage sales at comparable stores decreased by $1,448 or 3.0 percent, from $47,716 in the twenty-six weeks ended August 5, 2007 to $46,268 in the twenty-six weeks ended August 3, 2008. Comparable store amusements and other revenues in the twenty-six weeks ended August 3, 2008 increased by $7,531, or 6.2 percent, from $120,712 in the twenty-six weeks ended

August 5, 2007 to $128,243 in the twenty-six weeks ended August 3, 2008. Amusement revenue continued to reflect the positive impact of increased points of sale available through the installation of sales kiosks throughout the system and an expansion of available predenominated Power Card alternatives.

Comparable special events revenues accounted for 13.2 percent of consolidated comparable stores revenue for the twenty-six weeks ended August 3, 2008 and 13.5 percent in the twenty-six weeks ended August 5, 2007.

Our revenue mix was 52.6 percent for food and beverage and 47.4 percent for amusements and other for the twenty-six weeks ended August 3, 2008. This compares to 54.0 percent and 46.0 percent, respectively, for the twenty-six weeks ended August 5, 2007.

Cost of products

Cost of food and beverage revenues increased from $35,818 for the twenty-six weeks ended August 5, 2007 to $36,379 for the twenty-six weeks ended August 3, 2008. Cost of food and beverage products, as a percent of food and beverage revenue remained relatively flat at 24.8 percent of revenue for the twenty-six weeks ended August 3, 2008 and the same period of 2007. Margin pressure experienced in our poultry and grocery cost categories were offset by lower costs, as a percent of revenue, in our meat and beverage categories.

Cost of amusements and other revenues increased from $17,078 for the twenty-six weeks ended August 5, 2007 to $17,518 for the twenty-six weeks ended August 3, 2008. The costs of amusements and other, as a percentage of amusements and other revenues decreased 60 basis points to 13.3 percent of amusement and other revenue for the twenty-six weeks ended August 3, 2008 compared to 13.9 percent for the twenty-six weeks ended August 5, 2007. This decrease was achieved through reduced redemption costs.

Operating payroll and benefits

Operating payroll and benefits increased by $881, or 1.2 percent, from $71,604 in the twenty-six weeks ended August 5, 2007 to $72,485 in the twenty-six weeks ended August 3, 2008. Operating payroll and benefits declined 80 basis points to 26.0 percent of revenue for the twenty-six weeks ended August 3, 2008 compared to 26.8 percent for the same period of 2007. This decrease in percentage of revenue was primarily driven by improved sales performance and initiatives designed to reduce store administrative and back-of-house labor costs.

Other store operating expenses

Other store operating expenses increased by $3,547, or 4.2 percent, from $84,999 in the twenty-six weeks ended August 5, 2007 to $88,546 in the twenty-six weeks ended August 3, 2008. Other store operating expenses remained relatively flat at 31.8 percent for the twenty-six weeks ended August 3, 2008 and the same period of 2007 as improved sales performance and reductions in supply costs and occupancy and sales related taxes offset increased repair, security and marketing costs.

General and administrative expenses

General and administrative expenses decreased by $4,388 from $21,499 for the twenty-six weeks ended August 5, 2007 to $17,111 for the twenty-six weeks ended August 3, 2008. General and administrative expenses decreased 190 basis points from 8.0 percent for the twenty-six weeks ended August 5, 2007 compared to 6.1 percent for the twenty-six weeks ended August 3, 2008, primarily due to the absence of severance costs associated with the departure of certain executives during the first quarter of 2007.

Depreciation and amortization expense

Depreciation and amortization expense decreased by $1,075, or 4.2 percent, from $25,412 for the twenty-six weeks ended August 5, 2007 to $24,337 for the twenty-six weeks ended August 3, 2008. The reduction in depreciation expense is due to certain fixed assets reaching the end of their depreciable life offset by depreciation expense on new assets added subsequent to the second quarter of 2007.

Pre-opening costs

Pre-opening costs increased by $885 from $357 in the twenty-six weeks ended August 5, 2007 to $1,242 in the twenty-six weeks ended August 3, 2008. The increase in pre-opening costs of is primarily attributable to the opening of a new store in Plymouth Meeting, Pennsylvania during the second quarter of 2008.

Interest expense

Interest expense decreased by $1,964 from $13,921 for the twenty-six weeks ended August 5, 2007 to $11,957 for the twenty-six weeks ended August 3, 2008. The decrease in interest expense is primarily attributed to adjustments recorded to mark our interest rate swap agreements to their fair value.

Provision for income taxes

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

In the twenty-six weeks ended August 3, 2008, we recorded a $472 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 May 4, 2008, we could not conclude that it is more likely that 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 3, 2008, we have approximately $2,913 of unrecognized tax benefits, including approximately $858 of penalties and interest. During the twenty-six weeks ended August 3, 2008, we increased our unrecognized tax benefit by $93. This increase resulted primarily from an increase in interest from uncertain tax positions taken in prior years. We do not currently anticipate any additional material changes in fiscal year 2008. Future recognition of potential interest or penalties, if any, will be recorded as a component of income tax expense. The entire balance of unrecognized tax benefits, if recognized, would affect the effective tax rate.

We file income tax returns which are periodically audited by various federal, state and foreign jurisdictions. We are generally no longer subject to federal, state or foreign income tax examinations for years prior to 2003.

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 3, 2008, we had cash and cash equivalents of $26,974, a working capital deficit of $20,864 and outstanding debt obligations of $243,000. We also had $52,317 in borrowing availability under our senior credit facility.

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

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

We expect our 2008 short-term liquidity requirements to include (a) $47,000 of capital expenditures (net of cash contributions from landlords) of which approximately $22,000 has been incurred for fiscal 2008, (b) $25,500 of debt service payments of which approximately $12,200 has been incurred for fiscal 2008, and (c) lease obligation payments of $43,800 of which approximately $22,000 has been incurred for fiscal 2008.

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

Long-Term Liquidity Requirements. We generally consider our long-term liquidity requirements to consist of those items that are expected to be incurred beyond the next 12 months and believe that these requirements consist primarily of funds necessary for new store development and construction, payments of scheduled debt maturities, and to perform necessary renovations and other non-recurring capital expenditures that need to be made periodically to our units. We intend to satisfy our long-term liquidity requirements through various sources of capital, including our cash provided by operations, and borrowings under our senior credit facility.

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

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

Historical indebtedness

Senior credit facility. In connection with the acquisition of Dave & Buster's by Holdings, we entered into a senior credit facility providing for a $100,000 term loan facility with a maturity date of March 8, 2013 and providing for a $60,000 revolving credit facility with a maturity date of March 8, 2011. The $60,000 revolving credit facility includes (i) a $20,000 letter of credit sub-facility, (ii) a $5,000 swingline sub-facility and (iii) a sub-facility available to the Canadian subsidiary in the Canadian dollar equivalent to U.S. $5,000. The revolving credit facility is available to provide financing for working capital and general corporate purposes. As of August 3, 2008, we had no borrowings under the revolving credit facility, $68,000 of borrowings under the term loan facility and $7,683 in letters of credit outstanding.

Our senior credit facility is secured by all of our assets and is unconditionally guaranteed by Holdings. Borrowings on our senior credit facility bear interest, at our option, based upon either a base rate (or, in the case of the Canadian revolving credit facility, a Canadian prime rate) or a Eurodollar rate (or, in the case of the Canadian revolving credit facility, a Canadian cost of funds rate) for one-, two-, three- or six-month (or, in the case of the Canadian revolving credit facility, 30-, 60-, 90- or 180-day) interest periods chosen by us, in each case, plus an applicable margin percentage. Swingline loans bear interest at the base rate plus the applicable margin. Effective June 30, 2006, we entered into two interest rate swap agreements that expire in 2011, to change a substantial portion of the variable rate debt to fixed rate debt. Pursuant to the swap agreements, the interest rate on notional amounts of $74,800 is fixed at 5.31 percent plus applicable margin. The weighted average rate of interest on the senior credit facility was 7.56 percent at August 3, 2008.

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

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

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

Historical Cash Flows

Twenty-Six Weeks Ended August 3, 2008 Compared to Twenty-Six Weeks Ended August 5, 2007

As of August 3, 2008, we had cash and cash equivalents of $26,974 and available borrowing capacity of $52,317 under the senior credit facility.

Cash provided in operating activities was $30,104 for the twenty-six weeks of 2008 compared to $20,539 for the twenty-six weeks of 2007. The increase in cash flow from operations is primarily due to a net income increase of $7,496 from the first two quarters of 2007. Cash flow from operations in the second quarter of 2007 was also negatively impacted by the payment of employment agreement costs triggered by the Merger transaction.

Cash used in investing activities was $21,801 for the twenty-six weeks of 2008 compared to $12,616 for the twenty-six weeks of 2007. The investing activities for the second quarter of 2008 primarily include $21,880 in capital expenditures. The investing activities for the second quarter of 2007 primarily include $12,861 in capital expenditures. During the twenty-six week period ending August 3, 2008, we completed construction and opened one new store and began construction on two additional stores that are scheduled to open in the fourth quarter of fiscal 2008. During fiscal year 2007 our single new store was completed and opened in the third quarter.

We plan on financing future growth through operating cash flows, debt facilities, and tenant improvement allowances from landlords. We expect to spend approximately $56,000 ($47,000 net of cash contributions from landlords) in capital expenditures during fiscal year 2008. The 2008 expenditures will include approximately $37,000 ($28,000 net of cash contributions from landlords) for new stores and operating improvement initiatives and $19,000 in maintenance capital and new games.

Cash used in financing activities was $375 for the twenty-six weeks of 2008 compared to of $500 in the twenty-six weeks of 2007. The financing activities for the second quarter of 2008 include required paydowns under our term loan facility of $375. The financing activities for the second quarter of 2007 include borrowings under our revolving credit facility of $4,000 offset by revolver repayments and required paydowns under our senior credit facility of $4,500.

Contractual Obligations and Commercial Commitments

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

Accounting Policies

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

Recent Accounting Pronouncements

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

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

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4T. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

Internal Controls Over Financial Reporting

There were no significant changes in our internal controls over financial reporting that occurred during our second quarter ended August 3, 2008, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

FORWARD-LOOKING STATEMENTS

This Form 10-Q includes statements that are, or may 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 3, 2008.

PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

There has been no material change in the risk factors set forth in Part I, Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended February 3, 2008.

ITEM 6. EXHIBITS

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

SIGNATURES

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

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

Date: September 15, 2008	By: /s/ Stephen M. King Stephen M. King Chief Executive Officer
Date: September 15, 2008	By: /s/ Brian A. Jenkins Brian A. Jenkins Senior Vice President and Chief Financial Officer

DAVE & BUSTER'S, INC.
COMPUTATION OF RATIO OF EARNINGS
TO FIXED CHARGES
(dollars in thousands, except ratios)

	Twenty-Six Weeks Ended August 3, 2008	Twenty-Six Weeks Ended August 5, 2007
Income (loss) before provision for income taxes	$ 9,126	$ (3,560)
Add: Total fixed charges (per below)	19,318	20,809
Less: Capitalized interest	244	112
Total income before provision for income taxes, plus fixed charges, less capitalized interest	28,200	17,137
Fixed charges:		
Interest expense [(1)]	12,284	14,151
Capitalized interest	244	112
Estimate of interest included in rental expense [(2)]	6,790	6,546
Total fixed charges	$ 19,318	$ 20,809
Ratio of earnings to fixed charges [(3)]	1.46x	.82x

(1) Interest expense includes interest in association with debt and amortization of debt issuance costs.
(2) Fixed charges include our estimate of interest included in rental payments (one-third of rent expense under operating leases).
(3) Earnings for the twenty-six ended August 5, 2007 were insufficient to cover the fixed charges by $3,672.

Exhibit 31.1

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 15, 2008

/s/ Stephen M. King

Stephen M. King
Chief Executive Officer

Exhibit 31.2

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 15, 2008

/s/ Brian A. Jenkins

Brian A. Jenkins
Senior Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION

In connection with the Quarterly Report of Dave & Buster's, Inc. (the "Company") on Form 10-Q for the period ended August 3, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen M. King, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, that:

(1) The Report fully complies with the applicable requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 15, 2008

/s/ Stephen M. King

Stephen M. King
Chief Executive Officer

Exhibit 32.2

CERTIFICATION

In connection with the Quarterly Report of Dave & Buster's, Inc. (the "Company") on Form 10-Q for the period ended August 3, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian A. Jenkins, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, that:

(1) The Report fully complies with the applicable requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 15, 2008

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