

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-K/A  
Amendment No. 2

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

For the fiscal year ended February 3, 2002

Commission File No. 0-25858

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 number)

2481 Manana Drive, Dallas, Texas  
(Address of principal executive offices)

75220  
(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class  
Common Stock, \$0.01 par value

Securities registered pursuant to Section 12(g) of the Act: None

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 X No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulations S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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The aggregate market value of the voting stock held by non-affiliates of registrant at April 17, 2002 was \$121,999,320.

The number of shares of common stock outstanding at April 17, 2002 was 13,266,641 shares.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (DOLLARS IN THOUSANDS)

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles. The preparation of these financial statements requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an ongoing basis, management evaluates its estimates and judgements, including those that relate to depreciable lives, goodwill and debt covenants. The estimates and judgements made by management are based on historical data and on various other factors believed to be reasonable under the circumstances.

Management believes the following critical accounting policies, among others, affect its more significant judgements and estimates used in the preparation of its consolidated financial statements.

Depreciable lives - expenditures for new facilities and those which substantially increase the useful lives of the property, including interest during construction, are capitalized along with equipment purchases at cost. These costs are depreciated over various methods based on an estimate of the depreciable life, resulting in a charge to the operating results of the Company. The actual results may differ from these estimates under different assumptions or conditions. The depreciable lives are as follows:

Property and Equipment	
Games	5 years
Buildings	40 years
Furniture, fixtures and equipment	5 to 10 years
Leasehold and building improvements	Shorter of 20 years or lease life
Intangible Assets	
Trademarks	Over statutory lives
Lease Rights	Over remaining lease term

Goodwill - is being amortized over 30 years. Whenever there is an indication of impairment, the Company evaluates the recoverability of goodwill using future undiscounted cash flows. Any resulting impairment loss could have a material adverse impact on our financial condition and results of operations, however an impairment charge was not considered necessary under FAS 121 as of February 3, 2002.

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, Business Combinations and No. 142, Goodwill and Other Intangible Assets ("Statements"), effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the Statements. Other intangible assets will continue to be amortized over their useful lives.

The Company will apply the new standards on accounting for goodwill and other intangible assets beginning in the first quarter of 2002. Application of the nonamortization provisions of the Statements is expected to result in an increase in income before tax of \$349 (\$.03 per diluted share) in 2002 as a result of nonamortization of existing goodwill. During the first quarter 2002, the Company will perform the required impairment test of goodwill as of February 3, 2002. Based on current analysis, the Company will record a one-time expense to "Cumulative effect of a change in accounting principle" of \$7,096 (\$.55 per diluted share), upon the adoption of the

new standard. If FAS 142 had been adopted as of the beginning of the 1999 fiscal year, the amortization of expense would have had the following impact on prior period operations:

Fiscal Year		
Ended		
January 30,		
February 4,		
February 3,		
2000	2001	
2002	-----	
-----	-----	
-----		
Reported		
Net Income		
\$ 5,205	\$	
12,245	\$	
7,578		
Amortization		
expense		
recorded		
for the		
period	349	
349	349	---
-----	-----	
-----		
- Adjusted		
Net Income		
\$ 5,554	\$	
12,954	\$	
7,927		
Reported		
net income		
per share		
(diluted)	\$	
0.39	\$ 0.94	
	\$ 0.58	
Goodwill		
amortization		
per share		
(diluted)		
0.03	0.03	
.03	-----	
-----	-----	
-----		
Adjusted		
net income		
per share		
(diluted)	\$	
0.42	\$ 0.97	
	\$ 0.61	

Debt Covenants - of the Company's facility agreement require compliance with certain financial covenants including a minimum consolidated tangible net worth level, maximum leverage ratio, minimum fixed charge coverage and maximum level of capital expenditures. The Company was in compliance with the covenants for the fiscal year ended February 3, 2002. The Company believes the results of operations for the fiscal year ending February 2, 2003 and thereafter would enable us to remain in compliance with the existing covenants absent any material negative event affecting the U.S. economy as a whole. However, the Company's expectations of future operating results and continued compliance with the debt covenants cannot be assured and our lenders' actions are not controllable by us. If the projections of future operating results are not achieved and the debt is placed in default, the Company would experience a material adverse impact on our reported financial position and results of operations.

#### FISCAL 2001 COMPARED TO FISCAL 2000

Total revenues increased to \$358,009 for fiscal 2001 from \$332,303 for fiscal 2000, an increase of \$25,706 or 7.7%. New stores opened in fiscal 2001 increased revenues by \$28,431. Revenues from comparable

stores decreased by 2.8% in fiscal 2001. The decrease in comparable stores revenues is primarily attributed to the attack on New York and Washington, D.C. on September 11th resulting in a decline in corporate events of 15.4%. Total revenues from licensing agreements were \$537.

Costs of revenues increased to \$66,939 for fiscal 2001 from \$61,547 for fiscal 2000, an increase of \$5,392 or 8.8%. The increase was principally attributed to opening four new stores during the year. As a percentage of revenues, cost of revenues were up .2% to 18.7% for fiscal 2001 versus 18.5% in fiscal 2000 due to freight costs and higher amusement costs associated with redemption, offset by lower food costs.

Operating payroll and benefits increased to \$110,478 for fiscal 2001 from \$101,143 for fiscal 2000, an increase of \$9,335 or 9.2%. As a percentage of revenue, operating payroll and benefits were 30.9% in fiscal 2001 up .5% from 30.4% in fiscal 2000 due to higher store fixed labor and benefits.

Other store operating expenses increased to \$106,971 for fiscal 2001 from \$90,581 for fiscal 2000, an increase of \$16,390 or 18.1%. As a percentage of revenues, other store operating

expenses were 29.9% in fiscal 2001 as compared to 27.3% in fiscal 2000. The increase in other store operating expenses is due to increases in utilities, marketing and occupancy costs.

General and administrative expenses increased to \$20,653 in fiscal 2001 from \$20,019 for fiscal 2000, an increase of \$634 or 3.2%. As a percentage of revenues, general and administrative expenses for fiscal 2001 were 5.8% and 6.0% for fiscal 2000.

Depreciation and amortization expense increased \$2,977 to \$28,693 in fiscal 2001 from \$25,716 in fiscal 2000. As a percentage of revenues, depreciation and amortization increased to 8.0% from 7.7% for the comparable period due to new store openings.

Preopening costs decreased to \$4,578 for fiscal 2001 from \$5,331 for fiscal 2000, a decrease of \$753 or 14.1%. As a percentage of revenues, preopening costs were 1.3% for fiscal 2001 as compared to 1.6% for fiscal 2000. This decrease is due to timing of store openings and only one store scheduled to open in fiscal 2002.

Interest expense-net decreased to \$7,820 for fiscal 2001 from \$8,712 for fiscal 2000. The decrease was due to lower interest rates in fiscal year 2001.

The effective tax rate for fiscal 2001 was 36.2% as compared to 36.4% for fiscal 2000 and was the result of a lower effective state tax rate.

#### FISCAL 2000 COMPARED TO FISCAL 1999

Total revenues increased to \$332,303 for fiscal 2000 from \$247,134 for fiscal 1999, an increase of \$85,169 or 34%. New stores opened in fiscal 2000 and in fiscal 1999 accounted for 91% of the increase. Revenues at comparable stores increased 3.6% for fiscal 2000. Increases in revenues were also attributable to a 2% overall price increase and a higher average guest check. Total revenues for fiscal 2000 from licensing agreements were \$966.

Cost of revenues increased to \$61,547 for fiscal 2000 from \$45,720 for fiscal 1999, an increase of \$15,827 or 35%. The increase was principally attributable to the 34% increase in revenues. As a percentage of revenues, cost of revenues were the same for fiscal 2000 and fiscal 1999 at 18.5%.

Operating payroll and benefits increased to \$101,143 for fiscal 2000 from \$76,242 for fiscal 1999, an increase of \$24,901 or 33%. As a percentage of revenue, operating payroll and benefits decreased to 30.4% in fiscal 2000 from 30.9% in fiscal 1999 due to lower fixed labor costs, taxes and benefits offset by higher variable labor costs.

Other store operating expenses increased to \$90,581 for fiscal 2000 from \$65,292 for fiscal 1999, an increase of \$25,289 or 39%. As a percentage of revenues, other store operating expenses were 27.3% of revenues in fiscal 2000 as compared to 26.4% of revenues in fiscal 1999. Other store operating expenses were higher due to higher marketing costs associated with the Company's 2000 marketing campaign.

General and administrative expenses increased to \$20,019 for fiscal 2000 from \$14,988 for fiscal 1999, an increase of \$5,031 or 34%. The increase over the prior comparable period resulted from increased administrative payroll and related costs for new personnel, and additional costs associated with the Company's future growth plans. As a percentage of revenues, general and administrative expenses decreased to 6.0% in fiscal year 2000 from 6.1% in fiscal year 1999.

Depreciation and amortization expense increased to \$25,716 for fiscal 2000 from \$19,884 for fiscal 1999, an increase of \$5,832 or 29%. The increase was attributable to new stores opened in fiscal 2000 and in fiscal 1999. As a percentage of revenues, depreciation and amortization decreased to 7.7% from 8.0% for the comparable prior period.

Preopening costs decreased to \$5,331 for fiscal 2000 from \$6,053 for fiscal 1999, a decrease of \$722 or 12%. As a percentage of revenues, preopening costs were 1.6% for fiscal 2000 as compared to 2.4% for fiscal 1999. This decrease was due to the lesser number of new stores opened in 2000 compared to 1999.

Interest expense - net increased to \$8,712 for fiscal 2000 from \$3,339 for fiscal 1999. The increase was due to a higher average debt balance and higher interest rates in 2000 versus 1999.

The effective tax rate for fiscal year 2000 was 36.4% as compared to 36.7% for fiscal year 1999 and was the result of a lower effective state tax rate.

#### LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities increased to \$49,626 in 2001 compared to \$36,678 in 2000 and \$24,940 in 1999. Operating cash flows in 2001 increased primarily due to the timing of accounts payable disbursements. The increase in 2000 was attributable to improvement in profitability and timing of operational receipts and payments.

Cash used in investing activities was \$30,877 in 2001 and \$53,574 in 2000 compared to \$73,798 in 1999. All investing expenditures are related to opening of new stores and normal recurring maintenance at previously existing stores.

Financing activities provided cash of \$47,440 in 1999 and \$16,984 in 2000 compared to a use of cash of \$17,407 in 2001. Net use of cash by financing activities in 2001 was directly attributed to repayment of long-term debt of \$41,648 offset by borrowings from long-term debt of \$24,060. Net cash provided by financing activities in 2000 and 1999 was due to borrowings under long-term debt exceeding any repayments during each year.

The Company has a \$110,000 senior secured revolving credit and term loan facility. The facility includes a five-year revolver and five and seven-year term debt. The facility agreement calls for quarterly payments of principal on the term debt through maturity. Borrowing under the facility bears interest at a floating rate based on LIBOR (1.77% at February 3, 2002) or, at the Company's option, the bank's prime rate (4.75% at February 3, 2002) plus, in each case, a margin based upon financial performance. The facility is secured by all assets of the Company. The facility has certain financial covenants including a minimum consolidated tangible net worth level, a maximum leverage ratio, minimum fixed charge coverage and maximum level of capital expenditures. On November 19, 2001, the Company amended the facility to allow proceeds from sale/leaseback transactions to be applied to both the revolving credit and the term loans for a limited period. At February 3, 2002, \$5,208 was available under this facility.

The Company has entered into an agreement that expires in 2007, to change a portion of its variable rate debt to fixed-rate debt. Notional amounts aggregating \$51,255 are fixed at 5.44%. The Company is exposed to credit losses for periodic settlements of amounts due under the agreements if LIBOR decreases. A charge of \$858 to interest expense was incurred in fiscal 2001 under the agreement.

The market risks associated with the agreements are mitigated because increased interest payments under the agreement resulting from reductions in LIBOR are effectively offset by a reduction in interest expense under the debt obligation.

The Company plans to open one new store during the fiscal year ended February 2, 2003. The preopening and construction costs of the new store will be provided from internal cash flow. Subsequent to the fiscal year ending February 2, 2003, the Company intends to open up to three stores per year, if adequate external financing can be secured to supplement internally generated cash flow.

#### SALE/LEASEBACK TRANSACTIONS

During the year ended February 3, 2002, the Company completed the sale/leaseback of two stores (Atlanta and Houston) and the corporate headquarters in Dallas. Cash proceeds of \$18,474 were received along with \$5,150 in twenty year interest bearing notes receivable at 7-7.5%. The locations were sold to non-affiliated entities. No revenue or profit was recorded at the time of the transaction.

Upon execution of the sale/leaseback transactions, property costs of \$27,360 and accumulated depreciation of \$3,832 were removed from the Company's books resulting in a loss of \$272 which was recognized in 2001 and a gain of \$713 on one facility being amortized over the term of the operating lease.

Future operating lease obligations under the lease agreements are as follows: \$2,917 in 2002, \$2,957 in 2003, \$2,997 in 2004, \$3,037 in 2005, \$3,078 in 2006 and \$50,976 thereafter. Future minimum note payments and interest income associated with the sale/leasebacks at Houston and Atlanta are as follows: \$488 in 2002, \$488 in 2003, \$488 in 2004, \$488 in 2005 and \$7,782 thereafter.

#### CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

The following tables set forth the Company's contractual obligations and commercial commitments (in thousands):

Payments Due		
by Period ---		
-----		
-----		
-----		
----- 1		
Year 2-3 4-5		
After 5		
Contractual		
Obligations		
Total or less		
Years Years		
Years -----		
-----		
---		
-		
-----		
-----		
----- Long-		
term debt \$		
90,396 \$		
5,500 \$		
19,700 \$		
54,653 \$		
10,543		
Operating		
leases		
344,633		
19,474 37,614		
36,566		
250,979		
Operating		
leases under		
sale/leaseback		
transactions		
65,964 2,917		
5,953 6,115		

50,979 -----  
 -----  
 -----  
 -----  
 -----  
 -----  
 -----  
 -----  
 Total \$  
 500,993 \$  
 27,891 \$  
 63,267 \$  
 97,334 \$  
 312,501

Amount of  
 Commitment  
 Expiration  
 Per Period  
 -----  
 -----  
 -----  
 -----  
 -----

1 Year 2-3  
 4-5 After  
 5 Other  
 Commercial  
 Commitments  
 Total or  
 less Years  
 Years  
 Years ----  
 -----  
 -----  
 -----  
 -----  
 -----  
 -----  
 -----  
 -----  
 -----

Letters of  
 Credit \$  
 940 \$ 940  
 \$ -- \$ --  
 \$ --

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. The Company



expects seasonality to be a factor in the operation or results of its business in the future due to expected lower third quarter revenues due to the fall season, and expects higher fourth quarter revenues associated with the year-end holidays. The effects of supplier price increases are not expected to be material. The Company believes low inflation rates in its market areas have contributed to stable food and labor costs in recent years. However, there is no assurance that low inflation rates will continue or that the Federal minimum wage rate will not increase.

#### MARKET RISK

The Company's market risk exposure relates to changes in the general level of interest rates. The Company's earnings are affected by changes in interest rates due to the impact those changes have on its interest expense from variable-rate debt. The Company's agreement to fix a portion of its variable-rate debt mitigates this exposure.

#### "SAFE HARBOR" STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Certain statements in this Annual Report are not based on historical facts but are "forward-looking statements" that are based on numerous assumptions made as of the date of this report. Forward looking statements are generally identified by the words "believes", "expects", "intends", "anticipates", "scheduled", and similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, or achievements of Dave & Buster's, Inc. to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions; competition; availability of capital; locations and terms of sites for Complex development; quality of management; changes in, or the failure to comply with, government regulations; and other risks indicated in this filing.

PART IV

Item 14 EXHIBITS, FINANCIAL STATEMENTS AND REPORTS ON FORM 8-K

(a)(1)  
Financial  
Statements  
Page ----  
Consolidated  
Balance  
Sheets -  
February 3,  
2002 and  
February 4,  
2001 F-1  
Consolidated  
Statements  
of Income -  
Fiscal years  
ended  
February 3,  
2002,  
February 4,  
2001 and  
January 30,  
2002. F-2  
Consolidated  
Statements  
of  
Stockholders'  
Equity -  
Fiscal years  
ended  
February 3,  
2002,  
February 4,  
2001 and  
January 30,  
2000 F-3  
Consolidated  
Statements  
of Cash  
Flows -  
Fiscal years  
ended  
February 2,  
2002,  
February 4,  
2001 and  
January 30,  
2000 F-4  
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Consolidated  
Financial  
Statements  
F-5 through  
F-12 Report  
of  
Independent  
Auditors F-  
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(a)(3) Exhibits incorporated by reference or filed with this Report

- |      |                                                                                                                                  |
|------|----------------------------------------------------------------------------------------------------------------------------------|
| 23   | Independent Auditors' Consent.                                                                                                   |
| 99.1 | Certification of Co-CEO pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 99.2 | Certification of Co-CEO pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

99.3 Certification of CFO 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

By: /s/ W. C. Hammett, Jr.

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W. C. Hammett, Jr.,  
Vice President, Chief  
Financial Officer

Date: September 9, 2002

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Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on September 9, 2002.

Name Title

-----  
/s/ David  
O.  
Corriveau  
Co-  
Chairman  
of the  
Board, - -  
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Co-Chief  
Executive  
Officer,  
President  
David O.  
Corriveau  
and  
Director  
(Principal  
Executive  
Officer)

/s/ James  
W. Corley  
Co-  
Chairman  
of the  
Board, - -  
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Co-Chief  
Executive  
Officer,  
Chief  
James W.  
Corley  
Operating  
Officer  
and  
Director

/s/ W. C.  
Hammett,  
Jr. Vice  
President,  
Chief  
Financial  
-----  
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Officer W.  
C.  
Hammett,  
Jr.  
(Principal  
Financial  
and  
Accounting  
Officer)

/s/ Allen  
J.  
Bernstein  
Director -  
-----  
-----

-----  
Allen J.  
Bernstein  
/s/ Peter  
A. Edison  
Director -

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-----  
-----  
Peter A.  
Edison /s/  
Bruce H.  
Hallett  
Director -  
-----  
-----

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-----  
Bruce H.  
Hallett  
/s/ Walter  
S. Henrion  
Director -  
-----  
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-----  
-----  
Walter S.  
Henrion  
/s/ Mark  
A. Levy  
Director -  
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Mark A.  
Levy /s/  
Christopher  
C. Maguire  
Director -  
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-----  
Christopher  
C. Maguire

CERTIFICATIONS

I, David O. Corriveau, Co-Chief Executive Officer of Dave & Buster's Inc.,  
certify that:

1. I have reviewed this annual report on Form 10-K/A of Dave & Buster's Inc.;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report.

Date: September 9, 2002

/s/ David O. Corriveau  
-----  
David O. Corriveau  
Co-Chief Executive Officer

I, James W. Corley, Co-Chief Executive Officer of Dave & Buster's Inc., certify that:

1. I have reviewed this annual report on Form 10-K/A of Dave & Buster's Inc.;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report.

Date: September 9, 2002

/s/ James W. Corley  
-----  
James W. Corley  
Co-Chief Executive Officer



I, W. C. Hammett, Jr., Chief Financial Officer of Dave & Buster's Inc., certify that:

1. I have reviewed this annual report on Form 10-K/A of Dave & Buster's Inc.;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report.

Date: September 9, 2002

/s/ W. C. Hammett, Jr.  
-----  
W. C. Hammett, Jr.  
Chief Financial Officer

CONSOLIDATED BALANCE SHEETS  
DAVE & BUSTER'S, INC.

FEBRUARY 3,  
2002

FEBRUARY 4,  
2001 (in  
thousands,  
except share  
and per  
share  
amounts)

Assets  
Current  
assets: Cash  
and cash  
equivalents  
\$ 4,521 \$  
3,179  
Inventories  
25,964  
21,758  
Prepaid  
expenses  
1,442 3,663  
Other  
current  
assets 2,445  
1,787 -----  
-----  
-----

Total  
current  
assets  
34,372  
30,387

Property and  
equipment,  
net (Note 2)  
258,302  
260,467  
Goodwill,  
net of  
accumulated  
amortization  
of \$2,612  
and \$2,263  
7,096 7,445  
Other assets  
9,364 5,576  
-----  
-----  
-----

----- Total  
assets \$  
309,134 \$  
303,875

Liabilities  
and  
Stockholders'  
Equity  
Current  
liabilities:  
Current  
installments  
of long-term  
debt (Note  
4) \$ 5,500 \$  
4,124  
Accounts  
payable  
15,991 9,291  
Accrued  
liabilities  
(Note 3)

11,085 7,050  
Income taxes payable  
(Note 5)  
5,054 3,567  
Deferred income taxes  
(Note 5)  
1,220 1,229  
-----  
-----  
-----  
----- Total current liabilities  
38,850  
25,261  
Deferred income taxes (Note 5)  
8,143 7,667  
Other liabilities  
7,099 4,700  
Long-term debt, less current installments  
(Note 4)  
84,896  
103,860  
Commitments and contingencies  
(Notes 4, 6 and 11)  
Stockholders' equity (Note 7):  
Preferred stock, 10,000,000 authorized; none issued  
-- -- Common stock, \$0.01 par value, 50,000,000 authorized;  
12,959,209 and 12,953,375 shares issued and outstanding as of February 3, 2002 and February 4, 2001, respectively  
131 131 Paid in capital  
115,701  
115,659  
Restricted stock awards  
382 243  
Retained earnings  
55,778  
48,200 -----  
-----  
-----  
171,992  
164,233  
Less:  
treasury stock, at cost

(175,000	
shares)	
1,846	1,846
-----	
-----	
-----	
----- Total	
stockholders'	
equity	
170,146	
162,387	-----
-----	
-----	
-----	
- Total	
liabilities	
and	
stockholders'	
equity \$	
309,134	\$
303,875	

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME  
DAVE & BUSTER'S, INC.

FISCAL YEAR	
2001	2000
1999 (in thousands, except per share amounts)	
Food and beverage revenues \$	
181,358	\$
168,085	\$
121,390	
Amusement and other revenues	
176,651	
164,218	
125,744	-----
-----	-----
- Total revenues	
358,009	
332,303	
247,134	Cost of revenues
66,939	61,547
45,720	
Operating payroll and benefits	
110,478	
101,143	
76,242	Other store operating expenses
106,971	
90,581	65,292
General and administrative expenses	
20,653	20,019
14,988	
Depreciation and amortization expense	
28,693	25,716
19,884	
Preopening costs	4,578
5,331	6,053
-----	-----
-----	-----
----- Total costs and expenses	
338,312	
304,337	
228,179	
Operating income	19,697
27,966	18,955
Interest expense, net	
7,820	8,712
3,339	-----
-----	-----
-----	-----
Income before provision for income taxes and	

cumulative effect of a change in an accounting principle	11,877	19,254
	15,616	
Provision for income taxes (Note 5)	4,299	7,009
	5,724	-----
	-----	
Income before cumulative effect of a change in an accounting principle	7,578	12,245
	9,892	
Cumulative effect of a change in an accounting principle, net of income tax benefit of \$2,928 --	4,687	----
	-----	
-- Net income	\$ 7,578	\$
	12,245	\$
5,205 Net income per share - basic		
Before cumulative effect of a change in an accounting principle	\$ .58	\$ .95
	.76	
Cumulative effect of a change in an accounting principle --	.36	-----
	-----	
----- \$	.58	\$ .95
	.40	Net
income per share - diluted		
Before cumulative effect of a change in an accounting principle	\$ .58	\$ .94
	.75	
Cumulative effect of a change in an accounting principle --	.36	-----
	-----	
----- \$	.58	\$ .94
	.39	Weighted
average shares outstanding		

Basic	12,956
12,953	13,054
Diluted	
13,016	12,986
	13,214

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
 DAVE & BUSTER'S, INC.

Common
Stock -----
-----
-----
Paid in
Restricted
Retained
Treasury
Shares
Amount
Capital
Stock
Awards
Earnings
Stock Total
(in
thousands)
Balance,
January 31,
1999 13,069
\$ 131 \$
114,621 \$ -
- \$ 30,750
\$ -- \$
145,502
Proceeds
from
exercising
stock
options 59
-- 786 -- -
- -- 786
Tax benefit
related to
stock
option
exercises -
- -- 252 --
-- -- 252
Purchase of
treasury
stock (175)
-- -- --
(1,846)
(1,846) Net
income -- -
- -- --
5,205 --
5,205 -----
-----
-----
-----
-----
-----
-----
-----
-----
-----
Balance,
January 30,
2000 12,953
\$ 131 \$
115,659 \$ -
- \$ 35,955
\$ (1,846) \$
149,899
Amortization
of
restricted
stock
awards -- -
- -- 243 --
-- 243 Net
income -- -
- -- --
12,245 --
12,245 -----
-----
-----



```

-----
-----
-----
-----
-----
-----
-----
Balance,
February 4,
2001 12,953
$ 131 $
115,659 $
243 $
48,200 $
(1,846) $
162,387
Amortization
of
restricted
stock
awards -- -
- -- 139 --
-- 139
Proceeds
from
exercising
stock
options 6 -
- 40 -- --
-- 40 Tax
benefit
related to
stock
option
exercises -
- -- 2 -- -
- -- 2 Net
income -- -
- -- --
7,578 --
7,578 -----
-----
-----
-----
-----
-----
-----
-----
-----
-----
Balance,
February 3,
2002 12,959
$ 131 $
115,701 $
382 $
55,778 $
(1,846) $
170,146

```

See accompanying notes to consolidated financial statements.

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

FISCAL YEAR	2001	2000	1999
(in thousands)			
Cash flows from operating activities: Net income	\$ 7,578	\$ 12,245	\$ 5,205
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of change in an accounting principle	-- -- 4,687		
Depreciation and amortization	28,693	25,716	19,884
Provision for deferred income taxes	467	1,182	986
Restricted stock awards	-- 243	--	--
Gain on sale of assets	(441)	--	--
Changes in assets and liabilities:			
Inventories	(4,206)	(5,515)	
Prepaid expenses	(5,432)	2,221	(1,559)
Other assets	693	(671)	(666)
Accounts payable	6,700	(2,577)	(1,827)
Accrued liabilities	4,035	2,192	1,073
Income taxes payable	1,487	3,567	--
Other liabilities	2,399	1,855	1,391
Net cash provided by operating activities	49,626	36,678	24,940
Cash flows from investing activities:			
Proceeds from sale/leasebacks	18,474	--	--
Capital expenditures			

	(49,351)	
	(53,574)	
	(73,798)	-----
-----		
-- Net cash		
used in		
investing		
activities		
	(30,877)	
	(53,574)	
	(73,798)	-----
-----		
-- Cash flows		
from financing		
activities:		
Purchase of		
treasury stock		
-- --	(1,846)	
Borrowings		
under long-term		
debt	24,060	
	131,292	50,000
Repayments of		
long-term debt		
	(41,648)	
	(114,308)	
	(1,500)	
Proceeds from		
issuance of		
common stock,		
net	181	-- 786
-----		
-----		
----- Net		
cash (used		
in)/provided by		
financing		
activities		
	(17,407)	16,984
	47,440	-----
-----		
-----		
Increase		
(decrease) in		
cash and cash		
equivalents		
	1,342	88
	(1,418)	
Beginning cash		
and cash		
equivalents		
	3,179	3,091
	4,509	-----
-----		
-----		
Ending cash and		
cash		
equivalents \$		
	4,521	\$ 3,179
		\$ 3,091
Supplemental		
disclosures of		
cash flow		
information:		
Cash paid for		
income taxes \$		
	2,590	\$ 1,941
	4,188	Cash paid
		for interest,
		net of amounts
		capitalized \$
	7,261	\$ 8,363
		\$ 3,455

See accompanying notes to consolidated financial statements.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DAVE & BUSTER'S, INC.

IN THOUSANDS EXCEPT PER SHARE AMOUNTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF PRESENTATION** - The consolidated financial statements include the accounts of Dave & Buster's, Inc. and all wholly-owned subsidiaries (the "Company"). All material intercompany accounts and transactions have been eliminated in consolidation. The Company's one industry segment is the ownership and operation of restaurant/entertainment complexes (a "Complex" or "Store") under the name "Dave & Buster's," which are principally located in the United States.

**USE OF ESTIMATES** - The preparation of financial statements in conformity with generally accepted accounting principles requires management 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.

**FISCAL YEAR** - The Company's fiscal year ends on the Sunday after the Saturday closest to January 31. References to 2001, 2000 and 1999 are to the 52 weeks ended February 3, 2002 and to the 53 weeks ended February 4, 2001 and to the 52 weeks ended January 30, 2000, respectively.

**INVENTORIES** - Inventories, which consist of food, beverage and merchandise are reported at the lower of cost or market determined on a first-in, first-out method. Static supplies inventory is capitalized at each store opening date and reviewed periodically for valuation.

**PREOPENING COSTS** - The Company adopted Statement of Position 98-5 ("SOP 98-5"), "Reporting on the Costs of Start-Up Activities", in the first quarter of fiscal 1999. This accounting standard requires the Company to expense all start-up and preopening costs as they are incurred. The Company previously deferred such costs and amortized them over the twelve-month period following the opening of each store. The cumulative effect of this accounting change, net of income tax benefit of \$2,928, was \$4,687 in fiscal 1999.

**PROPERTY AND EQUIPMENT** - Expenditures for new facilities and those which substantially increase the useful lives of the property, including interest during construction, are capitalized. Interest capitalized in 2001, 2000 and 1999 was \$892, \$1,555 and \$1,623, respectively. Equipment purchases are capitalized at cost. Property and equipment lives are estimated as follows: buildings, 40 years; leasehold and building improvements, shorter of 20 years or lease life; furniture, fixtures and equipment, 5 to 10 years; games, 5 years.

**GOODWILL** - Goodwill of \$9,708 is being amortized over 30 years. Whenever there is an indication of impairment, the Company evaluates the recoverability of goodwill using future undiscounted cash flows. In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, Business Combinations and No. 142, Goodwill and Other Intangible Assets ("Statements"), effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the Statements. Other intangible assets will continue to be amortized over their useful lives.

The Company will apply the new standards on accounting for goodwill and other intangible assets beginning in the first quarter of 2002. Application of the nonamortization provisions of the Statements is expected to result in an increase in income before tax of \$349 (\$.03 per diluted share) in 2002 as a result of nonamortization of existing goodwill. During the first quarter of 2002, the Company will perform the required impairment test of goodwill as of February 3, 2002. Based on current analysis, the Company will record a one-time expense to "Cumulative effect of a change in accounting principle" of \$7,096 (\$.55 per diluted share), upon the adoption of the new standard. If FAS 142 had been adopted as of the beginning of the 1999 fiscal year, the amortization of expense would have had the following impact on prior period operations:

Fiscal Year  
 Ended  
 January 30,  
 February 4,  
 February 3,  
 2000 2001  
 2002 -----  
 -----  
 -----

Reported  
 Net Income  
 \$ 5,205 \$  
 12,245 \$  
 7,578

Amortization  
 expense  
 recorded  
 for the  
 period 349  
 349 349 ---  
 -----  
 -----

- Adjusted  
 Net Income  
 \$ 5,554 \$  
 12,954 \$  
 7,927

Reported  
 net income  
 per share  
 (diluted) \$  
 0.39 \$ 0.94  
 \$ 0.58

Goodwill  
 amortization  
 per share  
 (diluted)  
 0.03 0.03  
 .03 -----  
 -----  
 -----

Adjusted  
 net income  
 per share  
 (diluted) \$  
 0.42 \$ 0.97  
 \$ 0.61

DEPRECIATION AND AMORTIZATION - Property and equipment, excluding most games, are depreciated on the straight-line method over the estimated useful life of the assets. Games are generally depreciated on the 150%-double-declining-balance method over the estimated useful lives of the assets. Intangible assets are amortized on the straight-line method over estimated useful lives as follows: trademarks over statutory lives and lease rights over remaining lease terms.

INTEREST RATE SWAP AGREEMENTS - The Company adopted Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities ("FAS 133") effective February 5, 2001. FAS 133 requires the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. During the year, the Company has entered into an agreement that expires in 2007, to fix its variable-rate debt to fixed-rate debt (5.44% at February 3, 2002) on notional amounts aggregating \$51,255. The market risks associated with the agreements are mitigated because increased interest payments under the agreement resulting from reductions in LIBOR are effectively offset by reduction in interest expense under the debt obligation.

The Company is exposed to credit losses for periodic settlements of amounts due under the agreements. A charge of \$858 to interest expense was incurred in fiscal 2001 under the agreement.

**INCOME TAXES** - The Company uses the liability method 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.

**STOCK OPTION PLAN** - The Company elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related Interpretations in accounting for its employee stock options because the alternative fair value accounting provided for under SFAS No. 123, "Accounting for Stock-Based Compensation", requires use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

**REVENUE RECOGNITION** - Food, beverage and amusement revenues are recorded at point of service. Foreign license revenues are deferred until the Company fulfills its obligations under license agreements, which is upon the opening of the Complex. The license agreements provide for continuing royalty fees based on a percentage of gross revenues and are recognized when assured.

**ADVERTISING COSTS** - In accordance with SOP 93-7 "Reporting on Advertising Costs", all costs of advertising are recorded as expense in the period in which the costs are incurred or the first time the advertising takes place. For fiscal 2001 and 2000, such expenses are 3.7% and 3.3% of revenue, respectively.

**TREASURY STOCK** - During fiscal 1999, the Company's Board of Directors approved a plan to repurchase up to 1,000 shares of the Company's common stock. Pursuant to the plan, the Company repurchased 175 shares of its common stock for approximately \$1,846 during fiscal 1999.

NOTE 2: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2001	2000	Land	
.....	\$ 6,706	\$ 11,308	Buildings	
.....	34,232	56,023	Leasehold and building	
improvements .....	143,114	110,559	Games	
.....	79,673	69,970	Furniture, fixtures, and	
equipment .....	92,033	72,723	Construction in progress	
.....	3,711	17,914	-----	
-----			Total cost	
.....			359,469	
338,497			Accumulated depreciation	
.....	(101,167)	(78,030)	-----	
-----			\$ 258,302	\$
	260,467			

NOTE 3: ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	2001	2000	
Payroll.....	\$ 2,393	\$ 1,873	Sales and use tax
.....			1,387
estate tax .....			1,618
.....			Other
.....	2,620	1,873	-----
.....	4,685	1,686	Total accrued liabilities
.....			\$ 11,085
			\$ 7,050

NOTE 4: LONG-TERM DEBT

In 2000, the Company secured a \$110,000 senior secured revolving credit and term loan facility. On November 19, 2001, the Company amended its senior secured revolving credit and term loan facility to allow proceeds from sale/leaseback transactions to be applied to both the revolving credit and term loans. The facility includes a five-year revolver and five and seven-year term debt. The facility agreement calls for quarterly payments of principal on the term debt through the maturity date. At February 3, 2002 long-term debt payments under the debt agreement are \$5,500 in 2002; \$8,300 in 2003; \$11,400 in 2004; \$35,453 in 2005; \$19,200 in 2006 and \$10,543 thereafter.

Borrowing under the facility bears interest at a floating rate based on LIBOR (1.77% at February 3, 2002) or, at the Company's option, the bank's prime rate (4.75% at February 3, 2002) plus, in each case, a margin based upon financial performance. The facility is secured by all assets of the Company. The facility has certain financial covenants including a minimum consolidated tangible net worth level, a maximum leverage ratio, minimum fixed charge coverage and maximum level of capital expenditures. At February 3, 2002, \$5,208 was available under this facility. The fair value of the Company's long-term debt approximates its carrying value.

The Company has entered into an agreement that expires in 2007, to change a portion of its variable rate debt to fixed-rate debt. Notional amounts aggregating \$51,255 are fixed at 5.44%. The Company is exposed to credit losses for periodic settlements of amounts due under the agreements if LIBOR decreases. A charge of \$858 to interest expense was incurred in 2001 under the agreement.



NOTE 5: INCOME TAXES

The provision for income taxes is as follows:

	2001	2000	1999	Current expense
Federal.....	\$ 3,149	\$ 5,077	\$ 4,242	State and local
.....		504	750	496
Deferred tax expense				646
.....				1,182
-----				986
Total provision for income taxes				
.....	\$ 4,299	\$ 7,009	\$ 5,724	

Significant components of the deferred tax liabilities and assets in the consolidated balance sheets are as follows:

	2001	2000	1999	Accelerated
depreciation .....	\$ 11,399	\$ 9,474	\$ 7,475	Preopening
costs .....	(1,378)	--	--	Prepaid expenses
.....				152
130 Capitalized interest costs				129
.....	1,740	1,281	1,346	-
-----				
Total deferred tax liabilities				
.....	11,913	10,884	8,951	Worker's
compensation .....	281	304	330	Leasing transactions
.....				2,288
791 Other				1,500
.....				
(19) 184 116 -----				
----- Total deferred tax assets				
.....	2,550	1,988	1,237	-----
----- Net				
deferred tax liability				
.....	\$ (9,363)	\$ (8,896)		
	\$ (7,714)			

Reconciliation of federal statutory rates to effective income tax rates:

	2001	2000	1999	Federal corporate
statutory rate .....	35.0%	35.0%	35.0%	State and local income
taxes, net of federal income tax				benefit .....
.....	3.1%	2.2%	2.1%	Goodwill amortization and other
nondeductible expenses				1.0%
.....	1.0%	2.1%	2.2%	Tax
credits				
.....	(4.3)%	(2.0)%	(1.9)%	Effect of change
in deferred tax rate .....	--	(1.9)%		(2.4)%
(2.4)% Other				
.....	1.4%	1.0%	1.7%	-----
-- -----				
Effective tax rate				
.....	36.2%	36.4%		
	36.7%			

NOTE 6: LEASES

The Company leases certain properties and equipment under operating leases. Some of the leases include options for renewal or extension on various terms. Most leases require the Company to pay property taxes, insurance and maintenance of the leased assets. Some leases have provisions for additional percentage rentals based on revenues; however, payments of percentage rent were minimal during the three-year period ended February 3, 2002. For 2001, 2000 and 1999, rent expense for operating leases was \$19,469, \$14,295 and \$11,119, respectively. At February 3, 2002, future minimum lease payments required under operating leases are \$22,391 in 2002; \$21,892 in 2003; \$21,675 in 2004; \$21,368 in 2005; \$21,313 in

2006 and \$301,957 thereafter.

During the year ended February 3, 2002, the Company completed the sale/leaseback of two stores (Atlanta and Houston) and the corporate headquarters in Dallas. Cash proceeds of \$18,474 were received along with \$5,150 in twenty year interest bearing notes receivable at 7-7.5%. The locations were sold to non-affiliated entities. No revenue or profit was recorded at the time of the transaction.

Upon execution of the sale/leaseback transactions, property costs of \$27,360 and accumulated depreciation of \$3,832 were removed from the Company's books resulting in a loss of \$272 which was recognized in 2001 and a gain of \$713 on one facility being amortized over the term of the operating lease.

Future operating lease obligations under the lease agreements are as follows: \$2,917 in 2002, \$2,957 in 2003, \$2,997 in 2004, \$3,037 in 2005, \$3,078 in 2006 and \$50,976 thereafter. Future minimum note payments and interest income associated with the sale/leasebacks at Houston and Atlanta are as follows: \$488 in 2002, \$488 in 2003, \$488 in 2004, \$488 in 2005 and \$7,782 thereafter.

#### NOTE 7: COMMON STOCK

In 1995, the Company adopted the Dave & Buster's, Inc. 1995 Stock Option Plan (the "Plan") covering 675 shares of common stock. In 1997, 1998 and 2001, the Company increased the shares of common stock covered by the Plan to 1,350, 2,350 and 2,950 respectively. The Plan provides that incentive stock options may be granted at option prices not less than fair market value at date of grant (110% in the case of an incentive stock option granted to any person who owns more than 10% of the total combined voting power of all classes of stock of the Company). Non-qualified stock options may not be granted for less than 85% of the fair market value of the common stock at the time of grant and are primarily exercisable over a three to five year period from the date of the grant.

In 1996, the Company adopted a stock option plan for outside directors (the "Directors' Plan"). A total of 150 shares of common stock are subject to the Directors Plan. The options granted under the Directors' Plan vest ratably over a three year period. In 2001, the Company increased the shares of common stock subject to the Directors' Plan from 150 shares to 190 shares.

In 2000, the Company amended and restated the Dave & Buster's, Inc. 1995 Stock Incentive Plan to allow the Company to grant restricted stock awards. These restricted stock awards will fully vest at the end of the vesting period or the attainment of one or more performance targets established by the Company. Recipients are not required to provide consideration to the Company other than render service and have the right to vote the shares and to receive dividends. The Company issued in 2001 and 2000, 63.5 and 267 shares of restricted stock at a market value of \$6.45 - \$7.90 and \$6.75, respectively, which vest at the earlier of attaining certain performance targets or seven years. The total market value of the restricted shares, as determined at the date of issuance, is treated as unearned compensation and is charged to expense over the vesting period. The charge to expense for the unearned compensation was \$139 and \$243 in 2001 and 2000, respectively.

Pro forma information regarding net income and earnings per common share is required by SFAS 123, and is used as if the Company had accounted for its employee stock options under the fair value method. The fair value for these options is estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 2001, 2000 and 1999, respectively: risk-free interest rates of 4.59%, 6.30%, and 5.39%; dividend yields of 0.0%; volatility factors of the expected market price of the Company's common stock of .650, .740, and .494; and a weighted-average life of the option of 3.2, 2.7, and 4.4 years.

The Black-Scholes option valuation model is used in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the option's vesting period. Because SFAS 123 requires compensation expense to be recognized over the vesting period, the impact on pro forma net income and pro forma earnings per common share as reported below may not be representative of pro forma compensation expense in future years.

The Company's pro forma information is as follows:

2001	2000	1999	Net
			income, as reported
.....			\$
7,578	\$ 12,245	\$ 5,205	
	Pro forma net income		
.....			
\$ 5,931	\$ 10,018	\$	
3,627	Basic net income		
	per share, as reported		
.....	\$ .58	\$ .95	\$ .40
	Pro forma basic net		
	income per share		
.....	\$ .46	\$ .77	\$
.28	Diluted net income		
	per share, as reported		
...	\$ .58	\$ .94	\$ .39
	Pro forma diluted net		
	income per share	.....	
	\$ .46	\$ .77	\$ .27

A summary of the Company's stock option activity and related information is as follows:

2001	2000	1999
Weighted-		
Weighted-		
Weighted-		
Average		
Average		
Average		
Exercise		
Exercise		
Exercise		
Options		
Price		
Options		
Price		
Options		
Price		
Outstanding		
-		
beginning		
of year		
1,932	\$	
14.78		
1,666	\$	
17.24		
1,145	\$	
16.82		
Granted		
1,233	\$	
6.82	674	\$
7.49	734	\$
18.10		
Exercised		
(6)	\$ 6.80	
--	--	(59)
\$ 12.88		
Forfeited		
(234)	\$	
13.16		
(408)	\$	
12.77		
(154)	\$	
20.09		
Outstanding		
- end of		
year	2,925	
\$ 11.56		
1,932	\$	
14.78		
1,666	\$	
17.24		

Exercisable  
- end of  
year 1,178  
\$ 15.26  
642 \$  
17.37 516  
\$ 14.87  
Weighted-  
average  
fair value  
of options  
granted  
during the  
year \$  
3.28 \$  
3.96 \$  
8.36

As of February 3, 2002, exercise prices for 2,925 options ranged from \$6.10 to \$25.32. The weighted-average remaining contractual life of the options is 7.6 years.

Under a Shareholder Protection Rights Plan adopted by the Company, each share of outstanding common stock includes a right which entitles the holder to purchase one one-hundredth of a share of Series A Junior Participating Preferred Stock for seventy five dollars. Rights attach to all new shares of commons stock whether newly issued or issued from treasury stock and become exercisable only under certain conditions involving actual or potential acquisitions of the Company's common stock. Depending on the circumstances, all holders except the acquiring person may be entitled to 1) acquire such number of shares of Company common stock as have a market value at the time of twice the exercise price of each right, or 2) exchange a right for one share of Company common stock or one one-hundredth of a share of the Series A Junior Participating Preferred Stock, or 3) receive shares of the acquiring company's common stock having a market value equal to twice the exercise price of each right. The rights remain in existence until ten years after the Distribution, unless they are redeemed (at one cent per right).

NOTE 8: EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

	2001	2000
	1999	
Numerator-		
Net Income	\$ 7,578	\$ 12,245
	5,205	-----
	-----	-----
Denominator:		
Denominator		
for basic		
net income		
per share -		
Weighted		
average		
shares	12,956	12,953
	13,054	
Effect of		
dilutive		
securities		
- employee		
stock		
options	60	33
	160	-----
	-----	-----
Denominator		
for diluted		
earnings		
per share -		
adjusted		
weighted		
average		
shares	13,016	12,986
	13,214	
Basic net		
income per		
share \$	.58	.40
	.95	.40
Diluted net		
income per		
share \$	.58	.39
	.94	.39

Options to purchase 1,529, 1,346 and 925 shares of common stock for 2001, 2000 and 1999, respectively, were not included in the computation of diluted net income per share because the options would have been antidilutive.

NOTE 9: RELATED PARTY ACTIVITY

During 2000, the Company was party to a consulting agreement with Sandell Investments ("Sandell"), a partnership whose controlling partner is a director of the Company. Sandell advises the Company with respect to expansion and site selection, market analysis, improvement and enhancement of the Dave & Buster's concept and other similar and related activities. Annual fees of \$125 were paid to Sandell in 2000 and 1999, the maximum fee provided for under the agreement.

The Company was a party to a sale/leaseback transaction with Cypress Equities, Inc. for its San Diego, California location, whereby the Company received \$8,000 in exchange for committing to lease payments of approximately \$6,300 over 20 years with options for renewal. A director of the Company is the managing member of Cypress Equities, Inc. Payments to Cypress Equities, Inc. in 2001 and 2000 were \$1,242 and \$349, respectively.

NOTE 10: EMPLOYEE BENEFIT PLAN

The Company sponsors a plan to provide retirement benefits under the provision of Section 401(k) of the Internal Revenue Code (the "401(k) Plan") for all employees who have completed a specified term of service. Company contributions may range from 0% to 100% of employee contributions, up to a maximum of 6% of eligible employee compensation, as defined. Employees may elect to contribute up to 20% of their eligible compensation on a pretax basis. Benefits under the 401(k) Plan are limited to the assets of the 401(k) Plan.

NOTE 11: CONTINGENCIES

The Company is subject to certain legal proceedings and claims that arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to all actions will not materially affect the consolidated results of operations or financial condition of the Company.

NOTE 12: QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Fiscal 2001	First	Second	Third	Fourth
Total revenues				
.....				
\$				
88,210	\$ 83,622	\$ 81,371	\$104,806	
Income before provision for income taxes				
.....	4,834	2,675	(2,936)	
	7,304			
Net income				
.....				
3,084	1,707	(1,873)	4,660	Basic net income per share
.....				
\$	.24	\$	.13	\$
(.14)	\$	.36		Basic weighted average shares outstanding
.....				
12,953				
12,954	12,956	12,957		Diluted net income per share
.....				
\$	.24	\$	.13	\$
(.14)	\$	.36		Diluted weighted average shares outstanding
.....				
13,068	13,028	12,956	12,992	

Fiscal 2000	First	Second	Third	Fourth
Total revenues				
.....				
\$				
77,849	\$ 77,566	\$ 79,244	\$ 97,644	
Income before provision for income taxes				
.....	4,565	3,397	2,368	
	8,924			
Net income				
.....				
2,890	2,150	1,499	5,706	Basic net income per share
.....				
\$	.22	\$	.17	\$
.12	\$	.44		Basic weighted average shares outstanding
.....				
12,953				
12,953	12,953	12,953		Diluted net income per share
.....				
\$	.22	\$	.17	\$
.12	\$	.44		Diluted weighted average shares outstanding
.....				
12,960	12,954	12,974	13,077	



REPORT OF INDEPENDENT AUDITORS

STOCKHOLDERS AND BOARD OF DIRECTORS  
DAVE & BUSTER'S, INC.

We have audited the accompanying consolidated balance sheets of Dave & Buster's, Inc. as of February 3, 2002 and February 4, 2001, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended February 3, 2002. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Dave & Buster's, Inc. at February 3, 2002 and February 4, 2001 and the consolidated results of its operations and its cash flows for each of the three years in the period ended February 3, 2002, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas  
March 27, 2002

INDEX OF EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
----- 23	-----
	Independent Auditors' Consent 99.1 Certification of Co-CEO pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002. 99.2 Certification of Co-CEO pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002. 99.3 Certification of CFO pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002.

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-80537 and 333-88183) pertaining to Dave & Buster's Inc. 1995 Stock Option Plan and Employee 401(k) Savings Plan of our report dated March 21, 2002 with respect to the consolidated financial statements of Dave & Buster's, Inc. included in this Annual Report (Form 10-K/A-Amendment No. 2) for the year ended February 3, 2002.

Ernst & Young LLP

Dallas, Texas  
September 4, 2002

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Dave & Buster's, Inc. (the "Company") on Form 10-Q for the period ended August 4, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David O. Corriveau, Co-Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) 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 result of operations of the Company.

/s/ David O. Corriveau

David O. Corriveau  
Co-Chief Executive Officer  
September 9, 2002

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Dave & Buster's, Inc. (the "Company") on Form 10-Q for the period ended August 4, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James W. Corley, Co-Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) 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 result of operations of the Company.

/s/ James W. Corley

James W. Corley  
Co-Chief Executive Officer  
September 9, 2002

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Dave & Buster's, Inc. (the "Company") on Form 10-Q for the period ended August 4, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, W. C. Hammett, Jr., Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) 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 result of operations of the Company.

/s/ W. C. Hammett, Jr.

W. C. Hammett, Jr.  
Chief Financial Officer  
September 9, 2002