Bowl America

September 18, 2002

Dear Fellow Owners:

Breakfast becomes more difficult if you combine it with a look at the business pages of your local newspaper. My paper recently featured an article on the continuing increase in health insurance rates. All summer I read about the drought, never the best time for the bowling business. AOL and WorldCom laid off workers in the area surrounding Dulles airport, where much of our successful expansion in the 90's was centered. And it takes only a bankbook, not a newspaper, to keep you informed about what has happened to interest rates, which influence the return on the cash portion of our reserves. Add to these external factors our inability to renew the lease at one of our profitable centers and you can see that this is a year in which we will have our work cut out for us.

Many of the factors that enabled us to survive previous recessions are in place today. We have a strong financial position, we were frugal during the good times, we have good locations and we have what is collectively the best bowling center staff in the business. This is the third year of a declining stock market, and once again, there has been no legislation designed to help companies prosper. There is little difference from 1993, when I wrote in our annual report…

"However, we now have a tax bill that favors real estate speculators over building owners, debt over reinvested equity, and traders of stock over long-term owners of businesses. The failure to tailor the new tax law to the limitless prosperity this country should have almost guarantees a return of the worst of the excesses-too much debt, allocation of capital to mergers and acquisitions rather than expansion, and uncontrolled speculation.

The problem did not begin with this year's tax writers. It is difficult to envision an economy aimed at creating long-term growth that allows corporate governance to be controlled by a body named The Securities and Exchange Commission. Businesses should be structured to succeed, not to sell or exchange."

The 90's focus on trading pieces of paper (stock shares) instead of investing in companies has had its predictable result. Many investors are left with depressed portfolios at just the time they need their money. Sadly, most people did not get a fair share from the rising market. According to a prominent fund manager, individual mutual fund accounts grew at less than half the rate of the funds themselves because most of us buy high and sell low. Furthermore, most actual funds didn't perform as well as the market as a whole. Profits from trading have proven to not be a fair way to distribute the results of corporate success.

The financial community, which fueled the bubble, has succeeded in deflecting any real solutions to these problems. Rather, honest companies are faced with a variety of new regulations being imposed without any public discussion of their impact on the profitability and inventiveness of the companies or on the efficiency of the economy as a whole.

I have always held that our objective should be to help our shareholders prosper through their ownership of Bowl America. We expect this will be our thirty-first consecutive year of increased per share dividends. More and more respected voices are now supporting dividends as a method of rewarding ownership and promoting corporate honesty. Dividends have the benefit of being paid in cash, not accounting fantasy. The disadvantage is that they are subject to double taxation. But tax laws can and should be changed.

Your support, both in terms of your encouragement and your continuing to hold your shares, is our best indication that Bowl America has met your investment needs.

Leslie H. Goldberg, *President*