



September 16, 1996

Dear Fellow Employees and Owners:

About the time I start this message each year, the papers are filled with predictions about programming for the new fall TV season and a review of the successes and failures of the summer movie season. The number of times that companies with enormous financial resources and stables of previously successful executives "get it wrong" when it comes to predicting the public taste is a measure of the difficulty of the task.

Part of the problem is that the search for something new is an element of entertainment. Many of us have difficulty in describing what we **will** like beyond saying "I'll know it when I see it". This uncertainty about recreation spending led Bowl America to develop its approach to the allocation of our resources.

In our 1982 message, we reviewed this policy of balancing an uncertain market with a stable financial structure in order to create a stronger company. People often react to a strong balance sheet the way they do to an insurance premium for a catastrophe that didn't happen. In our case, we paid little for our security and flexibility for expansion and modernization because of the earnings received over the years from the investment of our reserves.

We still need that financial strength. We have just finished a poor year. Some of the factors that caused these results --- such as the Blizzard of '96 --- are one-time events (although as I write this, we are clearing up from hurricane Fran). But some of our other problems seem longer lasting. These include the national decline in league participation, the effect of government downsizing in the Washington metropolitan area and restrictive smoking regulations.

But the variety of factors that have contributed to our drop in earnings should not obscure the fact that we must work harder at increasing our business at every center. Where we fall short, we must tailor our expenses to the business we produce.

The pendulum will probably swing back towards group

recreational activity. Bowling should be part of any such rebound just as it was after the upsurges of interest in radio and television and VCRs. Because the timing of such a move is unpredictable, Bowl America must maintain its facilities in a way that will attract tomorrow's customers. In this regard, we have continued to upgrade our bowling centers. We have replaced the last black and white scoring screens with the latest color models and the 16 lane addition at Bowl America Dranesville will open shortly.

Our focus remains on building a profitable company from which the owners receive continuing income. We have never viewed Bowl America as a trading vehicle and those of you who have read these reports will know that we distinguish between profiting from a business and profiting from trading paper. Both have their place, but there has been unanimous support for our direction from the owners who have spoken at our annual meetings.

Others have also recently expressed confidence in the future of operating bowling centers. Earlier this year a prominent Wall Street firm raised \$1.5 billion to acquire an existing bowling company, and in September acquired 50 additional bowling centers for \$100 million. It seems reasonable that those financial professionals believe an investment in bowling will be worth more in the future.

That has been our belief for almost 40 years.

A handwritten signature in black ink, appearing to read "Leslie H. Goldberg".

Leslie H. Goldberg, *President*