



September 19, 1997

Dear Fellow Employees and Owners:

On a particularly difficult stretch of river Lewis and Clark discovered that, despite vigorous rowing, their canoes were moving backward relative to the shore. The current was stronger than the men. The only answer was to move to land and arduously proceed on foot parallel to the river. Eventually, they reached a milder current and were able to again capitalize on the advantages afforded by river travel.

We feel that many of our efforts to expand our core league business have enabled us to move relative to the current, but not to the shore. Again in fiscal 1997, league bowling declined, even as shopping checks of competitive establishments near our key centers showed Bowl America had significantly more league bowlers. As a result, both earnings and cash flow were slightly lower than fiscal 1996. Some of our initiatives to improve other parts of our business only produced results late in the year, and could not offset the league loss.

One such effort that shows promise is glow-in-the-dark bowling. Normal lighting is replaced with black light and laser lights reflecting off phosphorescent pins and bowling lanes, and is combined with upbeat music. It has been well received in all but one of our first installations. We now have 12 centers in operation or scheduled for equipment. In addition to higher revenues, we're seeing increased traffic from young adults, a group we had not been regularly reaching.

We are also promoting Bowl America to an even younger group. Many of you are familiar with our "Rolling Bowling" program, in which we install our shortened bowling lane and a pinsetter in a tractor trailer in order to deliver bowling directly to schools. This year, we replaced our original trailer with an improved model and now have 27 schools on the waiting list for visits. We also worked closely with local school systems to reward academic achievements. Students were offered a free bowling game at a Bowl America center for every "A" on their final report cards. Bowling by family members and friends of the honorees and food sales made up for the lost revenue while exposing our facilities to a wider audience.

These improved contacts with many educational systems are also helping us accomplish our long-term objective of benefiting from reduced gender discrimination in sports. During the year, the last legal challenge to Title IX was decided. While we applaud the increased opportunities available to all athletes, we believe that gender neutral competition, such as bowling,

delivers important educational advantages over "separate but equal" programs. We are especially pleased that one locality has made bowling a "letter" sport for mixed gender teams. It could take years to see all of the benefits of our strengthened youth activities, but some results are already apparent. It now appears that we have more youth league participants again this year, after a 10 percent increase last year.

We now own most of our amusement games, instead of using concessionaires. In addition to not having to share the revenue with the outside operator, we have almost tripled the gross game play at all the converted locations.

This conversion, installation of glow-in-the-dark, our expansion at Dranesville, and the closing of two unprofitable centers created extra expense in the last quarter of 1997, but has improved profitability at the start of fiscal 1998. Our normal July and August operating losses were sharply reduced. However, we had fewer adult league bowlers in the first week of the new fall season than last year. We cannot yet determine if the improved youth play and special events, along with greater profitability from video games and the 16 extra lanes at Dranesville will offset the league shortfall.

Remember, the Lewis and Clark party eventually got to where they were going. It just took longer than they expected.

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

Leslie H. Goldberg, *President*