



September 16, 1999

Dear Fellow Employees and Owners:

We continue to adapt successfully to our customers' changing entertainment tastes.

Profits grew again while our core league business continued to decline. Earnings per share increased 13% over fiscal 1998 and 39% over 1997 despite the fall off in adult league bowling. The upswing in open play and special events was even more pronounced this summer. Our June-August gross revenues were up 9% with one fewer center. In both July and August, we operated profitably. In the last 15 years, only once was even one of those two months profitable (August 1992).

Part of what is happening has historic roots. When a bowling center is filled with leagues, potential open play customers become discouraged and may not even try to bowl. This provides a shrinking pool of replacement bowlers for existing leagues. It is only when league play has contracted enough that people feel they can drop into a bowling center on a weeknight and get a lane that we can begin to build back our customer base. During World War II, our center was triple shifted with leagues. A five person team that bowled at 5:00 p.m. was followed by a 7:00 p.m. league and a third group at 9:00 p.m. Some of the later bowlers would even stay on into the wee hours to test their skills. It was, in fact, impossible to get together a group for a spur of the moment bowling party. The end of gas rationing and the coming of TV changed all that, so a new generation was able to "get a lane." The next wave of new people came with the automatic pinsetter which led to new centers, more capacity and more bowlers.

Now it is again possible most nights and in most cities to get together a group of friends and just go bowling. Our challenge is to make sure that those customers enjoy themselves enough to participate regularly and to talk about the fun they had to their friends, neighbors and fellow workers.

However, our historic emphasis on leagues will stand us well even in this new environment. In a news article last week, a financial analyst was quoted as saying that another recreation company, currently in bankruptcy, needed only to get customers to come back a second time to survive. The Bowl America staff has been trained to get customers to come back 35 times a year. They should find it easy to persuade the casual bowler to return because they have learned that recreation is an experience,

not a product. It is superior customer service that has made Bowl America the bowling centers for people who love to bowl.

While we will make some changes in our physical plant, most of our assets are of equal appeal to both groups. Our locations are well positioned for both after work and neighborhood use. Electronic scoring makes this game easy for beginners and keeps statistics for our league players. We have menus tailored for active customers. Our experience the last few years has convinced us that we can continue to invest in carefully selected new locations. Also, the greater the number of recreation events a person tries, the greater the bargain bowling seems. Therefore, we should get the advantage of better pricing to support all of our locations.

One of the problems with regard to this year, however, is that this mix of business will cause our results to be less predictable because of the lower number of pre-contracted every week league players. Further, we have been fortunate the last two years to have had mild winters which enabled bowlers to get to our centers almost without interruption. On a more positive note, we have the exceptional start this summer and this is a 53-week year. Additionally, our stock purchases, while reducing total earnings, should serve to increase our cash flow and per share results.

One of the best things we have going for us is the number of people on our staff who have dealt with swings in entertainment tastes and kept Bowl America profitable over the years. They are being challenged by this changing environment, but I am confident they can handle it.

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

Leslie H. Goldberg, *President*