

50 *years of excellence*

Dear Fellow Owners:

I'm sure that what is important to you today is whether we have taken reasonable steps to help protect Bowl America from the financial turmoil breaking out around us. After all, we have given major emphasis over time to the survival of the enterprise. As of today, we own 17 of our 19 bowling centers. None has a mortgage. In fact, we have no long-term debt. Our payrolls and trade bills are current.

In addition, we have reasonably secure short-term investments approaching \$10 million. Our stock investments are not margined. We, therefore, expect that we have deep protection for our ability to finance our center operations and to support possible expansion. Further, unless there is a runaway panic, we believe that our healthy balance sheet would enable us to borrow if a promising option became available.

But suppose there are serious economic problems. A recent survey reported that 78% of the public intended to cut back recreational expenses in the next three months. We doubt, however, that the prospects for bowling can be as bad as they were in 1938 when my father began putting together the Clarendon Bowling Center. Unemployment was at 17% and the Dow Jones was 150.

Sadly, we don't have an Eddie Goldberg today. But we do have his confidence. And, we do have great locations, our liquid assets, and a staff of managers experienced in providing great customer service and efficient expense control.

I hope you will take comfort, as we work our way through the problems and opportunities of the near term, that we share common objectives. Elsewhere, we have included a page from our original Bowl America Prospectus (dated December 8, 1958) that shows that three of your Directors held stock at the time of that initial issue. Because none of us has sold a share, Bowl America has protected us from the worst of today's financial troubles. As your Directors, we have always felt common stock dividends would treat "insiders" and public holders equitably. It's why we regularly increase dividends as our method of maximizing total shareholder value.

It's been over 20 years since I argued that our owners should be able to profit without the need to dispose of their Bowl America ownership. "Cashing out" should be the last option. Trading stocks requires being right about timing and relative value for both stocks in each replacement transaction. It is probably why over 90% of "professional" traders are out of business in 10 years (see "Fooled by Randomness" by Nassim Nicholas Taleb) and why the public does only half as well as the total market. Too often, we have settled for owning promises rather than real things. What's now becoming of concern is that many people viewed home ownership in the same light as stocks.

“Markets can remain
irrational longer than you
can remain solvent.”

John Maynard Keynes

It is extremely complicated to shift a country from habits of speculation to ones of real ownership, but it would avoid what is at the heart of the cycles of elation and despair, which, while wonderful on the way up, are devastating on the way down. Speculating has become our *National Narcotic* and withdrawal may be as painful as it is for any junkie.

I am reminded of a story told about Winston Churchill during World War II. Supposedly he complained to one of his scientific advisors about the difficulty of finding German submarines and then destroying them. The scientist responded that the Navy should heat the oceans and when it got too uncomfortable for the German submariners they would surface and could be destroyed. Churchill was enthusiastic and asked the scientist how one could possibly heat the ocean. The scientist responded that that was a tactical question and he only dealt in strategy.

My *strategy* would be to structure our markets and taxation to encourage ownership of businesses, not of certificates, in order to enable the largest number of us to mirror the growth of the economy with our personal investments.

The *tactics* I leave to those who dominate our TVs this election season with their promises of being able to do anything.



Leslie H. Goldberg
President