



October 15, 2012

Dear Fellow Owners:

In looking back through our Annual Reports of recent years, I am struck by how often we see repetitive cycles in both the economy and our business. It was just over 20 years ago that I had an occasion to reach back to a Greek named Socrates, "Remember that there is nothing stable in human affairs, therefore avoid undue elation in prosperity and undue depression in adversity." That was in 399 BC and in my 1991 message I used it to support a discussion of economic cycles through Joseph's role in managing Egypt's food supply. The recreation business comes close to mirroring farming in its dependence on cycles. In that 1991 report we were coming out of a depressed period caused by overbuilding during a construction boom followed by a sharp downturn as building literally stopped. Banks and Savings and Loans failed and mortgages went unpaid.

Sound familiar? The difference this time is that the recession is deeper and longer. We are not pleased with our results but we are pleased that we have done better than many companies in keeping the doors open and employment levels high and in operating profitably during every year of this downturn.

The earnings that we retained on your behalf during our more prosperous times have enabled us to sustain our dividend policy and thus our stock price. This value can be important to owners who are retiring or who are faced with financial needs. However, we still feel our main role is to provide a stock that one can profit from without the necessity of trading one investment for a perceived better one.

Has it worked? Our original stock which sold for \$2.00 at its inception paid no dividends for ten years. However, had you purchased one share at its original offering you would now own 11.3 shares and would have received over \$134.00 in dividends, with the possibility of future dividends.

We continue to be without long term debt and we continue to own our properties in some of the most valued locations in the country. On September 20th the United States Census Bureau listed the ten most affluent counties in the nation. Bowl America owns centers within five of those counties and services customers in two of the others. Seven out of ten isn't bad.

Our course of action grows from our emphasis on survival. For instance, minimizing the number of rental buildings (two out of nineteen locations) prevents being tied to those mandatory payments known as rent. A significant cash position enables us to meet such expenses as wages and utilities. We have fielded proposals which promised dramatic results but could have jeopardized our ability just to get the doors open and were therefore rejected.

For those of you who are new to the company, I would point out that this emphasis on survival of the venture has evolved from our broad experience. We are probably the oldest firm in the bowling business which has the operation of bowling centers as its primary activity. Over the years our interaction with you, with our customers, and with our employees, has convinced us that all prefer a more predictable outcome to an adventure.

Next year will not be easier. We clearly face the uncertainty of health insurance costs and new tax rates. In addition, our customers will face some of these same risks that could impact their ability to pay for recreation. Therefore, we hope to be "stable.....and avoid undue elation and undue depression". I am content that that's the best course for us.

Greece today would be better off if its leaders had paid attention to the ancient Greeks.

Regards,

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

Leslie H. Goldberg, *President*
