

THE KEG®

STEAKHOUSE & BAR

THE MARKET

The restaurant industry in Canada has grown into a \$44 billion business with selection as varied as individuals. No longer is dining out reserved for special occasions, it has become part of everyday routine.

Yet in the myriad of choices, a great steak is what many diners search for. Though fads and diets have changed through the years, beef remains the favourite centre of plate entrée in North America. It is North America's "ethnic food."

To really stand out in a world of choices, a steakhouse has to have it all: a comfortable atmosphere, friendly and knowledgeable service and, of course, perfect steaks.

Renowned and acclaimed from Victoria, British Columbia, to St. John's, Newfoundland, The Keg Steakhouse & Bar is the first choice for Canadian steak lovers. From the upscale casual atmosphere to the attentive service and the delectable steaks and prime rib, Keg guests know that when it comes to a great steak dinner, The Keg experience cannot be duplicated.



ACHIEVEMENTS

In a survey conducted by Angus Reid Strategies in 2007, Canadians were asked where they would dine for a steak dinner. The Keg Steakhouse & Bar was the first choice of 59% of the respondents. This dominant market position is unparalleled in the restaurant industry anywhere in North America.

Staff is an extremely important aspect of a successful restaurant. In 2008, for the sixth year in a row, The Keg Steakhouse & Bar was named one of the 50 Best Employers in Canada by

Report on Business Magazine. The employee-driven study is based on responses to an anonymous survey given to randomly selected employees to measure the quality of the workplace culture.

Satisfied, engaged employees coupled with a great corporate culture and operational excellence make for a successful business. In 2007, The Keg posted system-wide sales of \$425 million. Since 1997, Keg sales have grown 8.2% compounded annually, and 121% on a cumulative basis.

Revenue per restaurant in 2007 was just over \$4.5 million.

HISTORY

The Keg concept was created by Vancouver entrepreneur George Tidball in 1971. From the beginning, The Keg was enormously successful. The unique combination of great food, superior service and a comfortable atmosphere allowed it to grow quickly into new Canadian and U.S. markets. The Keg was originally created as a private company and later

became public, trading on the Vancouver and Toronto Stock Exchanges.



In 1987, The Keg became a subsidiary of Whitbread PLC, a large British brewing and hospitality conglomerate. Over the years, The Keg has also operated a number of non-steak restaurant concepts, including The Old Spaghetti Factory, Brandy's Cocktail Lounges, Crock and Block, and others. However, The Keg has always thrived and been at its best when focused entirely on its core Steakhouse and Bar concept under entrepreneurial leadership. That is where The Keg is today.

Vancouver businessman David Aisenstat purchased The Keg in 1997. He has a long history with The Keg, having been a large shareholder and director of the company prior to Whitbread's purchase of The Keg in 1987. Focused, experienced, passionate and dedicated, Mr. Aisenstat leads The Keg as it enjoys a level of success unprecedented in the company's history.

A recent but important part of The Keg's legacy is The Keg Spirit Foundation, a charity that allows the entire company and its employees to give back. The Keg Spirit Foundation is primarily aimed at supporting programs that



directly benefit the development of children and youth. In particular, the goal is to recognize organizations that mirror the mentorship that The Keg has provided to so many young people for more than thirty-five years.

Since inception in 2001, The Keg Spirit Foundation has donated more than \$3.2 million to over 200 charities in communities where The Keg operates.

In 2002, The Keg sold its trademarks and related intellectual property to The Keg Royalties Income Fund, listed on the Toronto Stock Exchange (KEG.UN-TSX). Four percent of gross restaurant sales are paid as a royalty to the Fund, which in turn pays a monthly distribution to unitholders. Keg Restaurants Ltd. remains the largest unitholder of the Fund.

THE PRODUCT

For more than 35 years, Keg guests have known that they can count on a delicious meal, with unpretentious service, in an atmosphere where they can be comfortable no matter what the occasion. Now with 100 locations across North America, The Keg Steakhouse & Bar continues to please guests with mouthwatering steaks and prime rib, fresh salads, memorable appetizers and delicious desserts.

When it comes to steak, The Keg serves only the finest cuts. First, they are trimmed and aged for tenderness. Then a very special blend of seasonings is added to give a unique flavour, while still allowing the natural properties of the high-quality, well-aged meat to come through. Only after all this preparation is a Keg steak ready to be grilled to perfection, ensuring that a tender, succulent, flavourful steak is guaranteed every time it comes off the grill.

People who love The Keg can also enjoy The Keg tradition of great dining and good times at home. Great Keg Steakhouse products — including salad dressings, sauces and seasonings — are available at grocery stores across Canada.

RECENT DEVELOPMENTS

In 2008, The Keg has planned to open eight new locations throughout Canada and the United States. All these new locations, like their predecessors, offer a truly comfortable and satisfying dining atmosphere accompanied by a fun and casual bar setting.

Every Keg restaurant is unique. With each new restaurant, the design continues to evolve to avoid the “cookie cutter” look and feel of many other restaurant chains. Today the newest Keg restaurants are as beautiful as they are comfortable. Each has unique elements to best reflect its neighbourhood. Dramatic lighting, comfortable seating, rich fireplaces, cool slate and original



artwork come together to provide the perfect gathering place for Keg guests. Each Keg is an energetic, inviting and uniquely gratifying restaurant experience.

PROMOTION

Throughout the year, The Keg runs promotions that offer variety and excitement for Keg guests. Lobster Summer, featuring fresh Atlantic lobster, is a Keg tradition that dedicated Keg guests wait for with anticipation. The Keg Spirit Foundation Features each fall allow guests the opportunity to try new Keg recipes, and for each entrée, The Keg donates \$2 to the Foundation. Promotions and features keep the menu fresh and inviting for Keg guests.



Keg-branded sauces, seasonings and dressings are sold in grocery retailers across Canada. A portion of the profits from the sale of these products are donated to the Foundation. Keg Steakhouse & Bar gift cards are also available for purchase at grocery, gas and drug retailers, increasing the company's profile from coast to coast.

With unparalleled brand strength in Canada, The Keg's

national presence offers a real competitive advantage when it comes to planning media campaigns. Television advertising represents the largest portion of the advertising budget as it is an extremely effective way to reach The Keg's target market.

BRAND VALUES

It's a steakhouse with a difference. Quality, comfort and value are three key ingredients to The Keg's success. While tastes have changed during the last 35 years, The Keg Steakhouse & Bar menu has evolved but continues to attract guests with the basics that built it: great steaks, slow-roasted prime rib, memorable appetizers, salads and desserts. It is the reliable and consistent quality, combined with great value that keeps Keg guests loyal.

The truly comfortable restaurant experience is complemented with a welcoming bar that

provides an opportunity for guests to enjoy a more casual experience, which may or may not include a full Keg dinner. The Keg bar is a favourite for a wide range of clientele and adds energy that is difficult to achieve in a standalone dining room. In the neighborhoods it serves, The Keg is a casual steakhouse with a contemporary flavour, an always attractive dining and business combination.

Keg staff embody The Keg brand. They are involved in their local communities in a big way, and the company acknowledges this participation through an annual Chairman's Award. Each year, four employees are recognized with a \$5,000 donation to their charity of choice.

Through this program, The Keg Spirit Foundation has directed more than \$120,000 in Canada and \$35,000 in the United States to staff-chosen charities.

An entrepreneurial spirit has always been the thread underlying The Keg's success: motivated, honest, caring people bringing remarkable individual style to the restaurants and communities they serve. The Keg has started many successful careers, supported student employees and raised the bar for all restaurants.

THINGS YOU DIDN'T KNOW ABOUT THE KEG STEAKHOUSE & BAR

- When it was first established, The Keg was called The Keg'n Cleaver.
- The Keg Steakhouse & Bar has 18 locations in the U.S.: Denver, Colorado; Phoenix, Arizona; Seattle, Washington; and Dallas/Fort Worth, Texas.
- Employees of The Keg Steakhouse & Bar call themselves Keggerys, and there are more than 8,700 of them.
- The “perfect steak” means something different to everyone. Steak lovers are all familiar with the levels of steak doneness . . . from rare to well done. At The Keg, steak lovers can experience two additional levels. “Blue rare” is a quick sizzle over the grill and a cool blue center all the way through — it's for rare aficionados. “Chicago” is charred on the outside and cooked to the guest's specifications on the inside.
- The Keg's “Billy Miner Pie” has been on the dessert menu for decades and is still one of the most popular.
- Big Brothers Big Sisters is the International Charity of choice for The Keg Spirit Foundation, as it mirrors The Keg's commitment to mentoring young people.
- Last year, The Keg served 5,472,000 steaks comprising sirloins, New Yorks and filets; and 6,216,000 baked potatoes.