



THE A&W FRANCHISE OPPORTUNITY

At over 700 restaurants and counting, A&W is Canada's second-largest hamburger chain. With more than 100 new restaurants added in the past five years alone, we're also the fastest growing. With your help, we'd like to continue that industry-leading growth.

For the first time in our history, we're offering prime multi-site development packages in Ontario and Quebec, in addition to several individual-unit opportunities across the country. It's a rare chance to partner with a strong and successful, top-tier restaurant brand. And one that's sure to go fast.

ABOUT US

A&W may have a long and rich history, but our success comes from our ability to adapt to the changing times.

Brief history and evolution of Canada's original burger chain

- 1956** The first A&W drive-in opens in Winnipeg. The concept takes off, thriving in the cars-and-music culture of the late 50s and 60s.
- 1960s** Restaurant locations continue to multiply, reaching more than 200 drive-ins by the end of the decade.
- 1970s** Fundamental shifts in the marketplace and the rapid growth of retail shopping centres leads A&W to embark on a new strategy, becoming the leader in food court restaurant service.
- 1980s** Focusing on our recognized strengths of taste and food quality, A&W accelerates expansion with freestanding restaurants in Western Canada.
- 1990s** Following a major overhaul of our menu, operating systems and design facilities for freestanding restaurants, A&W commences an aggressive expansion program.
- 2000s** A&W initiates freestanding expansion plans in Ontario and Quebec.

Today A&W is Canada's second-largest and fastest-growing hamburger chain, with more than 700 restaurants nationwide.



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Ownership history

- **1972** A&W Food Services acquired by Unilever Canada Limited. Since then, A&W has been owned and operated in Canada independently from A&W operations in the United States.
- **1995** A&W management, together with a group of institutional investors, purchases the A&W restaurant business from Unilever Canada Limited.
- **2000** A&W management acquires the interests of the institutional investors, making A&W a 100% Canadian owned and operated company.
- **2002** The A&W Revenue Royalties Income Fund is listed on the Toronto Stock Exchange (TSX: AW.UN) by way of an initial public offering. The fund owns the A&W trademarks, and licenses them to A&W Food Services, which continues to operate as a separate company.

Strategic focus

A&W is committed to ongoing strategic renewal of its business. This involves re-evaluating the long-term strategy for the business every three to five years.

In 2008, A&W Food Services once again undertook an extensive review of its existing strategy. The strategy was revised to build on our 2005 mission statement, which focused on the Baby Boomer customer. It now reads:

“Together we will make A&W the number one national burger choice for baby boomers and the fastest-growing and most successful burger business in Canada.”

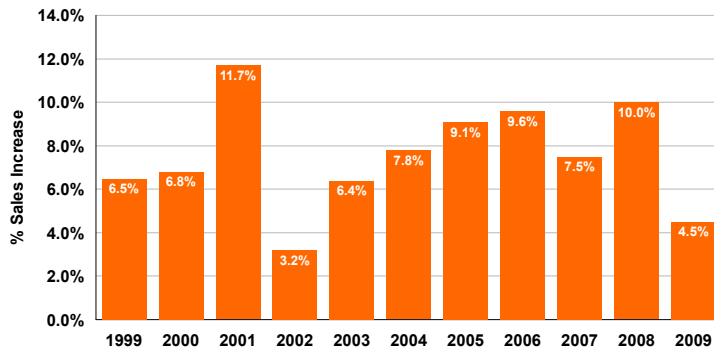
The revised strategy includes four major strategic thrusts, which will be implemented over the coming years:

- Rapid new restaurant expansion, nationally
- Building on our already dominant—and fiercely loyal—following from Canada’s Baby Boomer population
- Extending and strengthening our skills in strategy and “Climate”
- Keeping the A&W brand current

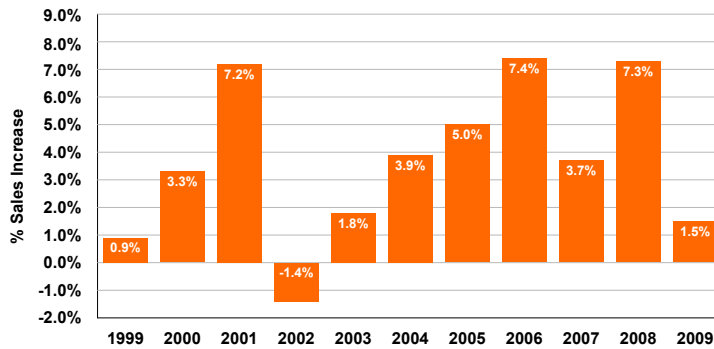


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Compelling reasons to become an A&W franchisee



A&W System Sales Growth



Same-Store Sales Trend

A&W receives recognition in the industry and business community



Canadian Franchise Association's Hall of Fame Award for outstanding performance and leadership by a franchise company over a significant period of time



Platinum Club member of Canada's 50 Best Managed Companies, reserved for companies who have won the Best Managed award for at least six consecutive years



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OPPORTUNITY TYPES AND QUALIFICATION

With a strong strategic focus and an ability to build on our rich history, A&W is poised to continue our success. And this is where you come in.

There are two ways to become an A&W franchisee and grow with Canada's fastest-growing burger chain: multi-site opportunities and individual-unit opportunities.

Multi-site opportunities

For the first time in our 54-year history, A&W is offering Multi-Site Development Area opportunities (MSDAs) to qualified franchisees.

Potential franchisees have the chance to secure the rights to prime geographic multi-site development areas in Canada. Each MSDA typically involves a commitment to develop and open between three and seven A&W restaurants over a three- to five-year period within a pre-designated development area. MSDAs are available to qualified individuals or investment groups.

Please visit awfranchise.ca for available MSDA opportunities.

Individual-unit opportunities

While most of the new A&W restaurant opportunities are granted via MSDAs, individual-unit franchises do occasionally become available.

Please visit awfranchise.ca for available individual-unit opportunities.

Qualifications

A&W treats the process of awarding a franchise agreement with great care. Therefore, we have quite stringent qualification requirements.



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For multi-site developments, the requirements include:

- Sound business acumen and professional background
- Strong track record of success
- Proven relationship-building and people-management skills
- \$2 million net worth
- \$800,000 in unencumbered cash or liquid assets

For individual-unit franchisees, the requirements include:

- Sound business acumen and professional background
- Strong track record of success
- Proven relationship-building and people-management skills
- \$600,000 net worth
- \$300,000 in unencumbered cash or liquid assets

INVESTMENT

Freestanding restaurants

The investment ranges from \$900,000 to \$1.2 million per restaurant. The franchisee must provide unencumbered cash equity of no less than 35% of the total investment.

Typically, A&W restaurants are located on leased sites. The Landlord often provides a contribution or “tenant allowance” of approximately \$300,000 towards the construction of a freestanding restaurant.

Urban restaurants

Urban-concept investments range from \$625,000 to \$825,000. The franchisee must provide unencumbered cash equity of no less than 35% of the total investment.

Included in the investment cost are:

- Construction of the building, including leasehold improvements or renovations of existing facilities as applicable
- All equipment, signage and furniture
- Start-up costs
- Franchise fees

Excluded from the investment cost are:

- The property on which the restaurant is built
- Working capital
- Inventory



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Fees

A&W offers a very competitive fee structure. This includes:

- Service Fee: 2.5% of net sales
- Advertising Fund Contribution: 2.5% of net sales
- Initial Franchise Fee: \$50,000 for a 20-year agreement
- Multi-Site Development Fee: \$15,000 per restaurant, \$10,000 of which is applied to the initial franchise fee

Getting started

It's our objective to position the right people for success in our business, and a rigorous franchisee approval process helps to ensure we do.

You've already begun the application process by visiting our website and downloading this document. Now all you need to do is complete and submit your application. You can do so at awfranchise.ca

Once you've submitted your application, we'll respond with next steps and the name of your personal contact.



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RESTAURANT TYPES

Another one of our core strengths is our restaurant design. The distinct appearance of an A&W restaurant not only draws customers in, but also evokes the warm feelings and memories of a better era—even for those too young to have experienced it the first time.

We have four types of restaurant concepts: freestanding, urban, convenience and enclosed captive. The vast majority of new restaurant opportunities are for freestanding- or urban-concept restaurants.

Freestanding restaurant



Our most common type of restaurant, with approximately 400 locations across Canada. Opportunities are widely available.

The typical freestanding restaurant:

- Located in area with significant vehicular traffic
- 1840 sq. ft.
- Offers drive-thru service
- 50 seats

Urban restaurant



A brand new restaurant type, specifically designed for busy urban areas. Opportunities are also widely available.

The typical urban restaurant:

- Located in densely populated areas with high pedestrian traffic
- 1500 – 2000 sq. ft.
- 45 seats



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Convenience

Located on a shared site with a fuel station and convenience store operation with parking. Approximately 100 locations. Opportunities are typically available in rural markets in the Western and Atlantic provinces.

The typical convenience location:

- 1400–1800 sq. ft.
- Offers drive-thru service
- 30–50 seats

Enclosed captive

Most often found in shopping centre food courts, universities and airports. Approximately 200 locations across Canada. New opportunities are very limited.

The typical enclosed captive location:

- 400–500 sq. ft.
- Shared seating

HOW WE WORK TOGETHER

A&W is an industry leader in developing and maintaining what we call “Climate.” Since 1976, A&W recognized that the most powerful ingredient in success is a strong organizational Climate. Climate is both a key element of organizational effectiveness and a powerful strategic tool.

What is “Climate”?

Simply put, the Climate of a workplace is what it feels like to work there. Every workplace has its own unique Climate—the sum of how the people in that workplace behave and communicate with each other, and how they feel about their work.

Our experience with hundreds of franchise and corporate restaurants over the past 50 years has established very clearly that there is a direct link between the quality of Climate in a restaurant and its ability to achieve operational excellence and profitability. The caring and commitment of our staff are the heart of the A&W system. How our people feel about coming to work each day has an immediate impact on speed of service, food quality and customer care. You as an owner and franchisee cannot succeed without a fully committed team around you. Building strong Climate is the key to creating such a team.



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How does the Climate process work?

Climate is our competitive advantage—and it's far too important to leave to chance. We have a process to help us listen and understand the things that are working well and the things that are not working well in each restaurant. We can then discuss ways to get better, and more competitive.

A&W has established a set of seven Climate goals, as outlined below. These seven simple statements define the behaviours each person in the restaurant must have in order to achieve a great working Climate and a highly successful enterprise.

- 1. We respect and listen to each other.**
- 2. We recognize and celebrate our big and small wins.**
- 3. We welcome and give helpful feedback so we learn and continuously improve our results and our relationships.**
- 4. We hustle to delight every single customer with perfect food served blazingly fast.**
- 5. We each do our part to ensure our success by winning customers and helping to make our restaurant(s) more profitable.**
- 6. We take pride in making a difference at A&W by creating and pursuing opportunities to grow, learn and succeed.**
- 7. We support and challenge each other to work together as partners to create and achieve shared goals.**

A minimum of two times per year, each restaurant holds a Climate-Building Meeting. Prior to the meeting, all staff members rate how the team is doing against each goal and then they list the issues they are concerned about as well as the positive things that are working well. The purpose of the meeting is to create action plans that will move the group closer to the actual Climate goals by removing barriers that are identified.

But more than just in meetings, Climate lives day-to-day. Sharing and talking about our Climate goals gives every member of the team the language and the opportunity to deal with work issues as they arise.

What Climate will mean for you

As an A&W franchisee, you'll experience the benefits of a healthy culture on a daily basis. Whether through increasing the morale of your staff—and thereby reducing turnover—or enjoying a franchisee relationship that's the envy of the industry, Climate will play a key role in your success.



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FRANCHISEE SUPPORT

From initial start-up and training to ongoing operational and marketing support, we'll help make sure your restaurants perform at the highest possible standards.

START-UP SUPPORT

Initial development and design

Early decisions about site location and restaurant design will have a major impact on your restaurant's ability to attract customers and operate efficiently. That's why A&W's development experts are fully involved in every aspect of site selection, lease negotiation, site planning, restaurant design and project consulting during the initial development stage.

Multi-site developers have the obligation to secure appropriate high-quality real estate sites to develop their new A&W restaurants. Experienced A&W real estate experts are available to assist in this process as well as to conduct a thorough review and approval process on all prospective sites. Drawing on our expertise, you end up with a restaurant designed to perform.

Training/Orientation

Before your restaurant opens, we provide six weeks of intensive in-store training for you and, in some instances, your key management people. The training takes place at an established A&W restaurant, usually in the same province where the restaurant will be located. From being shown the secrets of battering and breading A&W's handmade onion rings, to learning detailed information about how to create an efficient operation and positive work environment, you'll gain the knowledge and the confidence to achieve success in your own restaurant.

Financing

A&W does not provide financing, but we have existing and strong relationships with Canada's leading lenders that will assist you in achieving your ideal financing plans.

ONGOING SUPPORT

The moment you become an A&W franchisee, you can expect complete and unrivaled support for your business and the A&W brand, all with the sole purpose of helping you succeed.



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Operational support

As your A&W restaurant settles into its regular routine, A&W Regional Managers provide ongoing guidance with operational aspects of your business such as staffing, cost management and local marketing. Our regional Managers are an extraordinarily experienced team of senior managers whose job is to help you succeed.

You'll also be invited to attend regular regional meetings and national conventions where you'll gain new knowledge and share ideas with senior management and other A&W franchisees. In no time, you'll become a part of our energetic, results-oriented A&W team.

Marketing and promotional support

At Head Office, we provide additional support to your business by promoting and supporting the A&W brand.

Our Marketing Department conducts extensive consumer research in order to monitor marketplace dynamics. We then use this knowledge to guide the development and execution of effective advertising campaigns and marketing strategies. Over the years, we've created some of the industry's most memorable campaigns—helping us achieve extraordinary awareness for the A&W brand, and building traffic and sales for our franchisees.

Our Marketing Department also oversees product development and menu initiatives, ensuring our product offering always remains fresh and appealing to our customers.

Internal communication

With almost 50 years of experience as a franchise company in Canada, we have learned that communication is a crucial element of any successful franchise organization. The A&W Xchange, a private intranet site developed exclusively for the use of A&W operators and Head Office personnel, provides an outstanding vehicle for daily, real-time communication within the A&W family. You will also have access to a toll-free line for use in contacting Head Office.

Internal standards boards and councils

Decisions about ongoing operating standards and menu content are conducted through a Standards Board, an executive body comprised of franchisees elected in their region and a number of senior corporate managers. In a similar way, decisions about advertising expenditures and national promotional programs are made by a group of elected franchisees and corporate personnel who serve on a National Advertising Advisory Council. These two bodies give strong evidence of how, by working together, we develop marketing and operational programs that will help grow your business.



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Thank you for your interest in becoming an A&W franchisee.

If you would like further information about A&W franchise opportunities, please complete and submit your application by clicking on the “Apply” button at www.awfranchise.ca

Should you wish to contact us by mail or fax, please send your inquiries to:

**Attn: New Restaurant Expansion
A&W Food Services of Canada Inc.
#300 - 171 West Esplanade
North Vancouver, BC V7M 3K9**

Phone: (604) 988-2141

Fax: (604) 988-5531

E-mail: awfranchise@aw.ca