



Kahala•Cold Stone to Acquire Cereality Cereal Bar & Café

-- First Acquisition by Newly Formed Franchising Leader Adds Unique, Fast Growing Concept to Diverse Stable of QSR Brands --

SCOTTSDALE, Ariz. – July 12, 2007 – Kahala•Cold Stone, franchising leader and the QSR (Quick-Service Restaurant) industry’s premier purveyor of entrepreneurial opportunities, today announced the acquisition of Cereality® Cereal Bar & Café. Specific terms of the transaction were not disclosed.

Founded in 2003, Cereality is a new concept in the QSR space, specializing in creating a unique and entertaining experience around the American ritual of eating cereal. Customers choose a base from Cereality’s menu of more than 30 cereal varieties and signature cereal blends, and select from 40 toppings and mix-in combinations to create their ultimate bowl topped with their favorite assorted milk and hot and cold beverage. The offerings extend to parfaits, smoothies, cereal bars and other bakery items. The Cereality customer experience is enhanced by a home kitchen atmosphere and the preparation of orders by pajama-clad Cereologists™.

“When we formed Kahala•Cold Stone, we promised to aggressively seek out acquisitions of leading brands in the QSR space to grow the portfolio of franchise brands for partners, and this is the first of many to come,” said Kevin Blackwell, chairman and chief strategist of Kahala•Cold Stone. “Cereality is one of the most exciting, distinctive concepts to be launched in the past decade, attracting a great deal of interest from franchisees and cereal-craving customers alike.”

Cereality has seven cafés in operation, with an eighth location scheduled to open at JFK International Airport later this month. Cereality currently holds franchise commitments for the opening of an additional 24 cafés over the next six years. Prior to 2007, Cereality had wholly owned and operated all of its cafés. There are now two franchise locations open and the company has received more than 7,000 inquiries to date from entrepreneurs interested in opening Cerealities across the country.

“We believe Kahala•Cold Stone is well-placed to scale the Cereality concept and create new opportunities for our more than 3,000 franchisees who are very taken with the concept and eager to explore multi-branding within our portfolio,” said Doug Ducey, CEO of Kahala•Cold Stone. “We plan to grow the Cereality brand by doing what we do best – providing exciting opportunities for entrepreneurs, successful concepts for our franchisees and innovative, fun experiences for our loyal customers.”

Cereality co-founders David Roth and Rick Bacher commented, “Kahala•Cold Stone is a franchising powerhouse and we believe Cereality will realize its full potential by leveraging its operational and brand-building expertise. Shared between us is a sharp focus on creating a unique customer experience and we very much look forward to opportunities to come as we ramp up our visibility in the marketplace.

“As entrepreneurs ourselves, we fully appreciate the value Kahala•Cold Stone is delivering to fellow entrepreneurs.”

Cereality marks the first acquisition by the recently formed Kahala•Cold Stone, the next wave in brand building with the vision, experience and track record for delivering to market new and robust franchise opportunities to entrepreneurs worldwide. As announced on May 10, 2007 Kahala•Cold Stone was formed through the combination of Kahala Corp., a leading franchiser, developer, and marketer of QSR and the Cold Stone Creamery[®], the fastest-growing ice cream concept in the United States.

ABOUT KAHALA•COLD STONE

Kahala•Cold Stone is creating the next big wave in franchising. Headquartered in Scottsdale, Ariz., the Company owns and franchises 14 diversified restaurant and service brands resulting in more than 4,600 locations worldwide, and \$1.1 billion in system-wide sales. Currently, the brand portfolio includes: BLIMPIE, Cereality, Cold Stone Creamery, Frullati Café & Bakery, Great Steak & Potato Co., Johnnie’s New York Pizzeria, NRgize Lifestyle Café, Ranch1, Rollerz, Samurai Sam’s Teriyaki Grill, Surf City Squeeze, TacoTime, V’s Barbershop, WafflÖ. To learn more about Kahala•Cold Stone and its host of business opportunities, please visit the company websites at www.kahalacorp.com and www.coldstonecreamery.com.

ABOUT CEREAILITY

Cereality is the first restaurant business to ever break the mold of traditional foodservice to bring a unique, highly personal, healthy eating experience to the consumer, entirely focused around brand-name cereals. Customers can choose from more than 30 different cereal varieties, over 40 different toppings, a variety of milks (including soy and lactose-free) and choices of hot and cold beverages. The unique residential, home kitchen atmosphere is punctuated by familiar brand-name cereal boxes displayed in custom-built kitchen cabinets and pajama-clad Cereologists™ prepare orders to customers’ specifications. For photos and more information please visit www.cereality.com.

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