



**KAHALA AND COLD STONE CREAMERY MERGE
CREATING NEW CATEGORY OF FRANCHISING COMPANY**

**Immediately Establishes Franchising Powerhouse with Platform for Long-Term Growth
and Additional Acquisitions of Leading Brands**

**Creates Significant Opportunities for Franchisees to Increase Success and
Enhance Customer Experiences**

SCOTTSDALE, Ariz. – May 11, 2007 – Kahala Corp., a leading franchiser, developer, and marketer of quick-service restaurants and Cold Stone Creamery®, the fastest-growing ice cream concept in the United States, today announced a combined and newly named company that will serve as the premium purveyor of entrepreneurial opportunities for business owners and franchisees. Specific terms of the transaction were not disclosed.

The combined company, to be named Kahala•Cold Stone, will be a holding company for 13 diversified brands, each one with the potential for explosive growth. Kahala•Cold Stone will immediately be comprised of brands that generate more than \$1.1 billion in system-wide sales in partnership with over 3,000 franchisees and more than 4,600 retail locations in 15 countries worldwide. Kahala•Cold Stone will create the opportunity for existing franchisees to diversify their business without straying from a familiar and trusted franchise system, while providing customers with exceptional experiences in every store.

“Through this merger two great franchising powerhouses have joined forces to leverage the best each has to offer to the benefit of our brands, franchisees and consumers,” said Kahala Corp. founder and chief executive officer Kevin Blackwell, who will serve as Chairman of the Board and Chief Strategist of Kahala•Cold Stone. “With the shared vision of my good friend and partner, the late Robert E. Petersen, this new company will be well positioned to further develop its portfolio of high-performance brands organically, as well as through acquisitions of other desirable brands. In addition, combining these two successful businesses opens up options for new sources of future funding including a potential public offering.”

“This merger marries Kahala’s vision for growth and stable of brands with Cold Stone’s results-oriented operational and brand-building expertise creating a new company with the vision, experience and track record for delivering to market new and robust opportunities to entrepreneurs worldwide,” said Doug Ducey, Cold Stone Creamery’s chairman and chief executive officer, who has been named CEO of Kahala•Cold Stone. “Kahala•Cold Stone will carry on our mutual dedication to making franchisees successful by enhancing profitability, and will improve both organizations’ business potential through increased purchasing power, real estate relationships, marketing leverage and training know how, among other competencies.”

The merged company will have increased size and scale that establishes it among industry leaders and creates opportunities for new channels of distribution, new products and services and increased franchisee profitability. Kahala•Cold Stone, which be headquartered in Scottsdale, Ariz., will include the following brands: BLIMPIE™, Cold Stone Creamery®, Frullati Café and Bakery®, The Great

Steak & Potato Company[®], Johnnie's NY Pizzeria, NRgize Lifestyle Cafe[®], Ranch 1[®], Rollerz[®], Samurai Sam's Teriyaki Grill[®], Surf City Squeeze[®], Taco Time[®], V's Barbershop[®] and WafflÖ[®].

Doug Ducey added, "Kahala•Cold Stone brings the best of both Kahala and Cold Stone Creamery together including our combined passion, culture, innovation, branding, dedication and a wealth of experience. Together we will have tremendous momentum."

Since 1988, Kahala has been known for acquiring innovative brands – many in the early stage of their development – with excellent potential for growth. Through this strategy Kahala established a record of results through smart development, strong franchisee relationships, respect for entrepreneurship and synergy creation.

Similarly, since its first store in Tempe, Arizona, in 1988, Cold Stone Creamery has also made it a number one priority to partner with its franchise community to profit by making people happy by serving the highest quality, most creative ice cream experience. Cold Stone has built a brand from the ground up through operational excellence, creative growth discipline and innovation in all areas of franchising, revolutionizing an industry and re-branding their own concept in 2003. Through that experience Cold Stone Creamery knows how to build culture, generate excitement, develop and grow a brand, then deliver exceptional customer experiences operationally every day, with every customer.

Ducey concluded: "This merger is about opportunity for franchisees, employees and ultimately customers. Our employees will have greater opportunity for growth, challenge and advancement, and lovers of Kahala•Cold Stone's concepts can look for in some cases, more locations, in others, new and exciting products, enhanced operations and a dedication to serving the customer. In all scenarios, the customer experience will go hand in hand with franchisee profitability as a top priority."

BLIMPIE

- BLIMPIE, which introduced its first shop in 1964 in Hoboken, New Jersey, operates nearly 1,600 locations across the U.S. and international markets making it the #3 biggest sub-sandwich chain in the United States.

Cold Stone Creamery

- Cold Stone Creamery makes people happy by offering the *Ultimate Ice Cream Experience* and is the third largest ice cream concept in the U.S. operating 1,400 stores in the United States, Puerto Rico, Guam, Japan, Korea, China and Taiwan.

Frullati Café & Bakery

- Frullati Café & Bakery introduced its first store in 1983 and today has over 80 locations throughout the United States serving a fresh and wholesome menu that captures what today's health conscious consumer is looking for.

The Great Steak & Potato Company

- Since 1982, The Great Steak & Potato Co. has been serving the finest Cheesesteak sandwiches in 240 locations throughout the United States, Canada and other international markets. .

Johnnies NY Pizzeria

- Johnnies NY Pizzeria brought NY style pizza to Los Angeles when it opened its doors in 1984 and now has 10 stores operating, eight of which are in Southern California.

Nrgize Lifestyle Café

- Nrgize Lifestyle Café, introduced in 2006, stands as the exclusive food and beverage provider for L.A. Fitness Sports Clubs with 50 locations today and plans for an additional 65 by year's end.

Ranch 1

- Founded in New York City in 1988, and 35 locations strong, Ranch 1 is a quick service restaurant concept specializing in freshly grilled, marinated chicken breast sandwiches, and a variety of freshly prepared menu selections

Rollerz

- Rollerz is a fresh twist on fast food offering a unique alternative to the traditional deli or sub sandwich with 11 locations in 6 states across the U.S.

Samurai Sam's Teriyaki Grill

- At nearly 80 locations in the U.S. and El Salvador, Samurai Sam's menu sizzles with Japanese favorites and skewers the fast food competition with its sheer simplicity.

Surf City Squeeze

- Surf City Squeeze, founded in 1981 by Kevin Blackwell, offers a product menu that encompasses health and fitness awareness with new nutritional technologies in 200 location in the U.S. and six countries overseas.

Taco Time

- Taco Time is an upscale quick-service chain offering a variety of freshly-prepared, home style, Mexican fare in nearly 300 restaurants in the U.S., Canada and Japan.

V's Barbershop

- V's Barbershop was founded in 1999 by Jim Valenzuela to deliver into the market a truly authentic, uniquely masculine barbershop experience and currently operates five locations with plans to expand to 30 locations by end of 2007.

WaffLÖ

- A unique and innovative ice cream product and great co-brand for any food concept, WaffLÖ currently maintains locations in California, Texas, Florida and Indiana.

ABOUT COLD STONE CREAMERY

Cold Stone Creamery delivers the *Ultimate Ice Cream Experience*[®] through a community of franchisees who are passionate about ice cream. The secret recipe for smooth and creamy ice cream is handcrafted fresh daily in each store and then customized by adding a variety of mix-ins on a frozen granite stone. Headquartered in Scottsdale, Ariz., Cold Stone Creamery is an independently owned franchise system with 1,400 stores in the United States, Puerto Rico, Guam, Japan, Korea, China and Taiwan. For more information about Cold Stone Creamery, visit the company's Web site at www.coldstonecreamery.com.

ABOUT KAHALA CORP

With more than \$600 million in system wide sales and more than 3,000 locations worldwide of its brands, Kahala Corp., through its operating subsidiaries, currently owns and franchises 11 quick-service restaurant concepts: Nrgize Lifestyle Café, BLIMPIE, TacoTime, The Great Steak & Potato Co., Ranch1, Surf City Squeeze, Johnnie's New York Pizzeria, WaffLÖ, Frullati Café & Bakery, Rollerz, and Samurai Sam's Teriyaki Grill. To learn more about Kahala Corp and its restaurant concepts, please visit the company website at www.kahalacorp.com.

ABOUT ROBERT E. PETERSEN

The late Robert E. Petersen began his partnership with Kahala Corp. in 1999, and became the driving force behind its growth from 80 restaurants to over 3,000 by the end of 2006, and the recent combination with Cold Stone Creamery. Mr. Petersen, a self-taught publicist turned publisher and real estate magnate, passed away on March 23, 2007 from complications from neuroendocrine cancer. In 1948, Mr. Petersen debuted *Hot Rod* magazine by hawking it for \$0.25 cents a copy outside the Los Angeles Armory, and from there Petersen Publishing was born. The privately held company had almost three dozen titles, including *Motor Trend* and *Teen Magazine*, and was operating from a 20-story Petersen-owned building on Wilshire Boulevard in Los Angeles in 1996 when Petersen sold a majority interest to an investor group. Described as a “self-made, street-smart guy,” in 1994, Robert Petersen, and his wife, Margie, founded the *Petersen Automobile Museum* in Los Angeles with a mission of education and the history of the automobile. The Museum, which today has more than 250,000 square feet of display space to show about 120 cars in permanent and temporary exhibits, attracts 170,000 visitors annually and serves as Mr. Petersen’s legacy to the city and people of Los Angeles.

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