WESTERN SIZZLIN CORP
Form S-3
September 08, 2006

As filed with the Securities and Exchange Commission on September 8, 2006

Registration No.

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM S-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

WESTERN SIZZLIN CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

DELAWARE	**86-0723400**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

1338 PLANTATION ROAD

ROANOKE, VIRGINIA 24012

(Address, Including Zip Code, and Telephone Number, Including Area Code,

of Registrant s Principal Executive Offices)

ROBYN B. MABE

VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

WESTERN SIZZLIN CORPORATION

1338 PLANTATION ROAD

ROANOKE, VIRGINIA 24012

(540) 345-3195

(Name, Address, Including Zip Code, and Telephone Number,

Including Area Code, of Agent For Service)

Copy to:

MICHAEL C. PALLESEN, ESQ.

CLINE, WILLIAMS, WRIGHT, JOHNSON & OLDFATHER, L.L.P.

1125 S. 103RD STREET, SUITE 320

OMAHA, NEBRASKA 68124-1090

(402) 397-1700

Approximate date of commencement of proposed sale to the public: as soon as practicable after the effectiveness of this registration statement.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. o

If any of the securities being registered on this form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. o

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of earlier registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462 (e) under the Securities Act, check the following box. o

If this form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. o

CALCULATION OF REGISTRATION FEE

Title of each Class of Securities to be Registered	**Amount to be Registered**	**Proposed Maximum Aggregate Offering Price**	**Amount of Registration Fee**
Common Stock, $0.01 par value per share	594,429	$ 4,161,003	$ 445.23
Subscription Rights to Purchase Common Stock(1)	1,188,857	$ 0	$ 0

(1) Under Rule 457(g) of the Securities Act of 1933, as amended, no separate registration fee is required for the rights as they are being registered in the same registration statement as the common stock underlying the rights.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

Subject to Completion, dated September , 2006

PROSPECTUS

WESTERN SIZZLIN CORPORATION

594,429 SHARES OF COMMON STOCK

1,188,857 SUBSCRIPTION RIGHTS

We are offering at no cost to you, as a holder of our common stock, transferable rights to purchase our common stock. If you own common stock on September , 2006, the record date, you will be entitled to receive one right per share that you own. Every two rights will entitle you to subscribe for one common share. The subscription price will be $7.00 per whole share. Stockholders on the record date who fully exercise those distributed rights will also be entitled to purchase additional shares of common stock not purchased by other rights holders through their basic subscription privileges. The rights will be evidenced by Subscription Certificates and will expire at p.m. New York City time on , 2006, unless extended for up to 15 days.

We expect the rights will be quoted on the OTC Bulletin Board under the symbol Our common stock is quoted on the OTC Bulletin Board under the symbol WSZL.

Our principal executive offices are located at 1338 Plantation Road, Roanoke, Virginia 24012. Our telephone number is (540) 345-3195.

AN INVESTMENT IN OUR COMMON STOCK INVOLVES A HIGH DEGREE OF RISK. CONSIDER CAREFULLY THE RISK FACTORS BEGINNING ON PAGE 4 OF THIS PROSPECTUS.

	Price Per Share	**Proceeds to Western Sizzlin Corporation**
Offering Price to Stockholders	$7.00	$4,161,003 (1)

(1) Assumes all rights are subscribed. Before deduction of estimated expenses of $45,445, including accounting fees, printing expenses and other miscellaneous expenses.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is September , 2006.

PROSPECTUS SUMMARY

This summary highlights important features of this offering and the information included or incorporated by reference in this prospectus. This summary does not contain all of the information that you should consider before investing in our common stock. You should read the entire prospectus carefully, especially the risks of investing in our common stock discussed under Risk Factors.

Unless the context otherwise requires, all references to Western Sizzlin, the Company , we, us, or our in this prospectus refer collectively to Western Sizzlin Corporation, a Delaware corporation, and its subsidiaries.

Basic Subscription Privilege	We will distribute to the holders of record of our common stock at the close of business on September__, 2006, at no charge, one transferable subscription right for each share of common stock owned. Every 2 rights will entitle the holder to subscribe for one share of common stock.
Oversubscription Privilege	Stockholders on the record date who fully exercise the rights distributed to them will also be entitled to subscribe for and purchase additional shares of common stock not purchased by other rights holders through their basic subscription privileges. The maximum number of shares you may purchase under the oversubscription privilege is equal to the number of shares you purchased under the basic subscription privilege. You will be entitled to exercise your oversubscription privilege only if you are a stockholder on the record date and exercise your basic subscription privilege in full. The number of shares of common stock remaining after the exercise of all basic subscription privileges may not be sufficient to satisfy all requests for common stock pursuant to oversubscription privileges. In this event, you will be allocated additional common stock pro rata, based on the number of shares of common stock you purchased through the basic subscription privilege in proportion to the total number of common stock that you and other oversubscribing stockholders purchased through the basic subscription privilege.
Subscription Price	$7.00 in cash per share.

Common Stock Outstanding after Rights Offering	Assuming all rights are exercised, including those from the oversubscription privilege, an aggregate of approximately 594,429 shares will be sold. Since fractional shares will not be issued, this amount may be increased, if necessary, to accommodate rights holders that may purchase an additional share in lieu of receiving a fractional share.
Transferability of Rights	The rights are transferable, excluding oversubscription privileges, until the opening of trading on the expiration date. The rights are expected to be authorized for trading on the OTC Bulletin Board. Trading of the rights will be conducted on a regular-way basis from September__, 2006 through the opening of trading on the expiration date. Any commissions in connection with the sale of rights will be paid by the selling rights holder. We cannot assure you a market for the rights will develop, or of the prices at which rights may be sold if a market does develop.
Record Date	September___, 2006.
Expiration Time	______, 2006, at 5:00 p.m., New York City time, unless extended for up to 15 days.
Procedure for Exercising Rights	If you want to exercise rights you must properly complete and sign the Subscription Certificate evidencing the rights. You must forward the Subscription Certificate, with full payment, to the subscription agent at or prior to the expiration time. YOU MAY NOT REVOKE AN EXERCISE OF RIGHTS UNLESS WE MAKE A SIGNIFICANT AMENDMENT TO THE TERMS OF THE OFFERING AFTER YOU HAVE EXERCISED.
Issuance of Common Stock	We will deliver to you certificates representing common stock purchased upon exercise of the basic subscription and oversubscription privileges as soon as practicable after the expiration date. We anticipate this date to be approximately seven to 10 business days after the expiration date.

Use of Proceeds	The net cash proceeds from the sale of the common stock offered hereby, after payment of fees and expenses, are anticipated to be approximately $4,115,558. We expect such net proceeds will be used for general corporate purposes, working capital, to make acquisitions of, or investments in, related or unrelated lines of business. We have not identified any specific acquisitions or investments in which we intend to use the offering proceeds.
Risk Factors	There are substantial risks in connection with this offering that should be considered by you. See Risk Factors.
Amendment, Extension or Termination Rights Offering	We reserve the right, in our discretion, to: (a) amend or modify the terms of this rights offering; (b) extend the expiration time to a later date, but in no event for more than 15 additional days; and (c) terminate the rights offering at any time for any reason.
Intentions of the Company s Directors	Our Board of Directors advised us they intend to exercise the basic subscription privilege under rights received. They also might exercise their oversubscription privilege with respect to additional shares that become available for purchase. The expressed intention of the directors does not constitute a binding obligation on their part.

RISK FACTORS

AN INVESTMENT IN OUR COMMON STOCK INVOLVES A HIGH DEGREE OF RISK. THE FOLLOWING RISK FACTORS SHOULD BE CONSIDERED CAREFULLY IN ADDITION TO THE OTHER INFORMATION IN THIS PROSPECTUS, INCLUDING THE INFORMATION UNDER SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS, BEFORE MAKING AN INVESTMENT IN OUR COMMON STOCK.

Risks Related to this Offering

The subscription price is not an indication of the value of our common stock. You may not be able to sell common stock purchased upon the exercise of your subscription rights at a price equal to or greater than the subscription price.

The subscription price per share of common stock does not necessarily bear any relationship to any established criteria for valuation such as book value per share, cash flows, or earnings. As a result, you should not consider the subscription price as an indication of the current value of our common stock. We cannot assure you that you will be able to sell common stock purchased in this offering at a price equal to or greater than the subscription price.

This offering may cause the price of our common stock to decrease immediately, and this decrease may continue.

The subscription price per share represents a discount of __% from $____, the average of the closing sales prices of our common stock over the 30-trading day period ending September___, 2006 and a discount of __% from $_____, the closing price of our common stock on September__, 2006. This discount, along with the number of shares of common stock we propose to issue and ultimately will issue if this offering is completed, may result in an immediate decrease in the market value of our common stock. This decrease may continue after the completion of this offering.

You may suffer dilution of your percentage of ownership of our common stock.

If you do not exercise your subscription rights and shares of common stock are purchased by other stockholders in this offering, your proportionate voting and ownership interest will be reduced. The percentage that your original shares of common stock represents of our expanded equity after exercise of the subscription rights will also be diluted. For example, if you own _____ shares of common stock before this offering, or approximately ___% of our outstanding common stock, and you exercise none of your subscription rights while all other subscription rights are exercised by other stockholders, your percentage ownership would be reduced to approximately ___%. The magnitude of the reduction of your percentage ownership will depend upon the number of shares of common stock you hold and the extent to which you exercise your subscription rights.

Once you exercise your subscription rights, you may not revoke the exercise even if there is a decline in the price of our common stock or if we decide to extend the expiration date of the subscription period.

The public trading market price of our common stock may decline after you elect to exercise your subscription rights. If that occurs, you will have committed to buy our common stock at a price above the prevailing market price. You will have an immediate unrealized loss. We may also, in our sole discretion, extend the expiration date of the subscription period, but in no event beyond an additional 15 days. During any potential extension of time, the value of our common stock may decline below the subscription price. This may result in a loss on your investment upon the exercise of rights to acquire our common stock. If the expiration date is extended after you send in your subscription forms and payment, you still may not revoke or change your exercise of rights. We cannot assure you that following the exercise of subscription rights you will be able to sell your common stock at a price equal to or greater than the subscription price.

You will not receive interest on subscription funds returned to you.

If we cancel this offering or if we are not able to fulfill your full oversubscription, we will not have any obligation with respect to the subscription rights except to return to you, without interest, any subscription payments and/or oversubscription payments you made that were not used to purchase common stock.

You need to act promptly and follow subscription instructions, otherwise your subscription may be rejected.

Stockholders who desire to purchase common stock in this offering must act promptly to ensure that all required forms and payments are actually received by the subscription agent prior to 5:00 p.m., New York City time, on the expiration date. If you fail to complete and sign the required subscription forms, send an incorrect payment amount, or otherwise fail to follow the subscription procedures that apply to your desired transaction, the subscription agent may reject your subscription or accept it to the extent of the payment received. Neither we nor our subscription agent undertakes to contact you concerning, or attempt to correct, an incomplete or incorrect subscription form or payment. We have the sole discretion to determine whether a subscription exercise properly follows the subscription procedures.

You may not receive all of the common stock for which you oversubscribe.

If an insufficient number of shares of common stock is available to fully satisfy all oversubscription privilege requests, the available common stock will be distributed proportionately among the eligible rights holders who exercised their oversubscription privilege based on the number of shares of common stock each such rights holder subscribed for under the basic subscription privilege.

You may not want to exercise your rights as the proceeds of this offering may be used to make acquisitions or investments that you may not have the opportunity to approve.

We expect that the net cash proceeds from this offering will be used for general corporate purposes, working capital, to make acquisitions of, or investments in, businesses in related or unrelated fields. We have not identified any specific acquisitions or investments at this time. If you exercise your rights, you may not have an opportunity to evaluate the specific merits or risks of any potential future acquisitions or investments. As a result, you may be entirely dependent on the broad discretion and judgment of management in the selection of potential future acquisitions and investments.

Neither we, nor the subscription agent, will have any obligation to you if this offering is canceled, other than to refund your subscription payments, without interest.

Neither we, nor the subscription agent, will have any obligation to you if this offering is canceled, other than to refund your subscription payments, without interest.

If you sell your subscription rights, you may not be able to calculate your gain for tax purposes at the time of your sale.

A holder that sells subscription rights will recognize capital gain or loss, depending on the amount realized, upon the sale and the holder s tax basis (if any) in the subscription rights. If either (i) the fair market value of the subscription rights on the date such subscription rights are distributed is equal to at least 15% of the fair market value on such date of the common stock with respect to which the subscription rights are received, or (ii) the holder irrevocably elects to allocate part of the tax basis of such common stock to the subscription rights, then, the holder s tax basis in the common stock will be allocated between the common stock and the subscription rights in proportion to their respective fair market values on the date the subscription rights are distributed. We intend to notify the holders whether the fair market value of the subscription rights will equal or exceed 15% of the fair market value of the common stock to which the subscription rights relate and the fair market value of those subscription rights. However, such notification will be made by written communication that will be included with the share certificates that are mailed to those holders who exercise their subscription rights. It will not be available at the time of the sale of a holder s subscription rights. A selling holder s holding period in the subscription rights will include the holding period of the common stock in respect of which the rights were received. The holding period and will not be affected by the allocation of tax basis described above.

Risks Relating to Our Business

We are dependent on key personnel.

We believe that our success depends in part on the services of Sardar Biglari, our Chairman, and of key executives, including James C. Verney, President and Chief Executive Officer, and Robyn B. Mabe, Vice President and Chief Financial Officer. We maintain key man life insurance on Mr. Verney. Nevertheless, the loss of the services of Messrs. Biglari or Verney, or of Mrs. Mabe, could have a material adverse effect upon our business, financial condition and results of operations. Qualified replacements may not be available in a timely manner, if at all. Our continued growth will also depend on our ability to attract and retain additional skilled management personnel.

Our stock price could be volatile.

Fluctuations in our stock price may result from general market conditions, perceived or actual changes in the underlying characteristics of our business, and the relative price of competing investments. The volume of trading the market for our common stock is typically very limited. As a consequence, liquidating your investment could cause a decline in our stock price. Because of changes in the balance of buy and sell orders, notwithstanding other relevant factors, the price of our common stock can fluctuate for reasons unrelated to the performance of our business in addition to reasons related to our performance.

A sale of a substantial number of shares of our common stock could cause the market price to decline.

The sale of a substantial number of shares of our common stock in the public market could substantially reduce the prevailing market price of our common stock. As of September ___, 2006, 1,188,857 shares of common stock were outstanding. There were ______ shares issuable upon exercise of outstanding stock options at exercise prices ranging from $____ to $_____. We cannot predict any effect that sales of shares of our common stock or the availability of shares for sale will have on prevailing market prices. However, substantial amounts of our common stock could be sold in the public market, which may adversely affect prevailing market prices for the common stock.

We are controlled by a few stockholders.

Four stockholders beneficially own approximately 43% of our total common stock. These stockholders have formed a group for purposes of taking certain action, as reflected in their Form 13D, as amended, on file with the Securities and Exchange Commission. This group is comprised of Sardar Biglari, our Chairman, Directors Jonathan Dash and Titus W. Greene, and Shawn Sedaghat. This group has the ability to control or significantly influence all matters requiring the approval of our stockholders, including the election of our directors. Sale of a substantial number of shares of our common stock by the members of this group, or other principal stockholders in the public market, could substantially reduce the prevailing market price of our common stock.

Our Board of Directors has recently undergone significant change.

In November 2005, we added three new members to our Board of Directors, namely Sardar Biglari, Philip L. Cooley and Paul D. Sonkin. Subsequently, in March 2006, six of the incumbent directors, Paul C. Schorr, III (our former Chairman), A. Jones Yorke, J. Alan Cowart, Jr., Pat Vezertzis, Jesse M. Harrington and Roger D. Sack, resigned from the Board. At that same time Mr. Sonkin indicated that he would not stand for reelection at the 2006 annual meeting of stockholders. He ultimately resigned prior to the annual meeting. Mr. Jonathan Dash was elected to the Board in March 2006. Mr. Thomas M. Hontzas resigned from the Board in August 2006. While we believe that the Board of Directors as presently constituted with Mr. Biglari as Chairman, Philip L. Cooley, Ph.D. as Vice Chairman and Directors Titus W. Greene, and Jonathan Dash will function at least as well as the Board had done previously, there is no guarantee this will be the case. The failure of the new members of the Board to function adequately together would have a material adverse effect on the Company s business. This could result in an adverse impact on our financial condition, results of operations and our stock price.

The Audit and Finance Committee of the Board of Directors does not have the number of directors required by Nasdaq rules.

Our common stock is not listed on a stock exchange, but is quoted on the OTC Bulletin Board. In accordance with applicable Securities and Exchange Commission rules, the Board of Directors has elected to measure its corporate governance by the rules applicable to companies listed on the Nasdaq Capital Market. Those rules provide that an audit committee be composed of at least three directors meeting special independence requirements. Our Audit and Finance Committee presently has one member, Dr. Cooley. The Board is presently assessing the ability and willingness of other directors to serve on this committee, along with the possibility of adding one or more new directors. While we expect these vacancies to be filled, there can be no guarantee that they will be filled by a certain date and it may be necessary to continue with a single-member committee for an undeterminable length of time.

We are dependent on one key person for investment and capital allocation decisions.

Investment decisions and all major capital allocation decisions are made for our business by Sardar Biglari, Chairman of the Board of Directors. Although there are limitations on Mr. Biglari s authority and the Board monitors his investment and capital allocation decisions, there is risk in having concentrated decision-making authority. Mr. Biglari s decisions could either independently or in the aggregate involve amounts that are material to our business. Additionally, if for any reason the services of Mr. Biglari were to become unavailable, there could be a material adverse effect on our business, since he is singularly responsible for these decisions.

Our investment in marketable securities is highly concentrated.

Our investment in marketable securities is concentrated in the common stock of a single company. A decline in the price of this investment may produce a material decrease in our stockholders equity and, thus our stock price.

Our investment activities may involve the purchase of securities on margin.

We may purchase securities on margin in connection with our investment activities. If we do so, a significant decrease in the value of the securities that collateralize the margin line of credit could result in a margin call. If we do not have sufficient cash available from other sources in the event of a margin call, a sale of the securities that collateralize the line of credit may be required at a time when we would prefer not to sell those securities or at a time when the securities would need to be sold at a loss.

We cannot assure the success of our corporate strategy.

Our corporate strategy is dependent upon factors, some which are out of our control, including availability of appropriate financing and general economic conditions. The success of our strategy is also dependent upon our ability to execute that strategy as it relates to both our restaurant franchising business and our investments. We may not be successful in any or all of the endeavors that underlie our corporate strategy, whether or not the factors affecting the outcome were within our control.

We are experiencing a decline in our franchise base.

We have experienced steady declines in our existing franchise base for the past several years. Since January 2004, we have closed 33 restaurants. The majority of these franchised restaurants have been Western Sizzlins. While we are striving to reverse this trend, there is no guarantee that we will be successful in doing so and as a result our franchise base may continue to decline.

Our restaurants operate in a highly competitive environment.

Our restaurants, both franchised and Company-owned, operate in a highly competitive industry comprised of a large number of restaurants, including national and regional restaurant chains and franchised restaurant operations, as well as locally-owned, independent restaurants. Price, restaurant location, food quality, service and attractiveness of facilities are important aspects of competition. The competitive environment is often affected by factors beyond a particular restaurant management s control, including changes in the public s taste and eating habits, population and traffic patterns and economic conditions. New competitors may emerge at any time. We may not be able to compete successfully against our competitors in the future. Competition may have a material adverse effect on our operations or earnings.

We are highly dependent on attracting and retaining qualified employees while also controlling labor costs.

We are extremely dependent upon the availability of qualified restaurant personnel. Availability of staff varies widely from location to location. If restaurant management and staff turnover trends increase, we would suffer higher direct costs associated with recruiting and retaining replacement personnel. We could suffer from significant indirect costs, including restaurant disruptions due to management changeover and potential delays in new store openings due to staff shortages. Competition for qualified employees exerts upward pressure on wages paid to attract personnel, resulting in higher labor costs, together with greater expense to recruit and train them. Many of our employees are hourly workers whose wages are likely to be impacted by an increase in the federal or state minimum wage. Proposals have been made at federal and state levels to increase minimum wage levels. An increase in the minimum wage may require an increase or create pressure to increase the pay scale for our employees. A shortage in the labor pool or other general inflationary pressures or changes could also increase our labor costs.

We are dependent upon the timely delivery of fresh ingredients.

Our restaurant operations are dependent on timely deliveries of fresh ingredients, including fresh produce, dairy products and meat. The cost, availability and quality of the ingredients we use to prepare our food are subject to a range of factors, many of which are beyond our control. Fluctuations in weather, supply and demand and economic and political conditions could adversely affect the cost, availability and quality of our ingredients. Historically, when operating expenses increased due to inflation or increases in food costs, we generally have been able to offset these higher costs by increasing our menu prices. We may not be able to recover increased costs in the future because competition may limit or even prohibit such future increases. If the variety or quality of our food products declines due to the lack or lower quality of our ingredients or due to interruptions in the flow of fresh ingredients and similar factors, customer traffic may decline and negatively affect our sales.

General economic factors may adversely affect our results of operations.

National, regional, and local economic conditions, such as recessionary economic cycles or a worsening economy, could adversely affect disposable consumer income and consumer confidence. Unfavorable changes in these factors or in other business and economic conditions affecting our customers could reduce customer traffic in some or all of our restaurants, impose practical limits on our pricing and increase our costs. Any of these factors could lower our profit margins and have a material adverse affect on our results of operations. The impact of inflation on food, beverages, labor, utilities and other aspects of our business can negatively affect our results of operations. Although we attempt to offset inflation through periodic menu price increases, cost controls and incremental improvement in operating margins, we may not be able to completely do so. This may negatively affect our results of operations.

We face the risk of adverse publicity and litigation relating to food-borne illness, employment and other matters that could have a material adverse affect on our business and financial performance.

We may be the subject of complaints or litigation from customers alleging illness, injury or other food quality, health or operational concerns. While the risk of food-borne illness is real, whether it results from improper operations, new diseases or from chemicals in certain food products, the risk would generally only affect a limited number of our restaurants. As soon as any food issues became known to us, those food items that were potentially at risk would be no longer served to customers.

While the risk of food-borne illness or injury would likely be localized, the risk of the adverse publicity that might result from such an incident is more generalized and accordingly much greater. The general public s response to adverse publicity relating to our restaurant brands could materially adversely affect a significant number of our restaurants. This could be true whether the allegations underlying the adverse publicity are valid or whether we are liable.

In addition, we are subject to employee claims alleging injuries, wage and hour violations, discrimination, harassment or wrongful termination. In recent years, a number of restaurant companies have been subject to lawsuits, including class action lawsuits, alleging violations of federal and state law regarding workplace, employment and similar matters. A number of these lawsuits have resulted in the payment of substantial damages by the defendants. Regardless of whether any claims against us are valid or whether we are ultimately determined to be liable, claims may be expensive to defend and may divert time and money away from our operations and hurt our financial performance. A significant judgment for any claim(s) could materially adversely affect our financial condition or results of operations.

Our planned sales growth through new, relocated or remodeled restaurants, both Company-owned and franchised locations, may not be successful.

Our ability to open and profitably operate restaurants is subject to various risks such as the identification and availability of suitable and economically viable locations, the negotiation of acceptable terms for new locations, the need to obtain the required government permits (including zoning approvals) on a timely basis, the need to comply with other regulatory requirements, the availability of necessary contractors and subcontractors, the availability of construction materials and labor, the ability to meet construction schedules and budgets, increases in labor and building material costs, changes in weather or other acts of God that could result in construction delays and adversely affect the results of one or more restaurants for an indeterminate amount of time. At each potential location, we compete with other restaurants and retail businesses for desirable development sites, construction contractors, management personnel, hourly employees and other resources. If we are unable to successfully manage these risks, we could face increased costs and lower than anticipated revenues and earnings in future periods.

We are regulated by the federal and state government.

The restaurant industry is subject to extensive federal, state and local laws and regulations. The development and operation of restaurants depend to a significant extent on the selection and acquisition of suitable sites. Those are subject to zoning, land use, environmental, traffic and other regulations and requirements. We are also subject to licensing and regulation by state and local authorities relating to health, sanitation, safety and fire standards and building codes. Federal and state laws govern our relationships with employees, including the Fair Labor Standards Act and applicable minimum wage requirements, overtime, employment tax rates, family leave, tip credits, working conditions, safety standards and citizenship requirements. Federal and state laws prohibit discrimination and other laws regulating the design and operation of facilities, such as the American with Disabilities Act of 1990. In addition, we are subject to a variety of federal, state and local laws and regulations relating to the use, storage, discharge, emission and disposal of hazardous materials. The impact of current laws and regulations, the effect of future changes in laws or regulations that impose additional requirements and the consequences of litigation relating to current or future laws and regulations could increase our compliance and other costs of doing business. These could adversely affect our results of operations. Failure to comply with the laws and regulatory requirements of federal, state and local authorities could result in revocation of required licenses, administrative enforcement actions, fines and civil and criminal liability.

Adverse weather conditions could negatively impact our financial performance.

Although we maintain, and require our franchisees to maintain, property and casualty insurance to protect against property damage caused by casualties and natural disasters, inclement weather, flooding, hurricanes and other acts of God can adversely impact our sales in several ways. For example, severe weather typically discourages potential customers from dining out. In addition, a restaurant that is damaged by a natural disaster can be inoperable for a significant amount of time due to either physical damage or to a shortage of employees resulting from a relocation of the general population.

SELECTED CONSOLIDATED FINANCIAL DATA

On August 10, 2006, we implemented a 1-for-10 reverse stock split, which reduced the amount of our outstanding common stock from 11,888,571 to 1,189,850 shares. No fractional shares were issued in connection with the reverse split. Our authorized common stock was reduced from 20,000,000 shares to 2,000,000 shares. The par value of our common stock remains at $0.01.

The following table shows selected consolidated financial data giving effect to the reverse stock split as applied retroactively to all periods presented. The information set forth below is qualified by reference to, and should be read in conjunction with, the audited consolidated financial statements and related notes previously filed with the Securities & Exchange Commission in those reports incorporated by reference, as described on page 23 of this prospectus.

	Six Months Ended (unaudited)		Years Ended December 31				
	2006	**2005**	**2005**	**2004**	**2003**	**2002**	**2001**
	(In thousands, except per share)						
Statement of Operations Data:							