WESTERN SIZZLIN CORP
Form S-4/A
February 01, 2008

As filed with the Securities and Exchange Commission on February 1, 2008

Registration No. 333-148349

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 1

TO

FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

WESTERN SIZZLIN CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	5812	86-0723400
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

416 South Jefferson Street, Suite 600
Roanoke, Virginia 24011
(540) 345-3195
(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
416 South Jefferson Street, Suite 600
Roanoke, Virginia 24011
(540) 345-3195
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:
Steven Wolosky
Olshan Grundman Frome Rosenzweig & Wolosky LLP
Park Avenue Tower
65 East 55th Street
New York, New York 10022
(212) 451-2300

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ¨

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 the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(d) 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. ¨

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 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information contained in this prospectus may be changed. Western may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and Western is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

WESTERN SIZZLIN CORPORATION

Offer to Exchange
Each Outstanding Share of Common Stock
of
ITEX CORPORATION
for
.06623 Shares of Western Sizzlin Corporation Common Stock
by
WESTERN SIZZLIN CORPORATION

THE OFFER AND THE WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON THURSDAY, FEBRUARY 28, 2008, REFERRED TO AS THE "EXPIRATION DATE," UNLESS EXTENDED. SHARES TENDERED PURSUANT TO THE OFFER MAY BE WITHDRAWN AT ANY TIME PRIOR TO THE EXPIRATION DATE, BUT NOT DURING ANY SUBSEQUENT OFFERING PERIOD.

Western Sizzlin Corporation is offering to exchange each outstanding share of common stock of ITEX Corporation for .06623 shares of Western common stock, par value $0.01 per share, upon the terms and subject to the conditions in this prospectus and accompanying letter of transmittal. This offer is referred to in this prospectus as the "exchange offer" or the "offer." In addition, you will receive cash instead of any fractional shares of Western common stock to which you may be entitled.

This prospectus amends and supersedes information included in the prospectus originally filed with the Securities and Exchange Commission on December 27, 2007, which we refer to as the "original prospectus."

The purpose of the offer is for Western to acquire control of, and ultimately the entire interest in, ITEX. This exchange offer is the first step in Western's plan to acquire all of the outstanding shares of ITEX common stock. Western intends, promptly after completion of the offer, to seek to have ITEX consummate a second-step merger of a wholly-owned subsidiary of Western with and into ITEX. In the second-step merger, each remaining share of ITEX common stock (other than shares of ITEX common stock owned by ITEX or Western or held by ITEX stockholders who properly exercise applicable dissenters' rights under Nevada law) will be converted into the right to receive the same number of shares of Western common stock as paid in the offer.

Western's common stock is quoted on the OTC Bulletin Board under the symbol "WSZL.OB." ITEX's common stock is quoted on the OTC Bulletin Board under the symbol "ITEX.OB." On December 12, 2007, the last full trading day before Western announced its intention to commence this offer, the closing price of a share of Western common stock was $15.40 and the closing price of a share of ITEX common stock was $0.90. Based on these closing prices and the exchange ratio in the offer of one share of ITEX common stock for .06623 shares of Western common stock, the Western offer had a value of $1.02 per share of ITEX common stock. This represents a 13% premium over ITEX's closing share price on December 12, 2007, a 20% premium over ITEX's six-month average closing share price through December 12, 2007 and a 28% premium over ITEX's one-year average closing share price through December 12, 2007. On December 26, 2007, the last full trading day before the date of the original prospectus, based on the closing price of a share of Western common stock of $18.00 and the closing price of a share of ITEX common stock of $0.96, the Western offer had a value of $1.19 per ITEX share, representing a 24% premium over ITEX's closing share price on December 26, 2007, a 38% premium over ITEX's six-month average closing share price through that date and a

48% premium over ITEX's one-year average closing share price through that date. Western has applied to have its common stock listed on the Nasdaq Capital Market.

FOR A DISCUSSION OF CERTAIN FACTORS THAT YOU SHOULD CONSIDER IN CONNECTION WITH THE OFFER, PLEASE CAREFULLY READ THE SECTION CAPTIONED "RISK FACTORS" BEGINNING ON PAGE 13.

Western's obligation to exchange shares of Western common stock for shares of ITEX common stock is subject to a number of conditions, which are more fully described in the section captioned "The Offer—Conditions of the Offer."

Western has not authorized any person to provide any information or to make any representation in connection with the offer other than the information contained in this prospectus, and if any person provides any of this information or makes any representation of this kind, that information or representation must not be relied upon as having been authorized by Western.

WESTERN IS NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND WESTERN A PROXY.

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 February 1, 2008

THIS OFFER DOES NOT CONSTITUTE A SOLICITATION OF PROXIES FOR ANY MEETING OF STOCKHOLDERS OF ITEX. ANY SOLICITATION OF PROXIES WHICH WESTERN MIGHT MAKE WILL BE MADE ONLY PURSUANT TO SEPARATE PROXY OR CONSENT SOLICITATION MATERIALS COMPLYING WITH THE REQUIREMENTS OF SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, OR THE “EXCHANGE ACT.” EACH STOCKHOLDER IS URGED TO READ THE PROXY STATEMENT REGARDING THE BUSINESS TO BE CONDUCTED AT THE APPLICABLE MEETING, IF AND WHEN IT BECOMES AVAILABLE, BECAUSE IT WILL CONTAIN IMPORTANT INFORMATION. ANY SUCH PROXY STATEMENT WILL BE FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, OR “SEC.” ITEX STOCKHOLDERS WILL BE ABLE TO OBTAIN A COPY OF ANY PROXY STATEMENT, AS WELL AS OTHER FILINGS CONTAINING INFORMATION ABOUT THE PARTIES (INCLUDING INFORMATION REGARDING THE PARTICIPANTS (WHICH MAY INCLUDE WESTERN’S OFFICERS AND DIRECTORS) IN THE PROXY SOLICITATION AND A DESCRIPTION OF THEIR DIRECT AND INDIRECT INTERESTS, BY SECURITY HOLDINGS OR OTHERWISE), FREE AT THE SEC’S WEB SITE AT HTTP://WWW.SEC.GOV. EACH SUCH PROXY STATEMENT (IF AND WHEN IT IS AVAILABLE) AND THESE OTHER DOCUMENTS MAY ALSO BE OBTAINED FOR FREE FROM WESTERN AT HTTP://WWW.WESTERN-SIZZLIN.COM.

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QUESTIONS AND ANSWERS ABOUT THE TRANSACTION

The following are some of the questions that you as a holder of shares of ITEX Corporation, or "ITEX," common stock may have regarding the offer and answers to those questions. The answers to these questions do not contain all information relevant to your decision whether to tender your shares of ITEX common stock, and Western Sizzlin Corporation, or "Western," urges you to read carefully the remainder of this prospectus and letter of transmittal.

What is Western's Proposed Transaction?

Pursuant to the filing of the registration statement on Form S-4, of which this prospectus is a part, with the SEC, Western is offering to acquire all of the outstanding shares of ITEX common stock, in exchange for shares of Western common stock. According to ITEX's Quarterly Report on Form 10-QSB for the quarterly period ended October 31, 2007, as of October 31, 2007, there were 17,726,248 shares of ITEX common stock outstanding. As of the date of this prospectus, Western owned 700,714 shares of ITEX common stock, representing approximately 4.0% of the outstanding shares. The exchange offer is the first step in Western's plan to acquire all of the outstanding shares of ITEX. Western intends, promptly after completion of the offer, to seek to have ITEX consummate a second-step merger of a wholly-owned subsidiary of Western with and into ITEX. Pursuant to the terms of the second-step merger, each remaining share of ITEX common stock (other than shares of ITEX common stock owned by ITEX or Western or held by ITEX stockholders who properly exercise applicable dissenters' rights under Nevada law) would be converted into the right to receive the same number of shares of Western common stock as paid in the offer. Stockholders of ITEX whose shares are not exchanged in the offer will have dissenters' rights in the circumstances described later in this prospectus. See "The Offer—Purpose of the Offer; Dissenters' Rights."

What Will I Receive in Exchange for My Shares of ITEX Common Stock?

In exchange for each share of ITEX common stock you validly tender and do not properly withdraw before the expiration date, you will receive .06623 shares of Western common stock. In addition, you will receive cash instead of any fractional shares of Western common stock to which you may be entitled. The number of shares of Western common stock into which each share of ITEX common stock will be exchanged in the offer is sometimes referred to in this prospectus as the "exchange ratio." Western has applied to have its common stock listed on the Nasdaq Capital Market.

What is the Per Share Value of the Offer and the Premium Over ITEX's Share Price?

On December 12, 2007, the last full trading day before Western announced its intention to commence this offer, the closing price of a share of Western common stock was $15.40 and the closing price of a share of ITEX common stock was $0.90. Based on these closing prices and the exchange ratio in the offer of one share of ITEX common stock for .06623 shares of Western common stock, the Western offer had a value of $1.02 per share of ITEX common stock. This represents a 13% premium over ITEX's closing share price on December 12, 2007, a 20% premium over ITEX's six-month average closing share price through December 12, 2007 and a 28% premium over ITEX's one-year average closing share price through December 12, 2007. On December 26, 2007, the last full trading day before the date of the original prospectus, based on the closing price of a share of Western common stock of $18.00 and the closing price of a share of ITEX common stock of $0.96, the Western offer had a value of $1.19 per ITEX share, representing a 24% premium over ITEX's closing share price on December 26, 2007, a 38% premium over ITEX's six-month average closing share price through that date and a 48% premium over ITEX's one-year average closing share price through that date.

The value of the offer will change as the market prices of Western common stock and ITEX common stock fluctuate during the offer period and thereafter, and may therefore be different from the prices set forth above at the expiration of the offer period and at the time you receive your shares of Western common stock. Stockholders are encouraged to obtain current market quotations for shares of Western and ITEX common stock prior to making any decision with respect to the offer. See “Risk Factors” and “Comparative Market Price Data.”

What does the Board of Directors of ITEX Think of the Offer?

On January 11, 2008, ITEX filed a solicitation/recommendation statement with the SEC on Schedule 14D-9 announcing that its Board of Directors determined that the offer is inadequate and not in the best interests of ITEX or its stockholders and recommends that ITEX’s stockholders reject the offer and not tender their ITEX shares in the offer.

Have You Discussed the Offer with the Board of Directors of ITEX?

We have only been given the opportunity to discuss the offer generally with members of the Board of Directors of ITEX. We informed ITEX that we would like to meet with its full Board of Directors as promptly as possible to negotiate the second-step merger of a wholly-owned subsidiary of Western with and into ITEX following the consummation of the offer, but have not yet been granted such a meeting.

What are the Conditions of the Offer?

Western's obligation to exchange shares of Western common stock for shares of ITEX common stock pursuant to the offer is subject to several conditions referred to below under "The Offer—Conditions of the Offer," including the following:

- the "registration statement condition"—the registration statement of which this prospectus is a part shall have become effective under the Securities Act of 1933, as amended, referred to in this prospectus as the "Securities Act," no stop order suspending the effectiveness of the registration statement shall have been issued and no proceedings for that purpose shall have been initiated or threatened by the SEC and Western shall have received all necessary state securities law or "blue sky" authorizations;

- the "minimum tender condition"—there shall have been validly tendered and not properly withdrawn prior to the expiration of the offer that number of shares of ITEX common stock representing, together with the shares owned by Western and its affiliates, at least 60% of the total voting power of all of the outstanding securities of ITEX entitled to vote generally in the election of directors or in a merger, calculated on a fully diluted basis immediately prior to the expiration of the offer;

- the "control share condition"—Western must be satisfied, in its reasonable discretion, that the provisions of Section 78.378, et seq. of the Nevada Revised Statutes, referred to in this prospectus as the "Nevada Control Share Statute," do not and will not apply to the shares of ITEX common stock to be acquired pursuant to the offer or are invalid or the stockholders of ITEX must have approved full voting rights for all of the shares of ITEX common stock to be acquired by Western pursuant to the offer under the Nevada Control Share Statute;

- the "business combination condition"—Western must be satisfied, in its reasonable discretion, that, after consummation of the offer, Section 78.411, et seq. of the Nevada Revised Statutes will not prohibit or restrict for any period of time the merger or any other business combination involving ITEX and Western or an affiliate or associate of Western;

- the "antitrust condition"—any waiting periods under applicable antitrust laws shall have expired or terminated;

- the "ITEX debt condition"—Western shall have received all consents, waivers and approvals required under the terms of ITEX's indebtedness in order for Western to consummate the offer; and

- the "listing and approval condition"—Western's common stock shall have been approved for listing on the Nasdaq Capital Market or other national securities exchange reasonably acceptable to Western, and Western's stockholders shall have approved, as and to the extent required by the rules of any such national securities exchange, the issuance of shares of Western common stock pursuant to the offer and the second-step merger, and such shares shall have been authorized for listing on such national securities exchange, subject to official notice of issuance. Western's directors and executive officers collectively beneficially own or exercise voting power over the requisite number of shares to approve the issuance of Western shares pursuant to the offer and the second-step merger.

The satisfaction or existence of any of the conditions to the offer, including those set forth above, will be determined by Western in its reasonable discretion. Any and all conditions to the offer, including those set forth above, may be waived (to the extent legally permissible) by Western in its reasonable discretion.

Will I Be Taxed on the Western Common Stock I Receive?

The receipt of Western common stock by a U.S. holder in exchange for its shares of ITEX common stock pursuant to the offer may be a taxable transaction for U.S. federal income tax purposes. However, in the event the second-step merger is promptly consummated, the exchange may be tax-free for U.S. federal income tax purposes. For a discussion of material U.S. federal tax consequences of the offer, see the section captioned "The Offer—Taxation."

BECAUSE TAX MATTERS ARE COMPLICATED, WESTERN URGES YOU TO CONTACT YOUR OWN TAX ADVISOR TO DETERMINE THE PARTICULAR TAX CONSEQUENCES TO YOU OF THE OFFER.

Is Western's Financial Condition Relevant to My Decision to Tender in the Offer?

Yes. Western's financial condition is relevant to your decision to tender your shares because shares of ITEX common stock accepted in the offer will be exchanged for shares of Western common stock. You should therefore consider Western's financial condition before you decide to become one of Western's stockholders through the offer. You also should consider the likely effect that Western's acquisition of ITEX will have on Western's financial condition. This prospectus contains financial information regarding Western and ITEX, as well as pro forma financial information for the proposed combination of Western and ITEX, all of which we encourage you to review.

What Percentage of Western's Shares Will Former Holders of Shares of ITEX Common Stock Own After the Offer?

Based on the exchange ratio for the offer and certain assumptions regarding the number of ITEX shares to be exchanged, Western estimates that if all ITEX shares are exchanged pursuant to the offer and the second-step merger, former ITEX stockholders would own, in the aggregate, approximately 30.3% of the outstanding shares of Western common stock. For a detailed discussion of the assumptions on which this estimate is based, see "The Offer—Ownership of Western After the Offer."

How Long Do I Have to Decide Whether to Tender in the Offer?

You have until 5:00 p.m., New York City time, on Thursday, February 28, 2008 to decide whether to tender your shares in the offer unless Western extends the period of time during which the offer is open. If you cannot deliver everything required to make a valid tender to Continental Stock Transfer & Trust Company, the exchange agent for the offer, prior to such time, you may be able to use a guaranteed delivery procedure to tender your shares in the offer, which is described in "The Offer—Guaranteed Delivery." When Western makes reference to the "expiration of the offer" or the "expiration date" anywhere in this prospectus, this is the time to which Western is referring, including, when applicable, any extension period that may apply.

Can the Offer Be Extended and Under What Circumstances?

Western may, in its sole discretion, extend the offer at any time or from time to time. For instance, the offer may be extended if any of the conditions specified in "The Offer—Conditions of the Offer" are not satisfied prior to the scheduled expiration date of the offer. Western may also elect to provide a "subsequent offering period" for the offer. A subsequent offering period is not an extension of the offer. Rather, a subsequent offering period would be an additional period of time, beginning after Western has accepted for exchange all shares tendered during the offer, during which stockholders who did not tender their shares in the offer may tender their shares and receive the same consideration provided in the offer. Western does not currently intend to include a subsequent offering period, although it reserves the right to do so.

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How Will I Be Notified if the Offer is Extended?

If Western decides to extend the offer, it will inform the exchange agent of that fact and will make a public announcement of the extension, not later than 9:00 a.m., New York City time, on the business day after the day on which the offer was scheduled to expire.

How Do I Tender My Shares?

To tender shares, you must deliver the certificates representing your shares, together with a properly completed and duly executed letter of transmittal, to the exchange agent not later than the time the offer expires. If your shares are held in street name by your broker, dealer, commercial bank, trust company or other nominee, such nominee can tender your shares through The Depository Trust Company. If you cannot deliver everything required to make a valid tender to the exchange agent for the offer prior to the expiration of the offer, you may have a limited amount of additional time by having a broker, a bank or other fiduciary that is a member of the Securities Transfer Agents Medallion Program or other eligible institution guarantee that the missing items will be received by the exchange agent within three business days after the expiration of the offer. However, the exchange agent must receive the missing items within that three business day period. For a complete discussion on the procedures for tendering your shares, see "The Offer—Procedure for Tendering" and "The Offer—Guaranteed Delivery."

Will I Have to Pay any Fee or Commission to Exchange Shares of ITEX Common Stock?

If you are the record owner of your shares and you tender your shares in the offer, you will not have to pay any brokerage fees, commissions or similar expenses. If you own your shares through a broker, dealer, commercial bank, trust company or other nominee and your broker, dealer, commercial bank, trust company or other nominee tenders your shares on your behalf, they may charge a fee for doing so. You should consult your broker, dealer, commercial bank, trust company or other nominee to determine whether any charges will apply.

Until What Time Can I Withdraw Tendered Shares?

You can withdraw tendered shares at any time until the offer has expired and, if Western has not agreed to accept your shares for exchange by the expiration date, you can withdraw them at any time after that date until it accepts shares for exchange. If Western decides to provide a subsequent offering period, it will accept shares tendered during that period immediately and thus you will not be able to withdraw shares tendered in the offer during any subsequent offering period. For a complete discussion on the procedures for withdrawing your shares, see "The Offer—Withdrawal Rights."

How Do I Withdraw Tendered Shares?

To withdraw shares, you must deliver a written notice of withdrawal, or a facsimile of one, with the required information to the exchange agent for the offer, while you have the right to withdraw the shares. If you tendered shares by giving instructions to a broker, dealer, commercial bank, trust company or other nominee, you must instruct the broker, dealer, commercial bank, trust company or other nominee to arrange for the withdrawal of your shares. For a complete discussion on the procedures for withdrawing your shares, see "The Offer—Withdrawal Rights."

When and How Will I Receive the Western Shares for My Tendered Shares?

Western will exchange all validly tendered and not properly withdrawn shares promptly after the expiration date of the offer, subject to the terms of the offer and the satisfaction or waiver of the conditions to the offer, as set forth in "The Offer—Conditions of the Offer." Western will exchange your validly tendered and not properly withdrawn shares by depositing shares of Western common stock with the exchange agent, which will act as your agent for the purpose of receiving shares from Western and transmitting such shares to you. In all cases, exchange of tendered shares will be made only after timely receipt by the exchange agent of certificates for such shares (or of a confirmation of a book-entry transfer of such shares as described in “The Offer—Procedure for Tendering”) and a properly completed and duly executed letter of transmittal and any other required documents for such shares.

If I Decide Not to Tender, How Will the Offer Affect My Shares?

If the offer is consummated and the second-step merger with a wholly-owned subsidiary of Western takes place, stockholders not tendering in the offer will receive in the second-step merger the same number of shares of Western common stock that they would have received had they tendered their shares in the offer. Therefore, if the second-step merger with a wholly-owned subsidiary of Western takes place, the key differences to you if you did not tender your shares in the offer are that you (1) will receive shares of Western common stock later and (2) may receive shares of Western common stock with a current market price that is greater or less than the price of Western common stock on the date you would have received them if you had tendered in the offer. In addition, if you do not tender your ITEX shares in the offer, do not vote in favor of the second-step merger and do comply with applicable procedures under Nevada law, you will be entitled to dissenters' rights in connection with the second-step merger in the circumstances described later in this prospectus. However, if the offer is consummated and the second-step merger with a wholly-owned subsidiary of Western does not take place, the number of ITEX stockholders and the number of shares of ITEX that are still in the hands of the public may be so small that there may no longer be an active public trading market, or, possibly, any public trading market, for these shares, which may affect prices at which the shares trade. Also, as described below, ITEX may cease making filings with the SEC or otherwise cease being subject to the SEC rules relating to publicly held companies. See "The Offer—Effect of the Offer on the Market for Shares of ITEX Common Stock; Registration Under the Exchange Act; Margin Regulations" and "The Offer—Purpose of the Offer; Dissenters' Rights."

Are Dissenters' Rights Available in Either the Offer or the Second-Step Merger?

Dissenters' rights are the rights of stockholders, in certain cases, to receive "fair value" for their shares, plus accrued interest from the effective date of the merger until the date of payment, as determined by a statutorily-prescribed process, which may include a judicial appraisal process. Dissenters' rights are not available in the offer, but, as discussed in the next paragraph, may arise if Western requests an ITEX stockholder vote in connection with the Nevada Control Share Statute. In addition, if you do not tender your ITEX shares in the offer, do not vote in favor of the second-step merger and do comply with applicable procedures under Nevada law, and if either of the two sets of criteria specified below in this paragraph is satisfied, you will be entitled to dissenters' rights in connection with the second-step merger. The value of shares of ITEX common stock determined through the exercise of dissenters' rights could be the same as, or more or less than, the value of the shares of Western common stock offered pursuant to the offer or proposed to be paid in the second-step merger. Dissenters' rights will be available to ITEX stockholders in connection with the second-step merger if either of the following two sets of criteria is satisfied: (1) on the effective date of the second-step merger, Western common stock is not listed on a national securities exchange, is not traded on NASDAQ and is not held of record by at least 2,000 holders; or (2) on the record date for determining the ITEX stockholders who are entitled to vote on the second-step merger, ITEX common stock is not listed on a national securities exchange, is not traded on NASDAQ and is not held of record by at least 2,000 holders. Although Western has applied to have its common stock listed on the Nasdaq Capital Market, ITEX common stock is not currently listed on a national securities exchange, traded on NASDAQ or, to Western's knowledge, held of record by at least 2,000 holders. Therefore, Western expects that dissenters' rights will be available to Target stockholders in connection with the second-step merger. See "The Offer—Purpose of the Offer; Dissenters' Rights."

In addition, you may have dissenters' rights in connection with the Nevada Control Share Statute, assuming that ITEX meets the definition of an "issuing corporation" under that statute. The Nevada Control Share Statute provides that a person who acquires specified amounts of a corporation's voting stock may not exercise voting rights as to the acquired shares unless specified conditions are satisfied. Under appropriate circumstances, Western may decide to ask ITEX's stockholders to grant voting rights to the shares of ITEX common stock acquired by Western in the offer. In that event, dissenters' rights may be available to each ITEX stockholder who does not vote in favor of such grant of voting rights if Western acquires full voting rights with respect to shares having a majority or more of the total voting power of all ITEX shares. See "The Offer—Purpose of the Offer; Dissenters' Rights" and "The Offer—Certain Legal Matters;

Regulatory Approvals—Nevada Control Share Statute."

What is the Market Value of My Shares of ITEX Common Stock as of a Recent Date?

On December 12, 2007, the last full trading day before Western announced its intention to commence this offer, the closing price of a share of common stock of ITEX as quoted on the OTC Bulletin Board was $0.90. On December 26, 2007, the last full trading day before the date of the original prospectus, the closing price of a share of ITEX common stock was $0.96. Western advises you to obtain a recent quotation for the ITEX common stock before deciding whether to tender your shares.

Why Does the Cover Page to this Prospectus State that the Offer is Subject to Change and that the Registration Statement Filed with the SEC is not yet Effective? Does this Mean that the Offer has not Commenced?

No. Completion of this preliminary prospectus and effectiveness of the registration statement are not necessary for the offer to commence. We cannot, however, accept for exchange any shares tendered in the offer or exchange any shares of ITEX common stock until the registration statement is declared effective by the SEC and the other conditions to the offer have been satisfied or, to the extent legally permissible, waived.

Where Can I Find More Information on Western and ITEX?

You can find more information about Western and ITEX from various sources described in the section captioned "Where You Can Find More Information."

Who Can I Talk to If I Have Questions About the Offer?

You can call Morrow & Co., LLC, the information agent for the offer, at the numbers below.

The information agent for the offer is:

MORROW & CO., LLC

470 West Avenue
Stamford, CT 06902

E-mail: offer.info@morrowco.com

Banks and Brokerage Firms, Please Call: 203.658.9400
Stockholders Call Toll Free: 800.607.0088

WHERE YOU CAN FIND MORE INFORMATION

Western and ITEX file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any reports, statements or other information that Western and ITEX file at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information regarding the public reference room. Western's and ITEX's public filings also are available to the public from commercial document retrieval services and at the Internet website maintained by the SEC at http://www.sec.gov.

Western has filed a registration statement on Form S-4 to register with the SEC the offering and sale of shares of Western common stock to be issued in the offer and the second-step merger. This prospectus is a part of that registration statement. As allowed by SEC rules, this prospectus does not contain all of the information that you can find in the registration statement or the exhibits to the registration statement. For further information, reference is made to the registration statement and its exhibits. Western may also file amendments to the registration statement. In addition, on December 27, 2007, Western filed with the SEC a Tender Offer Statement on Schedule TO under the Exchange Act, together with exhibits, to furnish certain information about the offer, and Western has filed, and may in the future file, amendments to the Schedule TO. You may obtain copies of the Form S-4 and Schedule TO (and any amendments to those documents) by contacting the information agent as directed on the back cover of this prospectus.

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROSPECTUS IN MAKING YOUR DECISION WHETHER TO TENDER YOUR SHARES OF ITEX COMMON STOCK INTO WESTERN'S OFFER. WESTERN HAS NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION THAT DIFFERS FROM THAT CONTAINED IN THIS PROSPECTUS. THIS PROSPECTUS IS DATED FEBRUARY 1, 2008. YOU SHOULD NOT ASSUME THAT THE INFORMATION CONTAINED IN THIS PROSPECTUS IS ACCURATE AS OF ANY DATE OTHER THAN THAT DATE, AND NEITHER THE MAILING OF THIS PROSPECTUS TO STOCKHOLDERS NOR THE ISSUANCE OF SHARES OF WESTERN COMMON STOCK IN WESTERN'S OFFER SHALL CREATE ANY IMPLICATION TO THE CONTRARY.

NOTE ON ITEX INFORMATION

In respect of information relating to ITEX's business, operations and management presented in, or omitted from, this prospectus, Western has relied upon publicly available information, primarily information publicly filed by ITEX with the SEC. Information publicly filed by ITEX may be examined and copies may be obtained at the places and in the manner set forth in the section captioned "Where You Can Find More Information." Western is not affiliated with ITEX, and non-public information concerning ITEX was not available to Western for the purpose of preparing this prospectus. ITEX has not cooperated with Western in, and has not been involved in, the preparation of this prospectus and has not verified the information contained in this prospectus relating to ITEX. Publicly available information concerning ITEX may contain errors. Western has no knowledge that would indicate that any statements contained herein regarding ITEX's operations, financial condition or condition in general, based upon such publicly filed reports and documents, are inaccurate, incomplete or untrue. However, Western was not involved in the preparation of such reports and documents. As a result, Western has made adjustments and assumptions in preparing the pro forma financial information presented in this prospectus which have necessarily involved estimates with respect to ITEX's financial information. Any financial or other information regarding ITEX that may be detrimental to Western following the acquisition of ITEX that has not been publicly disclosed by ITEX, or errors in estimates due to fact that ITEX did not cooperate with Western, may have an adverse effect on the benefits Western expects to achieve through the consummation of the offer.

Pursuant to Rule 409 under the Securities Act and Rule 12b-21 under the Exchange Act, Western has requested that ITEX provide Western with the information required to furnish complete disclosure regarding the business, operations, financial condition and management of ITEX. Western will amend or supplement this prospectus to include any and all information Western receives from ITEX, if Western receives the information before the offer expires and Western considers it to be material, reliable and appropriate. As of the date of this prospectus, no such information has been received.

In addition, pursuant to Rule 437 under the Securities Act, Western has requested that (i) ITEX cooperate in obtaining the consent of its independent public accountants and (ii) ITEX's independent public accountants provide Western with their consent required for Western to include in this prospectus the audit report included in ITEX's Annual Report on Form 10-KSB for the fiscal year ended July 31, 2007. Western requested and has, as of the date of this prospectus, not received this consent from ITEX's independent public accountants. If Western receives this consent, Western will promptly file it as an exhibit to the registration statement of which this prospectus forms a part.

SUMMARY

This summary highlights selected information from this prospectus, and may not contain all of the information that is important to you. To better understand the offer to holders of shares of ITEX common stock, you should read this entire prospectus carefully, as well as those additional documents to which Western refers you.

The Companies

Western

Western is a Delaware corporation with principal executive offices at 416 South Jefferson Street, Suite 600, Roanoke, Virginia 24011. The telephone number of Western's executive offices is (540) 345-3195. Western is a holding company which owns a number of subsidiaries. Its most important business activity is conducted through Western Sizzlin Franchise Corporation, which franchises and operates 122 restaurants in 19 states. Financial decisions are centralized at the holding company level, and management of operating businesses is decentralized at the business unit level. Western's prime objective centers on achieving above-average returns on capital in pursuit of maximizing the eventual net worth of its stockholders. In this prospectus, references to "Western" refer to Western Sizzlin Corporation and its subsidiaries, unless the context otherwise requires.

The name, business address, principal occupation or employment, five-year employment history and citizenship of each director and executive officer of Western and certain other information are set forth on Schedule I to this prospectus. During the last five years, neither Western nor, to Western's best knowledge, any of the persons listed on Schedule I of this prospectus (1) has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (2) was a party to any judicial or administrative proceeding that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of federal or state securities laws.

ITEX

ITEX is a Nevada corporation with principal executive offices at 3326 160th Avenue SE, Suite 100, Bellevue, Washington 98008. The telephone number of ITEX's executive offices is (425) 463-4000. ITEX, The Membership Trading CommunitySM, is a leading exchange for cashless business transactions across North America (the "Marketplace"). ITEX services its member businesses through its independent licensed brokers, area directors and franchise network (individually, "Broker" and together, the "Broker Network") in the United States and Canada. ITEX's business services and payment systems enable approximately 24 thousand member businesses to trade goods and services valued at more than $270 million without exchanging cash. These products and services are instead exchanged for ITEX dollars which can only be redeemed in the Marketplace. ITEX administers the Marketplace and acts as a third-party record-keeper for its members' transactions. ITEX generates revenue by charging members percentage-based transaction fees, association fees, and other fees assessed in United States dollars and Canadian dollars where applicable.

The Offer

Western is offering to exchange, for each outstanding share of ITEX common stock that is validly tendered and not properly withdrawn prior to the expiration date, .06623 shares of Western common stock, upon the terms and subject to the conditions contained in this prospectus and the accompanying letter of transmittal. In addition, you will receive cash instead of any fractional shares of Western common stock to which you may be entitled.

On December 12, 2007, the last full trading day before Western announced its intention to commence this offer, the closing price of a share of Western common stock was $15.40 and the closing price of a share of ITEX common stock was $0.90. Based on these closing prices and the exchange ratio in the offer of one share of ITEX common stock for .06623 shares of Western common stock, the Western offer had a value of $1.02 per share of ITEX common stock. This represents a 13% premium over ITEX's closing share price on December 12, 2007, a 20% premium over ITEX's six-month average closing share price through December 12, 2007 and a 28% premium over ITEX's one-year average closing share price through December 12, 2007. On December 26, 2007, the last full trading day before the date of the original prospectus, based on the closing price of a share of Western common stock of $18.00 and the closing price of a share of ITEX common stock of $0.96, the Western offer had a value of $1.19 per ITEX share, representing a 24% premium over ITEX's closing share price on December 26, 2007, a 38% premium over ITEX's six-month average closing share price through that date and a 48% premium over ITEX's one-year average closing share price through that date.

The value of the offer will change as the market prices of Western common stock and ITEX common stock fluctuate during the offer period and thereafter, and may therefore be different from the prices set forth above at the expiration of the offer period and at the time you receive your shares of Western common stock. Stockholders are encouraged to obtain current market quotations for shares of Western and ITEX common stock prior to making any decision with respect to the offer. See "Risk Factors" and "Comparative Market Price Data."

Reasons for the Offer

Western seeks to acquire ITEX because it believes all stockholders will benefit for the following reasons:

1) Intrinsic Value and Capital Allocation. Western's holding company structure would allow surplus cash generated by its subsidiaries, including ITEX, to be channeled to the parent for reallocation in pursuit of attaining high risk-adjusted returns. In addition, as ITEX's parent, Western could provide financing, on an opportunistic basis, which could be applied toward acquiring other barter businesses. Western's objective is to maximize its intrinsic business value per share over the long term.

2) Cost Savings. The elimination of redundant public company costs, Western believes, would eventuate into material savings in expenses. Western believes the reduction of expenses would increase cash flows, representing, in turn, a discernible basis for a higher valuation for the combined company.

3) Opportunities. Western believes there are possibilities to increase ITEX's bartering transactions through Western's other subsidiaries as well as through the businesses it may purchase in the future.

In addition to these three main reasons, Western also believes that its acquiring ITEX would result in a larger combined market capitalization, which along with the anticipated listing on the Nasdaq Capital Market would enhance liquidity and therefore reduce transaction costs for stockholders wishing to enter or exit the stock. ITEX is currently quoted on the OTC Bulletin Board.

Most importantly, Western is proposing to issue its common stock to ITEX stockholders in the offer to allow them to participate in the growth and opportunities of the combined company. Western believes that joining the companies would improve the diversity of operations, earning power, and reinvestment of cash flows for growth. Accordingly, Western believes that the combination of Western and ITEX would have significant long-term benefits because two entities would increase intrinsic business value per share for stockholders at a higher rate than they could separately.

Western believes the holding company structure, such as the one at Western, is ideal for businesses like ITEX's because capital allocation responsibility is separated from the authority to make operating decisions. Thus, management of a subsidiary can focus on overseeing day-to-day operations, whereas management of Western can focus on allocating capital. Western believes its business model and financial resources would construct an optimal platform to create value for long-term stockholders.

Ownership of Western After the Offer

Based on the exchange ratio for the offer and certain assumptions regarding the number of ITEX shares to be exchanged, Western estimates that if all ITEX shares are exchanged pursuant to the offer and the second-step merger, former ITEX stockholders would own, in the aggregate, approximately 30.3% of the outstanding shares of Western common stock. For a detailed discussion of the assumptions on which this estimate is based, see "The Offer—Ownership of Western After the Offer."

Conditions of the Offer

Western's obligation to exchange shares of Western common stock for shares of ITEX common stock pursuant to the offer is subject to several conditions, including, among others, the minimum tender condition. Based on 17,726,248 shares of ITEX common stock outstanding as of October 31, 2007, and Western's ownership of 700,714 shares of ITEX common stock, Western's acquisition of 9,935,035 shares of ITEX common stock would satisfy the minimum tender condition. The offer is subject to a number of additional conditions referred to below under "The Offer—Conditions of the Offer," including the registration statement condition, the control share condition, the business combination condition, the antitrust condition, the ITEX debt condition and the listing and approval condition.

Expiration Date of the Offer

The offer is scheduled to expire at 5:00 p.m., New York City time, on February 28, 2008, unless extended by Western. For more information, you should read the discussion below under the caption "The Offer—Extension, Termination and Amendment."

Extension, Termination and Amendment

To the extent legally permissible, Western reserves the right, in its sole discretion, at any time or from time to time:

- to extend, for any reason, the period of time during which the offer is open;
- to delay acceptance for exchange of, or exchange of, any shares of ITEX common stock pursuant to the offer in order to comply in whole or in part with applicable law;
- to terminate the offer and not accept or exchange any shares of ITEX common stock not previously accepted or exchanged, upon the failure of any of the conditions of the offer to be satisfied prior to the expiration date;
- to amend or terminate the offer without accepting for exchange or exchanging any shares of ITEX common stock if ITEX agrees to enter into a negotiated merger agreement with Western; and
- to waive any condition or otherwise amend the offer in any respect.

In addition, even if Western has accepted for exchange, but not exchanged, shares in the offer, it may terminate the offer and not exchange shares of ITEX common stock that were previously tendered if completion of the offer is illegal or if a governmental authority has commenced or threatened legal action related to the offer.

Procedure for Tendering Shares

The procedure for tendering shares of ITEX common stock varies depending on whether you possess physical certificates or a nominee holds your certificates for you and on whether or not you hold your securities in book-entry form. Western urges you to read the section captioned "The Offer—Procedure for Tendering" as well as the accompanying letter of transmittal.

Withdrawal Rights

You can withdraw tendered shares at any time until the offer has expired and, if Western has not agreed to accept your shares for exchange by the expiration date, you can withdraw them at any time after that date until it accepts shares for exchange. If Western decides to provide a subsequent offering period, it will accept shares tendered during that period immediately and thus you will not be able to withdraw shares tendered in the offer during any subsequent offering period.

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Exchange of Shares of ITEX Common Stock; Delivery of Shares of Western Common Stock

Upon the terms and subject to the conditions of the offer (including, if the offer is extended or amended, the terms and conditions of any such extension or amendment), Western will accept for exchange, and will exchange for Western common stock, all shares of ITEX common stock validly tendered and not properly withdrawn promptly after the expiration date. If Western elects to provide a subsequent offering period following the expiration of the offer, shares tendered during such subsequent offering period will be accepted for exchange immediately upon tender and will be promptly exchanged.

Cash Instead of Fractional Shares of Western Common Stock

Western will not issue certificates representing fractional shares of Western common stock pursuant to the offer. Instead, each tendering stockholder who would otherwise be entitled to a fractional share of Western common stock will receive cash in an amount equal to such fraction (expressed as a decimal and rounded to the nearest 0.01 of a share) multiplied by the average of the closing prices, rounded to four decimal points, of Western common stock for the 15 consecutive trading day period ending on the third trading day before the expiration date.

Regulatory Approvals

Based on publicly available information concerning ITEX's operations, Western does not believe that the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, is applicable to the proposed transaction, and is not aware of any other material filings that will be required or advisable with any regulatory authorities in connection with the proposed transaction.

Comparison of Stockholders' Rights

You will receive Western common stock if you tender your shares of ITEX common stock in the offer. There are a number of differences between the rights of a stockholder of ITEX, a Nevada corporation, and the rights of a stockholder of Western, a Delaware corporation. Western urges you to review the discussion in the section captioned "Comparison of Stockholders' Rights."

Risk Factors

The offer is, and, upon the consummation of the offer, the combined company will be, subject to several risks. In deciding whether to tender your shares of ITEX common stock pursuant to the offer, you should carefully read and consider the risk factors contained in the section captioned "Risk Factors."

RECENT DEVELOPMENTS

At a meeting held on July 27, 2007, Western's Board of Directors increased the authority delegated to Sardar Biglari, Western's Chairman, Chief Executive Officer and President, to invest surplus cash and to borrow funds in connection with making investments to $10 million and $5 million, respectively.

In April 2007, Western formed Western Investments, Inc., a Delaware corporation and wholly-owned subsidiary, to serve as the general partner of Western Acquisitions, L.P., a Delaware limited partnership that operates as a private investment fund. Through Western Investments, Mr. Biglari operates as the portfolio manager to the fund.

Western Acquisitions has an ownership interest in The Steak n Shake Company and has filed a Schedule 13D (as amended) with the SEC as a member of a group that also includes Western, Western Investments, The Lion Fund, L.P., Biglari Capital Corp., Mr. Biglari and Philip L. Cooley, Western's Vice Chairman of the Board. As of January 24, 2008, this group collectively beneficially owned approximately 8.5% of Steak n Shake. Western initially purchased Steak n Shake shares utilizing funds from working capital and, during the third quarter ended September 30, 2007, contributed those shares to Western Investments, which in turn contributed them to Western Acquisitions. The group has consulted with Steak n Shake's Chairman and management concerning Steak n Shake's business, operations and future plans, and is seeking seats on the Board of Directors for Mr. Biglari and Dr. Cooley. On August 16, 2007, the group delivered a letter to Steak n Shake, pursuant to its By-laws, nominating Mr. Biglari and Dr. Cooley for election to the Board at the 2008 annual meeting of stockholders or any other meeting of stockholders held in lieu thereof. Western's Board of Directors has determined that seeking these seats is in the best interests of Western's stockholders given the investment in Steak n Shake. If necessary, Western intends to engage in a proxy solicitation to get its nominees elected and has agreed to share the expenses of this effort pro rata with Western Acquisitions and The Lion Fund, L.P.

On August 29, 2007, the stockholders of Friendly Ice Cream Corporation approved the previously announced agreement for that company's acquisition by an affiliate of Sun Capital Corp. Western, along with Mr. Biglari, Dr. Cooley and The Lion Fund, L.P., voted in favor of the merger agreement. In accordance with the terms of the merger agreement, Western received $15.50 per share for its Friendly stock held as of August 29, 2007.

On October 17, 2007, Western commenced a rights offering, distributing to stockholders, at no charge, one transferable subscription right for each share of Western common stock held on that date. Every two rights entitled a stockholder to purchase one share of Western common stock for $8.50 in cash. A total of 1,797,750 rights were issued entitling stockholders to purchase an aggregate of 898,875 shares. The rights offering expired on November 16, 2007 with 898,875 shares being purchased through both basic and oversubscription rights, generating total proceeds to Western of approximately $7.6 million.

On December 13, 2007, Western Real Estate, LP, a newly formed Delaware limited partnership managed by Western Properties, Inc., a newly formed Delaware corporation and wholly-owned subsidiary of Western, purchased approximately 23 acres of real property located in Bexar County, Texas from unaffiliated third parties. Western Properties, Inc. serves as the general partner of Western Real Estate, LP, which intends to operate as a private real estate investment fund.

FORWARD-LOOKING STATEMENTS

This prospectus contains “forward-looking statements.” Specific forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts and include, without limitation, words such as “may,” “will,” “expects,” “believes,” “anticipates,” “plans,” “estimates,” “projects,” “targets,” “forecasts,” “seeks,” “could” or the neg terms or other variations on such terms or comparable terminology. Similarly, statements that describe Western’s objectives, plans or goals are forward-looking. Western’s forward-looking statements are based on management’s current intent, belief, expectations, estimates and projections regarding Western and ITEX and projections regarding their respective industries. These statements are not guarantees of future performance and involve risks, uncertainties, assumptions and other factors that are difficult to predict, including those discussed below. Therefore, actual results may vary materially from what is expressed in or indicated by the forward-looking statements. In particular, forward-looking statements as to Western’s financial and business performance following the proposed acquisition of ITEX should be qualified by the absence of any opportunity for Western to perform comprehensive due diligence on ITEX. These forward-looking statements might have been significantly different had such due diligence been performed. Readers of this prospectus are cautioned not to place undue reliance on forward-looking statements since, while Western believes the assumptions on which the forward-looking statements are based are reasonable, there can be no assurance that these forward-looking statements will prove to be accurate. This cautionary statement is applicable to all forward-looking statements contained in this prospectus and the material accompanying this prospectus.

RISK FACTORS

Risk Factors Relating to the Offer

The exchange ratio for the offer is fixed and will not be adjusted. Because the market price of shares of Western common stock may fluctuate, ITEX stockholders cannot be sure of the market value of the shares of Western common stock that they will receive in the offer.

Each outstanding share of ITEX common stock that is validly tendered and not properly withdrawn prior to the expiration date will be exchanged for .06623 shares of Western common stock upon consummation of the offer. This exchange ratio is fixed and will not be adjusted in case of any increases or decreases in the price of Western common stock or ITEX common stock. If the price of Western common stock declines (which may occur as a result of a number of reasons (many of which are out of Western’s control), including as a result of the risks described in this “Risk Factors” section), ITEX stockholders will receive less value for their shares in the offer or the second-step merger than the value calculated pursuant to the exchange ratio on the last full trading day before Western announced its intention to commence the offer. Because the offer and the second-step merger may not be completed until a number of conditions have been satisfied or waived (please see the section of this prospectus entitled “The Offer — Conditions of the Offer”), a significant period of time may pass between the commencement of the offer and the time that Western accepts shares of ITEX common stock for exchange. Therefore, at the time you tender your shares pursuant to the offer, you will not know the exact market value of the shares of Western common stock that will be issued to you if Western accepts your shares for exchange. ITEX stockholders are urged to obtain current market quotations for Western and ITEX common stock when they consider whether to tender their shares of ITEX common stock pursuant to the offer.

This transaction may adversely affect the liquidity and value of non-tendered ITEX common stock.

In the event that not all of the shares of ITEX common stock are tendered in the offer and Western accepts for exchange those shares tendered into the offer, the number of stockholders and the number of shares of ITEX common stock held by individual holders will be greatly reduced. As a result, the closing of the offer would adversely affect the liquidity and could also adversely affect the market value of the remaining shares of ITEX common stock held by the public. Following the closing of the offer, the ITEX common stock may cease to be quoted on the OTC Bulletin Board. If this were to occur, shares of ITEX common stock not tendered pursuant to the offer may become illiquid and may be of reduced value. See "The Offer—Plans for ITEX."

Western has only conducted a review of ITEX's publicly available information and has not had access to ITEX's non-public information. Therefore, Western may be subject to unknown liabilities of ITEX which may have a material adverse effect on Western's profitability and results of operations.

To date, Western has only conducted a due diligence review of ITEX's publicly available information. As a result, after the consummation of the offer, Western may be subject to unknown liabilities of ITEX, which Western might have otherwise discovered if Western had been able to conduct a complete due diligence review of ITEX's non-public information. Any such unknown liabilities may have a material adverse effect on Western's profitability and results of operations.

Western's verification of the reliability of the ITEX information included in, or omitted from, this prospectus pursuant to Western's due diligence review of ITEX has been limited by the fact that ITEX has not provided Western with the accounting and other records necessary for Western to fully assess the financial and operating condition of ITEX.

In respect of all information relating to ITEX presented in, or omitted from, this prospectus, Western has relied upon publicly available information, including information publicly filed by ITEX with the SEC. Although Western has no knowledge that would indicate that any statements contained herein regarding ITEX's condition, including its financial or operating condition, based upon such publicly filed reports and documents, are inaccurate, incomplete or untrue, Western was not involved in the preparation of such reports and documents. For example, Western has made adjustments and assumptions in preparing the pro forma financial information presented in this prospectus that have necessarily involved Western's estimates with respect to ITEX's financial information. Any financial, operating or other information regarding ITEX that may be detrimental to Western following Western's acquisition of ITEX that has not been publicly disclosed by ITEX, or errors in Western's estimates due to the fact that ITEX did not cooperate with Western, may have an adverse effect on the benefits Western expects to achieve through the consummation of the offer.

The market price of Western common stock may decline as a result of the offer, and Western's common stock may not be approved for listing on the Nasdaq Capital Market.

The market price of Western's common stock may decline as a result of the offer if:

- after completion of the acquisition of ITEX, Western learns of information with respect to ITEX that prevents Western from making the certifications required by the Sarbanes-Oxley Act of 2002, which would reduce investors' confidence in Western's reporting capabilities with respect to ITEX's business;

- Western does not achieve the expected benefits of the acquisition of ITEX as rapidly or to the extent anticipated by investors; or

- the effect of Western's acquisition of ITEX on Western's financial results is not consistent with the expectations of investors.

In connection with the offer, Western estimates that it will issue approximately 1,174,010 shares of Western common stock. The increase in the number of shares of Western common stock issued may lead to sales of such shares or the perception that such sales may occur, either of which may adversely affect the market for, and the market price of, Western common stock.

Although Western has applied to have its common stock listed on the Nasdaq Capital Market, there can be no assurance that Western's common stock will be approved for listing. In particular, based on the number of shares presently outstanding and the current ownership of Western's common stock, a decline in the market price of Western's common stock below $14.84 could cause it to fail to satisfy the applicable listing requirements. Since the date of commencement of the offer, Western's stock price has ranged from $18.75 to $12.80. It is a condition to the offer that Western's common stock be approved for listing on the Nasdaq Capital Market or other national securities exchange reasonably acceptable to Western. If Western's common stock is not approved for listing on the Nasdaq Capital Market, Western may seek to have its common stock listed on another national securities exchange. Any inability on the part of Western to satisfy the listing requirements of the Nasdaq Capital Market or other national securities exchange could result in the anticipated benefits of such listing not being realized and/or the termination or amendment of the offer.

Even if the offer is completed, the second-step merger may be delayed if Western cannot acquire 90% of the issued and outstanding shares of ITEX common stock pursuant to the offer.

The offer is subject to a condition that, before the end of the offer period, there shall have been validly tendered and not properly withdrawn that number of shares of ITEX common stock representing, together with the shares owned by Western and its affiliates, at least 60% of the shares of ITEX common stock on a fully diluted basis. If Western acquires at least 90% of the issued and outstanding shares of ITEX common stock, Western will be able to effect a "short-form" merger under Nevada law. A short-form merger would enable Western to merge a wholly-owned subsidiary with and into ITEX without any action on the part of the other holders of ITEX common stock and thereby acquire any remaining issued and outstanding shares of ITEX common stock. If, however, at the end of the offer period, Western does not hold at least 90% of the issued and outstanding shares of ITEX common stock, Western will be required to obtain stockholder approval, and make any required SEC filings, in connection with a "long-form" merger to purchase the remainder of the shares. This could prevent or delay Western from realizing some or all of the anticipated benefits from the proposed transaction.

The offer could trigger provisions contained in ITEX's agreements that could permit a counter-party to an agreement with ITEX to terminate that agreement.

Because Western has not had the opportunity to review ITEX's non-public information, there may be agreements to which ITEX is a party, including with its network of brokers and franchisees, that permit a counter-party to terminate an agreement because the offer or the second-step merger would cause a default or violate an anti-assignment, change of control or similar clause. If this happens, Western may have to seek to replace that agreement with a new agreement. Western cannot assure you that it will be able to replace a terminated agreement on comparable terms or at all. Depending on the importance of a terminated agreement to ITEX's business, failure to replace that agreement on similar terms or at all may increase the costs to Western of operating ITEX's business or prevent Western from operating part or all of ITEX's business.

Antitrust authorities may attempt to delay or prevent Western's acquisition of ITEX or may require divestitures.

Based on publicly available information concerning ITEX's operations, Western does not believe that the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, is applicable to the proposed transaction, and is not aware of any other material filings that will be required with any regulatory authorities in connection with the proposed transaction. Western cannot provide any assurance that any necessary approvals will be obtained or that there will not be any adverse consequences to Western's or ITEX's business resulting from the failure to obtain any required regulatory approvals or from conditions that could be imposed in connection with obtaining any such approvals, including divestitures or other operating restrictions upon ITEX or the combined company. The offer is conditioned upon the receipt from all antitrust authorities of approval and/or clearance, without any adverse limitations or restrictions, of Western's acquisition of ITEX and no court or other governmental authority prohibiting the consummation of the offer. You should be aware that any required regulatory approvals may not be obtained in time and could result in a significant delay in the consummation of the offer.

Upon your receipt of shares of Western common stock in the offer, you will become a stockholder in Western, a Delaware corporation, which may change some of the rights and privileges you hold as a stockholder of ITEX, a Nevada corporation.

Western is a Delaware corporation and is governed by the laws of the State of Delaware and by its certificate of incorporation and bylaws. The General Corporation Law of the State of Delaware, referred to in this prospectus as the "DGCL," extends to stockholders rights and privileges that may not exist under Nevada law and, conversely, does not extend other rights and privileges that you may have as a stockholder of a company governed by Nevada law. The directors of a Delaware corporation may elect to adopt provisions that have the effect of discouraging a third party from acquiring control of the corporation. These provisions could limit the price that some investors might be willing to pay in the future for shares of Western common stock. These Delaware provisions may also have the effect of discouraging or preventing transactions involving an actual or a threatened change in control of Western, including unsolicited takeover attempts, even though such a transaction may offer Western stockholders the opportunity to sell their shares of Western common stock at a price above the prevailing market price. For a detailed discussion of the rights of Western stockholders versus the rights of ITEX stockholders, see the section captioned "Comparison of Stockholders' Rights."

Risk Factors Relating to Western's Business

Western is dependent on key personnel.

Western believes that its success depends in part on the services of Sardar Biglari, its Chairman, Chief Executive Officer and President, and Robyn B. Mabe, its Vice President and Chief Financial Officer. The loss of the services of Mr. Biglari or Mrs. Mabe could have a material adverse effect upon Western's business, financial condition and results of operations. Qualified replacements may not be available in a timely manner, if at all. Western's continued growth will also depend on its ability to attract and retain additional skilled management personnel.

Western's stock price could be volatile.

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

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

The sale of a substantial number of shares of Western common stock in the public market could substantially reduce the prevailing market price of its common stock. As of December 26, 2007, 2,696,625 shares of common stock were outstanding. In addition, there were 36,000 shares issuable upon exercise of outstanding stock options. Western cannot predict any effect that sales of shares of its common stock or the availability of shares for sale will have on prevailing market prices. However, substantial amounts of Western common stock could be sold in the public market, which may adversely affect prevailing market prices for the common stock.

Western is controlled by a few stockholders.

Two stockholders, Sardar Biglari, Western's Chairman and Chief Executive Officer, and Jonathan Dash, a director, beneficially own or exercise voting power over approximately 61% of Western's total common stock. In particular, Mr. Biglari controls approximately 35% and Mr. Dash approximately 26% of Western's outstanding common stock. Further details on their respective holdings are reflected in their Schedules 13D, as amended, which are filed with the SEC. Were these stockholders to agree to act in concert, they would have the ability to control or significantly influence all matters requiring the approval of Western's stockholders, including the election of its directors. Sale of a substantial number of shares of Western common stock by these principal stockholders in the public market could substantially reduce the prevailing market price of its common stock.

Western's Board of Directors has recently undergone significant change.

In November 2005, Western added three new members to its 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 (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. Jonathan Dash was elected to the Board in March 2006. Thomas M. Hontzas resigned from the Board in August 2006. Kenneth R. Cooper was elected to the Board in February 2007 and Martin S. Fridson was elected to the Board in November 2007. While Western believes that the Board of Directors as presently constituted with Sardar Biglari as Chairman, Philip L. Cooley as Vice Chairman and Directors Titus W. Greene, Jonathan Dash, Kenneth R. Cooper and Martin S. Fridson, 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 Board to function adequately together would have a material adverse effect on Western's business. This could result in an adverse impact on Western's financial condition, results of operations and its stock price.

Western recently formed a new wholly-owned subsidiary, Western Investments, Inc., to serve as the general partner of a private investment limited partnership, Western Acquisitions, L.P. Western Investments will bear the first 30% of any cumulative net losses otherwise allocable to the capital accounts of certain limited partners.

In April 2007, Western formed Western Investments, Inc., a Delaware corporation, as a wholly-owned subsidiary. Western Investments is the general partner of Western Acquisitions, L.P., a Delaware limited partnership also formed in April 2007. The purpose of Western Acquisitions is to invest primarily in equity securities of U.S. publicly traded companies. Sardar Biglari, Western's Chairman, Chief Executive Officer and President, will manage the portfolio. Western Investments will bear the first 30% of any cumulative net losses otherwise allocable to the capital accounts of limited partners holding Class B interests. In the event that Western Investments has insufficient resources to fund this commitment, it may be necessary for Western to make a capital contribution to keep that company from defaulting on its obligation. Such an event could potentially have a material adverse effect on Western's financial position and prevent it from using the funds provided to Western Investments in other areas. As of the date of this prospectus, Western Acquisitions did not have any limited partners holding Class B interests.

Western is dependent on one key person for investment and capital allocation decisions.

Investment decisions and all major capital allocation decisions are made for Western and its subsidiaries, including Western Acquisitions, by Sardar Biglari, Western's Chairman of the Board of Directors, Chief Executive Officer and President. Although there are limitations on Mr. Biglari's authority at the parent company level and the Western Board of Directors monitors his investment and capital allocation decisions (see "Recent Developments"), 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 Western's business. Additionally, if for any reason the services of Mr. Biglari were to become unavailable, there could be a material adverse effect on Western's business, since he is singularly responsible for these decisions.

Western's investments in marketable securities, including through Western Acquisitions, are highly concentrated.

Western's investments in marketable securities, including through Western Acquisitions, are highly concentrated. A decline in the market value of these investments may produce a material decrease in Western's stockholders' equity, and thus its stock price.

Western's investment activities, including through Western Acquisitions, may involve the purchase of securities on margin.

Western may purchase securities on margin in connection with its investment activities, including through Western Acquisitions. If it does so, a significant decrease in the value of the securities that collateralize the margin line of credit could result in a margin call. If Western does not have sufficient cash available from other sources in the event of a margin call, it may be required to sell those securities at a time when it would prefer not to sell them.

Western's investment activities could require registration as an Investment Company.

While Western has historically been principally engaged in franchising and operating restaurants, its recent investment activities could bring it within the definition of an "investment company" and require it to register as an investment company under the Investment Company Act of 1940. Western's Board of Directors has adopted a policy requiring management to restrict its operations and investment activities to avoid becoming an investment company, until and unless the Board approves otherwise. Although Western does not presently intend to change its principal business, and the Board has not approved any such change, Western has expanded its investment activities, and it may decide in the future to register as an investment company under the Investment Company Act. Also, under certain circumstances, if Western is successful in its investment activities, then it may inadvertently fall within the definition of an investment company, in which event it may be required to register as an investment company.

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Notwithstanding Western's Board policy, if its investment activities inadvertently result in it being determined to be an investment company and Western fails to register as an investment company, it might be unable to enforce contracts with third parties, and third parties could seek rescission of transactions with it undertaken during the period that it was an unregistered investment company, subject to equitable considerations set forth in the Investment Company Act. In addition, Western might be subject to monetary penalties or injunctive relief, or both, in an action brought against it by the SEC.

If Western decides to register as an investment company, then it would become subject to various provisions of the Investment Company Act and the regulations adopted under such Act, which are very extensive and could adversely affect Western's operations. For example, Western might be prohibited from entering into or continuing transactions with certain of its affiliates.

Western is experiencing a decline in its franchise base.

Western has experienced steady declines in its existing franchise base for the past several years. Since January 1, 2004, Western had a total of 45 closures and currently has 116 franchised restaurants. Of the 45 closed restaurants the majority were Western Sizzlin brand restaurants. The average sales of Western's franchised restaurants are approximately $1.6 million. The average sales of the closed restaurants were approximately $1.0 million or less. Western's lost royalty stream from a closure at a 2% royalty rate is approximately $20,000 per closed restaurant. The closures of franchised restaurants were caused by their operating at a competitive disadvantage which stemmed from such factors as location, facility, lack of reinvestment, mismanagement, among others factors. There is no guarantee that these reasons will be eliminated. Moreover, these closures occurred during generally favorable economic conditions and it is possible that this trend could accelerate in the event of an economic downturn or recession. While Western is striving to reverse this trend by revitalizing its brand, there is no guarantee that it will be successful in doing so and as a result its franchise base may continue to decline regardless of the economic environment.

Western's restaurants operate in a highly competitive environment.

Western's 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. Western may not be able to compete successfully against its competitors in the future. Competition may have a material adverse effect on Western's operations or earnings.

Western is dependent on attracting and retaining qualified employees while also controlling labor costs.

Western is 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, Western would suffer higher direct costs associated with recruiting and retaining replacement personnel. Western 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 Western's employees are hourly workers whose wages are likely to be impacted by an increase in the federal or state minimum wage. An increase in the minimum wage may require an increase or create pressure to increase the pay scale for Western's employees. A shortage in the labor pool or other general inflationary pressures or changes could also increase Western's labor costs.

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Western is dependent upon the timely delivery of fresh ingredients.

Western's 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 Western uses to prepare its food are subject to a range of factors, many of which are beyond Western's control. Fluctuations in weather, supply and demand and economic and political conditions could adversely affect the cost, availability and quality of Western's ingredients. Historically, when operating expenses increased due to inflation or increases in food costs, Western generally has been able to offset these higher costs by increasing its menu prices. Western 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 its food products declines due to the lack or lower quality of its ingredients or due to interruptions in the flow of fresh ingredients and similar factors, customer traffic may decline and negatively affect Western's sales.

General economic factors may adversely affect Western's 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 Western's customers could reduce customer traffic in some or all of its restaurants, impose practical limits on its pricing and increase its costs. Any of these factors could lower its profit margins and have a material adverse affect on its results of operations. The impact of inflation on food, beverages, labor, utilities and other aspects of Western's business can negatively affect its results of operations. Although Western attempts to offset inflation through periodic menu price increases, cost controls and incremental improvement in operating margins, it may not be able to completely do so. This may negatively affect Western's results of operations.

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

Western 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 Western's restaurants. As soon as any food issues became known to Western, 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 Western's restaurant brands could materially adversely affect a significant number of its restaurants. This could be true whether the allegations underlying the adverse publicity are valid or whether Western is liable.

Furthermore, more generalized health concerns about the consumption of beef or chicken due to reported incidents of diseases such as Bovine Spongiform Encephalopathy ("mad cow disease") or Avian Influenza ("bird flu") could lead to changes in customer preferences, reduce consumption of Western's products and adversely affect its financial performance. These events could also reduce the available supply of beef or chicken or significantly raise the prices of beef or chicken.

In addition, Western is 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 Western are valid or whether Western is ultimately determined to be liable, claims may be expensive to defend and may divert time and money away from its operations and hurt its financial performance. A significant judgment for any claim(s) could materially adversely affect Western's financial condition or results of operations.

Western is 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. Western is 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 Western's 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 Americans with Disabilities Act of 1990. In addition, Western is 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 Western's compliance and other costs of doing business. These could adversely affect its 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 or losses due to casualties such as fire could negatively impact Western's financial performance.

Although Western maintains, and requires its franchisees to maintain, property and casualty insurance to protect against property damage caused by casualties and natural disasters, inclement weather, flooding, hurricanes, fire and other acts of God can adversely impact Western's 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.

As disclosed in detail in Western's Forms 10-K for the fiscal years ended December 31, 2004 and 2005, Western experienced losses due to fire in each of 2005 and 2004. The 2005 fire involved a company-owned restaurant and the 2004 fire consumed a subleased property. In both instances insurance covered the loss and Western recorded a gain from the insurance proceeds received.

Pending litigation could have a material adverse effect on Western's financial position and results of operations.

In September 2006, Western was served with a lawsuit filed in the Circuit Court of Pulaski County, Arkansas, captioned Parks Land Company, LLP, et al., v. Western Sizzlin Corporation, et al. The plaintiffs are owners/landlords of four restaurant premises located in the Little Rock, Arkansas, metropolitan area which had been leased pursuant to a single lease agreement and previously occupied by Western. Most recently, each of these premises had been subleased to various operators. The lease agreement expired pursuant to its terms on June 30, 2006. The plaintiffs have claimed in their lawsuit unspecified damages allegedly owing for certain repair and maintenance expenses on the premises, for the replacement of certain equipment, for diminution of property value, and for loss of rental income, as well as interest and costs. They have recently demanded approximately $1,000,000. At this time, the likelihood of an unfavorable court outcome, or any potential loss, cannot be made with certainty. However, Western will continue to contest vigorously the plaintiffs' claims and pursue applicable cross claims and counterclaims. It is possible that an adverse resolution of this case could have a material adverse effect on Western's financial position and results of operations.

Western is also from time to time a party to various other legal actions which are ordinary routine matters incidental to its business. While Western believes that the ultimate outcome of these matters individually and in the aggregate will not have a material impact on its financial position, it cannot assure that an adverse outcome on any of these matters would not, in fact, materially impact its financial position, cash flows and results of operations.

Western is involved in a joint effort to obtain two seats on the Board of Directors of The Steak n Shake Company which could result in a potentially contentious and expensive proxy contest.

Western is involved in a joint effort with Western Acquisitions, L.P., Western Investments, Inc., and The Lion Fund, L.P., the private investment fund operated by Mr. Biglari, to nominate two individuals, Mr. Biglari and Dr. Cooley, as nominees for election to the Board of Directors of The Steak n Shake Company. Western's Board has determined that seeking these seats is in the best interest of its stockholders given Western's substantial investment, through Western Acquisitions, in Steak n Shake. If necessary, Western intends to engage in a proxy solicitation to get its nominees elected to Steak n Shake's Board of Directors and has agreed to share the expenses of this effort pro rata with Western Acquisitions and The Lion Fund, L.P. There is no guarantee that Western's efforts will be successful, and the costs associated with this effort could prove to be substantial regardless of the outcome and could materially impact Western's financial position.

Risk Factors Relating to ITEX's Business

Following are risk factors relating to ITEX's business derived from ITEX's Quarterly Report on Form 10-QSB for the quarterly period ended October 31, 2007 that Western believes would be applicable to the combined company's business following the consummation of the proposed transaction. Western has not had the opportunity to conduct comprehensive due diligence on ITEX and to evaluate fully the extent to which these risk factors will affect the combined company.

ITEX's future revenue growth and profitability remains uncertain.

In the first quarter of 2008, ITEX increased revenues through organic growth and by acquiring the Intagio assets. While ITEX's revenues increased in the quarter ended October 31, 2007, its revenues declined by 3% in the year ended July 31, 2007. There can be no assurance that ITEX's revenues will continue to increase in future quarters. ITEX may continue to add revenue through acquisitions, but there can be no assurance that it or its Broker Network will be successful in its acquisition efforts or that financing for these endeavors will be available. ITEX has sustained profitable operations for more than four years. However, its prospects for the future must be considered in light of the risks, expenses and difficulties frequently encountered by small businesses, including uncertainty of revenues, markets, profitability and the need to raise capital to fund its ongoing operations. There can be no assurance that ITEX will be successful in addressing these risks or that it can continue to be operated profitably, which depends on many factors, including the success of its development and expansion efforts, the control of expense levels and the success of its business activities. ITEX's future operating results will depend on a variety of factors, including those discussed in the other risk factors set forth below.

ITEX is largely dependent on key personnel who may not continue to work for it.

Potentially, any loss of key officers, key management and other personnel could impair ITEX's ability to successfully execute its business strategy, particularly when these individuals have acquired specialized knowledge and skills with respect to ITEX and its operations. Although ITEX has stated that it believes it is currently being administered capably, it remains substantially dependent on the continued services of its key personnel, including the services of CEO and Interim CFO Steven White. ITEX places heavy reliance on Mr. White's experience and management skills. ITEX has not entered into formal employment agreements with its current executive officers including Mr. White. ITEX carries a $2.0 million life insurance policy covering Mr. White to insure the business in the event of his death but does not carry life insurance for any other key personnel. If Mr. White or other key personnel were to leave ITEX unexpectedly, ITEX could face substantial difficulty in hiring qualified successors and could experience a loss in productivity while any successor obtains the necessary training and experience. ITEX has stated that it believes it has the necessary management expertise to implement its business strategy and that support personnel can be increased as needed. However, ITEX may need to attract, train, retain and motivate additional financial, technical, managerial, marketing and support personnel. ITEX faces the risk that, if it is unable to attract and integrate new personnel or retain and motivate existing personnel, its business will be adversely affected.

ITEX may need additional financing; current funds may be insufficient to finance its plans for growth or its operations.

Although ITEX has stated that it believes that its financial condition is stable and that its cash and cash equivalent balances and cash flows from operations provide adequate resources to fund its ongoing operating requirements, ITEX has limited funds and has incurred recent contractual obligations. ITEX's existing working capital may not be sufficient to allow it to execute its business plan as fast as it would like or to take full advantage of all available business opportunities. ITEX has stated that it believes its core operations reflect a scalable business strategy which will allow its business model to be executed with limited outside financing. However, ITEX also may seek to acquire certain competitors. ITEX has a line of credit with its primary banking institution which will provide additional reserve capacity for general corporate and working capital purposes and, if necessary, enable it to make certain expenditures related to the growth and expansion of its business model. However, if adequate capital were not available or were not available on acceptable terms at a time when ITEX needed it, its ability to execute its business plans, develop or enhance its services, make acquisitions or respond to competitive pressures would be significantly impaired. Further, there can be no assurance that ITEX will be able to implement various financing alternatives or otherwise obtain required working capital if needed or desired.

ITEX is substantially dependent on its Broker Network.

ITEX's success depends on its ability to expand, retain and enhance its Broker Network. ITEX looks to its Broker Network to enroll new Marketplace members, train them in the use of the Marketplace, facilitate business among members, provide members with information about Marketplace products and services and assure the payment of ITEX's dues and fees. Brokers have a contractual relationship with ITEX typically for a renewable three or five-year term. There can be no assurance that ITEX's Brokers will continue to participate in the Marketplace or that ITEX will be able to attract new franchisees at rates sufficient to maintain a stable or growing revenue base. ITEX depends on the ability of its Brokers to expand the number of members and the volume of transactions through the Marketplace. There can be no assurance that the market for ITEX's products and services will continue to develop as expected. If ITEX's industry does not grow, becomes saturated with competitors, if its products and services do not continue to achieve market acceptance, or if its Brokers are unsuccessful in enrolling new members to equalize the attrition of members leaving the Marketplace, the overall share of the market handled by its Broker Network could be reduced. Consequently ITEX's business operating results and financial condition may be materially adversely affected.

ITEX is dependent on the value of foreign currency.

ITEX transacts business in Canadian dollars as well as US dollars. In the three month period ended October 31, 2007, approximately 8% of ITEX's total revenues were derived from Canadian operations. While foreign currency exchange fluctuations are not believed to materially adversely affect ITEX's operations at this time, changes in the relation of the Canadian dollar to the US dollar could continue to affect its revenues, cost of sales, operating margins and result in exchange losses.

Acquisitions could result in operating difficulties, dilution and other harmful consequences.

ITEX does not have a great deal of experience acquiring companies. ITEX completed its acquisition of BXI in 2005 and the Intagio assets on August 1, 2007. ITEX has evaluated, and expects to continue to evaluate, other potential strategic transactions. From time to time, ITEX may engage in discussions regarding potential acquisitions. Any of these transactions could be material to its financial condition and results of operations. In addition, the process of integrating an acquired company, business or technology may create unforeseen operating difficulties and expenditures and is risky. The areas where ITEX may face risks include:

- The need to implement or remediate controls, procedures and policies appropriate for a public company at companies that, prior to the acquisition lacked these controls, procedures and policies.
- Diversion of management time and focus from operating ITEX’s business to acquisition integration challenges.
- Cultural challenges associated with integrating Brokers, members or employees from the acquired company into ITEX’s organization.
- The need to integrate each company’s accounting, management information, human resource and other administrative systems to permit effective management.

The anticipated benefit of many of these acquisitions may not materialize. Future acquisitions or dispositions could result in potentially dilutive issuances of equity securities, the incurrence of debt, contingent liabilities or amortization expenses, or write-offs of goodwill, any of which could harm ITEX’s financial condition. Future acquisitions may require additional equity or debt financing, which may not be available on favorable terms or at all.

COMPARATIVE MARKET PRICE DATA

Shares of Western common stock are quoted on the OTC Bulletin Board under the symbol “WSZL.OB” and shares of ITEX common stock are quoted on the OTC Bulletin Board under the symbol “ITEX.OB.” Western has applied to have its common stock listed on the Nasdaq Capital Market.

As quoted on the OTC Bulletin Board, the following table sets forth historical closing prices per share for shares of Western common stock and shares of ITEX common stock on December 12, 2007, the last full trading day before Western announced its intention to commence this offer. The table below illustrates the number of shares and per share value of Western common stock you would receive based on these closing prices and the exchange ratio for the offer.

	Western Common Stock	ITEX Common Stock	Shares of Western Common Stock to be Received	Per Share Value of Western Common Stock to be Received
December 12, 2007	$ 15.40	$ 0.90	.06623	$ 1.02

The value of the offer will change as the market prices of Western common stock and ITEX common stock fluctuate during the offer period and thereafter, and may therefore be different from the prices set forth above at the expiration of the offer period and at the time you receive your shares of Western common stock. YOU ARE ENCOURAGED TO OBTAIN CURRENT MARKET QUOTATIONS PRIOR TO MAKING ANY DECISION WITH RESPECT TO THE OFFER. See the section captioned “Effect of the Offer on the Market for Shares of ITEX Common Stock; Registration Under the Exchange Act; Margin Regulations” for a discussion of the possibility that ITEX’s shares will cease to be quoted on the OTC Bulletin Board following the consummation of the offer.

COMPARATIVE HISTORICAL AND PRO FORMA PER SHARE DATA

The table set forth below depicts historical information about basic and diluted net income per share and book value per share for Western for its fiscal year ended December 31, 2006 and nine months ended September 30, 2007 and for ITEX for its fiscal year ended July 31, 2007 and three months ended October 31, 2007, on a historical basis, and for Western and ITEX on an unaudited pro forma combined basis after giving effect to the transaction. The pro forma data of the combined company assumes a 100% acquisition of ITEX common stock based on the exchange ratio for the offer and was derived by combining the historical consolidated financial information of Western and ITEX as described elsewhere in this prospectus. For a discussion of the assumptions and adjustments made in the preparation of the pro forma financial information presented in this prospectus, see the section captioned "Unaudited Pro Forma Condensed Combined Financial Statements."

The following pro forma financial information allocates the entire excess of purchase price over the carrying value of ITEX's net assets to goodwill as management does not have information related to ITEX's business necessary to complete a purchase price allocation in accordance with U.S. GAAP. Actual amounts, determined on the basis of more detailed information, will differ from the amounts reflected below.

You should read the information presented in this table below together with the historical financial statements of Western and ITEX and the related notes and the "Unaudited Pro Forma Condensed Combined Financial Statements," all of which are included elsewhere in this prospectus. The pro forma data is unaudited and for illustrative purposes only. The companies may have performed differently had they always been combined. You should not rely on this information as being indicative of the historical results that would have been achieved had the companies always been combined or the future results that the combined company will achieve after the consummation of the transaction. This pro forma information is subject to risks and uncertainties, including those discussed under "Risk Factors."

	Nine Months Ended September 30, 2007		Year Ended December 31, 2006	
Western historical data				
Net income per share				
Basic	$	1.59	$	0.23
Diluted	$	1.58	$	0.23
Book value per share	$	10.07	$	9.73

	Three Months Ended October 31, 2007		Year Ended July 31, 2007	
ITEX historical data				
Net income per share				
Basic	$	0.01	$	0.25
Diluted	$	0.01	$	0.25
Book value per share	$	0.70	$	0.69

	Nine Months Ended September 30, 2007		Year Ended December 31, 2006	
Pro forma data				
Pro forma net income per share				
Basic	$	2.40	$	1.57

Diluted	$	2.39	$	1.57
Book value per share	$	11.89		

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF WESTERN

October 2003 Merger, Name Change and Format Restructuring

Effective October 21, 2003, Western merged its wholly owned subsidiary, The Western Sizzlin Corporation, a Delaware corporation, into Austins Steak and Saloon, Inc., with Austins being the surviving entity. At the same time, Western changed its name to “Western Sizzlin Corporation” by amending its certificate of incorporation. The amendment was approved by solicitation of written stockholder consents without a meeting pursuant to Section 288 of the DGCL. On September 30, 2003, the 60th day following the date of the first consent received, stockholders voting 6,495,149 shares or 53.4% of the outstanding common stock submitted written consents to the action.

Effective January 1, 2007, Western restructured its operations into a holding company/subsidiary format whereby all of its operations are now conducted through wholly-owned subsidiaries. This restructuring is not anticipated to have any tax impact and will have no impact on Western’s financial reporting as it will continue to report consolidated financial statements.

Financial Data

The following table sets forth a summary of selected historical consolidated financial data of Western for each of the nine-month periods ended September 30, 2007 and September 30, 2006 and for each of the years in the five-year period ended December 31, 2006. This information is derived from, and should be read in conjunction with, the audited consolidated financial statements of Western and the unaudited interim consolidated financial statements of Western, which, other than the consolidated balance sheets of Western as of December 31, 2004, December 31, 2003 and December 31, 2002 and the consolidated statements of income of Western for the years ended December 31, 2003 and December 31, 2002, are included elsewhere in this prospectus. The operating results for the nine-month period ended September 30, 2007 are not necessarily indicative of the results for the remainder of the fiscal year or any future period. Western’s management believes that its respective unaudited interim consolidated financial statements reflect all adjustments that are necessary for a fair statement of the results for the interim periods presented. For additional information, see “Western Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

	Years Ended December 31					Nine Months Ended September 30	
	2006	2005	2004	2003	2002	2007	2006
Statement of Operations Data:	(In thousands, except per share data)						
Total revenues	$ 17,404	$ 19,372	$ 21,708	$ 21,060	$ 39,443	$ 13,342	$ 13,348
Income (loss) from operations	628	1,426	1,174	783	(1,680)	844	599
Net income (loss)	274	681	566	212	(1,053)	2,854	234
Basic earnings (loss) per share	$ 0.23	$ 0.57	$ 0.48	$ 0.17	$ (0.86)	$ 1.59	$ 0.20
Diluted earnings (loss) per share	0.23	0.57	0.48	0.17	(0.86)	1.58	0.20
Shares used in computing basic earnings per share	1,215	1,189	1,190	1,212	1,217	1,793	1,190
Shares used in computing diluted earnings per share	1,225	1,190	1,190	1,212	1,217	1,801	1,198

Balance Sheet Data:							
Working capital surplus (deficit)	$ 3,238	$ 2,001	$ 1,480	$ 141	$ (1,180)	$ 546	
Total assets	19,820	15,476	16,697	16,894	18,039	22,694	
Long-term debt, excluding current maturities	685	848	2,698	3,549	4,075	592	
Other long-term liabilities	464	42	15	50	—	85	
Stockholders’ equity	17,398	11,760	10,093	10,527	11,522	18,112	
Other Financial Data:							
Dividends declared	—	—	—	119	183	—	—

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF ITEX

The following table sets forth selected historical consolidated financial data of ITEX for each of the years in the four-year period ended July 31, 2007 and for the three months ended October 31, 2007 and 2006. This information is derived from, and should be read in conjunction with, ITEX's audited consolidated financial statements for each of the years in the four-year period ended July 31, 2007 and unaudited consolidated financial statements for the three months ended October 31, 2007 and 2006 which are included elsewhere in this prospectus or in ITEX's publicly filed reports with the SEC. For additional information, see "ITEX Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Year Ended July 31,				Three Months Ended October 31,	
	2007	2006	2005	2004	2007	2006
	(In thousands, except per share data)					
Revenue	$ 14,171	$ 14,646	$ 10,225	$ 10,283	$ 3,853	$ 3,790
Costs and expenses	12,666	13,305	9,496	9,662	3,581	3,495
Income from operations	1,505	1,341	729	621	272	295
Other income - net	156	117	109	1,622	(1)	64
Income before income taxes	1,661	1,458	838	2,243	271	359
Income tax (benefit) expense	(2,843)	(1,975)	(2,260)	--	115	122
Net income	$ 4,504	$ 3,433	$ 3,098	$ 2,243	$ 156	$ 237
Net income per common share						
Basic	$ 0.25	$ 0.19	$ 0.17	$ 0.12	$ 0.01	$ 0.01
Diluted	$ 0.25	$ 0.18	$ 0.17	$ 0.12	$ 0.01	$ 0.01

SELECTED UNAUDITED PRO FORMA COMBINED FINANCIAL DATA

The following table sets forth selected unaudited pro forma combined financial data derived from (i) the audited consolidated financial statements of Western for the fiscal year ended December 31, 2006 and the unaudited consolidated financial statements of Western for the nine months ended September 30, 2007 and (ii) the audited consolidated financial statements of ITEX for the fiscal years ended July 31, 2007 and July 31, 2006, all of which are included elsewhere in this prospectus.

The following pro forma financial information is presented for illustrative purposes only and is not necessarily indicative of (i) the results of operations and financial position that would have been achieved had the acquisition of all of the outstanding shares of ITEX taken place on the dates indicated or (ii) the future operations of the combined company. The following table should be relied on only for the limited purpose of presenting what the results of operations and financial position of the combined businesses of Western and ITEX might have looked like had such acquisition taken place at an earlier date. The following pro forma financial information allocates the entire excess of purchase price over the carrying value of ITEX's net assets to goodwill as management does not have information related to ITEX's business necessary to complete a purchase price allocation in accordance with U.S. GAAP. Actual amounts, determined on the basis of more detailed information, will differ from the amounts reflected below. The following pro forma financial information also includes adjustments to reflect ITEX's acquisition of certain assets of The Intagio Group, Inc. on August 1, 2007, and the subsequent sale by ITEX of certain of the acquired assets in two separate transactions in August 2007, to the extent determinable from ITEX's publicly-filed documents. See Notes 3, 4, 5, 6 and 9 to ITEX's consolidated financial statements (unaudited). For a discussion of the assumptions and adjustments made in the preparation of the pro forma financial information presented in this prospectus, see the section captioned "Unaudited Pro Forma Condensed Combined Financial Statements."

The following pro forma financial information should be read in conjunction with:

- the Unaudited Pro Forma Condensed Combined Financial Statements and the accompanying notes in the section captioned "Unaudited Pro Forma Condensed Combined Financial Statements;"

- the audited consolidated financial statements of Western for the fiscal year ended December 31, 2006 and the notes relating thereto, included elsewhere in this prospectus;

- the unaudited consolidated financial statements of Western for the nine months ended September 30, 2007 and the notes relating thereto, included elsewhere in this prospectus; and

- the audited consolidated financial statements of ITEX for the fiscal years ended July 31, 2007 and July 31, 2006 and the notes relating thereto, included elsewhere in this prospectus.

	Year Ended December 31, 2006	Nine Months Ended September 30, 2007
	(in thousands, except per share data)	
Statement of Operations Data:		
Revenues	$ 32,126	$ 23,723
Income from operations	1,989	2,054
Other income	3	3,772
Net income	3,756	7,121
Net income per common share:		
Basic	$ 1.57	$ 2.40

Diluted	$ 1.57	$ 2.39
Balance Sheet Data:		
Total assets		$ 43,039
Long-term debt, net of current		1,188
Stockholders' equity		35,323

BACKGROUND AND REASONS FOR THE OFFER

Background of the Offer

In July 2007, Western commenced purchasing shares of ITEX common stock. Western continued purchasing shares of ITEX common stock through October 18, 2007 and, as of the date of this prospectus, beneficially owned 700,714 shares of ITEX common stock, representing approximately 4.0% of the outstanding ITEX shares, based upon publicly available information.

On December 12, 2007, Western's board of directors convened a telephonic meeting. After discussion, Western's board of directors determined that the offer and the second-step merger are advisable and in the best interests of Western and its stockholders and approved the acquisition of ITEX upon the terms and subject to the conditions set forth in this prospectus.

Following the board meeting on December 12, 2007, Sardar Biglari, Western's Chairman of the Board, Chief Executive Officer and President, telephoned Steven White, ITEX's Chairman, Chief Executive Officer and Interim Chief Financial Officer, to inform him of Western's intention to commence the offer. Western then issued a press release announcing its intention to commence the offer and delivered to ITEX its request for ITEX's stockholder list and security position listings, as well as the requests described under "Note on ITEX Information" above.

On December 13, 2007, Messrs. Biglari and White had a telephone conversation in which they discussed the proposed transaction and their views on valuation. Mr. Biglari requested an in-person meeting among Mr. Biglari, Mr. White and Philip L. Cooley, Western's Vice Chairman of the Board, to discuss the two companies and the proposed transaction, and Mr. White was agreeable to such a meeting. Mr. Biglari said that he would check Dr. Cooley's schedule and then call Mr. White to arrange a meeting at a convenient time and location for Mr. White.

On December 14, 2007, ITEX issued a press release confirming it had received notice of the proposed exchange offer and reporting on Messrs. Biglari's and White's telephone conversation on December 13, 2007.

Also on December 14, 2007, Mr. Biglari telephoned Mr. White to schedule an in-person meeting among Mr. Biglari, Dr. Cooley and Mr. White at ITEX's corporate headquarters for the following week. On December 17, 2007, Mr. Biglari received a call from a representative of ITEX, who informed Mr. Biglari that Mr. White was unavailable to meet through the end of 2007.

On December 27, 2007, Western commenced the offer by filing a Schedule TO and a registration statement on Form S-4 with the SEC, and renewed its request for the use of ITEX's stockholder list and security position listings for the purpose of disseminating the offer. Western also issued a press release on that date announcing the commencement of the offer.

On December 31, 2007, ITEX, through its counsel, advised Western that ITEX would furnish Western with the stockholder information required to be provided by ITEX pursuant to Rule 14d-5(c) under the Exchange Act. ITEX's counsel transmitted these materials to Western's counsel by e-mail on January 2, 2008.

On January 7, 2008, Mr. Biglari received a letter from Mr. White that stated ITEX's then current position on the offer, set forth its initial considerations regarding the offer and reciprocated on Mr. Biglari's request for a meeting, which Mr. Biglari initially made on December 13, 2007. ITEX also issued a press release on that date requesting that its stockholders take no action at that time in response to Western's offer and stating that, on or before January 11, 2008, ITEX intended to file with the SEC a Solicitation/Recommendation Statement on Schedule 14D-9 containing a formal recommendation to ITEX stockholders regarding the offer.

On January 8, 2008, Messrs. Biglari and White had a telephone conversation in which they discussed the offer. Messrs. Biglari and White scheduled a telephone conference for the following day that would also be joined by Dr. Cooley and Eric Best, a director of ITEX.

On January 9, 2008, Mr. Biglari and Dr. Cooley participated in the scheduled telephone conference with Messrs. White and Best in which they further discussed the offer, the two companies and their strategies, and their respective views on valuation, with Mr. White insisting that ITEX was "not for sale." At no point during this conversation did Mr. Biglari say that Mr. White would "not have a future with the Company" if he did not support the offer, a statement that ITEX wrongly attributed to Mr. Biglari in its Schedule 14D-9. Indeed, Mr. Biglari's alleged quote runs directly contrary to Western's numerous statements, acknowledged by ITEX in its Schedule 14D-9, that Western intended to continue to operate ITEX's business and keep its current management in place.

On January 11, 2008, ITEX filed its Solicitation/Recommendation Statement on Schedule 14D-9, which stated that its Board of Directors determined that the offer is inadequate and not in the best interests of ITEX or its stockholders and recommended that ITEX's stockholders reject the offer and not tender their ITEX shares in the offer. ITEX also issued a press release containing its Board's recommendation. However, ITEX failed to file its Schedule 14D-9 within the time period required by SEC rules.

On January 28, 2008, Mr. Biglari issued a letter to ITEX stockholders discussing Western's business, its plans and its belief that stockholders tendering their shares in the offer would maximize the return on their investment.

On February 1, 2008, Western announced the extension of the expiration date of the offer to 5:00 p.m., New York City time, on February 28, 2008.

Reasons for the Offer

Western seeks to acquire ITEX because it believes all stockholders will benefit for the following reasons:

1) Intrinsic Value and Capital Allocation. Western's holding company structure would allow surplus cash generated by its subsidiaries, including ITEX, to be channeled to the parent for reallocation in pursuit of attaining high risk-adjusted returns. In addition, as ITEX's parent, Western could provide financing, on an opportunistic basis, which could be applied toward acquiring other barter businesses. Western's objective is to maximize its intrinsic business value per share over the long term.

2) Cost Savings. The elimination of redundant public company costs, Western believes, would eventuate into material savings in expenses. Western believes the reduction of expenses would increase cash flows, representing, in turn, a discernible basis for a higher valuation for the combined company.

3) Opportunities. Western believes there are possibilities to increase ITEX's bartering transactions through Western's other subsidiaries as well as through the businesses it may purchase in the future.

In addition to these three main reasons, Western also believes that its acquiring ITEX would result in a larger combined market capitalization, which along with the anticipated listing on the Nasdaq Capital Market would enhance liquidity and therefore reduce transaction costs for stockholders wishing to enter or exit the stock. ITEX is currently quoted on the OTC Bulletin Board.

Most importantly, Western is proposing to issue its common stock to ITEX stockholders in the offer to allow them to participate in the growth and opportunities of the combined company. Western believes that joining the companies would improve the diversity of operations, earning power, and reinvestment of cash flows for growth. Accordingly, Western believes that the combination of Western and ITEX would have significant long-term benefits because two entities would increase intrinsic business value per share for stockholders at a higher rate than they could separately.

Western believes the holding company structure, such as the one at Western, is ideal for businesses like ITEX's because capital allocation responsibility is separated from the authority to make operating decisions. Thus, management of a subsidiary can focus on overseeing day-to-day operations, whereas management of Western can focus on allocating capital. Western believes its business model and financial resources would construct an optimal platform to create value for long-term stockholders.

THE OFFER

Western is offering to exchange, for each outstanding share of ITEX common stock that is validly tendered and not properly withdrawn prior to the expiration date, .06623 shares of Western common stock, upon the terms and subject to the conditions contained in this prospectus and the accompanying letter of transmittal. In addition, you will receive cash instead of any fractional shares of Western common stock to which you may be entitled.

The term “expiration date” means 5:00 p.m., New York City time, on February 28, 2008, unless Western extends the period of time for which the offer is open, in which case the term “expiration date” means the latest time and date on which the offer, as so extended, expires.

If you are a registered stockholder and tender your shares of ITEX common stock directly to the exchange agent, you will not be obligated to pay any charges or expenses of the exchange agent or any brokerage commissions. If you hold your shares through a broker or bank, you should consult your institution as to whether or not they will charge you any service fees. Except as set forth in the instructions to the letter of transmittal, transfer taxes on the exchange of shares of ITEX common stock pursuant to the offer will be paid by Western.

Western is making the offer in order to acquire control of, and ultimately the entire common equity interest in, ITEX. The offer is the first step in Western’s acquisition of ITEX and is intended to facilitate the acquisition of all shares of ITEX common stock. Western intends, promptly after completion of the offer, to seek to have ITEX consummate a second-step merger of a wholly-owned subsidiary of Western with and into ITEX. The purpose of the second-step merger is to acquire all shares of ITEX common stock not tendered and exchanged in the offer. Pursuant to the terms of the second-step merger, each remaining share of ITEX common stock (other than shares of ITEX common stock owned by Western or ITEX or held by ITEX stockholders who properly exercise applicable dissenters’ rights under Nevada law) would be converted into the right to receive the same number of shares of Western common stock as paid in the offer.

Based on the exchange ratio for the offer and certain assumptions regarding the number of ITEX shares to be exchanged, Western estimates that if all ITEX shares are exchanged pursuant to the offer and the second-step merger, former ITEX stockholders would own, in the aggregate, approximately 30.3% of the outstanding shares of Western common stock. For a detailed discussion of the assumptions on which this estimate is based, see “The Offer—Ownership of Western After the Offer.”

Western’s obligation to exchange shares of Western common stock for shares of ITEX common stock pursuant to the offer is subject to several conditions referred to below under “Conditions of the Offer,” including the registration statement condition, the minimum tender condition, the control share condition, the business combination condition, the antitrust condition, the ITEX debt condition and the listing and approval condition, as well as the other conditions that are discussed below.

Pursuant to Exchange Act Rule 14d-5, Western asked ITEX for its stockholder list and security position listings to communicate with you and to distribute Western’s offer to you, and ITEX delivered these materials to Western on January 2, 2008. Western's original prospectus, the related letter of transmittal and other relevant materials were accordingly delivered to record holders of shares of ITEX common stock and to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appeared on ITEX’s stockholder list or, if applicable, who were listed as participants in a clearing agency’s security position listing, so that they could in turn send these materials to beneficial owners of shares of ITEX common stock.

Expiration Date of the Offer

The offer is scheduled to expire at 5:00 p.m., New York City time, on February 28, 2008, unless extended by Western. For more information, you should read the discussion below under the caption “The Offer—Extension, Termination and Amendment.”

Extension, Termination and Amendment

Subject to the applicable rules of the SEC and the terms and conditions of the offer, Western expressly reserves the right, in its sole discretion, at any time or from time to time, to extend, for any reason, the period of time during which the offer remains open, and Western can do so by giving oral or written notice of such extension to the exchange agent. If Western decides to so extend the offer, Western will make an announcement to that effect no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date. Western is not making any assurance that it will exercise its right to extend the offer, although it currently intends to do so until all conditions to the offer have been satisfied or waived. During any such extension, all shares of ITEX common stock previously tendered and not withdrawn will remain subject to the offer, subject to your right to withdraw your shares of ITEX common stock. You should read the discussion under "The Offer—Withdrawal Rights" for more details.

To the extent legally permissible, Western also reserves the right, in its sole discretion, at any time or from time to time:

- to delay acceptance for exchange of, or exchange of, any shares of ITEX common stock pursuant to the offer in order to comply in whole or in part with applicable law;
- to terminate the offer and not accept or exchange any shares of ITEX common stock not previously accepted or exchanged, upon the failure of any of the conditions of the offer to be satisfied prior to the expiration date;
- to amend or terminate the offer without accepting for exchange or exchanging any shares of ITEX common stock if ITEX agrees to enter into a negotiated merger agreement with Western; and
- to waive any condition or otherwise amend the offer in any respect.

In addition, even if Western has accepted for exchange, but not exchanged, shares in the offer, it may terminate the offer and not exchange shares of ITEX common stock that were previously tendered if completion of the offer is illegal or if a governmental authority has commenced or threatened legal action related to the offer.

Western will effect any extension, termination, amendment or delay by giving oral or written notice to the exchange agent and by making a public announcement as promptly as practicable thereafter. In the case of an extension, any such announcement will be issued no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date. Subject to applicable law and without limiting the manner in which Western may choose to make any public announcement, Western assumes no obligation to publish, advertise or otherwise communicate any such public announcement other than by making a press release.

Western acknowledges that Rule 14e-1(c) under the Exchange Act requires Western to pay the consideration offered or return the shares of ITEX common stock tendered promptly after the termination or withdrawal of the offer.

Western confirms to you that if it makes a material change in the terms of the offer or the information concerning the offer, or if it waives a material condition of the offer, it will extend the offer to the extent required under the Exchange Act. If, prior to the expiration date, Western changes the percentage of shares of ITEX common stock being sought or the consideration offered to you, that change will apply to all holders whose shares of ITEX common stock are accepted for exchange pursuant to Western's offer, regardless of whether the shares were tendered before or after the change. If at the time notice of that change is first published, sent or given to you, the offer is scheduled to expire at any time earlier than the tenth business day from and including the date that such notice is first so published, sent or given, Western will extend the offer until the expiration of that ten business day period. For purposes of the offer, a "business day" means any day other than a Saturday, Sunday or federal holiday and consists of the time period from 12:01 a.m. through 12:00 midnight, New York City time.

Western may, although it does not currently intend to, elect to provide a subsequent offering period after the expiration of the offer, if the requirements under Exchange Act Rule 14d-11 have been met. A subsequent offering period, if provided, will be a period of three to 20 business days, beginning after Western has accepted for exchange all shares tendered in the offer, during which ITEX stockholders who did not tender their shares in the offer may tender their shares and receive the same consideration provided in the offer.

During a subsequent offering period, tendering stockholders would not have withdrawal rights and Western would promptly exchange and pay for any shares of ITEX common stock tendered at the same price paid in the offer. Rule 14d-11 under the Exchange Act provides that Western may provide a subsequent offering period so long as, among other things, (1) the initial period of at least 20 business days of the offer has expired, (2) Western offers the same form and amount of consideration for shares of ITEX common stock in the subsequent offering period as in the initial offer, (3) Western immediately accepts and promptly pays for all shares of ITEX common stock tendered during the offer prior to its expiration, (4) Western announces the results of the offer, including the approximate number and percentage of shares of ITEX common stock deposited in the offer, no later than 9:00 a.m., New York City time, on the next business day after the expiration date and immediately begins the subsequent offering period and (5) Western immediately accepts and promptly pays for shares of ITEX common stock as they are tendered during the subsequent offering period. If Western elects to include a subsequent offering period, it will notify stockholders of ITEX by making a public announcement on the next business day after the expiration date consistent with the requirements of Rule 14d-11 under the Exchange Act.

Pursuant to Rule 14d-7(a)(2) under the Exchange Act, no withdrawal rights apply to shares tendered during a subsequent offering period and no withdrawal rights apply during the subsequent offering period with respect to shares tendered in the offer and accepted for exchange. The same consideration will be received by stockholders tendering shares of ITEX common stock in the offer or in a subsequent offering period, if one is included.

Exchange of ITEX Shares; Delivery of Western Common Stock and Cash

Upon the terms and subject to the conditions of the offer (including, if the offer is extended or amended, the terms and conditions of any such extension or amendment), Western will accept for exchange, and will exchange, shares of ITEX common stock validly tendered and not properly withdrawn promptly after the expiration date. In addition, subject to applicable rules of the SEC, Western expressly reserves the right to delay acceptance for exchange of, or the exchange of, shares of ITEX common stock in order to comply with any applicable law. In all cases, exchange of shares of ITEX common stock tendered and accepted for exchange pursuant to the offer will be made only after timely receipt by the exchange agent of certificates for those shares of ITEX common stock (or a confirmation of a book-entry transfer of those shares of ITEX common stock in the exchange agent's account at The Depository Trust Company, referred to as "DTC"), a properly completed and duly executed letter of transmittal and any other required documents.

For purposes of the offer, Western will be deemed to have accepted for exchange shares of ITEX common stock validly tendered and not properly withdrawn as, if and when it notifies the exchange agent of its acceptance of the tenders of those shares of ITEX common stock pursuant to the offer. The exchange agent will deliver Western common stock in exchange for shares of ITEX common stock pursuant to the offer and cash instead of fractional shares of Western common stock promptly after receipt of such notice. The exchange agent will act as your agent for the purpose of receiving Western common stock (and cash to be paid instead of fractional shares of Western common stock) from Western and transmitting such stock and cash to you. You will not receive any interest on any cash that Western pays you, even if there is a delay in making the exchange.

If Western does not accept any tendered shares of ITEX common stock for exchange pursuant to the terms and conditions of the offer for any reason, or if certificates are submitted for more shares of ITEX common stock than are tendered, Western will return certificates for such unexchanged shares of ITEX common stock without expense to the tendering stockholder or, in the case of shares of ITEX common stock tendered by book-entry transfer of such shares of ITEX common stock into the exchange agent's account at DTC pursuant to the procedures set forth below in the section entitled "The Offer—Procedure for Tendering," those shares of ITEX common stock will be credited to an account maintained within DTC promptly following expiration or termination of the offer.

Western reserves the right to transfer or assign, in whole or from time to time in part, to one or more of its affiliates, the right to exchange all or any portion of the shares of ITEX common stock tendered pursuant to the offer, but any such transfer or assignment will not relieve Western of its obligations under the offer or prejudice the rights of tendering stockholders to exchange shares of ITEX common stock validly tendered and accepted for exchange pursuant to the offer.

Cash Instead of Fractional Shares of Western Common Stock

Western will not issue certificates representing fractional shares of Western common stock pursuant to the offer. Instead, each tendering stockholder who would otherwise be entitled to a fractional share of Western common stock will receive cash in an amount equal to such fraction (expressed as a decimal and rounded to the nearest 0.01 of a share) multiplied by the average of the closing prices, rounded to four decimal points, of Western common stock for the 15 consecutive trading day period ending on the third trading day before the expiration date.

Procedure for Tendering

For you to validly tender shares of ITEX common stock pursuant to the offer, either (a) a properly completed and duly executed letter of transmittal, along with any required signature guarantees, or an agent's message in connection with a book-entry transfer, and any other required documents, must be received by the exchange agent at one of its addresses set forth on the back cover of this prospectus, and certificates for tendered shares of ITEX common stock must be received by the exchange agent at such address or those shares of ITEX common stock must be tendered pursuant to the procedures for book-entry transfer set forth below (and a confirmation of receipt of such tender, referred to as a "book-entry confirmation," must be received), in each case before the expiration date, or (b) you must comply with the guaranteed delivery procedures set forth below under "The Offer—Guaranteed Delivery."

The term "agent's message" means a message transmitted by DTC to, and received by, the exchange agent and forming a part of a book-entry confirmation, which states that DTC has received an express acknowledgment from the DTC participant tendering the shares of ITEX common stock that are the subject of such book-entry confirmation, that such participant has received and agrees to be bound by the terms of the letter of transmittal and that Western may enforce that agreement against such participant.

The exchange agent has established accounts with respect to the shares of ITEX common stock at DTC in connection with the offer, and any financial institution that is a participant in DTC may make book-entry delivery of shares of ITEX common stock by causing DTC to transfer such shares into the exchange agent's account in accordance with DTC's procedure for such transfer. However, although delivery of shares of ITEX common stock may be effected through book-entry transfer at DTC, the letter of transmittal with any required signature guarantees, or an agent's message, along with any other required documents, must, in any case, be received by the exchange agent at one of its addresses set forth on the back cover of this prospectus prior to the expiration date, or the guaranteed delivery procedures described below must be followed. Western cannot assure you that book-entry delivery of ITEX shares will be available. If book-entry delivery is not available, you must tender ITEX shares by means of delivery of ITEX share certificates or pursuant to the guaranteed delivery procedures set forth below under "The Offer—Guaranteed Delivery."

Signatures on all letters of transmittal must be guaranteed by an eligible institution (as defined below), except (1) in cases in which shares of ITEX common stock are tendered by a registered holder of shares of ITEX common stock who has not completed the box entitled "Special Issuance Instructions" or the box entitled "Special Delivery Instructions" on the letter of transmittal or (2) if shares of ITEX common stock are tendered for the account of a financial institution that is a member of the Securities Transfer Agents Medallion Program or by any other "eligible guarantor institution," as that term is defined in Rule 17Ad-15 under the Exchange Act (each of the foregoing is referred to as an "eligible institution"). Most banks, savings and loan associations and brokerage houses are able to effect these signature guarantees for you.

If the certificates for shares of ITEX common stock are registered in the name of a person other than the person who signs the letter of transmittal, or if the offer consideration is to be delivered, or certificates for unexchanged shares of ITEX common stock are to be issued, to a person other than the registered holder(s), the ITEX share certificates must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name or names of the registered owner or owners appear on the certificates, with the signature(s) on the certificates or stock powers guaranteed by an eligible institution.

In all cases, Western will exchange shares of ITEX common stock tendered and accepted for exchange pursuant to the offer only after timely receipt by the exchange agent of certificates for shares of ITEX common stock (or timely confirmation of a book-entry transfer of such securities into the exchange agent's account at DTC as described above), properly completed and duly executed letter(s) of transmittal (or an agent's message in connection with a book-entry transfer) and any other required documents.

By executing a letter of transmittal as set forth above, you irrevocably appoint Western's designees as your attorneys-in-fact and proxies, each with full power of substitution, to the full extent of your rights with respect to your shares of ITEX common stock tendered and accepted for exchange by Western and with respect to any and all other shares of ITEX common stock and other securities issued or issuable in respect of the shares of ITEX common stock on or after the expiration date. That appointment is effective, and voting rights will be affected, when and only to the extent that Western deposits with the exchange agent the shares of its common stock and the cash in lieu of fractional shares in consideration for the shares of ITEX common stock that you have tendered. All such proxies will be considered coupled with an interest in the tendered shares of ITEX common stock and therefore will not be revocable. Upon the effectiveness of such appointment, all prior proxies that you have given will be revoked, and you may not give any subsequent proxies (and, if given, they will not be deemed effective). Western's designees will, with respect to the shares of ITEX common stock for which the appointment is effective, be empowered, among other things, to exercise all of your voting and other rights as they, in their sole discretion, deem proper at any annual, special or adjourned meeting of ITEX's stockholders or otherwise. Western reserves the right to require that, in order for shares of ITEX common stock to be deemed validly tendered, immediately upon the exchange of those shares, Western must be able to exercise full voting rights with respect to those shares.

THE METHOD OF DELIVERY OF ITEX SHARE CERTIFICATES AND ALL OTHER REQUIRED DOCUMENTS, INCLUDING DELIVERY THROUGH DTC, IS AT YOUR OPTION AND RISK, AND THE DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED BY THE EXCHANGE AGENT. IF DELIVERY IS BY MAIL, WESTERN RECOMMENDS REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED. IN ALL CASES, YOU SHOULD ALLOW SUFFICIENT TIME TO ENSURE TIMELY DELIVERY.

TO PREVENT BACKUP FEDERAL INCOME TAX WITHHOLDING, YOU MUST PROVIDE THE EXCHANGE AGENT WITH YOUR CORRECT TAXPAYER IDENTIFICATION NUMBER AND CERTIFY WHETHER YOU ARE SUBJECT TO BACKUP WITHHOLDING OF FEDERAL INCOME TAX BY COMPLETING THE SUBSTITUTE FORM W-9 INCLUDED IN THE LETTER OF TRANSMITTAL. SOME STOCKHOLDERS (INCLUDING, AMONG OTHERS, ALL CORPORATIONS AND SOME FOREIGN INDIVIDUALS) ARE NOT SUBJECT TO THESE BACKUP WITHHOLDING AND REPORTING REQUIREMENTS. IN ORDER FOR A FOREIGN INDIVIDUAL TO QUALIFY AS AN EXEMPT RECIPIENT, THE STOCKHOLDER MUST SUBMIT A FORM W-8BEN, SIGNED UNDER PENALTIES OF PERJURY, ATTESTING TO THAT INDIVIDUAL'S EXEMPT STATUS.

Guaranteed Delivery

If you wish to tender shares of ITEX common stock pursuant to the offer and your certificates are not immediately available or you cannot deliver the certificates and all other required documents to the exchange agent prior to the expiration date or complete the procedure for book-entry transfer on a timely basis, your shares of ITEX common stock may nevertheless be tendered, as long as all of the following conditions are satisfied:

- you make your tender by or through an eligible institution;
- a properly completed and duly executed notice of guaranteed delivery, substantially in the form made available by Western, is received by the exchange agent as provided below prior to the expiration date; and

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- the certificates for all tendered shares of ITEX common stock (or a confirmation of a book-entry transfer of such securities into the exchange agent's account at DTC as described above), in proper form for transfer, together with a properly completed and duly executed letter of transmittal with any required signature guarantees (or, in the case of a book-entry transfer, an agent's message) and all other documents required by the letter of transmittal, are received by the exchange agent within three trading days after the date of execution of such notice of guaranteed delivery.

You may deliver the notice of guaranteed delivery by hand, overnight courier, facsimile transmission or mail to the exchange agent. The notice must include a guarantee by an eligible institution in the form set forth in the notice.

The tender of shares of ITEX common stock pursuant to any of the procedures described above will constitute a binding agreement between Western and you upon the terms and subject to the conditions of the offer.

Matters Concerning Validity and Eligibility

Western will determine all questions as to the validity, form, eligibility (including time of receipt) and acceptance for exchange of any tender of shares of ITEX common stock, in its sole discretion, and its determination will be final and binding to the fullest extent permitted by law. Western reserves the absolute right to reject any and all tenders of shares of ITEX common stock that it determines are not in proper form or the acceptance of or exchange for which may, in the opinion of its counsel, be unlawful. Western also reserves the absolute right to waive any defect or irregularity in the tender of any shares of ITEX common stock. No tender of shares of ITEX common stock will be deemed to have been validly made until all defects and irregularities in tenders of shares of ITEX common stock have been cured or waived. None of Western, the exchange agent, the information agent or any other person will be under any duty to give notification of any defects or irregularities in the tender of any shares of ITEX common stock or will incur any liability for failure to give any such notification. Western's interpretation of the terms and conditions of the offer (including the letter of transmittal and instructions thereto) will be final and binding to the fullest extent permitted by law.

IF YOU HAVE ANY QUESTIONS ABOUT THE PROCEDURE FOR TENDERING SHARES OF ITEX COMMON STOCK, PLEASE CONTACT THE INFORMATION AGENT AT ITS ADDRESS AND TELEPHONE NUMBERS SET FORTH ON THE BACK COVER OF THIS PROSPECTUS.

Withdrawal Rights

You can withdraw tendered shares at any time until the offer has expired and, if Western has not agreed to accept your shares for exchange by the expiration date, you can withdraw them at any time after that date until it accepts shares for exchange. If Western elects to extend the offer, is delayed in its acceptance for exchange of shares of ITEX common stock or is unable to accept shares of ITEX common stock for exchange pursuant to the offer for any reason, then, without prejudice to Western's rights under the offer, the exchange agent may, on behalf of Western, retain tendered shares of ITEX common stock, and such shares of ITEX common stock may not be withdrawn except to the extent that tendering stockholders are entitled to withdrawal rights as described in this section. Any such delay will be by an extension of the offer to the extent required by law. If Western decides to include a subsequent offering period, shares of ITEX common stock tendered during the subsequent offering period may not be withdrawn. Please see the section of this prospectus entitled "The Offer — Extension, Termination and Amendment."

For a withdrawal to be effective, a written or facsimile transmission notice of withdrawal must be timely received by the exchange agent at one of its addresses set forth on the back cover page of this prospectus. Any such notice of withdrawal must specify the name of the person who tendered the shares of ITEX common stock to be withdrawn, the number of shares of ITEX common stock to be withdrawn and the name of the registered holder of such shares of ITEX common stock, if different from that of the person who tendered such shares of ITEX common stock. If certificates evidencing shares of ITEX common stock to be withdrawn have been delivered or otherwise identified to the exchange agent, then, prior to the physical release of such certificates, the serial numbers shown on such certificates must be submitted to the exchange agent and, unless such shares of ITEX common stock have been tendered by or for the account of an eligible institution, the signature(s) on the notice of withdrawal must be guaranteed by an eligible institution. If shares of ITEX common stock have been tendered pursuant to the procedure for book-entry transfer as set forth in the section of this prospectus entitled “The Offer — Procedure for Tendering,” any notice of withdrawal must specify the name and number of the account at DTC to be credited with the withdrawn shares of ITEX common stock.

Withdrawals of shares of ITEX common stock may not be rescinded. Any shares of ITEX common stock properly withdrawn will thereafter be deemed not to have been validly tendered for purposes of the offer. However, withdrawn shares of ITEX common stock may be re-tendered at any time prior to the expiration date (or during the subsequent offering period, if any) by following one of the procedures discussed under the sections entitled "The Offer—Procedure for Tendering" or "The Offer—Guaranteed Delivery" (except shares of ITEX common stock may not be re-tendered using the procedures for guaranteed delivery during any subsequent offering period).

Western will decide all questions as to the form and validity (including time of receipt) of any notice of withdrawal in its sole discretion, and its decision shall be final and binding to the fullest extent permitted by law. None of Western, the exchange agent, the information agent or any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or will incur any liability for failure to give any such notification.

Announcement of Results of the Offer

Western will announce by press release the final results of the offer, including whether all of the conditions to the offer have been fulfilled or waived and whether Western will accept the tendered shares of ITEX common stock for exchange, promptly after expiration of the offer.

Ownership of Western After the Offer

Based on the exchange ratio for the offer and assuming that:

- There are no options to purchase shares of ITEX common stock outstanding at the expiration of the offer or the consummation of the second-step merger (there were no options to purchase shares of ITEX common stock outstanding as of October 31, 2007);

- Western exchanges pursuant to the offer and the second-step merger all of the shares of ITEX common stock, which number is assumed to be 17,726,248, the total number of shares reported by ITEX to be outstanding as of October 31, 2007; and

- 2,696,625 shares of Western common stock, which is the number of shares outstanding as of December 26, 2007, are outstanding, which number does not include 36,000 shares of common stock issuable upon exercise of outstanding options;

former ITEX stockholders would own, in the aggregate, approximately 30.3% of the outstanding shares of Western common stock.

Taxation

The following is a discussion of certain U.S. federal income tax consequences of the offer to holders of ITEX common stock whose stock is exchanged for Western common stock pursuant to the offer. The discussion is based on the Internal Revenue Code of 1986, as amended, referred to in this prospectus as the "Code," applicable Treasury Regulations and administrative and judicial interpretations thereof, each as in effect as of the date of this offer, all of which may change, possibly with retroactive effect. The discussion applies only to stockholders who hold their ITEX common stock as capital assets and may not apply to stockholders subject to special rules under the Code, including, without limitation, persons who acquired their ITEX common stock upon the exercise of stock options or otherwise as compensation, financial institutions, brokers, dealers or traders in securities or commodities, insurance companies, partnerships or other entities treated as partnerships or flow-through entities for U.S. federal income tax purposes, tax-exempt organizations, persons who are subject to alternative minimum tax, persons who hold ITEX common stock as a position in a "straddle" or as part of a "hedging" or "conversion" transaction or other integrated investment, or persons that have a functional currency other than the United States dollar. This discussion does not address the U.S. federal tax consequences to any stockholder of ITEX who, for U.S. federal income tax purposes, is a non-resident alien individual, foreign corporation, foreign partnership or foreign estate or trust, and does not address any state, local or foreign tax consequences of the offer.

BECAUSE INDIVIDUAL CIRCUMSTANCES MAY DIFFER, EACH STOCKHOLDER SHOULD CONSULT SUCH STOCKHOLDER’S TAX ADVISOR REGARDING THE APPLICABILITY OF THE RULES DISCUSSED BELOW TO SUCH STOCKHOLDER AND THE PARTICULAR TAX EFFECTS TO SUCH STOCKHOLDER OF THE OFFER, INCLUDING THE APPLICATION AND EFFECT OF STATE, LOCAL, AND FOREIGN TAX LAWS.

Except as provided below, the receipt of Western common stock in exchange for ITEX common stock pursuant to the offer may be a taxable transaction for U.S. federal income tax purposes. In general, a stockholder who exchanges ITEX common stock pursuant to the offer will recognize gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the fair market value on the date of acceptance for exchange pursuant to the offer of the Western common stock received and the holder’s adjusted tax basis in the ITEX common stock exchanged pursuant to the offer. Gain or loss will be determined separately for each block of ITEX common stock (i.e., ITEX common stock acquired at the same cost in a single transaction) exchanged pursuant to the offer. Any such gain or loss generally will be long-term capital gain or loss if the stockholder has held the ITEX common stock for more than one year on the date of acceptance for exchange pursuant to the offer. Long-term capital gain of noncorporate stockholders is generally taxable at a maximum rate of 15%. Certain limitations apply to the use of capital losses.

A holder’s tax basis in the Western common stock received pursuant to the offer will equal its fair market value on the date of acceptance for exchange pursuant to the offer. A holder’s holding period in the Western common stock received will begin the day following the date of acceptance for exchange pursuant to the offer.

The receipt of cash in exchange for ITEX shares pursuant to the exercise of dissenters’ rights generally will be a taxable transaction for U.S. federal income tax purposes. In general, a stockholder who receives cash in exchange for ITEX shares pursuant to the exercise of dissenters’ rights will recognize gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amount of cash received and the holder’s adjusted tax basis in the ITEX common stock exchanged. The determination and tax treatment of any such gain or loss is described above.

In the event that, upon consummation of the offer, Western owns 80% or more of the outstanding ITEX common stock, and certain other conditions are met, or in the event that the second-step merger is promptly consummated, the exchange by ITEX stockholders of their ITEX common stock for shares of Western common stock will be tax-free pursuant to Section 368(a)(1) of the Code. In that case, no gain or loss would be recognized by the exchanging stockholders of ITEX, and their tax basis and holding periods of their ITEX shares will carry over to the shares of Western common stock received in the exchange.

Purpose of the Offer; Dissenters’ Rights

Purpose and Structure of the Offer

The purpose of the offer is for Western to acquire control of, and ultimately the entire equity interest in, ITEX. The offer, as the first step in the acquisition of ITEX, is intended to facilitate the acquisition of ITEX. The purpose of the second-step merger of a wholly-owned subsidiary of Western with and into ITEX is for Western to acquire all outstanding shares of ITEX common stock not tendered and exchanged pursuant to the offer. If the offer is successful, Western intends to consummate the second-step merger as promptly as practicable.

If Western owns 90% or more of the outstanding shares of ITEX common stock following the consummation of the offer, Western intends to consummate the second-step merger as a "short-form" merger pursuant to Section 92A.180 of the Nevada Revised Statutes. In this case, neither the approval of any holder of shares of ITEX common stock nor the approval of ITEX's board of directors would be required. Upon consummation of the second-step merger, ITEX would become a wholly-owned subsidiary of Western.

If Western owns less than 90% of the outstanding shares of ITEX common stock following the consummation of the offer, Western intends to cause ITEX's board of directors to submit the second-step merger to ITEX's stockholders for approval at a stockholders' meeting convened for that purpose in accordance with Nevada law. If the minimum tender condition, the control share condition and the business combination condition are satisfied, Western will, upon consummation of the offer, have sufficient voting power to ensure approval of the second-step merger at the stockholders' meeting without the affirmative vote of any other stockholder.

Dissenters' Rights

Dissenters' rights are not available in the offer, but, as discussed in the next paragraph, may arise if Western requests an ITEX stockholder vote in connection with the Nevada Control Share Statute. In addition, if you do not tender your ITEX shares in the offer, do not vote in favor of the second-step merger and do comply with applicable procedures governing dissenters' rights under Nevada law, and if either of the two sets of criteria specified below in this paragraph is satisfied, you will be entitled, in connection with the second-step merger, to receive payment in cash equal to the statutorily-determined "fair value" of your shares of ITEX common stock, plus accrued interest from the effective date of the merger until the date of payment. The process for determining "fair value" under Nevada's dissenters' rights provisions may include a judicial appraisal process. "Fair value" will be the value of a dissenter's shares of ITEX common stock before the merger, excluding any appreciation or depreciation in anticipation of the merger, unless such exclusion would be inequitable. The fair value of shares of ITEX common stock determined under Nevada's dissenters' rights provisions could be the same as, or more or less than, the value of the shares of Western common stock offered pursuant to the offer or proposed to be paid in the second-step merger. Dissenters' rights will be available to ITEX stockholders in connection with the second-step merger if either of the following two sets of criteria is satisfied: (1) on the effective date of the second-step merger, Western common stock is not listed on a national securities exchange, is not traded on NASDAQ and is not held of record by at least 2,000 holders; or (2) on the record date for determining the ITEX stockholders who are entitled to vote on the second-step merger, ITEX common stock is not listed on a national securities exchange, is not traded on NASDAQ and is not held of record by at least 2,000 holders. Although Western has applied to have its common stock listed on the Nasdaq Capital Market, ITEX common stock is not currently listed on a national securities exchange, traded on NASDAQ or, to Western's knowledge, held of record by at least 2,000 holders. Therefore, Western expects that dissenters' rights will be available to Target stockholders in connection with the second-step merger.

In addition, you may have dissenters' rights in connection with the Nevada Control Share Statute, assuming that ITEX meets the definition of an "issuing corporation" under that statute. The Nevada Control Share Statute provides that a person who acquires specified amounts of a corporation's voting stock may not exercise voting rights as to the acquired shares unless specified conditions are satisfied. Under appropriate circumstances, Western may decide to ask ITEX's stockholders to grant voting rights to the shares of ITEX common stock acquired by Western in the offer. In that event, dissenters' rights may be available to each ITEX stockholder who does not vote in favor of such grant of voting rights if Western acquires full voting rights with respect to shares having a majority or more of the total voting power of all ITEX shares. See "The Offer—Certain Legal Matters; Regulatory Approvals—Nevada Control Share Statute."

THE FOREGOING SUMMARY OF THE RIGHTS OF DISSENTING STOCKHOLDERS DOES NOT PURPORT TO BE COMPLETE AND IS QUALIFIED BY REFERENCE TO SECTIONS 92A.300-92A500 OF THE NEVADA REVISED STATUTES. FAILURE TO FOLLOW THE STEPS THAT SECTIONS 92A.300-92A500 REQUIRE FOR PERFECTING APPLICABLE DISSENTERS' RIGHTS MAY RESULT IN THE LOSS OF THOSE RIGHTS.

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Plans for ITEX

Western intends to operate ITEX's business in substantially the manner in which it is currently conducted following the consummation of the proposed transaction. Nevertheless, in connection with the offer, Western has reviewed and will continue to review various possible business strategies and changes that it might consider in the event that it acquires control of ITEX, whether pursuant to the offer, the second-step merger or otherwise. Following a review of additional information regarding ITEX, these changes could include, among other things, changes in ITEX's business, operations, personnel, employee benefit plans, corporate structure, capitalization, governing documents and management.

Except as indicated in this prospectus, neither Western nor any of Western's subsidiaries has any current plans or proposals which relate to or would result in (1) any extraordinary transaction, such as a merger, reorganization or liquidation of ITEX or any of its subsidiaries, (2) any purchase, sale or transfer of a material amount of assets of ITEX or any of its subsidiaries, (3) any material change in the present dividend rate or policy, or indebtedness or capitalization of ITEX or any of its subsidiaries, (4) any change in the current board of directors or management of ITEX, (5) any other material change in ITEX's corporate structure or business, (6) any class of equity security of ITEX ceasing to be authorized to be quoted in an automated quotation system operated by a national securities association or (7) any class of equity securities of ITEX becoming eligible for termination of registration under the Exchange Act.

Removal from OTC Bulletin Board; Termination of Registration

Once the offer is consummated, if ITEX qualifies for termination of registration under the Exchange Act, Western intends to cause ITEX to file an application with the SEC to terminate the registration of ITEX common stock under the Exchange Act. The consummation of the offer may also result in the removal of ITEX common stock from the OTC Bulletin Board. ITEX common stock could also cease to be quoted on the OTC Bulletin Board independently of the offer. See "The Offer—Effect of the Offer on the Market for Shares of ITEX Common Stock; Registration Under the Exchange Act; Margin Regulations."

Effect of the Offer on the Market for Shares of ITEX Common Stock; Registration Under the Exchange Act; Margin Regulations

Effect of the Offer on the Market for the Shares of ITEX Common Stock

According to ITEX's Annual Report on Form 10-KSB for the fiscal year ended July 31, 2007, the shares of ITEX common stock are quoted on the OTC Bulletin Board and there were approximately 894 holders of record of ITEX common stock as of July 31, 2007. The exchange of shares of ITEX common stock by Western pursuant to the offer will reduce the number of holders of ITEX common stock and the number of shares of ITEX common stock that might otherwise trade publicly and could adversely affect the liquidity and market value of the remaining shares of ITEX common stock held by the public. The extent of the public market for ITEX common stock and the availability of quotations reported on the OTC Bulletin Board depends upon the number of stockholders holding ITEX common stock, the aggregate market value of the shares remaining at such time, the interest of maintaining a market in the shares on the part of any securities firms and other factors. If ITEX common stock does not cease to be quoted on the OTC Bulletin Board prior to the second-step merger, then ITEX common stock will cease to be quoted on the OTC Bulletin Board upon consummation of the second-step merger.

Registration Under the Exchange Act

Based upon ITEX's public filings with the SEC, Western believes that ITEX common stock is currently registered under the Exchange Act. This registration may be terminated upon application by ITEX to the SEC if ITEX common stock is not listed on a "national securities exchange" and there are fewer than 300 record holders. Termination of registration would substantially reduce the information required to be furnished by ITEX to holders of ITEX common stock and to the SEC and would make certain provisions of the Exchange Act, such as the short-swing profit recovery provisions of Section 16(b), the requirement of furnishing a proxy statement in connection with stockholders' meetings and the requirements of Exchange Act Rule 13e-3 with respect to "going private" transactions, no longer applicable to ITEX common stock. In addition, "affiliates" of ITEX and persons holding "restricted securities" of ITEX may be deprived of the ability to dispose of these securities pursuant to Rule 144 under the Securities Act. If the registration of ITEX common stock under the Exchange Act is not terminated prior to the second-step merger, then the registration of ITEX common stock under the Exchange Act will be terminated upon consummation of the second-step merger.

Margin Regulations

ITEX common stock is not a “margin security” under the regulations of the Board of Governors of the Federal Reserve System, and is therefore not subject to the margin regulations of the Federal Reserve Board.

Conditions of the Offer

Notwithstanding any other provision of the offer, Western is not required to accept for exchange or, subject to any applicable rules and regulations of the SEC, including Rule 14e-1(c) under the Exchange Act (relating to Western’s obligation to pay for or return tendered shares promptly after termination or expiration of the offer), exchange any shares of ITEX common stock, and may terminate or amend the offer, if, at the expiration date, any of the following conditions have not been satisfied or, to the extent legally permissible, waived:

- the “registration statement condition”—the registration statement of which this prospectus is a part shall have become effective under the Securities Act of 1933, as amended, referred to in this prospectus as the “Securities Act,” no stop order suspending the effectiveness of the registration statement shall have been issued and no proceedings for that purpose shall have been initiated or threatened by the SEC and Western shall have received all necessary state securities law or “blue sky” authorizations;

- the “minimum tender condition”—there shall have been validly tendered and not properly withdrawn prior to the expiration of the offer that number of shares of ITEX common stock representing, together with the shares owned by Western and its affiliates, at least 60% of the total voting power of all of the outstanding securities of ITEX entitled to vote generally in the election of directors or in a merger, calculated on a fully diluted basis immediately prior to the expiration of the offer;

- the “control share condition”—Western must be satisfied, in its reasonable discretion, that the provisions of the Nevada Control Share Statute do not and will not apply to the shares of ITEX common stock to be acquired pursuant to the offer or are invalid or the stockholders of ITEX must have approved full voting rights for all of the shares of ITEX common stock to be acquired by Western pursuant to the offer under the Nevada Control Share Statute;

- the “business combination condition”—Western must be satisfied, in its reasonable discretion, that, after consummation of the offer, Section 78.411, et seq. of the Nevada Revised Statutes will not prohibit or restrict for any period of time the merger or any other business combination involving ITEX and Western or an affiliate or associate of Western;

- the “antitrust condition”—any waiting periods under applicable antitrust laws shall have expired or terminated;

- the “ITEX debt condition”—Western shall have received all consents, waivers and approvals required under the terms of ITEX’s indebtedness in order for Western to consummate the offer; and

- the “listing and approval condition”—Western’s common stock shall have been approved for listing on the Nasdaq Capital Market or other national securities exchange reasonably acceptable to Western, and Western’s stockholders shall have approved, as and to the extent required by the rules of any such national securities exchange, the issuance of shares of Western common stock pursuant to the offer and the second-step merger, and such shares shall have been authorized for listing on such national securities exchange, subject to official notice of issuance. Western’s directors and executive officers collectively beneficially own or exercise voting power over the requisite number of shares to approve the issuance of Western shares pursuant to the offer and the second-step merger.

In addition, notwithstanding any other provision of the offer, Western is not required to accept for exchange or, subject to any applicable rules and regulations of the SEC, including Rule 14e-1(c) under the Exchange Act (relating to Western's obligation to pay for or return tendered shares promptly after termination or expiration of the offer), exchange any shares of ITEX common stock, and may terminate or amend the offer, if, at any time on or after December 27, 2007 and before the expiration of the offer, any of the following conditions exist:

(i) there is threatened, instituted or pending any action or proceeding by any government, governmental authority or agency or any other person, domestic, foreign or supranational, before any court or governmental authority or agency, domestic, foreign or supranational, (a) challenging or seeking to make illegal, to delay or otherwise, directly or indirectly, to restrain or prohibit the making of the offer, the acceptance for exchange of or exchange of some or all of the shares of ITEX common stock by Western or any of its subsidiaries or affiliates or the consummation by Western or any of its subsidiaries or affiliates of a merger or other similar business combination involving ITEX, (b) seeking to obtain material damages or otherwise directly or indirectly relating to the offer or any such merger or other similar business combination, (c) seeking to restrain or prohibit the ownership or operation by Western or any of its subsidiaries or affiliates of all or any portion of its business or assets or that of ITEX or any of Western's or ITEX's respective subsidiaries or affiliates or to compel Western or any of its subsidiaries or affiliates to dispose of or hold separate all or any portion of its business or assets or that of ITEX or any of Western's or ITEX's respective subsidiaries or affiliates, in each case as a result of the offer or any such merger or other similar business combination, (d) seeking to impose limitations on Western's ability or that of any of its subsidiaries or affiliates effectively to exercise any rights as record or beneficial owner of the shares of ITEX common stock acquired or owned by Western or any of its subsidiaries or affiliates, including, without limitation, the right to vote any shares acquired or owned by Western or any of its subsidiaries or affiliates on all matters properly presented to ITEX's stockholders, (e) seeking to require divestiture by Western or any of its subsidiaries or affiliates of any shares of ITEX common stock, or (f) that otherwise, in Western's reasonable judgment, has or may have a material adverse effect on the business, assets, liabilities, financial condition, capitalization, operations or results of operations of ITEX or any of its subsidiaries or affiliates or results or may result in a material diminution in the value of the shares of ITEX common stock; or

(ii) any action is taken, or any statute, rule, regulation, injunction, order or decree is proposed, enacted, enforced, promulgated, issued or deemed applicable to the offer, the acceptance for exchange of or exchange of shares of ITEX common stock, or any merger or other business combination involving ITEX, by any court, government or governmental authority or agency, domestic, foreign or supranational, or of any applicable foreign statutes or regulations (as in effect as of December 27, 2007) to the offer or to any such merger or other business combination, that, in Western's reasonable judgment, might, directly or indirectly, result in any of the consequences referred to in clauses (a) through (f) of paragraph (i) above; or

(iii) any change occurs or is threatened (or any development occurs or is threatened involving a prospective change) in the business, assets, liabilities, financial condition, capitalization, operations or results of operations of ITEX or any of its subsidiaries or affiliates that, in Western's reasonable judgment, is or may be materially adverse to ITEX or any of its subsidiaries or affiliates or results or may result in a material diminution in the value of the shares of ITEX common stock; or

(iv) there occurs (a) any general suspension of trading in, or limitation on prices for, securities on any national securities exchange or in the over-the-counter market, (b) any decline in either the Dow Jones Industrial Average, the Standard and Poor's Index of 500 Industrial Companies or the NASDAQ-100 Index by an amount in excess of 15%, measured from the business day immediately preceding the commencement date of the offer, or any change in the general political, market, economic or financial conditions in the United States or abroad that, in Western's reasonable judgment, could have a material adverse effect on the business, financial condition or results of operations of ITEX and its subsidiaries, taken as a whole, (c) the declaration of a banking moratorium or any suspension of payments in respect of banks in the United States, (d) any material adverse change (or development or threatened development involving a prospective material adverse change) in U.S. or any other currency exchange rates or a suspension of, or a limitation on, the markets therefor, (e) any material adverse change in the market price of the shares of ITEX common stock or in the U.S. securities or financial markets, (f) the commencement of a war, armed hostilities or other international or national calamity directly or indirectly involving the United States or any attack on, outbreak or act of terrorism involving the United States, (g) any limitation (whether or not mandatory) by any governmental authority or agency on, or any other event that, in Western's reasonable judgment, may adversely affect, the extension of credit by banks or other financial institutions or (h) in the case of any of the foregoing existing at the time of the commencement of the offer, a material acceleration or worsening thereof; or

(v) (a) a tender or exchange offer for some or all of the shares of ITEX common stock has been publicly proposed to be made or has been made by another person (including ITEX or any of its subsidiaries or affiliates), or has been publicly disclosed, or any person or "group" (as defined in Section 13(d)(3) of the Exchange Act) has acquired or publicly proposes to acquire beneficial ownership of more than 5% of any class or series of capital stock of ITEX (including ITEX common stock), through the acquisition of stock, the formation of a group or otherwise, or is granted any option, right or warrant, conditional or otherwise, to acquire beneficial ownership of more than 5% of any class or series of capital stock of ITEX (including ITEX common stock) other than acquisitions for bona fide arbitrage purposes only and other than as disclosed in a Schedule 13D or 13G on file with the SEC on December 27, 2007, (b) any such person or group which, prior to December 27, 2007, had filed such a Schedule with the SEC has acquired or proposes to acquire beneficial ownership of additional shares of any class or series of capital stock of ITEX, through the acquisition of stock, the formation of a group or otherwise, constituting 1% or more of any such class or series, or is granted any option, right or warrant, conditional or otherwise, to acquire beneficial ownership of additional shares of any class or series of capital stock of ITEX constituting 1% or more of any such class or series, (c) any person or group has entered into a definitive agreement or an agreement in principle or made a proposal with respect to a tender or exchange offer or a merger, consolidation or other business combination with or involving ITEX or (d) any person has filed a Notification and Report Form under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, or made a public announcement reflecting an intent to acquire ITEX or any assets or securities of ITEX; or

(vi) ITEX or any of its subsidiaries has (a) split, combined or otherwise changed, or authorized or proposed the split, combination or other change of, the shares of ITEX common stock or its capitalization, (b) acquired or otherwise caused a reduction in the number of, or authorized or proposed the acquisition or other reduction in the number of, outstanding shares of ITEX common stock or other securities, (c) issued or sold, or authorized or proposed the issuance or sale of, any additional shares of ITEX common stock, shares of any other class or series of capital stock, other voting securities or any securities convertible into, or options, rights or warrants, conditional or otherwise, to acquire, any of the foregoing (other than the issuance of shares of ITEX common stock pursuant to and in accordance with the terms in effect on December 27, 2007 of employee stock options outstanding prior to such date), or any other securities or rights in respect of, in lieu of, or in substitution or exchange for any shares of its capital stock, (d) permitted the issuance or sale of any shares of any class of capital stock or other securities of any subsidiary of ITEX, (e) declared, paid or proposed to declare or pay any dividend or other distribution on any shares of capital stock of ITEX, (f) altered or proposed to alter any material term of any outstanding security, issued or sold, or authorized or proposed the issuance or sale of, any debt

securities or otherwise incurred or authorized or proposed the incurrence of any debt other than in the ordinary course of business, (g) authorized, recommended, proposed, announced its intent to enter into or entered into an agreement with respect to or effected any merger, consolidation, liquidation, dissolution, business combination, acquisition of assets, disposition of assets or relinquishment of any material contract or other right of ITEX or any of its subsidiaries or any comparable event not in the ordinary course of business, (h) authorized, recommended, proposed, announced its intent to enter into or entered into any agreement or arrangement with any person or group that, in Western's reasonable judgment, has or may have a material adverse effect on the business, assets, liabilities, financial condition, capitalization, operations or results of operations of ITEX or any of its subsidiaries or affiliates or results or may result in a material diminution in the value of the shares of ITEX common stock, (i) entered into or amended any employment, severance or similar agreement, arrangement or plan with any of its employees other than in the ordinary course of business or entered into or amended any such agreements, arrangements or plans so as to provide for increased benefits to employees as a result of or in connection with the making of the offer, the acceptance for exchange of or exchange of some of or all the shares of ITEX common stock by Western or Western's consummation of any merger or other similar business combination involving ITEX, (j) except as may be required by law, taken any action to terminate or amend any employee benefit plan (as defined in Section 3(2) of the Employee Retirement Income Security Act of 1974) of ITEX or any of its subsidiaries, or (k) amended, or authorized or proposed any amendment to, its articles of incorporation or bylaws (or other similar constituent documents); or

(vii) (a) any material contractual right of ITEX or any of its subsidiaries has been impaired or otherwise adversely affected or any material amount of indebtedness of ITEX or any of its subsidiaries has been accelerated or has otherwise become due or become subject to acceleration prior to its stated due date, in each case with or without notice or the lapse of time or both, as a result of or in connection with the offer or the consummation by Western or any of its subsidiaries or affiliates of a merger or other similar business combination involving ITEX or (b) any covenant, term or condition in any instrument or agreement of ITEX or any of its subsidiaries, in Western's reasonable judgment, has or may have a material adverse effect on the business, assets, liabilities, financial condition, capitalization, operations or results of operations of ITEX or any of its subsidiaries or affiliates or results or may result in a material diminution in the value of the shares of ITEX common stock (including, without limitation, any event of default that may ensue as a result of or in connection with the offer, the acceptance for exchange of or exchange of some or all of the shares of ITEX common stock by Western or Western's consummation of a merger or other similar business combination involving ITEX); or

(viii) Western or any of its affiliates enters into a definitive agreement or announces an agreement in principle with ITEX providing for a merger or other similar business combination with ITEX or any of its subsidiaries or the purchase of securities or assets of ITEX or any of its subsidiaries, or Western and ITEX reach any other agreement or understanding pursuant to which it is agreed that the offer will be terminated; or

(ix) ITEX or any of its subsidiaries shall have (a) granted to any person proposing a merger or other business combination with or involving ITEX or any of its subsidiaries or the purchase of securities or assets of ITEX or any of its subsidiaries any type of option, warrant or right which, in Western's reasonable judgment, constitutes a "lock-up" device (including, without limitation, a right to acquire or receive any shares of ITEX common stock or other securities, assets or business of ITEX or any of its subsidiaries) or (b) paid or agreed to pay any cash or other consideration to any party in connection with or in any way related to any such business combination or purchase; which, in Western's reasonable judgment, in any such case, makes it inadvisable to proceed with such acceptance for exchange or exchange.

The satisfaction or existence of any of the conditions to the offer will be determined by Western in its reasonable discretion. These conditions are for the sole benefit of Western and its affiliates and may be asserted by Western in its reasonable discretion regardless of the circumstances giving rise to any of these conditions or may be waived (to the extent legally permissible) by Western in its reasonable discretion in whole or in part at any time or from time to time before the expiration date (provided that all conditions to the offer must be satisfied or waived prior to the expiration of the offer). Western expressly reserves the right to waive any of the conditions to the offer (to the extent legally permissible) and to make any change in the terms of or conditions to the offer. Western's failure at any time to exercise its rights under any of these conditions will not be deemed a waiver of any such right. The waiver of any such right with respect to particular facts and circumstances will not be deemed a waiver with respect to any other facts and circumstances. Each such right will be deemed an ongoing right which may be asserted at any time or from time to time, except that any such right may not be asserted after the expiration date. Any determination made by Western concerning the events described in this section "The Offer—Conditions to the Offer" will be final and binding upon all parties, subject to the tendering stockholder's right to bring any dispute with respect thereto before a court of competent jurisdiction.

Dividends and Distributions

If on or after December 27, 2007, ITEX:

(a) splits, combines or otherwise changes its shares of common stock or its capitalization,

(b) acquires shares of its common stock or otherwise causes a reduction in the number of outstanding shares,

(c) issues or sells any additional shares of its common stock (other than shares issued pursuant to and in accordance with the terms in effect on December 27, 2007 of employee stock options outstanding prior to such date), shares of any other class or series of capital stock, other voting securities or any securities convertible into, or options, rights, or warrants, conditional or otherwise, to acquire, any of the foregoing, or any other securities or rights in respect of, in lieu of, or in substitution or exchange for any shares of its capital stock, or

(d) discloses that it has taken such action,

then, without prejudice to Western's rights under "The Offer—Extension, Termination and Amendment" and "The Offer—Conditions of the Offer," Western may, in its sole discretion, make such adjustments in the exchange ratio and other terms of the offer and the proposed merger as it deems appropriate including, without limitation, the number or type of securities to be purchased.

Certain Legal Matters; Regulatory Approvals

General

Western is not aware of any governmental license or regulatory permit that appears to be material to ITEX's business that might be adversely affected by Western's acquisition of shares of ITEX common stock pursuant to the offer or of any approval or other action by any government or governmental administrative or regulatory authority or agency, domestic or foreign, that would be required for Western's acquisition or ownership of shares of ITEX common stock pursuant to the offer. Should any of these approvals or other actions be required, Western currently contemplates that these approvals or other actions will be sought. There can be no assurance that any of these approvals or other actions, if needed, will be obtained (with or without substantial conditions) or that if these approvals were not obtained or these other actions were not taken adverse consequences might not result to ITEX's business or that parts of ITEX's or Western's, or any of their respective subsidiaries', businesses might not have to be disposed of or held separate, any of which could cause Western to elect to terminate the offer without the purchase of shares of ITEX common stock. Western's obligation under the offer to accept for exchange and exchange shares of ITEX common stock is subject to certain conditions. See "The Offer—Conditions of the Offer."

Antitrust

Western does not believe that the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, is applicable to the proposed transaction. Nevertheless, the Antitrust Division of the Department of Justice, referred to in this prospectus as the "Antitrust Division," and the Federal Trade Commission, referred to in this prospectus as the "FTC," frequently scrutinize the legality under the antitrust laws of transactions such as Western's acquisition of shares pursuant to the offer. At any time before or after the consummation of any such transactions, the Antitrust Division or the FTC could take such action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the purchase of shares pursuant to the offer or seeking divestiture of the shares so acquired or divestiture of Western's or ITEX's material assets. Private parties (including individual states) may also bring legal actions under the antitrust laws. Based on an examination of the publicly available information relating to the business in which ITEX is engaged, Western does not believe that the consummation of the offer will result in a violation of any applicable antitrust laws. However, there can be no assurance that a challenge to the offer on antitrust grounds will not be made or, if such a challenge is made, what the result will be. See "Conditions of the Offer" for certain conditions to the offer, including conditions with respect to litigation and certain governmental actions.

Nevada Control Share Statute

Under the Nevada Control Share Statute, with specified exceptions, an "acquiring person" who acquires a "controlling interest" in an "issuing corporation" may not exercise voting rights as to any "control shares" unless such voting rights are approved by the stockholders of the issuing public corporation as described below. For purposes of the statute:

"acquiring person" means any person who, individually or in association with others, acquires or offers to acquire, directly or indirectly, a controlling interest in an issuing corporation;

"control shares" means those outstanding voting shares of an issuing corporation which an acquiring person acquires (1) in an acquisition of a controlling interest or (2) within 90 days immediately preceding the date when the acquiring person became an acquiring person;

"controlling interest" means the ownership of outstanding voting shares of an issuing corporation sufficient, but for the Nevada Control Share Statute, to enable the acquiring person, directly or indirectly and individually or in association with others, to exercise (1) one-fifth or more but less than one-third, (2) one-third or more but less than a majority or (3) a majority or more, of all the voting power of the corporation in the election of directors; and

"issuing corporation" means a corporation which is organized in Nevada and (1) has 200 or more stockholders of record, at least 100 of whom have addresses in Nevada appearing on the stock ledger of the corporation, and (2) does business in Nevada directly or through an affiliated corporation.

Western believes, but has been unable to confirm, that ITEX conducts business in Nevada. Until Western can confirm that ITEX conducts business in Nevada and obtains the stockholder list that it has requested from ITEX, Western cannot determine if ITEX is an issuing corporation, as defined above, which would make the Nevada Control Share Statute applicable. If ITEX is not an issuing corporation, then the Nevada Control Share Statute would not be applicable to ITEX and the control share condition would be satisfied. For purposes of the discussion below and unless and until Western can make a determination to the contrary, Western assumes that ITEX is an issuing corporation.

The acquiring person may request, by delivering an "offeror's statement" to the corporation, that the directors call a special meeting of stockholders for the purpose of determining the voting rights to be accorded the control shares. The control shares will have voting rights only to the extent granted by a resolution approved by the stockholders. The resolution must be approved by the holders of a majority of the voting power of the corporation.

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If full voting rights are accorded to the control shares under the procedures described above and the acquiring person acquires control shares with a majority or more of all the voting power, any stockholder, other than the acquiring person, who does not vote in favor of authorizing voting rights for the control shares may be entitled to demand and receive payment for the fair value of such stockholder's shares in accordance with the dissenters' rights provisions of the Nevada Revised Statutes. See "The Offer—Purpose of the Offer; Dissenters' Rights."

The Nevada Control Share Statute does not apply if the articles of incorporation or bylaws of a corporation in effect on the tenth day following the acquisition of a controlling interest by an acquiring person provide that such provisions do not apply to the corporation or to an acquisition of a controlling interest specifically by types of existing or future stockholders. ITEX's articles of incorporation and bylaws currently do not exclude it or any stockholders from application of the restrictions imposed by the Nevada Control Share Statute. The control share condition would be satisfied if ITEX's bylaws were amended such that, as of the tenth day following Western's acquisition of a controlling interest, the provisions of the Nevada Control Share Statute do not apply to ITEX or to an acquisition of a controlling interest in ITEX by Western, or if Western, in its reasonable discretion, were satisfied that the Nevada Control Share Statute was invalid or its restrictions were otherwise inapplicable to Western in connection with the offer and the second-step merger for any reason, including, without limitation, those specified in the Nevada Control Share Statute. The approval of stockholders of ITEX is not required in order for ITEX's board of directors to amend ITEX's bylaws such that the provisions of the Nevada Control Share Statute become inapplicable to the shares of ITEX common stock or the acquisition of a controlling interest by Western. That amendment, though, would have to be in effect on the tenth day after Western acquires a controlling interest.

Western may decide to deliver to ITEX, pursuant to the provisions of the Nevada Control Share Statute, an offeror's statement relating to the offer and the second-step merger, together with a demand that a special meeting of ITEX's stockholders be called at which stockholders would be asked to approve full voting rights for all shares of ITEX common stock currently owned by Western or to be acquired pursuant to the offer or otherwise acquired by Western that may be deemed to constitute control shares. Pursuant to the Nevada Control Share Statute and the terms of a demand for the special meeting, if any, delivered by Western, the special meeting must be called within 10 days, and must be held no sooner than 30 days and no later than 50 days, after delivery of the offeror's statement.

In the event the special meeting is called, Western intends to solicit proxies from the stockholders of ITEX with respect to the special meeting, unless Western is satisfied, in its reasonable discretion, that the Nevada Control Share Statute is not and will not be applicable to it and the transactions contemplated in this prospectus and determines not to proceed with the procedures set forth in the Nevada Control Share Statute with respect to the special meeting. The grant of a proxy with respect to the special meeting is not a condition to the tender of shares of ITEX common stock into the offer.

THE TENDER OF SHARES INTO THE OFFER DOES NOT CONSTITUTE THE GRANT OF A PROXY, CONSENT OR AUTHORIZATION FOR OR WITH RESPECT TO ANY SPECIAL MEETING OF ITEX'S STOCKHOLDERS.

Western believes that, if the control share condition is satisfied, the Nevada Control Share Statute will not be an impediment to consummating the second-step merger.

THIS SUMMARY OF THE NEVADA CONTROL SHARE STATUTE DOES NOT PURPORT TO BE COMPLETE AND IS QUALIFIED BY REFERENCE TO SECTIONS 78.378-78.3793 OF THE NEVADA REVISED STATUTES.

Nevada Business Combination Statute

Section 78.411, et seq. of the Nevada Revised Statutes, referred to in this prospectus as the "Nevada Business Combination Statute," prevents an "interested stockholder" and a Nevada corporation to which the Nevada Business Combination Statute applies from entering into a "combination," unless specified conditions are met. The Nevada Business Combination Statute applies to Nevada corporations with 200 or more stockholders of record, which (a) as of the date the person becomes an interested stockholder, has a class of voting shares registered with the SEC under Section 12 of the Exchange Act; or (b) provides for applicability of the statute in its articles of incorporation. Nevada corporations may opt out of the Nevada Business Combination Statute by (1) provision in its original articles of incorporation or (2) amendment to the corporation's articles of incorporation approved by the affirmative vote of the holders, other than interested stockholders and their affiliates and associates, of a majority of the outstanding voting power of the corporation, excluding the voting shares of interested stockholders and their affiliates and associates, but any such amendment will not effective until 18 months after the stockholder vote. Western believes that ITEX's articles of incorporation do not exclude it from the coverage of the Nevada Business Combination Statute.

For purposes of the Nevada Business Combination Statute:

- A “combination” includes, among other transactions, any merger or consolidation of the corporation with an “interested stockholder,” or any “affiliate” or “associate” thereof (even if the entity was not an affiliate or associate of the interested stockholder prior to the merger or consolidation), or any sale, lease, exchange, mortgage, pledge, transfer or other disposition, in one transaction or a series of transactions, to or with an interested stockholder, or an affiliate or associate thereof, of assets: (1) having an aggregate market value equal to five percent or more of the aggregate market value of all the assets, determined on a consolidated basis, of the corporation; (2) having an aggregate market value equal to five percent or more of the aggregate market value of all outstanding shares of the corporation; or (3) representing ten percent or more of the earning power or net income, determined on a consolidated basis, of the corporation.

- An “interested stockholder” means (1) the beneficial owner, directly or indirectly, of ten percent or more of the voting power of the outstanding voting shares of a corporation, or (2) an affiliate or associate of the corporation who, at any time within the past three years, was an interested stockholder of the corporation.

- An “affiliate” is a person or entity that directly or indirectly is controlled by or is under common control with a specified person.

- An “associate,” when used to indicate a relationship with a person, is: (a) a corporation or organization of which that person is an officer or partner or is, directly or indirectly, the beneficial owner of ten percent or more of any class of voting shares; (b) any trust or other estate in which that person has a substantial beneficial interest or as to which the person serves as trustee or in a similar fiduciary capacity; and (c) any relative or spouse of that person or any relative of the spouse, who has the same home as that person.

Under the Nevada Business Combination Statute, a corporation may not engage in a combination with an interested stockholder for three years after the person first became an interested stockholder unless the combination or the transaction by which the person first became an interested stockholder is approved by the board of directors before the person first became an interested stockholder. If this approval is not obtained, then after the expiration of the three-year period, the business combination may be consummated if the combination is then approved by the affirmative vote of the holders of a majority of the outstanding voting power not beneficially owned by the interested stockholder or any affiliate or associate thereof. Alternatively, even without either of these approvals, a combination occurring more than three years after the person first became an interested stockholder may be permissible if specified requirements relating to the consideration to be received by disinterested stockholders are met, and the interested stockholder has not, subject to limited exceptions, become the beneficial owner of additional voting shares of the corporation.

Western believes that, following the consummation of the offer, Western will be subject to the restrictions of the Nevada Business Combination Statute and its ability to consummate the proposed second-step merger will be restricted, unless ITEX’s board of directors approves the offer or the second-step merger prior to the consummation of the offer.

Western believes that, if the business combination condition is satisfied, the Nevada Business Combination Statute will not be an impediment to consummating the second-step merger.

THIS SUMMARY OF THE NEVADA BUSINESS COMBINATION STATUTE DOES NOT PURPORT TO BE COMPLETE AND IS QUALIFIED BY REFERENCE TO SECTIONS 78.411-78.444 OF THE NEVADA REVISED STATUTES.

Other State Takeover Statutes

A number of other states have adopted laws and regulations applicable to attempts to acquire securities of corporations which are incorporated, or have substantial assets, stockholders, principal executive offices or principal places of business, or whose business operations otherwise have substantial economic effects, in such states. To the extent that these state takeover statutes (other than the Nevada Business Combination Statute) purport to apply to the offer or the second-step merger, Western believes that there are reasonable bases for contesting such laws. In Edgar v. MITE Corp., the Supreme Court of the United States invalidated on constitutional grounds the Illinois Business Takeover Statute, which, as a matter of state securities law, made takeovers of corporations meeting certain requirements more difficult. However, in 1987 in CTS Corp. v. Dynamics Corp. of America, the Supreme Court held that the State of Indiana may, as a matter of corporate law and, in particular, with respect to those aspects of corporate law concerning corporate governance, constitutionally disqualify a potential acquiror from voting on the affairs of a target corporation without the prior approval of the remaining stockholders. The state law before the Supreme Court was by its terms applicable only to corporations that had a substantial number of stockholders in the state and were incorporated there. Subsequently, in TLX Acquisition Corp. v. Telex Corp., a Federal district court in Oklahoma ruled that the Oklahoma statutes were unconstitutional insofar as they apply to corporations incorporated outside Oklahoma because they would subject those corporations to inconsistent regulations. Similarly, in Tyson Foods, Inc. v. McReynolds, a federal district court in Tennessee ruled that four Tennessee takeover statutes were unconstitutional as applied to corporations incorporated outside Tennessee. This decision was affirmed by the United States Court of Appeals for the Sixth Circuit. In December 1988, a federal district court in Florida held, in Grand Metropolitan P.L.C. v. Butterworth, that the provisions of the Florida Affiliated Transactions Act and the Florida Control Share Acquisition Act were unconstitutional as applied to corporations incorporated outside of Florida.

Based on publicly available information, ITEX conducts business in a number of states throughout the United States, some of which have enacted takeover laws. Except as described in this prospectus, Western has not attempted to comply with any state takeover statutes in connection with the offer or the merger. Should any person seek to apply any state takeover law, Western will take such action as then appears desirable, which may include challenging the validity or applicability of any such statute in appropriate court proceedings. In the event it is asserted that one or more state takeover laws is applicable to the offer or the second-step merger and an appropriate court does not determine that it is inapplicable or invalid as applied to the offer or the merger, Western might be required to file certain information with, or receive approvals from, the relevant state authorities. In addition, if enjoined, Western might be unable to accept for exchange any shares of ITEX common stock tendered pursuant to the offer or be delayed in continuing or consummating the offer or the second-step merger. In this case, Western may not be obligated to accept for exchange any shares of ITEX common stock tendered.

“Going Private” Transactions

Rule 13e-3 under the Exchange Act is applicable to certain “going private” transactions and may under certain circumstances be applicable to the second-step merger. Western does not believe that Rule 13e-3 will be applicable to the second-step merger unless the merger is consummated more than one year after the termination of the offer. If applicable, Rule 13e-3 would require, among other things, that certain financial information concerning ITEX and certain information relating to the fairness of the second-step merger and the consideration offered to minority stockholders be filed with the SEC and distributed to minority stockholders before the consummation of the second-step merger.

Relationships With ITEX

Except as set forth in this prospectus, neither Western nor, to the best of its knowledge, any of its directors, executive officers or other affiliates has any contract, arrangement, understanding or relationship with any other person with respect to any securities of ITEX, including, but not limited to, any contract, arrangement, understanding or relationship concerning the transfer or the voting of any securities, joint ventures, loan or option arrangements, puts or calls, guaranties of loans, guaranties against loss or the giving or withholding of proxies. Except as otherwise described in this prospectus, during the two years before the date of this prospectus, there have been no contacts, negotiations or transactions between Western or, to the best of its knowledge, any of the persons listed on Schedule I to this prospectus, and ITEX or its affiliates, on the other hand, concerning a merger, consolidation or acquisition, an exchange offer or other acquisition of securities, an election of directors, or a sale or other transfer of a material amount of assets.

As of the date of the offer, Western beneficially owned 700,714 shares of ITEX common stock, representing approximately 4.0% of the outstanding shares of ITEX common stock, based on 17,726,248 shares reported by ITEX to be outstanding as of October 31, 2007. Western has not effected any transactions in the securities of ITEX in the 60 days prior to the date of this prospectus. Except as set forth in this prospectus, to Western's knowledge, after reasonable inquiry, none of the persons listed on Schedule I hereto, nor any of their respective associates or majority-owned subsidiaries, beneficially owns or has the right to acquire any securities of ITEX or has effected any transaction in securities of ITEX during the past 60 days.

Source and Amount of Funds

Western estimates that the total amount of cash required to complete the transactions contemplated by the offer and the second-step merger, including payment of cash in lieu of fractional shares and payment of fees and expenses related to the transactions, will be approximately $250,000. Western intends to obtain the funds needed to pay these costs from its available cash.

Fees and Expenses

Western has retained Morrow & Co., LLC as information agent in connection with the offer. The information agent may contact holders of ITEX common stock by mail, telephone, telex, telegraph and personal interview and may request brokers, dealers and other nominee stockholders to forward material relating to the offer to beneficial owners of ITEX common stock. Western will pay the information agent reasonable and customary compensation for these services in addition to reimbursing the information agent for its reasonable out-of-pocket expenses. Western agreed to indemnify the information agent against certain liabilities and expenses in connection with the offer, including certain liabilities under the U.S. federal securities laws.

In addition, Western has retained Continental Stock Transfer & Trust Company as the exchange agent for the offer. Western will pay the exchange agent reasonable and customary compensation for its services in connection with the offer, will reimburse the exchange agent for its reasonable out-of-pocket expenses and will indemnify the exchange agent against certain liabilities and expenses, including certain liabilities under the U.S. federal securities laws.

Except as set forth above, Western will not pay any fees or commissions to any broker, dealer or other person for soliciting tenders of shares pursuant to the offer. Western will reimburse brokers, dealers, commercial banks and trust companies and other nominees, upon request, for customary clerical and mailing expenses incurred by them in forwarding offering materials to their customers.

Accounting Treatment

The acquisition of shares of ITEX common stock acquired in Western's offer will be accounted for under the purchase method of accounting under GAAP, which means that ITEX's results of operations will be included with Western's from the closing date and ITEX's consolidated assets and liabilities will be recorded at their estimated fair values at the same time (except for the minority interest, if any, in the assets and liabilities which will remain at historical cost) with the excess, if any, allocated to specific identifiable intangibles acquired or goodwill.

MARKET PRICE AND DIVIDEND MATTERS

Market Price History

Western common stock is quoted on the OTC Bulletin Board under the symbol "WSZL.OB," and ITEX common stock is quoted on the OTC Bulletin Board under the symbol "ITEX.OB." Western has applied to have its common stock listed on the Nasdaq Capital Market.

On December 12, 2007, which was the last full trading day prior to Western's announcement of its intention to commence this offer for ITEX common stock, the per share closing price of Western common stock was $15.40 and the per share closing price of ITEX common stock was $0.90. Western encourages you to obtain current market quotations for shares of Western common stock and ITEX common stock.

The following table sets forth, for the periods indicated, the range of high and low bid prices for Western common stock as reported on the OTC Bulletin Board. Please note that quotations reflect inter-dealer prices, without mark-up, mark-down or commission and may not necessarily represent actual transactions. The prices have been calculated retroactively to reflect the effect of the rights offering in the fourth quarter of 2006 and the 1 for 10 stock split in the third quarter of 2006.

Fiscal Years Ended December 31, 2006 and 2005 and Nine Months Ended September 30, 2007		High		Low
First Quarter 2007	$	12.50	$	8.38
Second Quarter 2007	$	16.43	$	12.10
Third Quarter 2007	$	17.50	$	15.00
First Quarter 2006	$	9.90	$	9.20
Second Quarter 2006	$	10.87	$	8.33
Third Quarter 2006	$	9.83	$	8.50
Fourth Quarter 2006	$	9.80	$	7.17
First Quarter 2005	$	9.00	$	6.86
Second Quarter 2005	$	8.32	$	7.32
Third Quarter 2005	$	8.67	$	7.80
Fourth Quarter 2005	$	10.73	$	7.80

As of December 20, 2007 there were approximately 40 stockholders of record of Western common stock.

Western's Board of Directors has not declared a dividend in either of the two most recent fiscal years or the period ended September 30, 2007. Western's Board of Directors declares dividends when, in its discretion, it determines that a dividend payment, as opposed to another use of cash, is in the best interests of the stockholders. Such decisions are based on the facts and circumstances then-existing. As a result, Western cannot predict when, or whether, another dividend will be declared in the future.

The range of high and low bid prices for ITEX common stock for each quarter during its two most recent fiscal years and the quarterly period ended October 31, 2007 is as follows:

Fiscal Year Ended July 31,	2007				2006			
		High		Low		High		Low
First Quarter	$	0.97	$	0.47	$	1.15	$	0.34
Second Quarter	$	0.85	$	0.64	$	0.69	$	0.55
Third Quarter	$	0.81	$	0.67	$	0.81	$	0.51

Fourth Quarter	$ 0.84	$ 0.68	$ 0.63	$ 0.52

Fiscal Quarter Ended October 31,	2007	
	High	Low
	$ 1.01	$ 0.66

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This table reflects the range of high and low bid prices for ITEX common stock during the indicated periods, as published by the OTC Bulletin Board. The quotations merely reflect the prices at which transactionswere proposed and do not necessarily represent actual transactions. Prices do not include retail markup, markdown or commissions.

According to ITEX's Annual Report on Form 10-KSB for the fiscal year ended July 31, 2007, there were approximately 894 holders of record of ITEX common stock as of July 31, 2007.

According to ITEX's Annual Report on Form 10-KSB for the fiscal year ended July 31, 2007, ITEX has not paid any cash dividends and does not intend to pay any cash dividends in the foreseeable future.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The following sets forth unaudited pro forma condensed combined financial information derived from (i) the audited consolidated financial statements of Western for the fiscal year ended December 31, 2006 and the unaudited consolidated financial statements of Western for the nine months ended September 30, 2007 and (ii) the audited consolidated financial statements of ITEX for the fiscal years ended July 31, 2007 and July 31, 2006, each of which is included elsewhere in this prospectus. The unaudited pro forma condensed combined statement of income for the year ended December 31, 2006 assumes that the pro forma events occurred as of January 1, 2006, and the unaudited pro forma condensed combined statement of income for the nine months ended September 30, 2007 assumes that the pro forma events occurred as of January 1, 2007. The unaudited pro forma condensed combined balance sheet assumes that the pro forma events occurred on September 30, 2007.

The pro forma events include the acquisition of all of the outstanding shares of ITEX. The acquisition of ITEX will be accounted for as a purchase under U.S. GAAP. Cost will be determined on the basis of the fair value of Western common stock exchanged and any stock options assumed. With respect to the latter, this will be determined on the acquisition date. For the purpose of determining cost for the pro forma information below, Western has used the closing price of Western common stock on the OTC Bulletin Board on December 12, 2007 of $15.40.

The cost of an acquired entity in a purchase business combination is allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition under U.S. GAAP. The following pro forma financial information allocates the entire excess of purchase price over the carrying value of ITEX's net assets to goodwill as management does not have information related to ITEX's business necessary to complete a purchase price allocation in accordance with U.S. GAAP. Actual amounts, determined on the basis of more detailed information, will differ from the amounts reflected below. The following pro forma financial information also includes adjustments to reflect ITEX's acquisition of certain assets of The Intagio Group, Inc. on August 1, 2007, and the subsequent sale by ITEX of certain of the acquired assets in two separate transactions in August 2007, to the extent determinable from ITEX's publicly-filed documents. See Notes 3, 4, 5, 6 and 9 to ITEX's consolidated financial statements (unaudited). ITEX has not been involved in the preparation of the pro forma condensed combined financial information nor has ITEX verified any of the information or assumptions used in preparing the pro forma condensed combined financial information. See the "Note on ITEX Information" for further details.

The following pro forma financial information is presented for illustrative purposes only and is not necessarily indicative of (i) the results of operations and financial position that would have been achieved had the acquisition of all of the outstanding shares of ITEX taken place on the dates indicated or (ii) the future operations of the combined company. The following information should be relied on only for the limited purpose of presenting what the results of operations and financial position of the combined businesses of Western and ITEX might have looked like had such acquisition taken place at an earlier date.

The following pro forma financial information should be read in conjunction with:

- the accompanying notes to the Unaudited Pro Forma Condensed Combined Financial Statements;
- the audited consolidated financial statements of Western for the fiscal year ended December 31, 2006 and the notes relating thereto, included elsewhere in this prospectus;
- the unaudited consolidated financial statements of Western for the nine months ended September 30, 2007 and the notes relating thereto, included elsewhere in this prospectus; and
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the audited consolidated financial statements of ITEX for the fiscal years ended July 31, 2007 and July 31, 2006 and the notes relating thereto, included elsewhere in this prospectus.

Western Sizzlin Corporation
Unaudited Pro Forma
Condensed Combined Balance Sheet
As of September 30, 2007
(in thousands, except share data)

	Historical				
	Western(a)	ITEX(b)	Intagio Asset Acquisition(c)	Pro Forma Adjustments	Pro Forma Combined
ASSETS					
Current Assets					
Cash and cash equivalents	$ 606	$ 1,753	$ (1,997)(d)	$ (250)(k)	$ 112
Accounts receivable and notes receivable, net	1,131	1,315	137 (e)		2,583
Other current assets	514	254			768
Deferred taxes	179	614			793
Total current assets	2,430	3,936	(1,860)	(250)	4,256
Notes receivable, net	635	680	394 (f)		1,709
Property and equipment, net	1,982	133			2,115
Investments in marketable securities	9,150	—		(493)(l)	8,657
Money market investments held by broker	3,125	—			3,125
Intangible assets, net	—	991	1,347 (g)		2,338
Franchise royalty contracts, net	788	—			788
Goodwill	4,310	1,740	1,282 (h)	5,621 (m)	12,953
Deferred taxes, net	—	6,735			6,735
Investment in unconsolidated joint venture	266	—			266
Other assets	8	89			97
Total assets	$ 22,694	$ 14,304	$ 1,163	$ 4,878	$ 43,039
LIABILITIES, MINORITY INTEREST AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Current portion of long-term debt	$ 135	$ —	$ 541 (i)	$	$ 676
Accounts payable and other current liabilities	1,749	668	26 (j)		2,443
Accrued commissions to brokers	—	1,287			1,287
Total current liabilities	1,884	1,955	567		4,406
Long-term debt, net of current	592	—	596 (i)		1,188
Other long-term liabilities	85	19			104
Deferred taxes	562	—		(3)(l)	559
Total liabilities	3,123	1,974	1,163	(3)	6,257
Minority interest	1,459	—			1,459
Stockholders' equity:					
Common stock	18	179		(167)(m)	30
Additional paid in capital	12,882	28,981		(11,648)(n)	30,215
Retained earnings (deficit)	6,076	(16,701)		16,701 (o)	6,076
Unearned stock compensation	—	(129)			(129)
Accumulated other comprehensive income – unrealized holding gains, net of tax	(864)	—		(5)(l)	(869)

Total stockholders’ equity	18,112	12,330		4,881	35,323
Total liabilities, minority interest and stockholders’ equity	$ 22,694	$ 14,304	$ 1,163	$ 4,878	$ 43,039

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Western Sizzlin Corporation
Unaudited Pro Forma
Condensed Combined Statement of Income
Year Ended December 31, 2006
(in thousands, except share data)

	Historical Western(p)	"Adapted" ITEX(q)	Pro Forma Adjustments	Pro Forma Combined
Revenues:	$ 17,404	$ 14,722	$	$ 32,126
Costs and expenses:				
Cost of services	13,331	11,627		24,958
Selling, general and administrative	2,387	1,455		3,842
Depreciation and amortization	1,058	279		1,337
	16,776	13,361		30,137
Income from operations	628	1,361		1,989
Other income (expense)				
Net interest	(89)	16		(73)
Equity in loss of joint venture	(161)	—		(161)
Other	82	155		237
	(168)	171		3
Income before income tax expense	460	1,532		1,992
Income tax expense (benefit)	186	(1,950)		(1,764)
Net income	$ 274	3,482		3,756
Net income per common share:				
Basic	$ 0.23			$ 1.57
Diluted	$ 0.23			$ 1.57
Weighted average shares outstanding:				
Basic	1,215,103		1,174,010 (r)	2,389,113
Diluted	1,224,582		1,174,010 (r)	2,398,592

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Western Sizzlin Corporation
Unaudited Pro Forma
Condensed Combined Statement of Income
Nine Months Ended September 30, 2007
(in thousands, except share data)

	Historical Western(s)	"Adapted" ITEX(t)	Pro Forma Adjustments	Pro Forma Combined
Revenues:	$ 13,342	$ 10,381	$	$ 23,723
Costs and expenses:				
Cost of services	9,880	8,134		18,014
Selling, general and administrative	1,821	807		2,628
Depreciation and amortization	797	230		1,027
	12,498	9,171		21,669
Income from operations	844	1,210		2,054
Other income (expense)				
Net interest	(7)	82		75
Gain on sale of marketable securities	3,562	—		3,562
Equity in profit of joint venture	118	—		118
Other	7	10		17
	3,680	92		3,772
Income before income tax expense and minority interest	4,524	1,302		5,826
Income tax expense (benefit)	1,669	(2,965)		(1,296)
Income before minority interest	2,855	4,267		7,122
Minority interest in net profit of limited partnership	(1)	—		(1)
Net income	$ 2,854	$ 4,267	$	$ 7,121
Net income per common share:				
Basic	$ 1.59			$ 2.40
Diluted	$ 1.58			$ 2.39
Weighted average shares outstanding:				
Basic	1,792,823		1,174,010 (r)	2,966,833
Diluted	1,800,848		1,174,010 (r)	2,974,858

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED
FINANCIAL STATEMENTS
(in thousands, except share data)

(a) The Historical Western column represents the unaudited consolidated balance sheet of Western as of September 30, 2007, which is included elsewhere in this prospectus.

(b) The Historical ITEX column represents the audited consolidated balance sheet of ITEX as of July 31, 2007, which is included elsewhere in this prospectus.

(c) Reflects ITEX's acquisition from The Intagio Group, Inc., on August 1, 2007, of certain assets of a commercial trade exchange network and the subsequent sale by ITEX, in two separate transactions on August 1, 2007 and August 20, 2007, of three of the newly acquired regions to two existing franchisees of ITEX.

(d) Reflects cash paid by ITEX to Intagio of $2,000 in partial payment of the purchase price for the acquired assets and acquisition costs of $47, net of $50 received by ITEX in partial payment of the purchase price for the Connecticut and Massachusetts regions comprised of approximately 500 former Intagio member businesses, which ITEX sold to its existing franchisee in Connecticut on August 20, 2007. To fund the $2,000 payment to Intagio, ITEX utilized $1,700 from its cash and cash equivalent balances and borrowed $300 on its line of credit, which was subsequently repaid in full.

(e) Represents accounts receivable acquired by ITEX as part of the Intagio asset acquisition.

(f) Represents (1) a $210 note, which bears 7.5% interest with payments in equal installments through 2014, received by ITEX in partial payment of the purchase price for the Connecticut and Massachusetts regions comprised of approximately 500 former Intagio member businesses, which ITEX sold to its existing franchisee in Connecticut on August 20, 2007, and (2) $184 added to the principal amount of an existing note receivable from ITEX's existing franchisee in New Jersey, representing the present value of the $200 purchase price for the greater New York City region comprised of approximately 200 former Intagio member businesses, which ITEX sold to its franchisee on August 1, 2007. The payment terms of the note receivable from ITEX's New Jersey franchisee, which was originally scheduled to be repaid in 2009, were modified accordingly to repay the entire balance in equal payments through 2011.

(g) Reflects the membership list and non-compete agreement acquired by ITEX in connection with the Intagio asset acquisition and ITEX's subsequent sale of part of the membership list.

(h) Represents $1,466 in goodwill recorded as a result of ITEX's asset purchase from Intagio as well as an additional $47 for acquisition costs, reduced by $231 for subsequent sales by ITEX of certain assets to existing ITEX franchisees.

(i) Represents a senior subordinated secured promissory note in the amount of $1,137 due to Intagio with interest at the rate of 8.00% and repayments in 24 equal monthly installments, which was issued by ITEX to Intagio in partial payment of the purchase price for the Intagio asset acquisition.

(j) Reflects liability for advance payments acquired by ITEX as part of the Intagio asset acquisition.

(k) Reflects estimated acquisition costs of ITEX by Western.

(l) Reflects the reversal of Western's investment in ITEX as of September 30, 2007.

(m) Reflects the elimination of the ITEX common stock offset by the issuance of 1,174,010 shares of Western common stock with a par value of $0.01 per share.

(n) Reflects the issuance of 1,174,010 shares of Western common stock, in exchange for all outstanding shares of ITEX common stock, at an estimated value of $18,080, based upon an assumed price of $15.40 per share, which was the closing price of Western common stock on December 12, 2007, offset by the aggregate par value of Western common stock issued of $12. Also reflects the estimated acquisition costs of ITEX by Western and the reversal of Western's investment in ITEX as of September 30, 2007.

(o) Reflects the elimination of ITEX's accumulated deficit.

(p) The Historical Western column represents the audited consolidated statement of income of Western for the year ended December 31, 2006, which is included elsewhere in this prospectus.

(q) Western reports its consolidated financial statements on the basis of a fiscal year ended December 31. The financial statements of ITEX are reported on the basis of a fiscal year ended July 31. SEC Regulation S-X Rule 11-02(c)(3) states that if the fiscal year end of a business being acquired (i.e., ITEX) differs from the registrant's (i.e., Western) fiscal year end by more than 93 days, the acquired entity's statement of income must be brought up to within 93 days of the registrant's fiscal year end.

The "Adapted" ITEX column included in the unaudited pro forma condensed combined statement of income for the year ended December 31, 2006 represents the operating results of ITEX for the adapted 12-month period ended October 31, 2006. The following provides a reconciliation of the amounts shown in the "Adapted" ITEX column:

	ITEX Historical Year Ended 7/31/06(i)	Add: ITEX Historical Quarter Ended 10/31/06 (ii)	Subtract: ITEX Historical Quarter Ended 10/31/05 (ii)	"Adapted" Year Ended 10/31/06
Revenues	14,646	3,790	3,714	14,722
Costs and expenses				
Cost of services	11,597	2,974	2,944	11,627
Selling, general and administrative	1,433	450	428	1,455
Depreciation and amortization	275	71	67	279
	13,305	3,495	3,439	13,361
Income from operations	1,341	295	275	1,361
Other income (expense)				
Net interest	15	(6)	(7)	16
Gain on sales of offices	17	70	17	70
Gain on extinguishment of debt	81	-	-	81
Other	4	-	-	4
	117	64	10	171
Income before income taxes	1,458	359	285	1,532
Income tax expense (benefit), net	(1,975)	122	97	(1,950)
Net income	3,433	237	188	3,482

Net income per common share:	
Basic	0.20
Diluted	0.19

(i) Represents the audited consolidated statement of income of ITEX for the fiscal year ended July 31, 2006, which is included elsewhere in this prospectus.

(ii) Represents the unaudited consolidated statements of income of ITEX for the quarters ended October 31, 2006 and October 31, 2005, which are not included or incorporated by reference in this prospectus.

(r) Reflects the issuance of 1,174,010 shares of Western common stock in exchange for all outstanding shares of ITEX common stock.

(s) The Historical Western column represents the unaudited consolidated statement of income of Western for the nine months ended September 30, 2007, which is included elsewhere in this prospectus.

(t) The "Adapted" ITEX column included in the unaudited pro forma condensed combined statement of income for the nine months ended September 30, 2007 represents the operating results of ITEX for the adapted nine-month period ended July 31, 2007. The following provides a reconciliation of the amounts shown in the "Adapted" ITEX column:

	ITEX Historical Year Ended 7/31/07 (i)	Subtract: ITEX Historical Quarter Ended 10/31/06 (ii)	"Adapted" ITEX Historical Nine Months Ended 7/31/07
Revenues	14,171	3,790	10,381
Costs and expenses			
Cost of services	11,108	2,974	8,134
Selling, general and administrative	1,257	450	807
Depreciation and amortization	301	71	230
	12,666	3,495	9,171
Income from operations	1,505	295	1,210
Other income (expense)			
Net interest	76	(6)	82
Gain on sales of offices	70	70	-
Other	10	-	10
	156	64	92
Income before income taxes	1,661	359	1,302
Income tax expense (benefit), net	(2,843)	122	(2,965)
Net income	4,504	237	4,267
Net income per common share:			
Basic			0.24
Diluted			0.24

(i) Represents the audited consolidated statement of income of ITEX for the fiscal year ended July 31, 2007, which is included elsewhere in this prospectus.

(ii) Represents the unaudited consolidated statement of income of ITEX for the quarter ended October 31, 2006, which is not included or incorporated by reference in this prospectus.

WESTERN BUSINESS

Western Business

Western Sizzlin Corporation (formerly Austins Steaks & Saloon Inc.) operates and/or franchises Western Sizzlin, Western Sizzlin Wood Grill, Great American Steak & Buffet, and Quincy Steakhouses. Western changed its name to Western Sizzlin Corporation effective October 1, 2003, in connection with a merger of a wholly owned subsidiary into Western. The caption "October 2003 Merger, Name Change and Format Restructuring" in this prospectus sets forth further details on the merger transaction, name change and recent format restructuring.

Western is a holding company which owns a number of subsidiaries. Its most important business activity is conducted through Western Sizzlin Franchise Corporation, which franchises and operates 122 restaurants in 19 states. Financial decisions are centralized at the holding company level, and management of operating businesses is decentralized at the business unit level. Western's prime objective centers on achieving above-average returns on capital in pursuit of maximizing the eventual net worth of its stockholders.

As of the date of this prospectus, Western operated 5 Great American Steak & Buffet restaurants. In addition, approximately 80 franchisees operated 116 Western Sizzlin, Western Sizzlin Wood Grill, Great American Steak & Buffet and Quincy Steakhouses.

Restaurant Operations and Support

Western has always set guest satisfaction as its first priority. Currently, Western operates under the following trade name concepts:

- Western Sizzlin Steak & More
- Western Sizzlin Wood Grill
- Great American Steak & Buffet Company
- Quincy Steakhouses
- Austin's

Western's aim is to deliver a dining experience that exceeds customer expectations. Consistently providing high quality, flavorful food products with both a full line of entree offerings and an enhanced buffet bar offering can be a challenge. Western's goal is not only to meet this challenge, but to exceed the guest expectation of both quality and service, and to offer a price point that the guest will perceive as an exceptional value.

There are several factors necessary for achieving this goal:

- Food Quality:

- Western's restaurants use high quality ingredients in all menu offerings. Additionally, all food preparation is done on premises, by either small batch or large batch cooking procedures. Guest flow determines which type will be used.

-

Western strives to ensure that each recipe is prepared and served promptly to guarantee maximum freshness, appeal and that proper serving temperatures are maintained. Western believes that its food preparation and delivery system enables it to produce higher quality and more flavorful food than is possible in other steak and buffet or cafeteria style restaurants.

- Menu Selection:

Western's restaurants emphasize two traditional American style offerings:

- The first is the traditional family style steakhouse, which became popular during the 1960's. Since that time, the primary red meat offering has grown extensively and now includes a vast array of chicken, pork, seafood and many other protein dishes.

- The second is a full line of both hot & cold food buffet, which has become a very appealing option for Western's guests. Western's rotating daily menu offerings, displayed on one of its many scatter bars in the buffet area, clearly demonstrate its home cooking flavor profile.

Western believes that its extensive food offering provides the guest with delicious variety and a flavorful dining experience that will encourage them to visit its restaurants time after time.

- Price/Value Relationship:

Western is committed to providing its guests with excellent price to value alternatives in the full-service casual dining restaurant sector and traditional steak and buffet restaurants. At Western's restaurants, the guests are provided with a choice of many different entree offerings and they can also choose to enjoy Western's "all-you-care-to-eat" unlimited food or buffet bar offerings. Western believes the perceived price value is excellent, with lunch ranging between $5.00 and $9.75 and dinner ranging between $7.00 and $15.50. Additionally, Western's restaurants normally offer special reduced prices for senior citizens and children under 12 and other special promotions from time to time.

- Efficient Food Service and Delivery System:

The scatter bar format, food preparation methods and restaurant layout are all designed to efficiently serve a large number of guests, while enhancing the overall quality of the dining experience. In addition, preparing food in the proper amounts, serving it in several easily accessible areas (scatter bars) and closely monitoring consumption will shorten guest lines, increase frequency of table turns, improve over-all quality and reduce waste; thereby increasing guest satisfaction and restaurant level profitability. Western's restaurants range in size from approximately 5,200 square feet to 12,000 square feet. A description of these properties is provided below.

Site Selection and Construction

In selecting new restaurant locations, Western considers target population density, local competition, household income levels and trade area demographics, as well as specific characteristics, including visibility, accessibility, parking capacity and traffic volume. An important factor in site selection is the convenience of the potential location to both lunch and dinner guests and the occupancy cost of the proposed site. Western also takes into account the success of other chain restaurants operating in the area.

Potential site locations are identified by a potential franchisee and/or corporate personnel, consultants and independent real estate brokers. Western Sizzlin Franchise Corporation will approve or disapprove any proposed restaurant site. The majority of restaurants are free-standing but some restaurants are developed in other formats such as strip centers.

Historically when a restaurant has been built in an existing facility, renovation and construction has taken approximately 60 to 120 days after the required construction permits have been obtained. New construction of free-standing restaurants requires a longer period of time and can range from 120 to 180 days. Also, when obtaining a construction permit, Western has generally experienced a waiting period ranging from approximately 20 to 90 days.

Restaurants are constructed by outside general contractors. Western expects to continue this practice for the foreseeable future.

Restaurant Management and Employees

The management staff of a typical restaurant consists of one General Manager, one Assistant General Manager and one or two Associate Managers. Individual restaurants typically employ between 40 and 80 non-management hourly employees (a mix of both part-time and full-time workers), depending on restaurant size and sales volume.

The General Manager of a restaurant has responsibility for the day-to-day operation of a restaurant, acts independently to maximize restaurant performance, and follows company established management policies. The General Manager makes decisions regarding operations and personnel.

Recruiting

Western attempts to attract and train high quality employees at all levels of restaurant operations. Generally, restaurant management is either recruited from outside the company and has had significant prior restaurant experience or has been promoted through the system as experience levels increased. As Western continues to grow, its management will continue to recruit restaurant management personnel from among non-management employees within Western’s system and supplement these resources through outside hiring.

Management Training

Western has implemented strict operating standards. Western maintains a strong standardized training process which plays a critical role in maintaining operational propriety. All management employees, including Assistant Managers, regardless of former experience, participate in a six to eight week formal course of training. Periodically, additional training is provided during each calendar year through a series of two to three day seminars, to provide the most current information on a variety of topics including sales building techniques, labor controls and food cost management. Non-management employees are generally trained at the local restaurant site.

Purchasing

In 2004, Western negotiated a national, five-year contract with a broadline distributor and one to twelve month agreements with other vendors. This allows Western to maximize its buying power based on volume and also work towards its goals of system-wide consistency. Western utilizes velocity reports supplied by its various distributors to look for opportunities to consolidate its purchases resulting in cost of food savings. Western’s stores are divided into areas based on geographical location. While each store places their own orders with the various distributors, the most successful stores are the ones who support the areas and use the volume of the combined buying power to be as economically efficient as possible.

Hours of Operation

Western’s restaurants are open seven days a week, typically from 11:00 a.m. to 10:00 p.m.

Franchise Agreements

Western’s standard franchise agreement has a 20-year term, with one ten-year renewal option. It generally provides for a one-time payment to Western of an initial franchise fee and a continuing royalty fee based on gross sales. Western collects weekly and monthly sales reports from its franchisees as well as periodic and annual financial statements.

Each franchisee is responsible for selecting the location for its restaurant, subject to Western’s approval. Western considers such factors as demographics, competition, traffic volume and patterns, parking, site layout, size and other physical characteristics in approving proposed sites.

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Franchisees must operate their restaurants in compliance with Western's operating and recipe manuals. Franchisees are not required to purchase food products or other supplies through Western's suppliers, but are required to purchase proprietary products from Western. Each franchised restaurant must have a designated General Manager and Assistant Manager who have completed Western's six-week manager training program or who have been otherwise approved by Western. For the opening of a restaurant, Western provides consultation and makes its personnel generally available to a franchisee. In addition, Western sends a team of personnel to the restaurant for up to two weeks to assist the franchisee and its managers in the opening, the initial marketing and training effort, as well as the overall operation of the restaurant.

Western may terminate a franchise agreement for a number of reasons, including a franchisee's failure to pay royalty fees when due, failure to comply with applicable laws, or repeated failure to comply with one or more requirements of the franchise agreement. Many state franchise laws limit Western's ability to terminate or refuse to renew a franchise. A franchisee may terminate a franchise agreement and continue to operate the restaurant as a competitive concept by paying liquidated damages to Western. Western does not anticipate that the termination of any single franchise agreement would have a materially adverse effect on its operations. Termination by a multiple-unit franchisee of several franchise agreements for various locations could, however, have a materially adverse effect on its operations.

Western's franchise agreement contains provisions that prohibit franchisees from disclosing proprietary information about its restaurant operating system. Western's standard franchise agreement also contains non-competition provisions that, for the duration of the agreement and for one or two years following termination, prohibit a franchisee from directly or indirectly competing with Western or soliciting employees to leave Western. There is no assurance that these contractual provisions will effectively prevent the appropriation by franchisees of business opportunities and proprietary information. More discussion is contained in the caption "Government Regulation."

Marketing and Promotion

The Advertising Development and Research Fund or ADRF, financed through vendor support and member dues, is Western's franchisee-controlled graphic art design/marketing agency. It is incorporated under the name WSI ADRF, Inc.

ADRF designs and produces each marketing campaign for Western and its franchisees. Production includes several major marketing campaigns annually in addition to menus, table tents, posters, indoor and outdoor signage, gift certificates and other marketing tools.

The marketing effort is communicated through a vast system of printed materials such as a corporate newsletter, internet webpages, training manuals, tapes and videos.

The marketing department is primarily self-sufficient in production capabilities with some of the most sophisticated computer and graphic equipment available. ADRF is staffed by professionals experienced in all phases of marketing, graphics / design, and communications. Their efforts have produced and coordinated promotions that include national sweepstakes campaigns, television commercials, national convention materials and training videos.

The coordinated efforts of ADRF, area field consultants, training instructors, corporate personnel, franchise owners, managers and the entire system of operators share in the ongoing success of marketing programs. Western's programs utilize virtually all types of media including billboards, newspapers, television and radio.

Restaurant Industry and Competition

The restaurant industry is extremely competitive. Western competes on the basis of the quality and value of food products offered, price, service, ambiance and overall dining experience. Western's competitors include a large and diverse group of restaurant chains and individually owned restaurants. The number of restaurants with operations generally similar to Western has grown considerably in the last several years. Western believes competition among this style of restaurant is increasing.

In addition, Western’s business is affected by changes in consumer tastes, national, regional and local economic conditions and market trends. The performance of individual restaurants may be affected by factors such as traffic patterns, demographic considerations and the type, number and location of competing restaurants. Western’s significant investment in, and long-term commitment to, each of its restaurant sites limits its ability to respond quickly or effectively to changes in local competitive conditions or other changes that could affect its operations. Western’s continued success is dependent to a substantial extent on its reputation for providing high quality and value and this reputation may be affected not only by the performance of company owned restaurants but also by the performance of franchisee owned restaurants over which Western has limited control.

Government Regulation

Western’s business is subject to and affected by various federal, state and local laws. Each restaurant must comply with state, county and municipal licensing and regulation requirements relating to health, safety, sanitation, building construction and fire prevention. Difficulties in obtaining or failure to obtain required licenses or approvals could delay or prevent the development of additional restaurants. Western has not experienced significant difficulties in obtaining such licenses and approvals to date.

Western is subject to FTC regulation and various state laws that regulate the offer and sale of franchises. The FTC requires Western to provide prospective franchisees with a franchise offering circular containing prescribed information about Western and its franchise operations. Some states in which Western has existing franchises and a number of states in which Western might consider franchising regulate the sale of franchises. Several states require the registration of franchise offering circulars. Beyond state registration requirements, several states regulate the substance of the franchisor franchisee relationship and, from time to time, bills are introduced in Congress aimed at imposing federal registration on franchisors. Many of the state franchise laws limit, among other things, the duration and scope of noncompetition and termination provisions of franchise agreements.

Western’s restaurants are subject to federal and state laws governing wages, working conditions, citizenship requirements and overtime. From time-to-time, federal and state legislatures increase minimum wages or mandate other work-place changes that involve additional costs for Western’s restaurants. There is no assurance that Western will be able to pass such increased costs on to its guests or that, if Western were able to do so, it could in a timely manner.

Trademarks

Western believes its rights in its trademarks and service marks are important to its marketing efforts and a valuable part of its business. Following are marks that are registered for restaurant services on the Principal Register of the U.S. Patent and Trademark Office: “Western Sizzlin”, “Western Sizzlin Steak House”, “Western”, “Sizzlin”, “Western Sizzlin Cow”, “Western Sizzlin Steak & More”, “Western Sizzlin County Fair Buffet and Bakery”, “Flamekist”, “Marshall”, “Gun Smoke”, “Six Shooter”, “Big Tex”, “Dude”, “Trailblazer”, “Ranger”, “Cheyenne”, “Colt 45”, “Cookin’ What America Loves “Great American Steak and Buffet Company”, “Great American Buffet”, “Western Sizzlin Wood Grill and Buffet”, and “Western Sizzlin Wood Grill”.

Employees

As of September 30, 2007, Western employed approximately 280 persons, of whom approximately 241 were restaurant employees, 23 were restaurant management and supervisory personnel, and 17 were corporate personnel. Restaurant employees include both full-time and part-time workers and all are paid on an hourly basis. None of Western’s employees are covered by a collective bargaining agreement and Western considers its employee relations to be good.

Properties

At September 30, 2007, Western's five (5) company-owned restaurants are located in leased space ranging from 8,000 square feet to 10,000 square feet. Leases are negotiated with initial terms of five to twenty years, with multiple renewal options. All of Western's leases provide for a minimum annual rent, with certain locations subject to additional rent based on sales volume at the particular locations over specified minimum levels. Generally, the leases are net leases which require Western to pay the costs of insurance, taxes, and a pro rata portion of lessors' common area costs.

See the discussion regarding certain lease properties with General Electric Franchise Finance Corporation contained under the caption "Operating Leases" under "Western Management's Discussion and Analysis of Financial Condition and Results of Operations."

Western currently leases its executive office, which is located at 416 South Jefferson Street, Suite 600, Roanoke, Virginia 24011.

Legal Proceedings

Western accrues for an obligation in all known contingencies, including estimated legal costs, when a loss is probable and the amount is reasonably estimable. As facts concerning contingencies become known to Western, it reassesses its position with respect to accrued liabilities and other expenses. These estimates are subject to change as events evolve and as additional information becomes available during the litigation process.

Little Rock, Arkansas Lease

In September 2006, Western was served with a lawsuit filed in the Circuit Court of Pulaski County, Arkansas, captioned Parks Land Company, LLP, et al. v. Western Sizzlin Corporation, et al. The plaintiffs are owners/landlords of four restaurant premises located in the Little Rock, Arkansas metropolitan area which had been leased pursuant to a single lease agreement and previously occupied by Western. Each of these premises had been subleased to various operators. The lease agreement expired pursuant to its terms on June 30, 2006. The plaintiffs have claimed in their lawsuit unspecified damages allegedly owing for certain repair and maintenance expenses on the premises, for the replacement of certain equipment, for diminution of property value, and for loss of rental income, as well as interest and costs. They have recently demanded approximately $1,000,000. Western believes that the plaintiffs' claims and the evidence supporting them do not justify the plaintiffs' demands. The prospects for an adverse outcome or financial loss for Western at the trial of the matter cannot be gauged with certainty at this juncture. However, Western will continue to contest vigorously the plaintiffs' claims and pursue appropriate strategies for defeating or otherwise disposing of the plaintiffs' claims in a manner consistent with the evidence developed in the case. The parties met for mediation on November 6, 2007, but were unsuccessful in settling the dispute. The case is presently set for trial in February 2008 in Little Rock, Arkansas.

Other

As Western previously reported in its quarterly filings, several legal proceedings were resolved during 2006, namely: Dickson, Tennessee Claim, Chubb Claim, Lawrenceville, Georgia Claim, and Waldorf, Maryland Claim.

Western is involved in various other claims and legal actions arising in the ordinary course of business. In the opinion of Western's management, the ultimate disposition of these matters will not have a material adverse effect on its financial condition, results of operations or liquidity.

ITEX BUSINESS

The following description of ITEX's business is derived from ITEX's Annual Report on Form 10-KSB for the fiscal year ended July 31, 2007. Western has not had the opportunity to conduct comprehensive due diligence on ITEX and to evaluate fully the potential effects of the proposed transaction on ITEX's business. Western may not be able to, or may determine not to, operate ITEX's business in all material respects in the manner described below following the consummation of the proposed transaction. See "Plans for ITEX."

Overview

ITEX, The Membership Trading CommunitySM, is a leading exchange for cashless business transactions across North America (the "Marketplace"). ITEX services its member businesses through its independent licensed brokers, area directors and franchise network (individually, "Broker" and together, the "Broker Network") in the United States and Canada. ITEX's business services and payment systems enable approximately 24 thousand member businesses (its "members") to trade goods and services valued at more than $270 million without exchanging cash. These products and services are instead exchanged for ITEX dollars which can only be redeemed in the Marketplace ("ITEX dollars"). ITEX administers the Marketplace and acts as a third-party record-keeper for its members' transactions. ITEX generates revenue by charging members percentage-based transaction fees, association fees, and other fees assessed in United States dollars and Canadian dollars where applicable (collectively and as reported on ITEX's financial statements, "USD").

ITEX maintains its executive offices at 3326 160th Avenue SE, Suite 100, Bellevue, Washington 98008-6418. ITEX's telephone number is 425-463-4000. ITEX's SEC reports can be accessed through the investor relations section of its website, www.itex.com. There ITEX makes available, free of charge, its annual report on Form 10-KSB, quarterly reports on Form 10-QSB, current reports on Form 8-K and any amendments to those reports, as soon as reasonably practicable after it files such material electronically with, or furnishes it to, the SEC. These reports are also available from the SEC website at www.sec.gov. The information found on ITEX's website is not part of this prospectus.

Marketplace Transactions

The Marketplace provides a forum for ITEX's members to purchase from and sell their products and services to other members using ITEX's currency called "ITEX dollars" instead of USD. An ITEX dollar is an accounting unit used to record the value of transactions as determined by the members in the Marketplace. ITEX dollars are not intended to constitute legal tender, securities, or commodities and have no readily determinable correlation to USD. ITEX dollars may only be used in the manner and for the purpose set forth in the rules of the Marketplace. As described below, ITEX issues, on a case by case basis, ITEX dollar credit lines to certain members. Members with positive ITEX dollar account balances or those within their ITEX dollar credit line may use available ITEX dollars to purchase products or services from other members and may sell their products or services to other members. Those members with negative ITEX dollar account balances are obligated to sell their products or services to other Marketplace members in order to offset their negative account balance.

ITEX assists members in marketing their products and services through its Broker Network, newsletters, e-mail, on its website at www.itex.com and through other promotional means. Transactions are generally conducted by members directly but can be facilitated by ITEX's Brokers.

Businesses use ITEX's Marketplace to attract new customers, increase sales and market share, and to utilize unproductive assets, surplus inventory, or excess capacity. The Marketplace is especially useful to businesses where the variable costs of products or services are low, such as hotels, media, and other service related businesses. For example, a hotel that has not filled its rooms by the end of the day has lost potential revenue but still has nearly the same overhead associated with owning and maintaining its facility. Selling these unused rooms for ITEX dollars is beneficial for both the traveler or buyer and the hotel or seller. The traveler receives a hotel room without spending USD and the hotel can use the ITEX dollars earned to purchase other products or services in the Marketplace.

In order to facilitate transactions, ITEX may grant ITEX dollar credit lines to certain members. When considering an ITEX dollar credit line, ITEX assesses the financial stability of the member and the demand by others for the member's product or service. Members without a line of credit may only use their ITEX dollars received from selling their product or service to purchase other products or services in the Marketplace.

For tax purposes, the Internal Revenue Service considers ITEX dollar sales to be equivalent to USD sales and ITEX dollar expenses to be equivalent to USD expenses. ITEX is obliged under the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) to send Forms 1099-B to each of its members and to the Internal Revenue Service ("IRS"), which it does electronically. The Form 1099-B reflects the member's total ITEX dollar sales for the calendar year less the amount of any returns. The IRS requires all Form 1099-B recipients to report their ITEX dollars received (sales) as gross income on their tax returns. Expenditures of ITEX dollars may be reported as deductions in tax returns if they qualify as a deductible business expense or as other deductions that are permitted by the Internal Revenue Code.

Broker Network

Brokers are independent contractors with respect to ITEX. Combined, ITEX's corporate staff, Brokers and their staff, and outside contractors total more than 300 individuals supporting the Marketplace. Because ITEX depends on a high rate of repeat business, the quality of broker interactions with members is an important element of ITEX's business strategy. Supporting and empowering ITEX's broker network is vital to its long term success. ITEX develops strong, cooperative relationships with its Broker Network by providing training, marketing materials and programs, internet and computer-related support, incentive programs, and investments in Broker Network technology.

ITEX's Brokers provide Marketplace members with information about products and services that are available locally, nationally and in Canada. Brokers do not typically have exclusive contractual rights to operate in a geographical area. Each Broker is responsible for enrolling new Marketplace members, training them in Marketplace policies and procedures, facilitating their transactions and assuring payment in USD of transaction fees, association fees and other fees to ITEX. Members of the Marketplace have a direct contractual relationship with ITEX. In turn, Brokers receive a commission in USD for a percentage of revenue collected from the members serviced by those Brokers.

ITEX's franchise agreements and independent licensed broker contracts both provide for a five-year term unless ITEX terminates the contract for cause as defined in the agreement. These agreements provide for subsequent five-year renewal terms as long as the franchisee or broker is not in breach of the agreement and is in compliance with ITEX's performance requirements, policies, and procedures then in place. Area Director contracts typically provide for a three-year term that is renewable if specified performance requirements are met. Area Director contracts may be terminated upon specified events of default.

Since early 2003, ITEX has offered the sale of ITEX franchises to qualified individuals and entities. In addition, ITEX has sought to renew all individual Broker contracts under its most current franchise agreement which ITEX periodically amends as current events and circumstances deem necessary. Through ITEX's franchisees, it distributes its services by licensing its business ideas and concepts while retaining legal ownership of those concepts and ideas, including its name and logos. ITEX's franchise agreement grants a limited license and right to use and operate a recognizable ITEX outlet to the franchisee by utilizing ITEX's business system and proprietary marks. The franchise agreement allows ITEX to oversee the obligations and responsibilities of the franchisee. Under federal and state franchise and business opportunity laws, franchisees are entitled to additional protections including the provision that many of the substantive aspects of the business relationship (e.g., termination, transfer, cancellation, and non-renewal) will be governed by state law. Refer to "Government Regulation" for more information.

Sources of Revenue

For each calendar year, ITEX divides its operations into 13 four-week billing and commission cycles always ending on a Thursday ("operating cycle"). For financial statement purposes, ITEX's fiscal year is from August 1 to July 31 ("year", "2007" for August 1, 2006 to July 31, 2007, "2006" for August 1, 2005 to July 31, 2006). ITEX reports its results as of the last day of each calendar month ("accounting cycle").

Primarily, ITEX's revenues consist of transaction fees and association fees. Each operating cycle ITEX charges its members transaction fees in USD. For most Marketplace transactions that occur during the operating cycle, ITEX charges both the buyer and seller in those transactions a USD fee computed as a percentage of the ITEX dollar value of the transaction. If a member pays their total operating cycle charges automatically by credit card or electronic funds transfer through ITEX's Preferred Member Autopay System ("Autopay System"), ITEX charges a USD transaction fee of 5% to 6% of the ITEX dollar amount of their purchases and sales during the operating cycle. If a member pays their total operating cycle USD fees by check or otherwise, ITEX charges a USD transaction fee of 7.5% of the ITEX dollar amount of their purchases and sales during the operating cycle. Additionally, regardless of a member's transaction activity, each operating cycle ITEX charges most members an association fee of $20 USD ($260 USD annually) and $10 ITEX dollars ($130 ITEX dollars annually). Transaction and association fees composed 99% and 97% of ITEX's total revenue in 2007 and 2006, respectively.

As of July 31, 2007 approximately 67% of members pay by electronic funds transfer or by credit cards using ITEX's Autopay System. To minimize both ITEX's members' and ITEX's time, effort and expense as well as convert ITEX's receivables to USD more timely and efficiently, ITEX continually strives to increase the percentage of members using its Autopay System through member incentives.

ITEX prepares its financial statements on an accrual basis in accordance with United States Generally Accepted Accounting Principles (GAAP). Refer to Note 1 "Summary of Significant Accounting Policies" included in ITEX's "Notes to Audited Consolidated Financial Statements" for a description of its accounting policies. As discussed in ITEX's critical accounting policies, due to the lack of readily determinable fair values and its ability to control and manipulate ITEX dollars, ITEX does not recognize its Marketplace revenues or expenses of ITEX dollars on its financial statements. ITEX recognizes ITEX dollars as required by the Internal Revenue Service for income tax reporting purposes. ITEX accounts for ITEX dollar transactions and USD fee assessments in statements to members and Brokers. The majority of the ITEX dollars ITEX earns are distributed back to the Broker Network as revenue share and sales incentives. Additionally, ITEX uses ITEX dollars it earns to fund the ITEX co-op advertising program utilized by both members and Brokers. ITEX expends an immaterial amount of ITEX dollars for certain ITEX operating expenses.

Business Strategy

ITEX's goal is to expand its market share of the cashless transaction industry, principally in the United States and Canada. ITEX believes it can successfully increase the number of members participating in its Marketplace and its revenues if it provides members:

- An ever expanding variety of products, services and member benefits. In order to utilize the bargaining power of ITEX's 24,000 Marketplace member businesses and their employees, ITEX announced its Executive Privileges Program ("EPP") to its Brokers on March 30, 2007. Subsequently, ITEX added partnerships with nationally recognized businesses. ITEX's relationships differ from partner to partner and its primary focus is to provide added benefits to its Marketplace member businesses. The goal of EPP is to identify and provide needed services for small businesses, assisting them in being a successful enterprise. ITEX anticipates that these benefits will assist Brokers in retaining existing members and attracting new members. Financially, ITEX earns a small fee on transactions with some partners while it pays a small fee on transactions with other partners. Overall, ITEX does not expect the EPP to have a material direct effect on its financial statements. Instead, ITEX anticipates that the program will have a long-term positive effect on its operations by expanding its Marketplace member base which should result in increased revenues.

- A system that enables members to execute and track transactions in the Marketplace. ITEX has internally developed an industry exclusive, comprehensive, customer relationship management and payment processing software called "TEAM." This online software solution provides members, Brokers and ITEX's management team with enhanced information systems and marketing tools. ITEX plans to continue to enhance its TEAM software.

ITEX has developed and continues to upgrade and enhance its technologically advanced multi-channel payment system that provides efficient internet access to ITEX members and its Broker Network. These upgrades and enhancements in computer and communications technology provide Brokers and members with additional tools and more effective computer applications to more easily engage in “real-time” transactions.

- A community where members can meet and feel comfortable with other members. In the third quarter of 2007, ITEX upgraded the entire look and feel of its entire website, www.itex.com. ITEX’s new website has a more casual, community approach conveying to Marketplace members the variety of businesses that comprise the Marketplace and the benefits that come with their participation. To add to the community feel, ITEX expanded the member business profile section of its website to allow business owners to provide personal pictures, tell the Marketplace more about themselves and communicate with other member businesses via blogs. ITEX believes that seeing the photograph of a business owner and sharing selected personal information will differentiate them from other businesses, encouraging other member businesses to conduct transactions with them in the Marketplace.

Additionally, ITEX is developing specific microsites as auxiliary supplements to its main website. These microsites will target specific high demand business segments that existing members have requested to participate in ITEX’s Marketplace, such as restaurants, hospitality and professional services. In conjunction with their release, ITEX intends to encourage its Brokers to focus their new member registration efforts on the businesses in their region fitting ITEX’s targeted business segments. ITEX hopes that those businesses, previously unfamiliar with ITEX, will be attracted to the Marketplace as a result of viewing ITEX’s microsites specifically tailored to their business segments and the unique needs they may have.

- More regions in which to trade by increasing the size and effectiveness of ITEX’s Broker Network. To attract new franchisees and increase the trade regions covered by the Marketplace, in the second quarter of 2007 ITEX upgraded and expanded the franchise portion of its website, www.itex.com. ITEX identified target markets, provided added detail about its company and business model, and allowed potential franchisees to calculate sample financial forecasts. ITEX anticipates this will facilitate the addition of new franchisees to the Marketplace.

Subsequent to July 31, 2007, ITEX acquired certain assets of a commercial trade exchange network from Intagio (refer to “Overview” included in “ITEX Management’s Discussion and Analysis of Financial Condition and Results of Operations”) and significantly expanded its presence in six U.S. regions, four of which were previously not served by existing Brokers. The approximately two thousand member businesses brought a variety of new products and services to the Marketplace.

- Excellent customer service by the Broker Network and ITEX’s corporate office. ITEX continually provides training and support for new and existing Brokers and refines its franchisee and Broker operating manuals and related support materials. Additionally, ITEX holds an annual convention and several regional meetings where it discusses and attempts to find solutions for current issues and proactively plans for future enhancements and benefits to its Trading Community. In the fourth quarter of 2007, ITEX engaged the services of a national sales manager who is working with Brokers to implement various strategies and methods for obtaining new members.

Members

The Marketplace has approximately 24,000 members in the United States and Canada. The majority of members are business owners with fewer than 10 employees. Members may choose to participate in the Marketplace for a number of reasons including to:

- Attract new customers
- Increase sales and market share
- Add new channels of distribution
- Utilize unproductive assets, surplus inventory or excess capacity

Members earn ITEX dollars which they have the opportunity to spend on products and services offered by other ITEX members. The following is a representative example of a transaction:

A dentist wants to remodel her office. Through the Marketplace, she hires a contractor who agrees to perform the remodeling work for $1,500 ITEX dollars. The dentist has ITEX dollars in her account to spend because she had previously provided dental work to the owner of a vacation resort, a restaurant owner and a lawyer, all members of the Marketplace, in exchange for ITEX dollars. These other members originally acquired ITEX dollars by providing services for other Marketplace members.

Sales, Marketing and Transactions

Sales

The primary function of new member enrollment is to grow and retain the Marketplace member base and generate additional revenue. ITEX provides standardized marketing and support materials, advertising, ongoing training, and promotion to assist its Broker Network in expanding the member base. ITEX's Brokers contact prospective members to market the benefits of joining the Marketplace. In addition, Brokers obtain new members by attending various meetings and networking events in their areas and through the referrals of existing Marketplace members. ITEX offers a Member Referral Program that provides incentive awards and discounted fees to existing members that refer new qualified members to the Marketplace.

Marketing

ITEX's marketing strategy is to promote its Membership Trading Community brand and attract new members to the Marketplace while instructing them how to effectively use the Marketplace to grow their business. ITEX's marketing efforts include a program of support and education for its members and Brokers in addition to continual upgrades and features of its website, www.itex.com. New tools for Brokers to customize and use in their sales efforts include pre-designed advertisements, brochures and sales presentations to give ITEX a consistent look and message. To promote the Marketplace, ITEX markets products and services of existing members through its website, directories, newsletters, e-mail, and other means. In addition, ITEX pursues strategic affiliations with companies with access to potential small business members.

Transactions

ITEX's Brokers focus on maximizing transaction volume and maximizing the ITEX dollar amount per transaction. Brokers facilitate transactions between members by identifying their needs and making them aware of products and services available in the Marketplace that could fulfill those needs. Brokers actively market products and services available to and from the members they service on the ITEX website and pursue potential member businesses by introducing them to the Marketplace.

Systems and Technologies

The Marketplace is handled by an internally developed, proprietary, online system ITEX calls Trade Exchange Account Manager ("TEAM") that is based on Microsoft® technologies. ITEX designed TEAM to facilitate the activities of all parties involved in the Marketplace, from its corporate management and accounting personnel to Brokers and Marketplace members. The system extends well beyond record keeping and transaction processing. The major features of the system are as follows:

- Account Information Manager ("AIM") Online - provides ITEX's Brokers and corporate management with customer relationship management ("CRM") features including notes, transaction histories, calendaring and scheduling capabilities as well as Marketplace management features.

- Trade Flash - an online classified ad section where members can list products and services they are offering for ITEX dollars as well as locate products and services they are seeking to purchase with ITEX dollars.

- Member Directory - a categorized listing of ITEX members that allows members to advertise their business.

- Reporting - Brokers, corporate management and accounting personnel are provided with a number of reports allowing for a comprehensive analysis of various aspects of the Marketplace.

ITEX takes the steps necessary to ensure the adequate security of its hardware and software systems including monitoring and correcting outside intrusions and attacks. ITEX's technologies are co-hosted in Washington and Idaho and ITEX performs full back-ups every 24 hours. ITEX continues to improve the speed and reliability of its information systems and transaction tools for all of TEAM's users by continually updating hardware and enhancing its software with new, internally developed programs and functionalities.

Industry Overview

General

ITEX's industry was developed when various trade exchanges ("Exchanges") established a non USD-based index of valuation for credits and debits called "trade dollars." For ITEX, the index of valuation is the ITEX dollar and ITEX's trade exchange is its Marketplace. ITEX acts as a third party record-keeper of ITEX dollars exchanged for products and services among members in its Marketplace. For every transaction, ITEX posts ITEX dollar activity to the buyer and seller's accounts. Members can transact business directly or may use the services of a Broker who matches buyers and sellers. ITEX accounts for all transactions in its Marketplace with its TEAM software.

There are several hundred independently owned Exchanges in the United States and Canada. ITEX believes that growth in its industry has been relatively stagnant in recent years with most revenue growth driven by consolidation.

Competition

ITEX has three primary competitors: Exchanges, internet distribution channels, and private label payment cards. ITEX believes that it is the Exchange leader in the United States and Canada based on reported USD revenues, participating member businesses, the number of payments processed, regions served, and completed transactions of a single, non-USD currency. After ITEX, the next largest Exchange is International Monetary Systems, Ltd.

Internet distribution channel competitors include eBay, Travelocity, Priceline, and Overstock.com. Similar to ITEX's Marketplace, these companies provide distribution channels to move excess or surplus inventory. The greater the number of avenues to move excess inventory, the more competitive it is to attract businesses to trade their inventory in

ITEX's Marketplace. ITEX also competes with these companies through price and brand name awareness.

Private labeled, network branded, payment and incentive cards, such as Card USA, Galileo Processing and Springbok Services compete with ITEX by providing a branded solution for local distribution or sales channels and the ability to create in-kind payment solutions.

While ITEX is currently providing a single small business service, a unique sales and distribution channel via its Marketplace, ITEX may expand to other small business services. In that case, ITEX would face competition from other small business service providers.

ITEX competes primarily on a service basis, including the number of products and services available in the Marketplace and the liquidity of ITEX dollars. ITEX expects to encounter competition in its efforts to expand its Marketplace. In addition to existing Exchanges, new, smaller competitors can launch new Exchanges at a relatively low cost since technological and financial barriers to entry are relatively low. However, ITEX believes participation from a significant number of members is necessary to offer a quality Exchange. ITEX also knows there is a steep learning curve to manage an Exchange as well as a potentially significant investment in TEAM. Ultimately, ITEX believes these elements create a difficult barrier to entry for new competitors and may require significant ramp-up times to make a competitive Exchange successful. Regardless, ITEX's competitors could include companies with longer operating histories, greater market presence and name recognition, larger customer bases and greater financial, technical and marketing resources than ITEX has. Such companies would be strong competitors if they decided to develop a focused business effort in ITEX's industry.

In general, customer demands for wider availability of products and services, stronger customer service, better computer servicing technology and the acceptance of the internet as a medium for communication and business have resulted in a more competitive industry. ITEX believes that in order to capture greater market share, local Exchanges will need to expand into larger regional or national organizations that possess the ability to offer a wider selection of products and services, service a more diverse and dispersed member clientele and have greater access to growth capital and management expertise.

ITEX believes it will remain in a good competitive position as long as it continues to maintain the quality of its services and its relationships with its Broker Network and its member base. ITEX's ability to compete successfully will depend on its ability to continually enhance and improve its existing products and services, to adapt products and services to the needs of its Brokers, members and potential members, to successfully develop and market new products and services, and to continually improve its operating efficiencies. However, ITEX cannot assure you that it will be able to compete successfully, that competitors will not develop competing technologies, products or strategic alliances and affiliations that make its brand, products and services less marketable or less useful or desirable. Furthermore, ITEX may not be able to successfully enhance its products and services or develop new products or services to meet its members' needs. Increased competition, price or other circumstances, could result in erosion of ITEX's market share and may require price reductions and increased spending on marketing and product development to remain competitive. Increased competition for ITEX's products and services could have a materially adverse effect on its results of operations, cash flows or financial condition.

Government Regulation

Along with ITEX's Brokers, ITEX is subject to various federal, state and local laws, regulations and administrative practices affecting its businesses. These include the requirement to obtain business licenses, withhold taxes, remit matching contributions for its employees' social security accounts, and other such legal requirements, regulations and administrative practices required of businesses in general. ITEX is a third party record-keeper under the Tax Equity and Fiscal Responsibility Act ("TEFRA") and it is required to account for and report annually to the IRS the total ITEX dollar sales transactions of each member in its Marketplace.

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It is the legal responsibility of ITEX's Brokers to pay and withhold all applicable federal and state income taxes (including estimated taxes), Social Security, Medicare and all applicable federal and state self-employment taxes, and in general to comply with all applicable federal, state, and local laws, statutes, codes, rules, regulations and standards, including but not limited to the Americans with Disabilities Act. ITEX's Brokers are independent contractors, and ITEX does not own, control or operate the businesses comprising its Broker Network. However, a number of federal and state laws and regulations are implicated by virtue of ITEX's relationship with its Broker Network. For example, its contractual relationship with a Broker could be subject to challenge to determine whether an individual is an independent contractor or an employee for purposes of the Fair Labor Standards Act or state equivalents. Under various agency positions, ITEX could potentially be found liable for the conduct of its independent contractors in a situation where that contractor has caused injury to a third party. In addition, under federal (Federal Trade Commission Act) and state franchise and business opportunity laws, franchisees are entitled to certain protections including mandatory disclosures and the provision that many of the substantive aspects of the business relationship (i.e., termination, transfer, cancellation, and non-renewal) will be governed by state law. Many states broadly view the requirements of what constitutes a franchise and, consequently, many types of relationships that are ordinarily not considered franchises can be brought within the ambit of state and federal franchise regulation. There is a risk that one or more of ITEX's non-franchise business relationships could be deemed to constitute a franchise. An adverse finding in one or more of these regulated areas could govern the enforceability of ITEX's agreements or permit the recovery of damages and penalties which could have a material adverse effect on its business, results of operations, cash flows and financial condition.

With respect to ITEX's online technologies, there are currently few laws or regulations directly applicable to access to or commerce on the internet. However, it is possible that a number of laws and regulations may be adopted with respect to the internet, covering issues such as taxes, user privacy, information security, pricing and characteristics and quality of products and services. ITEX cannot predict the impact, if any, that future internet-related regulation or regulatory changes might have on its business.

Proprietary Rights

ITEX relies on a combination of copyright and trademark laws, trade secrets, software security measures, franchise and license agreements and nondisclosure agreements to protect its proprietary technology and software products. ITEX has registered service marks for the word mark ITEX®, as well as "ITEX" used in connection with its logo design. ITEX intends to file additional service mark word and design applications for ITEX. ITEX seeks to police the use of its marks and to oppose any infringement. ITEX has registered the internet domain name "ITEX.com" and other related domain names.

ITEX cannot be certain that others will not develop substantially equivalent or superseding proprietary technology or be certain that equivalent products or services will not be marketed in competition with its products thereby substantially reducing the value its proprietary rights. Furthermore, there can be no assurance that any confidentiality agreements between ITEX and its employees or any license agreements with its customers will provide meaningful protection of its proprietary information in the event of any unauthorized use or disclosure of such proprietary information.

Employees

As of July 31, 2007, ITEX had 18 full-time equivalent employees. From time to time, ITEX utilizes independent consultants or contractors for technology support, marketing, sales and support, accounting or administrative functions. ITEX's employees are not represented by any collective bargaining unit and ITEX has never experienced a work stoppage. ITEX believes relations with its employees are good.

Description of Property

ITEX's executive offices are located in Bellevue, Washington, where it currently leases approximately 7,035 square feet. The lease expires on April 30, 2010. There is no renewal option. ITEX believes that its current facilities are adequate and suitable for their current use. ITEX also believes that all of the leased space and all property maintained within are adequately insured.

Legal Proceedings

For information regarding legal proceedings, refer to Note 8 "Litigation and Claims" included in ITEX's "Notes to Consolidated Financial Statements (unaudited)."

WESTERN MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Western Sizzlin Corporation is a holding company which owns a number of subsidiaries. Its most important business activity is conducted through Western Sizzlin Franchise Corporation, which franchises and operates 122 restaurants in 19 states. Financial decisions are centralized at the holding company level, and management of operating businesses is decentralized at the business unit level. Western's prime objective centers on achieving above-average returns on capital in pursuit of maximizing the eventual net worth of its stockholders.

Western seeks to invest, for itself and through its subsidiaries, including Western Acquisitions, L.P. (see "Overview" below), in stocks of businesses at prices below their intrinsic business value. Western's preferred strategy is to allocate a meaningful amount of capital in each investee, resulting in concentration. The carrying values of these investments are exposed to market price fluctuations, which may be accentuated by a concentrated equity portfolio. A significant decline in the price of major investments may produce a large decrease in Western's stockholder's equity (See Note 3 to Western's Unaudited Consolidated Financial Statements). Investment and all other capital allocation decisions are made for Western and its subsidiaries, including Western Acquisitions, by Mr. Biglari.

Effective January 1, 2007, Western restructured its operations into a holding company/subsidiary format whereby all operations are now conducted through wholly-owned subsidiaries. This restructuring is not anticipated to have any tax impact and will have no impact on the financial reporting as Western will continue to report consolidated financial statements.

In April 2007, Western formed Western Investments, Inc., a Delaware corporation and wholly-owned subsidiary to serve as the general partner of Western Acquisitions, L.P., a Delaware limited partnership that operates as a private investment fund. Through Western Investments, Mr. Biglari operates as the portfolio manager to the fund.

Western Investments' role as the general partner carries with it the obligation to manage the operations of the fund, and in this regard it will be assisted by a professional fund administrator. For serving as the fund's general partner, Western Investments may receive a monthly management fee equal to one-twelfth of 1% of the value of the capital account of each limited partner. It also may receive an annual incentive allocation equal to 20% of the portion of each limited partner's pro rata share of the fund's net profits for each fiscal year in excess of net losses allocated to each limited partner and carried forward from prior years. All or part of these fees may be waived by Western Investments. Limited partnership interests in the fund are either Class A or Class B. The classes are identical except that Class A interests must be held for two years, whereas Class B interests are locked-up for five years. Additionally, Western Investments will at the end of the five year period reimburse the holders of Class B interests for the first 30% of any cumulative net losses they may suffer. This commitment carries significant risk. See "Risk Factors." As of September 30, 2007, Western Acquisitions, L.P. did not have any limited partners holding Class B interests.

Western is the majority investor in the fund at September 30, 2007. During the third quarter ended September 30, 2007, Western contributed cash along with its holdings in the common stock of The Steak n Shake Company to Western Investments, Inc., which in turn contributed these assets to Western Acquisitions, L.P.

While Western has historically been principally engaged, and intends at this time to remain principally engaged, in franchising and operating restaurants, the recent investment activities could bring Western within the definition of an "investment company" and require it to register as an investment company under the Investment Company Act of 1940. Western's Board of Directors had adopted a policy requiring management to restrict Western's operations and investment activities to avoid becoming an investment company, until and unless the Board approves otherwise. Although Western does not presently intend to change its principal business, and the Board has not approved any such change, Western has expanded its investment activities, and may decide in the future to register as an investment company under the Investment Company Act. Under certain circumstances, if Western is successful in investment activities, then it may inadvertently fall within the definition of an investment company, in which event it may be required to register as an investment company. If Western decides or is required to register as an investment company, then it would become subject to various provisions of the Investment Company Act and the regulations adopted under such Act, which are very extensive and could adversely affect Western's operations. Western is exploring strategic opportunities to acquire other companies as a whole; the consummation of such acquisitions also could lessen the possibility of Western becoming an investment company.

On August 10, 2006, Western effected a 1-for-10 reverse stock split pursuant to the discretionary authority granted by the stockholders at the Annual Meeting of Stockholders on June 20, 2006.

Western undertook a rights offering in the fourth quarter of 2006. Western's Form S-3 Registration Statement (as amended) was effective on November 7, 2006. The record date for receiving rights in the offering was November 9, 2006 and the offering expired December 8, 2006.

As Western reported in its Form 10-Q for the quarter ended September 30, 2007, as of December 31, 2006, its management had evaluated the effectiveness of its disclosure controls and procedures and concluded that they were ineffective in providing reasonable assurance that the information required to be disclosed by it in its annual report on Form 10-K was summarized and reported within the time periods specified in the SEC's rules and Form 10-K. A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. As of December 31, 2006, management identified a material weakness in Western's information technology system that allowed the Chief Financial Officer access to the journal entry module within Western's accounting system, leading to a segregation of duties issue. Western has restricted access to that particular module from its Chief Financial Officer and implemented additional access controls, review controls and documentation procedures necessary to remediate the material weakness.

In addition, in connection with the audit of Western's 2006 financial results, Grant Thornton LLP, (Western's former independent registered public accounting firm), detected an error related to how Western accounted for expenses associated with the rights offering that expired on December 8, 2006. A correcting adjustment was made prior to finalization of the 2006 financial statements, with the costs of $123,280 associated with the rights offering properly recorded as a reduction of equity instead of an expense. Western has implemented additional review controls as of September 30, 2007.

Accordingly, and as Western reported in its Form 10-Q for the quarter ended September 30, 2007, management concluded that the previously reported material weaknesses had been remedied as of September 30, 2007.

Results of Operations

Three and Nine Months Ended September 30, 2007 Compared to Three and Nine Months Ended September 30, 2006

Net income for the three and nine months ended September 30, 2007 was $2,472,115 and $2,854,235 compared to net income of $84,651 and $234,055 for the three and nine months ended September 30, 2006. The primary reason for the year over year change in earnings is the gain on the sale of Friendly Ice Cream Corporation of $3.6 million.

The following table sets forth for the periods presented the percentage relationship to total revenues of certain items included in the consolidated statements of income and certain restaurant data for the periods presented:

	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Revenues:				
Company-operated restaurants	76.1%	75.7%	75.2%	74.8%
Franchise operations	23.9	24.3	24.8	25.2
Total revenues	100.0	100.0	100.0	100.0
Company-operated restaurants — food, beverage and labor	54.1	52.7	53.6	53.2
Restaurant occupancy and other	13.2	15.7	13.3	14.1
Subleased properties	1.4	2.4	1.1	1.9
Franchise operations — direct support	6.5	5.9	6.0	6.6
Corporate expenses	12.8	12.9	13.6	13.8
Depreciation and amortization	5.9	6.0	6.0	5.9
Total costs and expenses	93.9	95.6	93.6	95.5
Income from operations	6.1	4.4	6.4	4.5
Other income (expense)	80.0	(1.1)	27.5	(1.5)
Income before income tax expense and minority interest	86.1	3.3	33.9	3.0
Income tax expense	31.4	1.4	12.5	1.2
Income before minority interest	54.7	1.9	21.4	1.8
Minority interest	0.0	—	0.0	—
Net income	54.7%	1.9%	21.4%	1.8%

	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Restaurant Data				
Number of Company-Operated Restaurants:				
Beginning of period	5	5	5	5
Opened	—	—	—	—
Closed	—	—	—	—
Franchised	—	—	—	—
End of period	5	5	5	5

	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Number of U.S. Franchised Restaurants:				
Beginning of period	119	130	123	135
Opened	—	—	—	—
Closed	3	6	7	11
End of period	116	124	116	124

	Three Months	Nine Months

	Ended September 30,		Ended September 30,	
	2007	2006	2007	2006
Number of Joint Venture Restaurants:				
Beginning of period	1	—	1	—
Opened	—	—	—	—
Closed	—	—	—	—
End of period	1	—	1	—

Revenues

Total revenues increased 0.8% to $4.52 million for the three months ended September 30, 2007 from $4.49 million for the comparable three months ended September 30, 2006. Total revenues decreased 0.05% to $13.34 million for the nine months ended September 30, 2007 from $13.35 million for the comparable nine months ended September 30, 2006. Company-operated restaurant revenues increased 1.5% to $3.44 million for the three months ended September 30, 2007 as compared to $3.39 million for the comparable three months ended September 30, 2006. Company-operated restaurant revenues increased 0.63% to $10.03 million for the nine months ended September 30, 2007 as compared to $9.97 million for the comparable nine months ended September 30, 2006. The increase for the nine months ended September 30, 2007 is largely attributable to the temporary closings of two company-operated locations for remodeling during 2006, which resulted in lost revenues of approximately $220,000 in the first nine months of 2006. Same store sales at company-operated restaurants for the three and nine months ended September 30, 2007, taking the closed days for remodels out of the comparison, experienced an overall decrease of 1.45% and 1.17%, respectively. Franchise revenues decreased 1.25% to $1.08 million for the three months ended September 30, 2007 as compared to $1.09 million for the comparable three months ended September 30, 2006. Franchise revenues decreased 2.03% to $3.31 million for the nine months ended September 30, 2007 as compared to $3.38 million for the comparable nine months ended September 30, 2006. The decrease in franchise revenues for the three and nine months ended September 30, 2007 is attributable to fewer franchised units in the system at September 30, 2007 as compared to September 30, 2006. Same store sales at franchise operations for the three and nine months ended September 30, 2007, experienced an overall decrease of 0.35% and decrease of 0.51%, respectively.

Costs and Expenses

Cost of company-operated restaurants, consisting primarily of food, beverage, and labor costs increased $85,000 (3.6%) to $2.45 million for the three months ended September 30, 2007 from $2.37 million for the three months ended September 30, 2006. These costs for the three month period as a percentage of company-operated restaurants revenue were 71.2% and 69.7% for the three months ended September 30, 2007 and 2006, respectively. Cost of company-operated restaurants increased $59,000 (0.8%) to $7.16 million for the nine months ended September 30, 2007 from $7.10 million for the nine months ended September 30, 2006. These costs for the nine month period as a percentage of company-operated restaurants revenue were 71.3% and 71.2% for the nine months ended September 30, 2007 and 2006, respectively. The increase in the costs for the nine months ended September 30, 2007 was largely attributable to rising costs of commodities in 2007.

Restaurant occupancy and other, which include utilities, insurance, maintenance, rent and other such costs of the company-operated restaurants, decreased by $108,000 (15.3%) for the three months ended September 30, 2007 versus the prior year's comparable period. These costs for the three month period decreased as a percentage of company-operated restaurant revenues from 20.8% in 2006 to 17.3% in 2007. Restaurant occupancy and other decreased by $102,000 (5.4%) for the nine months ended September 30, 2007 versus the prior year's comparable period. These costs for the nine month period decreased as a percentage of company-operated restaurant revenues from 18.8% in 2006 to 17.7% in 2007. The decreases are attributable to a one time write-off of expenses for $66,000 in 2006 from costs associated with a lease in Chantilly, Virginia and $36,000 less advertising costs in 2007 over 2006.

Subleased properties include net costs associated with subleasing former Western operations and maintenance of vacant premises. These expenses decreased by $42,000 and $100,000 for the three and nine months ended September 30, 2007 versus the prior years' comparable periods. The decreases were largely attributable to termination of certain leased property arrangements during 2006.

Cost of franchise operations direct support expense increased by $29,000 and decreased $91,000 for the three and nine months ended September 30, 2007 versus the prior years' comparable periods. The increase in the third quarter of

2007 is attributable to increased expenses in franchise development. The decrease for the nine months ended September 30, 2007 is largely attributable to personnel reductions and targeted expense reductions during the third and fourth quarters of 2006.

Corporate expenses consist of certain expenses not directly associated with any business segment. These expenses include legal, accounting, stockholder relations, personnel not directly related to a segment, information systems, and other headquarters activities. These expenses decreased by $1,000 and $20,000 for the three and nine months ended September 30, 2007. These expenses have decreased for 2007 due to personnel reductions and targeted expense reductions during the third and fourth quarters of 2006, but were offset by an increase in legal expenses associated with the Friendly Ice Cream Corp investment beginning in the third quarter of 2006.

Depreciation and amortization expense decreased by $2,000 and increased by $5,000 for the three and nine months ended September 30, 2007 versus the prior years' comparable periods. The increases were attributable to an increase in capital expenditures placed in service due to remodels of two company-operated locations during 2006, offset by some items becoming fully depreciated.

Other Income (Expense)

Interest expense was comparable for the three months ended September 30, 2007 over prior period and decreased $37,000 for the nine months ended September 30, 2007 versus the prior years' comparable periods due to a lower average principal outstanding balance. Interest income fluctuates according to the levels of available cash balances. Western employs a cash management system whereby available balances are invested on an overnight basis.

Other income increased $13,000 and $7,000 for the three and nine months ended September 30, 2007 versus the prior years' comparable periods.

Income Tax Expense

Income tax expense is directly affected by the levels of pretax income. Western's effective tax rate was 36.5% and 43.3% for the three months ended September 30, 2007 and 2006, respectively, and 36.9% and 41.0% for the nine months ended September 30, 2007 and 2006, respectively.

Years Ended December 31, 2006, 2005 and 2004

The following tables set forth the percentage relationship to total revenues, unless otherwise indicated, of certain income statement data, and certain restaurant data for the years indicated:

	Year Ended December 31		
Income Statement Data:	2006	2005	2004
Revenues:			
Company-operated restaurants	74.6%	75.8%	77.0%
Franchise operations	23.1	21.9	21.2
Other	2.3	2.3	1.8
Total revenues	100.0	100.0	100.0
Costs and expenses:			
Cost of company-operated restaurants — food, beverage and labor costs	53.4	54.2	56.5
Restaurant occupancy and other	14.1	13.5	14.1
Sub-leased properties	1.9	.9	0
Franchise operations — direct support	7.1	7.3	6.6
Corporate expenses	13.4	13.7	11.9
Depreciation and amortization expense	6.1	5.5	5.5

Closed restaurants expense	—	1.8	—
Impairment and other charges	.3	1.7	
Gain on settlement of insurance claims	—	(6.0)	—
Income from operations	3.7	7.4	5.4
Other income (expense)	(1.0)	(1.0)	(1.2)
Income before income tax expense	2.7	6.4	4.2
Income tax expense	1.1	2.8	1.6
Net income	1.6%	3.6%	2.6%

	Years Ended December 31		
	2006	2005	2004
Restaurant Data:			
Percentage increase (decrease) in average sales for Company-operated restaurants	(2.5)	11.6	5.0
Number of Company-operated restaurants included in the average sales computation	5	5	7
Average sales for Company-operated restaurants	$ 2,599,000	$ 2,665,000	$ 2,387,000
Number of Company-operated Restaurants:			
Beginning of period	5	7	7
Opened	—	—	—
Closed/Franchised	—	2	—
End of period	5	5	7
Number of U.S. Franchised Restaurants:			
Beginning of period	135	147	161
Opened	—	3	4
Closed	12	15	18
End of period	123	135	147
Number of Joint Venture Restaurants:			
Beginning of period	—	—	—
Opened	1	—	—
Closed	—	—	—
End of period	1	—	—

2006 Compared To 2005

Revenues

Total revenues decreased 10.2% to $17.4 million in 2006, from $19.4 million in 2005. Company operated restaurant sales decreased 11.6% to $13.0 million in 2006, from $14.7 million in 2005. This decrease was due to the closing of a company-operated location in February 2005 and a closing of a company-operated location in July 2005 due to a total loss by fire casualty. Same store sales for 2006 experienced an overall decrease of 2.45% over 2005. Customer counts decreased 8.24% over 2005. Price increases were implemented on the remodeled locations in 2006, with an average beverage increase of 10% and an average buffet increase of 4%.

Franchise and other revenues decreased 5.7% to $4.4 million in 2006, from $4.7 million in 2005. The decrease is primarily attributable to 12 less franchised restaurants during 2006. Same store sales for 2006 experienced an overall increase of 1.10% over 2005.

Costs and Expenses

Cost of company-operated restaurants, consisting primarily of food, beverage, and labor costs decreased $1.2 million (11.5%) to $9.3 million for the year ended December 31, 2006 from $10.5 million for the year ended December 31, 2005. These costs for both years stayed the same as a percentage of company-operated restaurants revenue of 71.5% in 2005 and 2006. The decrease in the costs was largely attributable to the closing of a company-operated location in February 2005 and the closing due to fire of a company-operated location in July, 2005.

Restaurant occupancy and other, which include utilities, insurance, maintenance, rent and other such costs of the company-operated restaurants, decreased by $155,100 (5.9%) for the year ended December 31, 2006 versus the prior year's comparable period. These costs for the year increased as a percentage of company-operated restaurant revenues from 17.8% in 2005 to 18.9% in 2006. The decreases were attributable to the closings of two company-operated locations in 2005.

Subleased restaurant expenses include net costs associated with subleasing former Western operations and maintenance of vacant premises. These expenses decreased by $160,000 (86.5%) versus the prior year's comparable period. The decreases were largely attributable to additional expenses incurred on repair and maintenance of the facilities and uncollectible rents during 2005.

Cost of franchise operations direct support expense decreased $175,000 (12.4%) to $1.2 million for the year ended December 31, 2006 from $1.4 million for the year ended December 31, 2005. The decreases are attributable to personnel reductions and targeted expense reductions during 2006 and additional spending in 2005 on consumer research and prototype plans.

Unallocated corporate expenses consist of certain expenses not allocated to any business segment. These expenses include legal, accounting, stockholder relations, personnel not directly related to a segment, information systems, and other headquarter activities. These expenses decreased by $319,000 (12.0%) for the year ended December 31, 2006 versus the prior year's comparable period. The decreases are attributable to personnel reductions and targeted expense reductions during 2006.

Depreciation and amortization for 2006 were comparable to 2005.

Closed restaurants expense of $350,279 in 2005 included impairment of $128,000 associated with the end of a subleased property due to a buyout of the lease and impairments related to the closing of a company-operated restaurant of $222,000 in February, 2005. No such charges were experienced in 2006.

Impairment and other charges of $319,830 in 2005 included impairments associated with a subleased property consisting of a write down of assets deemed non-recoverable of $236,330 and $83,500 of related rent payments deemed non-collectible as of December 31, 2005. Impairment and other charges of $46,284 in 2006 included impairments associated with subleased properties related to an expiring lease as of June 30, 2006.

Gain on settlement of insurance claims of $1,166,683 in 2005 included a gain of $220,351 attributable to insurance proceeds received on the Lawrenceville, Georgia casualty and a gain of $946,332 attributable to insurance proceeds received on the Waldorf, Maryland casualty. No such items were recorded in 2006.

Other income (expense) decreased from ($199,500) in 2005 to ($168,000) in 2006. Interest expense decreased $120,000 (44.5%) comparing 2006 to 2005. The decrease is due to a lower average principal outstanding balance. Loss on early extinguishment of long term debt of $92,535 associated with payoff of certain loans was recorded in 2006. Equity in the losses of a joint venture were $160,902 in 2006 compared to a loss of $21,618 in 2005. Included in 2006 is termination fee income of $163,000 associated with a negotiated settlement of certain franchise agreements.

Income tax expense is directly affected by levels of pretax income. Western's effective tax rate was 40.4% and 44.5% for the years ended December 31, 2006 and 2005, respectively.

2005 Compared To 2004

Revenues

Total revenues decreased 10.8% to $19.4 million in 2005, from $21.7 million in 2004. Through mid-July of 2005, Western's system overall was experiencing increases in same store sales over 2004 by 1%. Company operated restaurant sales decreased 12.1% to $14.7 million in 2005, from $16.7 million in 2004. This decrease was due to the closing of a company-operated location in February, 2005 totaling approximately $1.1 million in lost revenues in 2005 compared to 2004 and a closing of a company-operated location in July, 2005 due to a total loss by fire casualty totaling approximately $851,000 in lost revenues in 2005 over 2004. Same store sales for 2005 experienced an overall decrease of .33% over 2004. Customer counts decreased 5% over 2004. Western implemented an average menu price increase of 4% on January 1, 2005.

Franchise and other revenues decreased 6.3% to $4.7 million in 2005, from $5.0 million in 2004. The decrease is primarily attributable to 12 less franchised restaurants during 2005. Same store sales for 2005 experienced an overall increase of .25% over 2004.

Costs and Expenses

Cost of company-operated restaurants, consisting primarily of food, beverage, and labor costs decreased $1.8 million (14.3%) to $10.5 million for the year ended December 31, 2005 from $12.3 million for the year ended December 31, 2004, and as a percentage of company-operated restaurants revenue from 73.4% in 2004, to 71.5% in 2005. The decreases are largely due to the closing of a company-operated location in February, 2005 and the closing due to a fire of a company-operated location in July, 2005.

Restaurant occupancy and other, which include utilities, insurance, maintenance, rent and other such costs of the company-operated restaurants, decreased by $437,400 (14.3%) for the year ended December 31, 2005 versus the prior year's comparable period. These costs for the year increased as a percentage of company-operated restaurant revenues from 18.3% in 2004 to 17.8% in 2005. The decreases were attributable to the closings of two company-operated locations in 2005.

Subleased restaurant expenses include net costs associated with subleasing former company operations and maintenance of vacant premises. These expenses increased by $170,000 versus the prior year's comparable period. The increases were largely attributable to additional expenses incurred on repair and maintenance of the facilities, and uncollectible rents during 2005, and the increase of subleased properties in 2005.

Cost of franchise operations direct support expense decreased $20,000 (1.4%) to $1.4 million for the year ended December 31, 2005 from $1.4 million for the year ended December 31, 2004.

Unallocated corporate expenses consist of certain expenses not allocated to any business segment. These expenses include legal, accounting, stockholder relations, personnel not directly related to a segment, information systems, and other headquarter's activities. These expenses increased by $72,000 (2.8%) for the year ended December 31, 2005 versus the prior year's comparable period.

Depreciation and amortization for 2005 were comparable to 2004.

Closed restaurants expense of $350,279 in 2005 included impairment of $128,000 associated with the end of a subleased property due to a buyout of the lease and impairments related to the closing of a company-operated restaurant of $222,000 in February, 2005. No such impairments were experienced in 2004.

Impairment and other charges of $319,830 in 2005 included impairments associated with a subleased property consisting of a write down of assets deemed non-recoverable of $236,330 and $83,500 of related rent payments deemed non-collectible as of December 31, 2005. No such charges were recorded in 2004.

Gain on settlement of insurance claims of $1,166,683 in 2005 included a gain of $220,351 attributable to insurance proceeds received on the Lawrenceville, Georgia casualty and a gain of $946,332 attributable to insurance proceeds received on the Waldorf, Maryland casualty. No such items were recorded in 2004.

Other income (expense) decreased from ($253,000) in 2004 to ($199,500) in 2005. Interest expense decreased $93,000 (24.9%) comparing 2005 to 2004. The decrease is due to a lower average principal outstanding balance. Equity in the losses of a joint venture were $21,618 in 2005, with no such loss in 2004.

Income tax expense is directly affected by levels of pretax income. Western's effective tax rate was 44.5% and 38.6% for the years ended December 31, 2005 and 2004, respectively. The increase in the effective tax rate in 2005 was due to a revision in the estimated state income tax rate and the expiration of certain state net operating loss carryforwards.

Liquidity and Capital Resources

September 30, 2007

Cash and Cash Equivalents

As of September 30, 2007, Western had $606,000 of cash and cash equivalents as compared to $2.34 million as of December 31, 2006. The decrease is largely attributable to purchases of marketable securities.

Investment of Available Capital

Western's cash flows have exceeded its working capital, financing and capital investment needs, and management expects that Western's cash flows will continue to exceed its operating cash needs for the foreseeable future. Western regularly evaluates how best to use available capital to increase stockholder value. Western may pursue investments in the form of acquisitions, joint ventures and partnerships where Western believes attractive returns can be obtained. Further, Western may determine under certain market conditions that available capital is best utilized to fund investments, for itself and/or through its subsidiaries, including Western Acquisitions, that Western believes offer attractive return opportunities, whether or not related to Western's ongoing business activities.

As discussed in Note 3 to Western's Unaudited Consolidated Financial Statements, Western's Board of Directors has delegated authority to direct investment of Western's surplus cash to its Chairman, Sardar Biglari, subject to Board reporting requirements and various limitations that have been or may be from time to time adopted by the Board of Directors. Western is using, and may in the future use, a portion of its available capital to invest in other securities, for itself and through its subsidiaries, including Western Acquisitions. These investments may include significant and highly concentrated direct investments with respect to the equity securities of public companies. Any such investments will involve risks, and stockholders should recognize that Western's balance sheet may change depending on the extent of excess funds and the timing, magnitude and performance of such investments. Furthermore, such investments could be subject to volatility that may affect both the recorded value of the investments as well as Western's periodic earnings. See "Risk Factors."

Operating Activities and Cash Flows

Western generated approximately $1.9 million and $1.4 million in operating cash flows for the nine months ended September 30, 2007 and 2006, respectively. Western's primary source of operating cash flows is the operating profits generated from Western operations and franchise operations.

Investing Activities

During the nine months ended September 30, 2007, Western spent $33,000 on capital expenditures compared to $480,000 spent during the equivalent period in the prior year. Capital expenditures for 2006 included amounts attributable to the remodel of the company-operated store in Northern Virginia. The balance of the capital expenditures was for necessary replacement of equipment and leasehold improvements in the other company-operated locations. Also included in investing activities for 2007 is a $14.1 million investment in marketable securities, cash and cash equivalents held by broker of $3.1 million offset by $12.1 million from proceeds from sale of marketable securities.

Financing Activities

Western made payments of long-term debt of $121,000 and $1.4 million for the nine months ended September 30, 2007 and 2006, respectively. Also, during the nine months ended September 30, 2007, Western received $85,000 from the exercise of stock options and $1.5 million in capital contributions from minority interest holders in Western Acquisitions, L.P.

Liquidity

Western's primary sources of liquidity are cash generated from operations and, if needed, borrowings under its existing line of credit. Western continually reviews available financing alternatives. In addition, Western may consider, on an opportunistic basis, strategic decisions to create value and improve operational performance. Western's debt agreements contain certain minimum financial covenant requirements. As of September 30, 2007, Western was in compliance with all debt covenants.

December 31, 2006

Cash and Cash Equivalents

As of December 31, 2006, Western had $2.3 million of cash and cash equivalents as compared to $1.7 million and $2.1 million as of December 31, 2005 and 2004, respectively. The increase in cash and cash equivalents was largely attributable to proceeds from a rights offering during the fourth quarter of 2006 of $4.2 million at December 31, 2006, offset by a purchase of an investment in a marketable security of $4.5 million during the third and fourth quarters of 2006 and payments of long-term debt during all three years presented.

Investment of Available Capital

Western's cash flows have exceeded working capital, financing and capital investment requirements. Western's management expects that Western's cash flows will continue to exceed its operating cash needs for the foreseeable future. Western regularly evaluates how best to use available capital to increase stockholder value. Western may pursue investments in the form of acquisitions, joint ventures and partnerships where Western believes attractive returns can be obtained. Further, Western may determine under certain market conditions that available capital is best utilized to fund investments that Western believes offer attractive return opportunities, whether or not related to Western's ongoing business activities.

As previously disclosed, Western's Board of Directors has delegated authority to direct investment of Western's surplus cash to its Chairman, Sardar Biglari, subject to Board reporting requirements and various limitations that have been or may be from time to time adopted by the Board of Directors. Western is using, and may in the future use, a portion of its available capital to invest in other securities. These investments may include significant and highly concentrated direct investments with respect to the equity securities of public companies. Any such investments will involve risks, and stockholders should recognize that Western's balance sheet may change depending on the extent of excess funds and the timing, magnitude and performance of such investments. Furthermore, such investments could be subject to volatility that may affect both the recorded value of the investments as well as Western's periodic earnings. See "Risk Factors."

Operating Activities and Cash Flows

Western generated approximately $1.8 million, $1.1 million, and $2.4 million in operating cash flows for the years ended December 31, 2006, 2005 and 2004, respectively. Western's primary source of operating cash flows is the operating profits generated from Western's operations and franchise operations.

Investing Activities

During the year ended December 31, 2006, Western spent $492,000 on capital expenditures compared to $313,000 and $322,000 during the equivalent period in the year ended December 31, 2005 and 2004 respectively. Capital expenditures for 2006 of $425,000 included the remodel of two company-operated stores in Northern Virginia. A total of $803,000 has been spent on these two remodels since 2005. Also included in investing activities for 2006 is

$4.5 million purchase of investment in marketable security. Offsetting uses of cash for investing activities were proceeds from fire casualties of $785,000 and $695,000 for the years ended December 31, 2006 and 2005, respectively. Also included in investing activities for 2006 are proceeds of $300,000 from the sale of land in Lawrenceville, Georgia.

Financing Activities

Western made payments of long-term debt of $1.5 million, $1.2 million and $541,000 for the years ended December 31, 2006, 2005 and 2004, respectively. Also during 2006, financing activities included cash received from a rights offering of $4.2 million, offset by costs of the rights offering of $123,000 and cash received from exercise of stock options of $28,000.

Liquidity

Western's primary sources of liquidity are cash generated from operations and, if needed, borrowings under its existing line of credit. Western continually reviews available financing alternatives. In addition, Western may consider, on an opportunistic basis, strategic decisions to create value and improve operational performance.

Total capital expenditures for 2007 are presently not expected to exceed $100,000, and will be primarily used for necessary replacement of certain restaurant equipment.

Western believes that cash flows generated by operations will be adequate to fund its operations and required debt repayments for at least the next twelve months.

Investment in Unconsolidated Joint Venture

Western is a partner in a 50/50 joint venture with a franchisee, for a new restaurant in Harrisonburg, Virginia. During October 2005, the joint venture entered into a loan agreement for $3.05 million and Western guaranteed 50% of the loan obligation. Western estimates the fair value of the guarantee to be approximately $30,000 and recorded the amount in other long-term liabilities and in investments in unconsolidated joint venture on the accompanying balance sheet at September 30, 2007. The term of the guarantee extends through July 1, 2026 and Western would be required to perform under the guarantee should the joint venture not be able to meet its scheduled principal and interest payments. Pursuant to the joint venture agreement, a cash contribution of $300,000 from each 50/50 partner was also made at the closing of this financing. Western is accounting for the investment using the equity method and Western's share of the net income (loss) of the joint venture of $52,749 and $118,424 for the three and nine month periods ended September 30, 2007 and ($29,629) and ($67,857) for the three and nine months ended September 30, 2006, is included in equity in joint venture. At September 30, 2007, Western has a receivable due from the joint venture of $69,418 for start-up costs paid by Western on behalf of the joint venture. The balance due from the joint venture was $139,418 at December 31, 2006. The restaurant opened for business on December 14, 2006.

Financial Data

The following is selected financial information for the joint venture at September 30, 2007:

	Three Months Ended September 30, 2007 (unaudited)	Nine Months Ended September 30, 2007 (unaudited)
Statement of Operations Data:		
Total revenues	$ 1,218,248	$ 3,805,241
Cost of food	508,431	1,634,851
Payroll expense	351,358	1,144,755
Marketing and smallware expense	11,297	28,851
General and administrative	129,222	422,755
Interest	56,238	168,110

Depreciation and amortization	50,229	150,550
Net income	105,500	236,849
Balance Sheet Data:		
Cash		$ 272,087
Prepaid insurance		8,086
Inventory		9,437
Land, leasehold improvements (net), and construction in progress		3,799,988
Loan costs, net		12,327
Total assets		4,118,032
Loan payable		3,183,059
Accounts payable and accrued expenses		243,930
Members' equity		471,808

Contractual Obligations and Commitments

The table below sets forth a summary of contractual obligations that will impact future liquidity as of September 30, 2007:

	Payment due by period						
Contractual Obligations	2007	2008	2009	2010	2011	Thereafter	Totals
Long-term debt	$ 42,315	118,783	109,803	121,385	134,189	200,875	727,350
Operating leases, net (1)	196,648	705,339	634,425	623,880	367,611	1,571,165	4,099,068
Interest expense (2)	17,933	62,834	52,041	40,459	27,655	14,603	215,525
Tax obligations (3)	140,412	—	—	—	—	—	140,412
Totals	$ 397,308	886,956	796,269	785,724	529,455	1,786,643	5,182,355

(1) Operating lease commitments are presented net of sublease rentals. Gross operating lease commitments for the periods above aggregate to approximately $4.6 million, offset by sublease rentals for the same periods of approximately $95,000.

(2) Reflects future interest payments through scheduled maturity dates based upon average borrowing rates, outstanding debt balances and scheduled principal payments on long-term debt.

(3) Reflect recognized liabilities for uncertain tax positions under the provision FIN 48. (See Note 5 to Western's Unaudited Consolidated Financial Statements.)

Bank Line of Credit

At December 25, 2006, a $700,000 secured line of credit from a commercial bank payable expired. There were no amounts outstanding under the line of credit at expiration. On March 15, 2007, Western obtained a new $2 million line of credit, payable on demand, subject to annual renewal by the bank with an automatic renewal at March 15, 2008, interest rate of prime minus 0.05% and collateralized by accounts receivable and the assignment of franchise royalty contracts. As of the date of this prospectus, there was $2 million outstanding under the line.

Operating Leases

Operating lease commitments are presented net of sublease rentals. Gross operating lease commitments for the periods above aggregate to approximately $4.6 million, offset by sublease rentals for the same periods of approximately $95,000.

FFCA Acquisition Corporation, an entity related to Franchise Finance Corporation of America, now known as General Electric Franchise Finance Corporation "FFCA" is or was the owner of 43 former Quincy's restaurant locations "Former Quincy's Units". Western Sizzlin Stores of Virginia, Inc. ("WSSVA") executed certain Master Leases ("the Leases") dated as of January 1, 2001, covering the Former Quincy's Units. However, pursuant to Paragraph 47 of the Leases, the Leases never became effective as FFCA did not execute and/or deliver the Leases.

In 2001 and 2002, several Former Quincy's Units were properly turned back to FFCA. Certain franchisees who continued to operate Former Quincy's Units owned by FFCA remitted all rental payments directly to FFCA, and FFCA accepted these payments. Based on these developments, and the lack of any binding Master Lease Agreement with FFCA, on May 15, 2003, Western sent a letter to the Lessor, providing notice of its termination of any tenancies at-will on any remaining Former Quincy's units effective May 31, 2003. In accordance with Western's position, Western has returned to FFCA every invoice for rent expense, or tax statement, received after May 15, 2003, with a cover letter explaining that Western is not responsible for any such amounts. FFCA has not disputed Western's position.

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Revenue Recognition