

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

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) FEBRUARY 11, 2005

PIZZA INN, INC.

(Exact name of registrant as specified in its charter)

MISSOURI

0-12919

47-0654575

(State or other jurisdiction of incorporation) (Commission File Number) (IRS
Employer Identification No.)

3551 PLANO PARKWAY, THE COLONY, TEXAS

75056

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (469) 384-5000

NOT APPLICABLE

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 1.01 ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT.

On February 11, 2005, the Company and Wells Fargo Bank, National Association ("Wells Fargo") entered into a Second Amendment to Third Amended and Restated Loan Agreement and Amendment to Real Estate Note amending the Company's existing revolving credit and term loan agreements with Wells Fargo. The amendment provides for a \$3.0 million revolving credit line that will expire December 23, 2005, replacing a \$4.0 million credit line that was due to expire October 1, 2005. Additionally, the amendment modifies the interest rates and certain financial covenants for the revolving credit and term loans. Interest is provided for on the revolving credit loan at a rate equal to prime plus 0.50%, or, at the Company's option, at the LIBOR rate plus 2.75%. Interest is provided for on the term loan at prime rate or the LIBOR rate plus 2.25%, at the Company's option.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

(C) EXHIBITS.

EXHIBIT NO. DESCRIPTION OF EXHIBIT

99.1 Second Amendment to Third Amended and Restated Loan Agreement and Amendment
- ---- to Real Estate Note dated February 11, 2005, to be effective as of December
26, 2004 (furnished herewith and incorporated herein by reference)

99.2 Eighth Amended and Restated Revolving Credit Note dated February 11,
- ----- 2005, to be effective as of December 26, 2004 (furnished herewith and
incorporated herein by reference)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Pizza Inn, Inc.

Date: February 15, 2005

By: /s/ Rod J. McDonald
Name: Rod J. McDonald
Title: Secretary

SECOND AMENDMENT TO THIRD AMENDED AND RESTATED LOAN AGREEMENT

AND

AMENDMENT TO REAL ESTATE NOTE

THIS SECOND AMENDMENT TO THIRD AMENDED AND RESTATED LOAN AGREEMENT AND AMENDMENT TO REAL ESTATE NOTE (hereinafter referred to as the "AMENDMENT") is to be effective as of December 26, 2004, between PIZZA INN, INC., a Missouri corporation ("BORROWER") and WELLS FARGO BANK, NATIONAL ASSOCIATION (successor to Wells Fargo Bank (Texas), National Association, herein "BANK").

RECITALS

A. WHEREAS, Bank and Borrower entered into a Third Amended and Restated Loan Agreement, dated as of January 22, 2003, but effective as of December 29, 2002 (as amended by that certain First Amendment to Third Amended and Restated Loan Agreement dated as of March 28, 2004, the "LOAN AGREEMENT").

B. WHEREAS, Borrower executed and delivered to Bank that certain Promissory Note dated December 28, 2000 in the original principal amount of \$8,125,000 (the "REAL ESTATE NOTE").

C. Bank and Borrower desire to amend the Loan Agreement and the Real Estate Note as hereinafter set forth.

NOW, THEREFORE, in consideration of the premises herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Capitalized terms used in this Amendment, to the

extent not otherwise defined herein, shall have the same meaning as in the Agreement, as amended hereby.

ARTICLE II

AMENDMENTS

Section 2.01. Amendment to Section 1.1 of the Loan Agreement. Certain

defined terms in Section 1.1 of the Loan Agreement are hereby amended and

restated in their entirety to read as follows:

(a) "Change of Control" means (a) the merger or consolidation of the

Borrower with any other Person with the effect that the then existing shareholders of the Borrower will hold less than fifty percent (50%) of the total voting power of the surviving corporation, (b) a majority of the members of the Board of Directors do not constitute Continuing Directors, or (c) Borrower ceases to directly own and control 100% of the outstanding capital Stock of each of its Subsidiaries extant as of the Closing Date.

(b) "LIBOR Rate Margin" means 2.75%.

(c) "Prime Rate Margin" means 0.50%.

(d) "Revolving Credit Commitment" means the obligation of Bank to make

Revolving Credit Advances hereunder in an aggregate principal amount at any one time outstanding up to but not exceeding Three Million and No/100 Dollars (\$3,000,000.00), as the same may be terminated pursuant to Section 13.2.

(e) "Revolving Credit Note" means the Eighth Amended and Restated Revolving

Credit Note executed by the Borrower and payable to the order of Bank in the aggregate principal amount of the Revolving Credit Commitment, in substantially the form of EXHIBIT A hereto, together with all amendments, modification and

renewals thereof.

(f) "Termination Date" means 10:00 A.M. Dallas, Texas time on December 23,

2005, or such earlier date and time on which the Revolving Credit Commitment terminates as provided in this Agreement; provided, however, if such date is not a Business Day, the "Termination Date" shall be the first Business Day following such date.

Section 2.02. Amendment to Section 1.1 of the Loan Agreement. The following

defined terms are hereby added to Section 1.1 of the Loan Agreement and

shall read in their entirety as follows:

(a) "Board of Directors" means the board of directors (or comparable managers) of Borrower or any committee thereof duly authorized to act on behalf thereof.

(b) "Borrowing Base" means, at any time, an amount equal to the sum of eighty percent (80%) of the value of Eligible Accounts.

(c) "Continuing Director" means (a) any member of the Board of Directors who

was a director (or comparable manager) of Borrower on the Second Amendment Effective Date, (b) any individual who becomes a member of the Board of Directors by replacing Ronald Parker as a member of the Board of Directors, and (c) any individual who becomes a member of the Board of Directors after the Second Amendment Effective Date if such individual was appointed or nominated for election to the Board of Directors by a majority of the Continuing Directors, but excluding any such individual originally proposed for election in opposition to the Board of Directors in office at the Second Amendment Effective Date in an actual or threatened election contest relating to the election of the directors (or comparable managers) of Borrower (as such terms are used in Rule 14a-11 under the Securities Exchange Act of 1934, as in effect from time to time.) and whose initial assumption of office resulted from such contest or the settlement thereof.

(d) "Eligible Accounts" means, at any time, all accounts receivable of the

Borrower created in the ordinary course of business that are acceptable to Bank and satisfy the following conditions:

1. The account complies with all applicable laws, rules, and regulations, including, without limitation, usury laws, the Federal Truth in Lending Act, and Regulation Z of the Board of Governors of the Federal Reserve System;

2. The account has not been outstanding for more than 90 days past the original date of invoice;

3. The account does not represent a commission and the account was created in connection with (i) the sale of goods by the Borrower in the ordinary course of business and such sale has been consummated and such goods have been shipped and delivered and received by the account debtor, or (ii) the performance of services by the Borrower in the ordinary course of business and such services have been completed and accepted by the account debtor;

4. The account arises from an enforceable contract, the performance of which has been completed by the Borrower;

5. The account does not arise from the sale of any good that is on a bill-and-hold, guaranteed sale, sale-or-return, sale on approval, consignment, or any other repurchase or return basis;

6. The Borrower has good and indefeasible title to the account and the account is not subject to any Lien except Liens in favor of Bank;

7. The account does not arise out of a contract with or order from, an account debtor that, by its terms, prohibits or makes void or unenforceable the grant of a security interest by the Borrower to Bank in and to such account;

8. The account is not subject to any setoff, counterclaim, defense, dispute, recoupment, or adjustment other than normal discounts for prompt payment;

9. The account debtor is not insolvent or the subject of any bankruptcy or insolvency proceeding and has not made an assignment for the benefit of creditors, suspended normal business operations, dissolved, liquidated, terminated its existence, ceased to pay its debts as they become due, or suffered a receiver or trustee to be appointed for any of its assets or affairs;

10. The account is not evidenced by chattel paper or an instrument;

11. No default exists under the account by any party thereto;

12. The account debtor has not returned or refused to retain, or otherwise notified the Borrower of any dispute concerning, or claimed nonconformity of, any of the goods from the sale of which the account arose;

13. The account is not owed by an Affiliate, employee, officer, director or shareholder of the Borrower, except certain trade accounts arising in the ordinary course of business from director owned franchises that would otherwise be Eligible Accounts;

14. The account is payable in Dollars by the account debtor;

15. The account is not owed by an account debtor whose accounts Bank in its sole discretion has chosen to exclude from Eligible Accounts;

16. The account shall be ineligible if (a) the account debtor is domiciled in any country other than the United States of America and (b) the aggregate amount of accounts owed by account debtors domiciled outside the United States of America is in excess of \$500,000, to the extent of such excess;

17. The account shall be ineligible if more than twenty percent (20%) of the aggregate balances then outstanding on accounts owed by such account debtor and its Affiliates to the Borrower are more than 90 days past the dates of their original invoices;

18. The account shall be ineligible if the account debtor is the United States of America or any department, agency, or instrumentality thereof, and the Federal Assignment of Claims Act of 1940, as amended, shall not have been complied with; and

19. The Account is otherwise acceptable in the sole discretion of Bank; provided that Bank shall have the right to create and adjust eligibility standards and related reserves from time to time in its good faith credit judgment.

The amount of the Eligible Accounts owed by an account debtor to the Borrower shall be reduced by the amount of all "contra accounts" and other obligations owed by the Borrower to such account debtor.

(e) "Second Amendment Effective Date" means December 26, 2004.

Section 2.03. Amendment to Section 2.1 of the Loan Agreement. Section 2.1

of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

Section 2.1 Revolving Credit Commitment. Subject to the terms and

conditions of this Agreement, Bank agrees to make one or more additional Revolving Credit Advances to the Borrower from time to time from the Closing Date to and including the Termination Date, provided that the aggregate amount of all Revolving Credit Advances at any time outstanding shall not exceed the lesser of (a) the amount of the Revolving Credit Commitment minus all outstanding Letter of Credit Liabilities or (b) the Borrowing Base minus all outstanding Letter of Credit Liabilities. Subject to the foregoing limitations, and the other terms and provisions of this Agreement, the Borrower may borrow, repay, and reborrow hereunder the amount of the Revolving Credit Commitment by means of Prime Rate Advances and LIBOR Advances and, until the Termination Date, the Borrower may Convert Revolving Credit Advances of one Type into Revolving Credit Advances of another Type. Revolving Credit Advances of each Type made by Bank shall be made and maintained at Bank's Applicable Lending Office for Revolving Credit Advances of such Type.

Section 2.04. Amendment to Section 2.7 of the Loan Agreement. Section 2.7

of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

Section 2.7 Facility Fee. Borrower agrees to pay to Bank annually the

Facility Fee payable in advance on each March 28th during the term of this Agreement and on the Termination Date.

Section 2.05. Amendment to Section 5.3 of the Loan Agreement. Section 5.3

of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

Section 5.3 Mandatory Prepayment. If at any time the outstanding

principal amount of all Revolving Credit Advances exceeds the lesser of (i) Revolving Credit Commitment or (ii) the Borrowing Base, the Borrower shall immediately prepay the amount of excess plus accrued and unpaid interest on the amount so prepaid. Any such mandatory prepayments shall be applied to such excess in the following order: first to Prime Rate Advances and then to LIBOR Advances.

Section 2.06. Amendment to Section 10.1(c) of the Loan Agreement.

Section 10.1(c) of the Loan Agreement is hereby amended and restated in its

entirety to read as follows:

(c) Quarterly Calculations/Accounts Receivable Report. As soon as

available, and in any event within forty-five (45) days after the end of each fiscal quarter of the Borrower, (i) a certificate of an Authorized Officer of the Borrower in substantially the form of Exhibit E hereto (A) stating to the

best of such officer's knowledge, no Default has occurred and is continuing, or if a Default has occurred and is continuing, a statement as to the nature thereof and the action that is proposed to be taken with respect thereto, and (B) showing in reasonable detail the most recent calculations demonstrating compliance with Article XII and (ii) an account receivable aging, classifying

the Borrower's accounts receivable in categories of 0-30, 31-60, 61-90 and over 90 days from date of invoice, and in such form and detail as Bank shall require, account payable aging by categories of 0-30, 31-60 and over 60, from date of invoice, also in such detail as Bank shall reasonably require, and in each case certified by the chief financial officer of the Borrower and, at any time requested by Bank, a listing of all account debtors that includes names, addresses and phone numbers of the account debtors;

Section 2.07. Amendment to Section 10.12 of the Loan Agreement. Section

10.12 of the Loan Agreement is hereby amended and restated in its entirety to

read as follows:

Section 10.12 Intentionally Deleted.

Section 2.08. Amendment to Section 12.2 of the Loan Agreement. Section 12.2

of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

Section 12.2 Consolidated Liabilities to Tangible Net Worth. Borrower

will maintain a ratio of Consolidated Liabilities less Subordinated Debt (as hereinafter defined) to Tangible Net Worth of not more than 1.50 to 1.00.

As used herein, "Subordinated Debt" shall mean Debt of Borrower and its Subsidiaries that is subordinated to the Obligations in form and substance satisfactory to Bank.

Section 2.09. New Section 12.4 of the Loan Agreement. A new Section 12.4 is

hereby added to the Loan Agreement and shall read in its entirety as

follows:

Section 12.4 Capital Expenditures. The Borrower will not permit the

aggregate Capital Expenditures of the Borrower and the Subsidiaries not financed with Debt to exceed \$500,000 during any fiscal year.

Section 2.10. Amendment to Section 13.1(n) of the Loan Agreement. Section

13.1(n) of the Loan Agreement is hereby amended and restated in its entirety to

read as follows:

(n) A Change of Control shall occur.

Section 2.11. Amendment to Real Estate Note. Certain defined terms in the

Fixed Rate Agreement attached as Exhibit A to the Real Estate Note are hereby

amended and restated in their entirety to read as follows:

(a) "Eurodollar Rate Margin" means two and one-quarter of one percent

(2.25%).

(b) "Prime Rate Margin" means zero percent (0.00%).

ARTICLE III CONDITIONS PRECEDENT

Section 3.01. Conditions. The effectiveness of this Amendment is subject to

the satisfaction of the following conditions precedent, unless specifically waived by Bank:

(a) Bank shall have received the following documents, each in form and substance satisfactory to Bank:

(i) This Amendment, duly executed by Borrower together with the Consent and Ratification (the "RATIFICATION") attached hereto, duly executed by each Guarantor; and

(ii) The Eighth Amended and Restated Revolving Credit Note duly executed by Borrower;

(iii) Officer's Certificate dated as of the date of this Amendment, in form and substance satisfactory to Bank, certified by the Secretary of the Borrower certifying among other things, that the party signing this Amendment on behalf of the Borrower has full authority to do so;

(b) The representations and warranties contained herein, in the Loan Agreement, as amended hereby, and in each other Loan Document shall be true and correct as of the date hereof, as if made on the date hereof;

(c) No Event of Default shall have occurred and be continuing and no Default shall exist, unless such Event of Default or Default has been specifically waived in writing by Bank; and

(d) All corporate proceedings taken in connection with the transactions contemplated by this Amendment and all documents, instruments and other legal matters incident thereto, shall be satisfactory to Bank.

ARTICLE IV RATIFICATIONS, REPRESENTATIONS AND WARRANTIES

Section 4.01. Ratifications. The terms and provisions set forth in this

Amendment shall modify and supersede all inconsistent terms and provisions set forth in the Loan Agreement and the Real Estate Note and except as expressly modified and superseded by this Amendment, the terms and provisions of the Loan Agreement and the other Loan Documents are ratified and confirmed and shall continue in full force and effect. Borrower and Bank agree that the Loan Agreement and the Real Estate Note, as amended hereby, and the other Loan Documents shall continue to be legal, valid, binding and enforceable in accordance with their respective terms.

Section 4.02. Representations and Warranties. Borrower hereby represents and

warrants to Bank as follows:

(a) the execution, delivery and performance of this Amendment and any and all other Loan Documents executed and/or delivered in connection herewith have been authorized by all requisite corporate action on the part of Borrower and do not and will not conflict with or violate any provision of any applicable law, the Articles of Incorporation or Bylaws of Borrower or any agreement, document, judgment, license, order or permit applicable to or binding upon any of the Borrower or its Collateral. No consent, approval, authorization or order of and no notice to or filing with, any court or governmental authority or third person is required in connection with the execution, delivery or performance of this Amendment or to consummate the transactions contemplated hereby;

(b) the representations and warranties contained in the Loan Agreement, as amended hereby, and any other Loan Document are true and correct on and as of the date hereof as though made on and as of the date hereof, except to the extent such representations and warranties relate to an earlier date;

(c) Borrower is in full compliance with all covenants and agreements contained in the Loan Agreement and the Real Estate Note, as amended hereby, and the other Loan Documents; and

(d) Borrower has not amended its Articles of Incorporation or Bylaws or other organizational documents since the date of the execution of the Loan Agreement.

ARTICLE V MISCELLANEOUS

Section 5.01. Survival of Representations and Warranties. All

representations and warranties made in this Amendment or any other document or documents relating thereto, including, without limitation, any Loan Document furnished in connection with this Amendment, shall survive the execution and delivery of this Amendment and the other Loan Documents, and no investigation by

Bank shall affect the representations and warranties or the right of Bank to rely upon them.

Section 5.02. Reference to Loan Agreement and the Real Estate Note. Each of

the Loan Documents, including the Loan Agreement and any and all other agreements, documents or instruments now or hereafter executed and delivered pursuant to the terms hereof or pursuant to the terms of the Loan Agreement and the Real Estate Note, as amended hereby, are hereby amended so that any reference in such Loan Documents to the Loan Agreement and the Real Estate Note shall mean a reference to the Loan Agreement and the Real Estate Note, as amended hereby.

Section 5.03. Expenses of Bank. As provided in the Loan Agreement, Borrower

agrees to pay on demand all reasonable costs and expenses incurred by Bank in connection with the preparation, negotiation and execution of this Amendment and the other Loan Documents executed pursuant hereto and any and all amendments, modifications, and supplements hereto, including, without limitation, the reasonable costs and fees of Bank's legal counsel, and all reasonable costs and expenses incurred by Bank in connection with the enforcement or preservation of any rights under the Loan Agreement, as amended hereby, or any other Loan Document, including, without limitation, the reasonable costs and fees of Bank's legal counsel.

Section 5.04. RELEASE. BORROWER HEREBY ACKNOWLEDGES THAT IT HAS NO DEFENSE,

COUNTERCLAIM, OFFSET, CROSS-COMPLAINT, CLAIM OR DEMAND OF ANY KIND OR NATURE WHATSOEVER THAT CAN BE ASSERTED TO REDUCE OR ELIMINATE ALL OR ANY PART OF ITS LIABILITY TO REPAY THE OBLIGATIONS OR TO SEEK AFFIRMATIVE RELIEF OR DAMAGES OF ANY KIND OR NATURE FROM BANK. BORROWER HEREBY VOLUNTARILY AND KNOWINGLY RELEASES AND FOREVER DISCHARGES BANK, ITS PREDECESSORS, AGENTS, EMPLOYEES, DIRECTORS, SUCCESSORS AND ASSIGNS, FROM ALL POSSIBLE CLAIMS, DEMANDS, ACTIONS, CAUSES OF ACTION, DAMAGES, COSTS, EXPENSES, AND LIABILITIES WHATSOEVER, KNOWN OR UNKNOWN, ANTICIPATED OR UNANTICIPATED, SUSPECTED OR UNSUSPECTED, FIXED, CONTINGENT, OR CONDITIONAL, AT LAW OR IN EQUITY, ORIGINATING IN WHOLE OR IN PART ON OR BEFORE THE DATE THIS AMENDMENT IS EXECUTED, WHICH THE BORROWER MAY NOW OR HEREAFTER HAVE AGAINST BANK, ITS PREDECESSORS, AGENTS, EMPLOYEES, DIRECTORS, SUCCESSORS AND ASSIGNS, IF ANY, AND IRRESPECTIVE OF WHETHER ANY SUCH CLAIMS ARISE OUT OF CONTRACT, TORT, VIOLATION OF LAW OR REGULATIONS, OR OTHERWISE, AND ARISING FROM ANY OF THE OBLIGATIONS, INCLUDING, WITHOUT LIMITATION, ANY CONTRACTING FOR, CHARGING, TAKING, RESERVING, COLLECTING OR RECEIVING INTEREST IN EXCESS OF THE HIGHEST LAWFUL RATE APPLICABLE, THE EXERCISE OF ANY RIGHTS AND REMEDIES UNDER THE LOAN AGREEMENT OR OTHER LOAN DOCUMENTS, AND NEGOTIATION FOR AND EXECUTION OF THIS AMENDMENT.

Section 5.05. Severability. Any provision of this Amendment held by a court

of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Amendment and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

Section 5.06. APPLICABLE LAW. THIS AMENDMENT AND ALL OTHER LOAN DOCUMENTS

EXECUTED PURSUANT HERTO SHALL BE DEEMED TO HAVE BEEN MADE AND TO BE PERFORMABLE IN DALLAS, TEXAS, AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS.

Section 5.07. Successors and Assigns. This Amendment is binding upon and

shall inure to the benefit of Bank and Borrower and their respective successors and assigns, except Borrower may not assign or transfer any of its rights or obligations hereunder without the prior written consent of Bank.

Section 5.08. Counterparts. This Amendment may be executed in one or more

counterparts, each of which when so executed shall be deemed to be an original, but all of which when taken together shall constitute one and the same instrument. The parties agree that this Amendment may be executed and delivered via facsimile and any such facsimile copy of any such document shall be considered to have the same binding legal effect as an original copy and each party hereby agrees that it shall not raise the use of a facsimile copy as a defense to this Amendment and forever waives any such defense. Furthermore, at the request of any party, a party executing and delivering this Amendment by facsimile copy shall re-execute an original copy in replacement.

Section 5.09. Effect of Waiver. No consent or waiver, express or implied,

by Bank to or for any breach of or deviation from any covenant or condition of this Amendment shall be deemed a consent or waiver to or of any other breach of the same or any other covenant, condition or duty.

Section 5.10. Headings. The headings, captions, and arrangements used in

this Amendment are for convenience only and shall not affect the interpretation of this Amendment.

Section 5.11. FINAL AGREEMENT. THE LOAN AGREEMENT AND THE REAL ESTATE NOTE,

AS AMENDED HEREBY, AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT

BETWEEN THE PARTIES RELATED TO THE SUBJECT MATTER HEREOF AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES. Section 5.12. Acknowledgment. Bank acknowledges and agrees that this

Amendment satisfies the conditions, terms and provisions related to the "Second Amendment" defined and described in correspondence dated February 8, 2005, issued by Bank to, and acknowledged by, Borrower.

[The Remainder of this Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Borrower and Bank have caused this Amendment to be executed on the date first written above by their duly authorized officers.

PIZZA INN, INC.
a Missouri corporation

By: /s/ Robert B. Page
Name: Robert B. Page
Title: Chief Executive Officer

WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association

By: /s/ Ralph C. Hamm III
Name: Ralph C. Hamm III
Title: Vice President

CONSENT AND RATIFICATION

The undersigned, BARKO REALTY, INC., a Texas corporation, R-CHECK, INC., a Texas corporation, and PIZZA INN OF DELAWARE, INC., a Delaware corporation (each a "GUARANTOR" and collectively the "GUARANTORS") have executed certain Loan Documents in favor of WELLS FARGO BANK, NATIONAL ASSOCIATION (successor to Wells Fargo Bank (Texas), National Association) ("BANK") in connection with that certain Third Amended and Restated Loan Agreement (as amended by that certain First Amendment to Third Amended and Restated Loan Agreement dated as of March 28, 2004, the "LOAN AGREEMENT") dated as of January 22, 2003 by and between Pizza Inn, Inc. ("BORROWER") and Bank. All capitalized terms used herein unless otherwise defined herein shall have the meanings given to them in the Loan Agreement. The Guarantors hereby consent and agree to the terms of the Second Amendment to Third Amended and Restated Loan Agreement and Amendment to Real Estate Note effective as of December 26, 2004 (the "AMENDMENT"), executed by Borrower and Bank, a copy of which is attached hereto, and the undersigned agree that the Loan Documents to which they are a party shall remain in full force and effect and shall continue to be the legal, valid and binding obligation of the Guarantors, enforceable against the Guarantors in accordance with their terms. Furthermore, each Guarantor hereby agrees and acknowledges that (a) none of the Loan Documents to which it is a party is subject to any claims, defenses or offsets, (b) nothing contained in this Amendment or any other Loan Document shall adversely affect any right or remedy of Bank under the any of the Loan Documents to which it is a party, (c) the execution and delivery of the Amendment shall in no way reduce, impair or discharge any indebtedness, liability or obligation of the undersigned under any of the Loan Documents to which it is a party and shall not constitute a waiver by Bank of any of Bank's rights against the undersigned, (d) by virtue hereof and by virtue of each of Loan Documents to which it is a party, each Guarantor ratifies in full all of its indebtedness, liabilities and obligations arising under each of the Loan Documents to which it is a party, (e) the Guarantors' consent is not required to the effectiveness of the Amendment, and (f) no consent by the Guarantors is required for the effectiveness of any future amendment, modification, forbearance or other action with respect to the Agreement or any present or future Loan Document.

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GUARANTORS:

BARKO REALTY, INC.,
a Texas corporation

By:/s/ Shawn M. Preator
Name: Shawn M. Preator
Title: Vice President

R-CHECK, INC.,
a Texas corporation

By:/s/ Shawn M. Preator

Name: Shawn M. Preator
Title: Vice President

PIZZA INN OF DELAWARE, INC.,
a Delaware corporation

By:/s/ Shawn M. Preator
Name: Shawn M. Preator
Title: Vice President

EIGHTH AMENDED AND RESTATED REVOLVING CREDIT NOTE

\$3,000,000.00 DALLAS, TEXAS TO BE EFFECTIVE AS OF DECEMBER 26, 2004

FOR VALUE RECEIVED, the undersigned, PIZZA INN, INC., a Missouri corporation (the "BORROWER"), hereby promises to pay to the order of WELLS FARGO BANK, NATIONAL ASSOCIATION (successor to Wells Fargo Bank (Texas), National Association, herein "BANK"), at its office located at 1445 Ross Avenue, Dallas, Texas 75202, on or before December 23, 2005, in lawful money of the United States of America and in immediately available funds, the principal sum of Three Million and No/100 Dollars (\$3,000,000.00) or such lesser amount as shall equal the aggregate unpaid principal amount of the Revolving Credit Loans and any additional Advances made by the Bank to the Borrower under Article II of the Loan Agreement referred to below, and to pay interest on the amount of each such Advance, at such office, in like money and funds, for the period commencing on the date of such Advance until such Advance shall be paid in full, at the rates per annum and on the dates provided in the Loan Agreement (as hereinafter defined).

The Borrower hereby authorizes the Bank to record in Bank's internal records the amount and Type of Advances made to the Borrower by the Bank and all Continuations, Conversions, and payments of principal in respect of such Advances, which records shall, in the absence of manifest error, be conclusive as to the outstanding principal amount of all such Advances; provided, however, that the failure to make such notation with respect to any such Advance or payment shall not limit or otherwise affect the obligations of the Borrower under the Loan Agreement or this Note.

This Note is the Eighth Amended and Restated Revolving Credit Note referred to in the Third Amended and Restated Loan Agreement, dated as of January 22, 2003, but effective as of December 29, 2002 (as amended by that certain First Amendment to Third Amended and Restated Loan Agreement dated as of March 28, 2004 and that certain Second Amendment to Third Amended and Restated Loan Agreement and Amendment to Real Estate Note effective as of December 26, 2004, the "LOAN AGREEMENT"), and evidences the Revolving Credit Loans and all additional Advances made by the Bank pursuant to Article II thereof. The Loan Agreement, among other things, contains provisions for acceleration of the maturity of this Note upon the happening of certain stated events and also for prepayments of Advances prior to the maturity of this Note upon the terms and conditions specified in the Loan Agreement. Capitalized terms used in this Note and not otherwise defined herein have the respective meanings assigned to them in the Loan Agreement.

Notwithstanding anything to the contrary contained herein, no provision of this Note shall require the payment or permit the collection of interest in excess of the Maximum Rate. If any excess of interest in such respect is herein provided for, or shall be adjudicated to be so provided, in this Note or otherwise in connection with this loan transaction, the provisions of this paragraph shall govern and prevail, and neither the Borrower nor the sureties, guarantors, successors or assigns of the Borrower shall be obligated to pay the excess amount of such interest, or any other excess sum paid for the use, forbearance or detention of sums loaned pursuant hereto. If for any reason interest in excess of the Maximum Rate shall be deemed charged, required or permitted by any court of competent jurisdiction, any such excess shall be applied as a payment and reduction of the principal of indebtedness evidenced by this Note; and, if the principal amount hereof has been paid in full, any remaining excess shall forthwith be paid to the Borrower. In determining whether or not the interest paid or payable exceeds the Maximum Rate, the Borrower and the Bank shall, to the extent permitted by applicable law, (i) characterize any non-principal payment as an expense, fee, or premium rather than as interest, (ii) exclude voluntary prepayments and the effects thereof, and (iii) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the entire contemplated term of the indebtedness evidenced by this Note so that the interest for the entire term does not exceed the Maximum Rate.

This Note shall be governed by and construed in accordance with the laws of the State of Texas and the applicable laws of the United States of America. This Note is performable in Dallas County, Texas.

This Note is given in renewal, extension and modification of, but not extinguishment or novation of, the indebtedness evidenced by that certain Seventh Amended and Restated Revolving Credit Note effective as of March 28, 2004, in the original principal amount of \$4,000,000 executed by the Borrower and payable to the order of the Bank.

The Borrower and each surety, guarantor, endorser, and other party ever liable for payment of any sums of money payable on this Note jointly and severally waive notice, presentment, demand for payment, protest, notice of protest and non-payment or dishonor, notice of acceleration, notice of intent to accelerate, notice of intent to demand, diligence in collecting, grace, and all other formalities of any kind, and consent to all extensions without notice for

any period or periods of time and partial payments, before or after maturity, and any impairment of any collateral securing this Note, all without prejudice to the holder. The holder shall similarly have the right to deal in any way, at any time, with one or more of the foregoing parties without notice to any other party, and to grant any such party any extensions of time for payment of any of said indebtedness, or to release or substitute part or all of the collateral securing this Note, or to grant any other indulgences or forbearances whatsoever, without notice to any other party and without in any way affecting the personal liability of any party hereunder.

PIZZA INN, INC.

By: /s/ Robert B. Page
Name: Robert B. Page
Title: Chief Executive Officer