

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) AUGUST 29, 2005

PIZZA INN, INC.

(Exact name of registrant as specified in its charter)

MISSOURI 0-12919 47-0654575
(State or other jurisdiction (Commission File Number) (IRS Employer
of incorporation) 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 August 29, 2005, the Company and Wells Fargo Bank, National Association ("Wells Fargo") entered into a Third Amendment to Third Amended and Restated Loan Agreement and Second Amendment to Real Estate Note, to be effective as of June 26, 2005, amending the Company's existing revolving credit and term loan agreements with Wells Fargo. The amendment provides for a \$6.0 million revolving credit line that will expire October 1, 2007, replacing a \$3.0 million credit line that was due to expire December 23, 2005. Additionally, the amendment increases annual capital expenditure limits from \$500,000 to \$3,000,000 and modifies certain financial covenants for the revolving credit and term loans. Interest is provided for at a rate equal to Prime less an interest rate margin from 0.75% to Prime plus an interest rate margin of 1.75% or, at the Company's option, at the Eurodollar plus an interest rate margin of 1.25% to 3.75%. The interest rate margin is based on the Company's performance under certain financial ratio tests.

ITEM 7.01 REGULATION FD DISCLOSURE.

Pizza Inn, Inc. elects to disclose the information in the press release furnished as Exhibit 99.1 to this report and incorporated herein by reference through Form 8-K pursuant to Regulation FD.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

(C) EXHIBITS.

EXHIBIT NO.	DESCRIPTION OF EXHIBIT
99.1	Press Release dated August 26, 2005 (furnished herewith and incorporated herein by reference)
99.2	Third Amendment to Third Amended and Restated Loan Agreement and Second Amendment to Real Estate Note dated August 29, 2005, to be effective as of June 26, 2005 (furnished herewith and incorporated herein by reference)
99.3	Ninth Amended and Restated Revolving Credit Note dated August 29, 2005, to be effective as of June 26, 2005 (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: August 29, 2005

By: /s/ Shawn M. Preator

Name: Shawn M. Preator

Title: Chief Financial Officer

PIZZA INN, INC. REPORTS RESULTS FOR THE
FOURTH QUARTER AND FISCAL YEAR 2005

THE COLONY, TEXAS -August 26, 2005- PIZZA INN, INC. (NASDAQ:PZZI) today reported a net loss per share for its fourth quarter ended June 26, 2005 of (\$0.01) versus \$0.06 earnings per share for the same quarter last year. The quarter resulted in a net loss of (\$112,000) versus net income of \$564,000 for the same quarter last year on revenues of \$13.7 million and \$15.4 million, respectively. For fiscal year 2005, earnings per share were \$0.02 versus \$0.22 last year. Net income for fiscal year 2005 was \$204,000 versus \$2,243,000 last year on revenues of \$55.3 million and \$60.0 million, respectively.

FOURTH QUARTER FY 2005 VERSUS FOURTH QUARTER FY 2004 RESULTS

- - Diluted EPS was (\$0.01) versus \$0.06 on a net loss of (\$112,000) versus net income of \$564,000.

- - Revenues decreased approximately 11% or \$1.7 million primarily due to lower cheese prices (\$596,000), decreased equipment sales (\$519,000) and reduced sale prices on certain key ingredients, including dough products and tomato tidbits (\$139,000) and the impact of lower retail sales on products other than cheese, dough and tomato tidbits (\$107,000).

- - Comparable chainwide retail sales were down 1.5%.

- - Financial results continue to be adversely impacted by product cost inflation of approximately 2.7%, which was not passed through to franchisees.

- - Legal fees increased approximately \$524,000 as a result of ongoing litigation and related matters.

FY 2005 VERSUS FY 2004 RESULTS

- - Diluted EPS was \$0.02 versus \$0.22 on net income of \$204,000 versus \$2,243,000.

- - Revenues decreased approximately 8% or \$4.7 million primarily due to reduced sale prices on certain key ingredients, including dough products and tomato tidbits (\$997,000), the impact of lower retail sales on cheese products (\$799,000), decreased equipment sales (\$758,000) and the impact of lower retail sales on products other than cheese, dough and tomato tidbits (\$737,000). Additionally, restaurant sales at our company stores were lower due to the replacement of a larger Buffet unit with a smaller Delivery/Carryout unit (\$570,000).

- - Comparable chainwide retail sales were down 1.5%.

- - Financial results continue to be adversely impacted by product cost inflation of approximately 3.3%, which was not passed through to franchisees.

- - Legal fees increased approximately \$1,454,000 as a result of ongoing litigation and related matters.

Tim Taft, appointed as Pizza Inn's President and CEO in April of this year, commented on the performance and direction of the company: "Our short and long-term objectives are clear - we must reenergize the brand by focusing on the fundamentals of customer satisfaction, growth and unit-level profitability. To achieve these objectives we are currently working on a number of fronts. First, we conducted consumer research, providing the company with an informed direction and competitive position based on the needs and wants of our customers and potential customers. Second, the company will soon put this new approach of focusing on customer satisfaction to the test when it opens its new buffet concept in Dallas and Houston, Texas this fall while existing franchisees are signing up to do the same. Third, Pizza Inn is working with its franchisees daily to build an economic model that delivers product consistency and quality while improving overall profitability. Fourth, our new franchisee recruitment model - dedicated to signing qualified multi-unit operators - will be implemented before the end of the year. Due to these efforts and other initiatives, we are optimistic that we will begin to improve operating results by fiscal year end."

Certain statements in this press release, other than historical information, may be considered forward-looking statements, within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, and are subject to various risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may differ from those anticipated, estimated or expected. Among the key factors that may have a direct bearing on Pizza Inn's operating results, performance or financial condition are its ability to implement its growth strategies, national, regional and local economic conditions affecting the restaurant/entertainment industry, competition within each of the restaurant and entertainment industries, store sales cannibalization, success of its franchise operations, negative publicity, fluctuations in quarterly results of operations, including seasonality,

government regulations, weather, commodity, insurance and labor costs.

Pizza Inn, Inc. is headquartered in The Colony, Texas, along with its distribution division, Norco Restaurant Services Company. Pizza Inn franchises approximately 400 restaurants and owns five restaurants with annual chainwide sales of over \$160 million.

<TABLE>
<CAPTION>

PIZZA INN, INC.
(In thousands, except share and per share amounts)

4th Quarter		

<S>	June 26,	June 27,
	<C> 2005	<C> 2004

Revenue.	\$ 13,679	\$ 15,413
(Loss) Income before taxes	(\$130)	\$ 903
Net (Loss) Income.	(\$112)	\$ 564
Diluted earnings (loss) per share.	(\$0.01)	\$ 0.06
Basic earnings (loss) per share.	(\$0.01)	\$ 0.06
Weighted average shares outstanding:		
Diluted	10,141,154	10,128,348
Basic	10,092,771	10,093,674

Twelve Months		

	June 26,	June 27,
	2005	2004

Revenue.	\$ 55,269	\$ 59,988
Income before taxes.	\$ 359	\$ 3,648
Net Income	\$ 204	\$ 2,243
Diluted earnings per share	\$ 0.02	\$ 0.22
Basic earnings per share	\$ 0.02	\$ 0.22
Weighted average shares outstanding:		
Diluted	10,142,010	10,117,328
Basic	10,104,838	10,075,638

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THIRD AMENDMENT TO THIRD AMENDED AND RESTATED LOAN AGREEMENT

AND

SECOND AMENDMENT TO REAL ESTATE NOTE

THIS THIRD AMENDMENT TO THIRD AMENDED AND RESTATED LOAN AGREEMENT AND SECOND AMENDMENT TO REAL ESTATE NOTE (hereinafter referred to as the "AMENDMENT") is to be effective as of June 26, 2005, 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, and that certain Second Amendment to Third Amended and Restated Loan Agreement dated as of December 26, 2004, the "LOAN AGREEMENT").

B. WHEREAS, Borrower executed and delivered to Bank that certain Eighth Amended and Restated Revolving Credit Note dated as of December 26, 2004 in the original principal amount of \$3,000,000 (the "REVOLVING CREDIT NOTE").

C. Bank and Borrower desire to amend the Loan Agreement and the Revolving Credit 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. The following defined terms in Section 1.1 of the Loan Agreement are hereby amended and restated in their entirety to read as follows:

(a) "Borrowing Base" - Intentionally Deleted.

(b) "Commitment Fee Rate" means the percentage per annum determined by reference to the Funded Debt Ratio then existing as set forth below:

Funded Debt Ratio	Percentage
Less than 1.50 to 1.0	0.350%
1.50 to 1.0 or greater and less than 2.50 to 1.0	0.375%
2.50 to 1.0 or greater and less than 3.50 to 1.0	0.400%
3.50 to 1.0 or greater and less than 4.50 to 1.0	0.450%
4.50 to 1.0 or greater and less than 5.50 to 1.0	0.475%
5.50 to 1.0 or greater	0.500%

(c) "LIBOR Rate Margin" means, with respect to the Term Loan and the Revolving Credit Loans, at such time and from time to time as the relevant Funded Debt Ratio is in one of the following ranges, the percentage per annum set forth opposite such Funded Debt Ratio:

Funded Debt Ratio	Percentage
Less than 1.50 to 1.0	1.25%
1.50 to 1.0 or greater and less than 2.50 to 1.0	1.75%

2.50 to 1.0 or greater and less than 3.50 to 1.0	2.25%
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3.50 to 1.0 or greater and less than 4.50 to 1.0	2.75%
-----	-----
4.50 to 1.0 or greater and less than 5.50 to 1.0	3.25%
-----	-----
5.50 to 1.0 or greater	3.75%
-----	-----

The Borrower shall give written notice to the Bank of any changes in the Funded Debt Ratio which results in a change to the LIBOR Rate Margin concurrently with its delivery of the items required under Section 10.1(c) hereof, and any change to the LIBOR Rate Margin shall be effective with respect to any Interest Period commencing after the Bank has received such information.

(d) "Prime Rate Margin" means, with respect to the Term Loan and the

Revolving Credit Loans, at any time, the following percentage determined by reference to the Funded Debt Ratio then existing:

Funded Debt Ratio	Percentage
-----	-----
Less than 1.50 to 1.0	-0.75%
-----	-----
1.50 to 1.0 or greater and less than 2.50 to 1.0	-0.25%
-----	-----
2.50 to 1.0 or greater and less than 3.50 to 1.0	0.25%
-----	-----
3.50 to 1.0 or greater and less than 4.50 to 1.0	0.75%
-----	-----
4.50 to 1.0 or greater and less than 5.50 to 1.0	1.25%
-----	-----
5.50 to 1.0 or greater	1.75%
-----	-----

The Borrower shall give written notice to the Bank of any changes in the Funded Debt Ratio which results in a change to the Prime Rate Margin concurrently with its delivery of the items required under Section 10.1(c) hereof, and any change to the Prime Rate Margin shall be effective immediately after the Bank has received such information or otherwise becomes aware of the change in the Funded Debt Ratio.

(e) "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 Six Million and No/100 Dollars (\$6,000,000.00), as the same may be terminated pursuant to Section 13.2.

(f) "Revolving Credit Note" means the Ninth 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.

(g) "Termination Date" means 10:00 A.M. Dallas, Texas time on October 1,

2007, 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 term is hereby added to Section 1.1 of the Loan Agreement and shall read in its entirety as follows:

(a) "Third Amendment Effective Date" means June 26, 2005.

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. 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 delete the Facility Fee and read as follows:

Section 2.7 Commitment Fee. The Borrower agrees to pay to the Bank a

Commitment Fee (herein so called) on the daily average unused amount of the Revolving Credit Commitment, for the period from and including the date of this Agreement to and including the Termination Date, at the Commitment Fee Rate based on a 360 day year and the actual number of days elapsed. The accrued Commitment Fee shall be payable in arrears on each Monthly Payment Date and on the Termination Date. For the purpose of calculating the Commitment Fee, the Revolving Credit Commitment shall be deemed utilized to the extent of all outstanding Revolving Credit Advances and Letter of Credit Liabilities.

Section 2.05. AMENDMENT TO SECTION 10.1(B) OF THE LOAN AGREEMENT.

Section 10.1(b) of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

(b) Monthly Financial Statements. As soon as available, and in any

event within thirty (30) days after the end of each month, a copy of an unaudited financial report of the Borrower and the Subsidiaries as of the end of such month and for the portion of the fiscal year then ended, containing, on a consolidated and (to the extent required by GAAP) consolidating basis, balance sheets and statements of income, retained earnings, and cash flow, in each case setting forth in comparative form the figures for the corresponding period of the preceding fiscal year, all in reasonable detail certified by an Authorized Officer of the Borrower to have been prepared in accordance with GAAP and to fairly and accurately present (subject to the absence of footnotes and year-end audit adjustments) the financial condition and results of operations of the Borrower and the Subsidiaries, on a consolidated and (to the extent required by GAAP) consolidating basis, at the date and for the periods indicated therein;

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) Monthly Calculations/Accounts Receivable Report. As soon as

available, and in any event within thirty (30) days after the end of each month, (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 ARTICLE XII, FINANCIAL COVENANTS, OF THE LOAN

AGREEMENT. Article XII is hereby deleted in its entirety and replaced with the following:

ARTICLE XII.

Financial Covenants

Section 12.1 Fixed Charge Coverage Ratio. At no time shall the Fixed

Charge Coverage Ratio, defined as EBITDA plus rent expense less treasury stock purchases less dividends plus increases in subordinated debt or contributed capital divided by current maturities of long-term debt plus current maturities of subordinated debt plus prepayments on subordinated debt plus rent expense plus capital lease payments plus cash taxes plus interest expense (net of capitalized interest), be less than 0.90x from Closing through November 30, 2005, 1.10x from December 31, 2005 through January 31, 2006, 1.25x from February 28, 2006 through May 31, 2006 and 1.35x for every period thereafter.

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 1.75x from Closing through November 30, 2005, 1.65x from December 31, 2005 through April 30, 2006 and 1.50x for every period thereafter. "Subordinated Debt" shall mean Debt of Borrower and its Subsidiaries that is subordinated to the Obligations in form and substance satisfactory to Bank.

Section 12.3 Profitable Operations. Excluding the month of June 2005,

Borrower will not sustain (i) a net loss in excess of \$100,000 for any fiscal month, (ii) an aggregate net loss in excess of \$200,000 for any fiscal quarter and (iii) a net loss for any fiscal year.

Section 12.4 Capital Expenditures. The Borrower will not permit the

aggregate Capital Expenditures of the Borrower and the Subsidiaries not financed with Debt excluding the Revolving Credit Commitment, (a) for the fiscal year 2006, to exceed \$3,000,000 and, (b) for each fiscal year after 2006, (i) to exceed \$1,750,000 if the Fixed Charge Coverage Ratio at fiscal year end is 1.50 or less or (ii) to exceed \$3,000,000 if the Fixed Charge Coverage Ratio at fiscal year end is greater than 1.50.

Section 12.5 Operating Lease Payments. Operating lease payments are limited

to \$2,500,000 per fiscal year.

Section 12.6 Purchase Money Debt. Purchase money debt is limited to

\$1,000,000 in the aggregate.

Section 2.08. AMENDMENT TO REAL ESTATE NOTE.

(a) The following 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:

(i) "Eurodollar Rate Margin" means, at such time and from time to time as

the relevant Funded Debt Ratio is in one of the following ranges, the percentage per annum set forth opposite such Funded Debt Ratio:

Funded Debt Ratio	Percentage
Less than 1.50 to 1.0	1.25%
1.50 to 1.0 or greater and less than 2.50 to 1.0	1.75%
2.50 to 1.0 or greater and less than 3.50 to 1.0	2.25%
3.50 to 1.0 or greater and less than 4.50 to 1.0	2.75%
4.50 to 1.0 or greater and less than 5.50 to 1.0	3.25%
5.50 to 1.0 or greater	3.75%

The Borrower shall give written notice to the Lender of any changes in the Funded Debt Ratio which results in a change to the Eurodollar Rate Margin concurrently with its delivery of the items required under Section 10.1(c) of the Third Amended and Restated Loan Agreement, and any change to the Eurodollar Rate Margin shall be effective with respect to any Interest Period commencing after the Lender has received such information.

(ii) "Prime Rate Margin" means, at any time, the following percentage

determined by reference to the Funded Debt Ratio then existing:

Funded Debt Ratio	Percentage
Less than 1.50 to 1.0	-0.75%
1.50 to 1.0 or greater and less than 2.50 to 1.0	-0.25%

2.50 to 1.0 or greater and less than 3.50 to 1.0	0.25%
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3.50 to 1.0 or greater and less than 4.50 to 1.0	0.75%
-----	-----
4.50 to 1.0 or greater and less than 5.50 to 1.0	1.25%
-----	-----
5.50 to 1.0 or greater	1.75%
-----	-----

The Borrower shall give written notice to the Lender of any changes in the Funded Debt Ratio which results in a change to the Prime Rate Margin concurrently with its delivery of the items required under Section 10.1(c) of

the Third Amended and Restated Loan Agreement, and any change to the Prime Rate Margin shall be effective immediately after the Lender has received such information or otherwise becomes aware of the change in the Funded Debt Ratio.

(b) The following defined terms are hereby added to the Fixed Rate Agreement attached as Exhibit A to the Real Estate Note and shall read in its entirety as follows:

(i) "Funded Debt Ratio" has the meaning specified in the Third Amended and

Restated Loan Agreement.

(ii) "Third Amended and Restated Loan Agreement" means that certain Third

Amended and Restated Loan Agreement, dated as of January 22, 2003, between Lender and Borrower, as amended, modified, extended, renewed or supplemented from time to time.

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, 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;

(ii) The Ninth 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; and

(iv) An amendment fee of \$7,500 from Borrower.

(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 Revolving Credit 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 Revolving Credit 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 Revolving Credit 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 REVOLVING CREDIT 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 Revolving Credit Note, as amended hereby, are hereby amended so that any reference in such Loan Documents to the Loan Agreement and the Revolving Credit Note shall mean a reference to the Loan Agreement and the Revolving Credit 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 HERETO 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 REVOLVING CREDIT

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.

[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/ Shawn M. Preator
Name: Shawn M. Preator
Title: CFO/Treasurer

WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association

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

By its signature above, Borrower acknowledges that Bank's address for notices
under each of the Loan Documents is as follows:

Bank's Address for Notices:

Preston Park Blvd.
Suite 280
Plano, Texas 75093
Fax No.: (972) 867-5674
Telephone No.: (972) 599-5320
Attention: Ralph C. Hamm

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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 dated as of January 22, 2003 (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 dated as of December 26, 2004, the "LOAN AGREEMENT") 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 Third Amendment to Third Amended and Restated Loan Agreement and Amendment to Revolving Credit Note effective as of June 26, 2005 (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/ Tim Taft
Name: Tim Taft
Title: President

R-CHECK, INC.,
a Texas corporation

By:/s/ Tim Taft
Name: Tim Taft
Title: President

PIZZA INN OF DELAWARE, INC.,
a Delaware corporation

By:/s/ Tim Taft
Name: Tim Taft
Title: President

NINTH AMENDED AND RESTATED REVOLVING CREDIT NOTE

\$6,000,000.00 DALLAS, TEXAS TO BE EFFECTIVE AS OF JUNE 26, 2005

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 4975 Preston Park Blvd, Suite 280, Plano, Texas 75093, on or before October 1, 2007, in lawful money of the United States of America and in immediately available funds, the principal sum of Six Million and No/100 Dollars (\$6,000,000.00) 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 Ninth 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, that certain Second Amendment to Third Amended and Restated Loan Agreement and Amendment to Real Estate Note effective as of December 26, 2004, and that certain Third Amendment to Third Amended and Restated Loan Agreement and Amendment to Real Estate Note effective as of June 26, 2005, 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 Eighth Amended and Restated Revolving Credit Note effective as of December 26, 2004, in the original principal amount of \$3,000,000 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/ Shawn M. Preator
Name: Shawn M. Preator
Title: CFO/Treasurer