

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) NOVEMBER 30, 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 2.04 TRIGGERING EVENTS THAT ACCELERATE OR INCREASE A DIRECT FINANCIAL OBLIGATION OR AN OBLIGATION UNDER AND OFF-BALANCE SHEET ARRANGEMENT

On October 19, 2005, Pizza Inn, Inc. ("Company") provided written notice to Wells Fargo Bank, N.A. ("Wells Fargo") that the Company believed it had failed to comply with certain financial ratio covenants contained in the Third Amended and Restated Loan Agreement between the Company and the Bank dated January 22, 2003 (as amended, the "Loan Agreement") as of the close of the Company's fiscal quarter on September 25, 2005. As a result, the Company believes an Event of Default (as defined in the Loan Agreement) exists.

Upon the occurrence of an Event of Default Wells Fargo may elect, among other remedies, to terminate the Revolving Credit Commitment under the Loan Agreement, or to declare all outstanding principal of and accrued and unpaid interest on the Company's obligations under the Loan Agreement immediately due and payable. On November 28, 2005 Wells Fargo notified the Company that as a result of the Event of Default Wells Fargo would continue to make Revolving Credit Loans (as defined in the Loan Agreement) to the Company in accordance with the terms of the Loan Agreement, provided that the aggregate principal amount of all such Revolving Credit Loans does not exceed \$3,000,000 at any one time.

Additionally, Wells Fargo notified the Company that the LIBOR rate margin and the Prime Rate Margin have been adjusted, effective as of October 1, 2005, according to the pricing rate grid set forth in the Loan Agreement.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

(C) EXHIBITS.

EXHIBIT NO. DESCRIPTION OF EXHIBIT  
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99.1 November 22, 2005 letter from Wells Fargo Bank (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: November 30, 2005

By: /s/ Shawn M. Preator  
Shawn M. Preator, Chief Financial Officer

WELLS FARGO  
November 22, 2005

Pizza Inn, Inc.  
3551 Plano Parkway  
The Colony, Texas 75056  
Attention: Shawn M. Preator, Chief Financial Officer

Re: Third Amended and Restated Loan Agreement dated as of January 22, 2003,  
by and between PIZZA INN, INC. ("Borrower") and WELLS FARGO BANK, NATIONAL

ASSOCIATION ("Lender"), as amended by First Amendment to Third Amended and

Restated Loan Agreement effective as of March 28, 2004, Second Amendment to  
Third Amended and Restated Loan Agreement effective as of December 26, 2004, and  
Third Amendment to Third Amended and Restated Loan Agreement effective as of  
June 26, 2005 (said loan agreement as so amended is herein called the "Loan

Agreement"). All terms used herein and not otherwise defined herein shall have  
the meanings given to them in the Loan Agreement.

This letter serves as notice to Borrower that Lender is in receipt of  
Borrower's letter dated as of October 18, 2005 (the "Letter"), in which Borrower

acknowledges its default in the performance and/or observance of two financial  
covenants in the Loan Agreement, each constituting an Event of Default under the  
Loan Agreement. In the Letter, Borrower acknowledges the following two Events  
of Default: (a) its failure to maintain a Fixed Charge Coverage Ratio greater  
than 0.90% for the period from Closing through November 30, 2005 in accordance  
with Section 12.1 of the Loan Agreement, and (b) its sustaining an aggregate net

loss in excess of \$200,000.00 for the fiscal quarter ending September 30, 2005 in  
accordance with Section 12.3 of the Loan Agreement (collectively, the "Specified  
Events of Default").

As a result of the Specified Events of Default, Lender has no obligation to  
advance additional funds to Borrower. Notwithstanding the foregoing, so long as  
no default or Event of Default (other than the Specified Events of Default)  
occurs under the Loan Documents, Lender agrees to continue to make Revolving  
Credit Loans to Borrower in accordance with the terms of the Loan Agreement  
provided that the aggregate principal amount of all such Revolving Credit Loans  
does not exceed \$3,000,000.00 at any one time.

Furthermore, this letter is to inform you that effective October 1, 2005, the  
LIBOR Rate Margin is increased to 3.75% and the Prime Rate Margin is increased  
to 1.75% based upon the Funded Debt Ratio being in excess of 5.50 to 1.

Please be advised that the notice given hereby is being made pursuant to the  
terms and provisions of the Loan Documents and is not intended to and does not  
constitute a waiver of any of the rights or remedies which Lender may have  
pursuant to the Loan Documents. No failure to exercise and no delay in  
exercising, on the part of Lender shall operate as a waiver of any rights which  
Lender may have pursuant to the terms of the Loan Documents. Further, any  
reference by the Lender of any defaults mentioned herein shall in no way  
constitute, or be construed to be, a waiver of any other default which may now  
exist or hereafter arise under the Loan Documents.

Notwithstanding any previous actions or inactions by the Lender to the contrary,  
if any, you are hereby notified that Lender requires a strict compliance with  
the terms and conditions of the Loan Documents and Lender does not in any manner  
waive any rights or remedies available against Borrower pursuant to the Loan  
Agreement, the other Loan Documents or applicable law.

Please be advised that no statement contained in this letter or any other  
communication between Lender and Borrower shall be deemed a waiver of any  
default then existing under the terms of the Loan Agreement or any other Loan  
Document. Lender expressly reserves any rights, privileges and remedies  
available to it under the Loan Agreement and the other Loan Documents in  
connection with any default referenced above, and no failure to exercise and no  
delay on the part of Lender in exercising any right under the Loan Agreement or  
any other Loan Document shall operate as a waiver thereof, nor shall any single  
or partial exercise of any right preclude any other or further exercise thereof,  
or the exercise of any other right. No waiver of any provision of the Loan

Agreement or any other Loan Document shall be effective unless the same shall be in writing and signed by Lender, and then such waiver or consent shall be effective only in the specific instance to which it relates and for the purpose for which it is given. The rights provided for in the Loan Agreement and the other Loan Documents are cumulative and not intended to be exclusive of any other right given hereunder or now or hereafter existing at law or in equity or by statute or otherwise.

Very truly yours,

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Jay W. Denny  
Name: Jay W. Denny  
Title: Senior Vice President