
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 28, 2006**

Pizza Inn, Inc.

(Exact name of registrant as specified in its charter)

Missouri

(State or other jurisdiction of incorporation)

0-12919

(Commission File Number)

47-0654575

(IRS Employer Identification No.)

3551 Plano Parkway, The Colony, Texas

(Address of principal executive offices)

75056

(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))
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Item 1.01 Entry Into a Material Definitive Agreement

On August 28, 2006, Pizza Inn, Inc., (the “Company”) entered into agreements with The SYGMA Network, Inc. (“SYGMA”) and The Institutional Jobbers Company (“IJ”) to provide warehousing and delivery of food and restaurant supplies to the Company’s system of franchised and Company-operated Pizza Inn® restaurants. Pursuant to the distribution service agreements, under which services will begin on November 1, 2006, (i) SYGMA, a subsidiary of SYSCO Corporation, will distribute to Pizza Inn restaurants in Arkansas, Florida, Missouri, New Mexico, Oklahoma, South Dakota and Texas, and (ii) IJ will distribute to Pizza Inn restaurants in Alabama, Georgia, Illinois, Indiana, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee and Virginia.

On August 28, 2006, SYGMA and the Company also entered into a 35-month lease agreement at market rates for SYGMA’s lease of the Company’s 102,000 square foot warehouse and distribution facility in The Colony, Texas commencing on November 1, 2006. SYGMA and the Company have also entered into a one-month access agreement providing SYGMA with access to the facility commencing on October 1, 2006. During the term of the lease SYGMA will provide its services for the Company from that facility. In connection with its use of the facility, SYGMA has agreed to purchase or assume leases for certain of the Company’s assets used in connection with the operation of the facility and the performance of distribution services, including certain refrigerated trailers currently operating as a part of the distribution fleet of the Company’s operating division, Norco Restaurant Services Company (“Norco”). IJ has indicated that it may elect to purchase or assume leases for certain other refrigerated trailers.

Until November 1, 2006, the Company expects to continue to perform distribution services to its restaurants through Norco from The Colony, Texas warehouse. Beginning on November 1, 2006, Norco is expected to continue to provide services for the Company’s restaurants by performing certain purchasing, quality assurance, research and development, order acceptance and management, inventory control, customer service, logistics support, and billing functions. The Company expects to continue to own the significant majority of the inventory warehoused and distributed by IJ and SYGMA, and franchisees are expected to continue to purchase such products from Norco. In addition, the Company expects to continue to receive orders for delivery from franchisees and to perform all billing and collecting for amounts due from franchisees for all products purchased from Norco and delivered by IJ or SYGMA.

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.

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
99.1	Press Release dated August 28, 2006 (furnished herewith and incorporated herein by reference)

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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 28, 2006

By: /s/ Timothy P. Taft
Timothy P. Taft,
President and Chief Executive Officer

FOR IMMEDIATE RELEASE

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**NEW DISTRIBUTION AGREEMENTS TO REDUCE COSTS FOR PIZZA INN
AND ITS FRANCHISE SYSTEM**

Move Improves Efficiencies of “Last Link” in Supply Chain
and Unit-Level Economics

The Colony, Texas – August 28, 2006 — Pizza Inn, Inc. (NASDAQ:PZZI) today announced a significant change to its supply chain that will reduce costs at its wholly-owned distribution division, NORCO Restaurant Services Company. The announcement represents a dramatic shift for the 48-year-old brand, which, until now, distributed supplies, goods and other products from its headquarters in The Colony, Texas, to its almost 300 domestic franchise operations located from its western boundaries of New Mexico and South Dakota to its eastern boundaries of Virginia and Florida.

The Company will dramatically improve its cost structure by outsourcing distribution services, resulting in savings on rising fuel costs, overhead and maintenance expenses. As a result of these cost reductions, the Company will lower product costs for franchisees. It is one of the most aggressive tactics the Company has taken since President & Chief Executive Officer Tim Taft took the helm in 2005.

The Company has recently signed distribution agreements with two different service providers, which are expected to take effect on November 1, 2006. Distribution agreements have been entered into with The SYGMA Network, a subsidiary of SYSCO Corporation (NYSE: SYY), and Institutional Jobbers Company (“IJ”), a privately-held Tennessee-based company. The new distribution agreements provide that SYGMA will be responsible for distributing food and other supplies to Pizza Inn locations in the midwestern and western parts of the United States while IJ will be responsible for distributing to locations in the eastern part of the country. SYGMA will also lease the Company’s existing warehouse facility. Franchisees will still be able to use NORCO for all other services, including ordering, billing, support, R&D and quality assurance. NORCO transportation and warehouse personnel will be provided employment opportunities with SYGMA.

Tim Taft, President and Chief Executive Officer commented, “This is one of the most significant events that has taken place at Pizza Inn in recent years. The cost savings we realize will improve franchisee economics without compromising the Company’s profitability. We also expect this change to be a catalyst for the recruitment of new franchisees to the system as well as future development from our existing base of operators.”

“If you look at the entire supply chain from manufacturing to the delivery of groceries to restaurants, outsourcing the logistics of delivering groceries to the restaurants was the ideal solution,” said Jack Odachowski, Vice President of Supply Chain Management for Pizza Inn. “Innovation and creative thinking have produced an exciting opportunity for Pizza Inn and its franchisees.”

FOR IMMEDIATE RELEASE

Contact:
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Larry Rust, President of the Pizza Inn Franchise Association, commented on the new approach to distribution. “For the first time we feel as if we have a management team that has the best interest of the franchisees at heart and the integrity to realize that the Company’s future growth can only be realized when franchisees and shareholders both prosper.”

Pizza Inn, Inc. (www.pizzainn.com) is headquartered in The Colony, Texas, along with its distribution division, NORCO Restaurant Services Company. Pizza Inn franchises approximately 370 restaurants and owns three restaurants with annual chain-wide sales of approximately \$155 million.