

SCHEDULE 13D

INFORMATION TO BE INCLUDED IN STATEMENTS FILED  
PURSUANT TO RULE 13d-1(a) AND AMENDMENTS  
THERE TO FILED PURSUANT TO RULE 13d-2(a)

(Amendment No. )1

PIZZA INN, INC.  
(Name of Issuer)

COMMON STOCK, PAR VALUE \$0.01 PER SHARE

(Title of class of securities)

725848 10 5

(CUSIP number)

STEVEN WOLOSKY, ESQ.  
OLSHAN GRUNDMAN FROME ROSENZWEIG & WOLOSKY LLP  
505 Park Avenue  
New York, New York 10022  
(212) 753-7200

(Name, address and telephone number of person  
authorized to receive notices and communications)

December 6, 2002

(Date of event which requires filing of this statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(e), 13d-1(f) or 13d-1(g), check the following box 1

Note. Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Rule 13d-7 for other parties to whom copies are to be sent.

(Continued on following pages)

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1 The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

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1 NAMES OF REPORTING PERSONS  
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

NEWCASTLE PARTNERS, L.P.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\* (a) / /  
(b) / /

3 SEC USE ONLY

4 SOURCE OF FUNDS\*

WC

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED  
PURSUANT TO ITEM 2(d) OR 2(e) / /

6 CITIZENSHIP OR PLACE OF ORGANIZATION

TEXAS

NUMBER OF 7 SOLE VOTING POWER  
SHARES  
BENEFICIALLY 3,270,000 (1)  
OWNED BY  
EACH  
REPORTING  
PERSON WITH

8 SHARED VOTING POWER

0

9 SOLE DISPOSITIVE POWER

365,000

10 SHARED DISPOSITIVE POWER

2,905,000 (1)

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING  
PERSON

3,270,000 (1)

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES\* / /

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 32.5%

14 TYPE OF REPORTING PERSON\* PN

\*SEE INSTRUCTIONS BEFORE FILLING OUT!

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(1) Includes 2,905,000 shares of Common Stock held by C. Jeffrey Rogers (the "Pledged Shares") and pledged to Newcastle Partners L.P. ("NP") pursuant to the terms of an Omnibus Agreement and Pledge Agreement, each dated as of December 6, 2002 by and between NP and Mr. Rogers. The Omnibus Agreement grants NP the option to acquire the Pledged Shares for \$7,373,726.42 (plus accrued interest through the exercise date). The Pledge Agreement provides (i) that Mr. Rogers may not dispose of the Pledged Shares without the prior written consent of NP and (ii) that NP shall have voting power of the Pledged Shares.

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1 NAMES OF REPORTING PERSONS I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY) NEWCASTLE CAPITAL GROUP, L.L.C.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\* (a) / / (b) / /

3 SEC USE ONLY

4 SOURCE OF FUNDS\* 00

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e) / /

6 CITIZENSHIP OR PLACE OF ORGANIZATION TEXAS

7 SOLE VOTING POWER NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH 3,270,000 (1)

8 SHARED VOTING POWER 0

9 SOLE DISPOSITIVE POWER 365,000

10 SHARED DISPOSITIVE POWER 2,905,000 (1)

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 3,270,000 (1)

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES\* / /

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 32.5%

14 TYPE OF REPORTING PERSON\* CO

\*SEE INSTRUCTIONS BEFORE FILLING OUT!

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(1) Includes 2,905,000 shares of Common Stock held by C. Jeffrey Rogers (the "Pledged Shares") and pledged to Newcastle Partners L.P. ("NP") pursuant to the terms of an Omnibus Agreement and Pledge Agreement, each dated as of December 6, 2002 by and between NP and Mr. Rogers. The Omnibus Agreement grants NP the option to acquire the Pledged Shares for \$7,373,726.42 (plus accrued interest through the exercise date). The Pledge Agreement provides (i) that Mr. Rogers may not dispose of the Pledged Shares without the prior written consent of NP and (ii) that NP shall have voting power of the Pledged Shares.

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1      NAMES OF REPORTING PERSONS
      I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

      NEWCASTLE CAPITAL MANAGEMENT, L.P.
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2      CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP*      (a) / /
                                                              (b) / /
-----
3      SEC USE ONLY
-----
4      SOURCE OF FUNDS*

      00
-----
5      CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED
      PURSUANT TO ITEM 2(d) OR 2(e)                               / /
-----
6      CITIZENSHIP OR PLACE OF ORGANIZATION

      TEXAS
-----
NUMBER OF          7      SOLE VOTING POWER
SHARES
BENEFICIALLY      3,270,000 (1)
OWNED BY
EACH
REPORTING
PERSON WITH
-----
8      SHARED VOTING POWER

      0
-----
9      SOLE DISPOSITIVE POWER

      365,000
-----
10     SHARED DISPOSITIVE POWER

      2,905,000 (1)
-----
11     AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING
PERSON
      3,270,000 (1)
-----
12     CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES
CERTAIN SHARES*                                             / /
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13     PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

      32.5%
-----
14     TYPE OF REPORTING PERSON*

      PN
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\*SEE INSTRUCTIONS BEFORE FILLING OUT!

(1) Includes 2,905,000 shares of Common Stock held by C. Jeffrey Rogers (the "Pledged Shares") and pledged to Newcastle Partners L.P. ("NP") pursuant to the terms of an Omnibus Agreement and Pledge Agreement, each dated as of December 6, 2002 by and between NP and Mr. Rogers. The Omnibus Agreement grants NP the option to acquire the Pledged Shares for \$7,373,726.42 (plus accrued interest through the exercise date). The Pledge Agreement provides (i) that Mr. Rogers may not dispose of the Pledged Shares without the prior written consent of NP and (ii) that NP shall have voting power of the Pledged Shares.

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1      NAMES OF REPORTING PERSONS
      I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

      MARK E. SCHWARZ
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2      CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP*      (a) / /
                                                              (b) / /
-----
3      SEC USE ONLY
-----
4      SOURCE OF FUNDS*

      00
-----
5      CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED
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6 CITIZENSHIP OR PLACE OF ORGANIZATION

U.S. Citizen

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH 7 SOLE VOTING POWER 3,270,000 (1)

8 SHARED VOTING POWER

0

9 SOLE DISPOSITIVE POWER

365,000

10 SHARED DISPOSITIVE POWER

2,905,000 (1)

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

3,270,000 (1)

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES\* / /

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

32.5%

14 TYPE OF REPORTING PERSON\*

IN

\*SEE INSTRUCTIONS BEFORE FILLING OUT!

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(1) Includes 2,905,000 shares of Common Stock held by C. Jeffrey Rogers (the "Pledged Shares") and pledged to Newcastle Partners L.P. ("NP") pursuant to the terms of an Omnibus Agreement and Pledge Agreement, each dated as of December 6, 2002 by and between NP and Mr. Rogers. The Omnibus Agreement grants NP the option to acquire the Pledged Shares for \$7,373,726.42 (plus accrued interest through the exercise date). The Pledge Agreement provides (i) that Mr. Rogers may not dispose of the Pledged Shares without the prior written consent of NP and (ii) that NP shall have voting power of the Pledged Shares.

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The following statement constitutes the Schedule 13D filed by the undersigned (the "Statement").

## Item 1. Security and Issuer.

This Statement relates to the common stock, par value \$0.01 per share ("Common Stock"), of Pizza Inn, Inc. (the "Company"), whose principal executive offices are located at 3551 Plano Parkway, The Colony, Texas 75056.

## Item 2. Identity and Background.

Items 2(a), 2(b) and 2(c) This Statement is jointly filed by Newcastle Partners, L.P., a Texas limited partnership ("NP"), Newcastle Capital Management, L.P., a Texas limited partnership ("NCM"), Newcastle Capital Group, L.L.C., a Texas limited liability company ("NCG"), and Mark Schwarz (together with NP, NCM and NCG, the "Reporting Persons"). Because Mark Schwarz is the managing member of NCG, which is the general partner of NCM (with Mark Schwarz, NCG and NCM, hereinafter referred to as the "Controlling Persons"), which in turn is the general partner of NP, the Controlling Persons may be deemed, pursuant to Rule 13d-3 of the Securities Exchange Act of 1934, as amended (the "Act"), to be the beneficial owners of all shares of Common Stock held by NP. The Reporting Persons are filing this joint Statement, as they may be considered a "group" under Section 13(d)(3) of the Act. However, neither the fact of this filing nor anything contained herein shall be deemed to be an admission by the Reporting Persons that such a group exists.

As stated above, Mark Schwarz is the managing member of NCG. The principal business of NCG is acting as the general partner of NCM. The principal business of NCM is acting as the general partner of NP. The principal business of NP is investing in securities. The principal place of business for each of the Reporting Persons is 300 Crescent Court, Suite 1110, Dallas, Texas 75201.

Item 2(d) During the last five years, none of the Reporting Persons have been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors).

Item 2(e) During the last five years, none of the Reporting Persons have been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction, and as a result of such proceeding, was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

Item 2(f) Mark Schwarz is a citizen of the United States.

Item 3. Source and Amount of Funds or Other Consideration.

The net investment cost (including commissions, if any) of the shares of Common Stock held directly by NP was approximately \$594,257.58, all of which was obtained from NP's working capital. None of NCG, NCM or Mr. Schwarz directly owns any shares of Common Stock.

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NP also acquired an option to purchase 2,905,000 shares of Common Stock held by C. Jeffrey Rogers for an aggregate exercise price of \$7,373,726.42 pursuant to the Omnibus Agreement by and between NP and Mr. Rogers dated as of December 6, 2002. If exercised, the option will be paid for by canceling the Promissory Note dated as of December 6, 2002 in the aggregate principal amount of \$7,373,726.42 (plus accrued interest through the exercise date) made by Mr. Rogers in favor of NP when NP refinanced certain of Mr. Rogers existing debts. The funds used by NP to refinance certain of Mr. Roger's existing debt were obtained from NP's working capital.

Item 4. Purpose of Transaction.

The Reporting Persons purchased the Common Stock based on the belief that the Common Stock, at current market prices, was undervalued and represented an attractive investment opportunity. Depending upon overall market conditions, other investment opportunities, and the availability of shares of Common Stock at desirable prices, the Reporting Persons may endeavor to increase their position in the Company through, among other things, the purchase of shares of Common Stock in open market or private transactions, on such terms and at such times as the Reporting Persons deem advisable.

On December 6, 2002, NP entered into an Omnibus Agreement with C. Jeffrey Rogers whereby NP agreed to refinance certain of the existing indebtedness of Mr. Rogers in the aggregate amount of \$7,373,726.42 (the "Existing Indebtedness"). In exchange for NP refinancing the Existing Indebtedness, Mr. Rogers (i) gave NP an option to purchase in whole, but not in parts, 2,905,000 shares of Common Stock directly held by him (the "Pledged Shares") at an aggregate exercise price of \$7,373,726.42 (plus accrued interest through the exercise date), (ii) issued a Promissory Note in the aggregate principal amount of \$7,373,726.42 in favor of NP and (iii) entered into a Pledge Agreement with NP. The Omnibus Agreement and other related documents are described in more detail in Item 6 hereof.

The Reporting Persons may, from time to time, evaluate various alternatives that they might consider concerning the business and operations of the Company. The Reporting Persons intend to hold discussions with the Board of Directors of the Company (the "Board of Directors") to discuss various matters relating to the Company, including appropriate representation on the Board of Directors, such as appointing one or more persons identified by the Reporting Persons as directors of the Company. If the Reporting Persons are unable to reach an agreement with the Company regarding appropriate representation on the Board of Directors, the Reporting Persons reserve the right to take all actions they deem appropriate, including but not limited to, soliciting proxies and proposing an alternative slate of directors to be put forth for consideration by the Company's shareholders at the next scheduled or future annual or special meeting of the Company's shareholders.

Irrespective of the issue of Board representation, the Reporting Persons intend to communicate with the Board of Directors and certain shareholders concerning the Company's performance and their involvement in the

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Company. In addition, the Reporting Persons intend to review their investment in the Company on a continuing basis. Depending on various factors, such as the Company's financial position and investment strategy, the price levels of the shares of Common Stock, conditions in the securities market and general economic and industry conditions, the Reporting Persons may take such actions as they deem appropriate including, without limitation, making proposals to the Company concerning corporate governance, the capitalization and operations of the Company, the sale of the whole or selective assets of the Company, or the amendment of the Articles of Incorporation or By-Laws of the Company. The Reporting Persons may also purchase additional shares of Common Stock or sell some or all of their shares of Common Stock or change their intention with respect to any and all matters referred to in Item 4.

Except as set forth herein or such as would occur upon completion of any of the actions discussed above, no Reporting Person has any present plan or proposal which would relate to or result in any of the matters set forth in subparagraphs (a) - (j) of Item 4 of Schedule 13D.

Item 5. Interest in Securities of the Company.

The aggregate percentage of shares of Common Stock reported to be owned by the Reporting Persons is based upon 10,058,374 shares of Common Stock outstanding as of November 4, 2002 as reported in the Company's Form 10-Q for the period ended September 30, 2002 as filed with the Securities and Exchange Commission on November 12, 2002.

(a) As of the filing date of this Statement, NP beneficially owned 3,270,000 shares of Common Stock, representing approximately 32.5% of the Company's issued and outstanding Common Stock.

NCM, as the general partner of NP, may be deemed to beneficially own the 3,270,000 shares of Common Stock beneficially owned by NP, representing approximately 32.5% of the issued and outstanding Common Stock of the Company.

NCG, as the general partner of NCM, which in turn is the general





In accordance with Rule 13d-1(k)(1) under the Securities Exchange Act of 1934, as amended, the persons named below agree to the joint filing on behalf of each of them of a Statement on Schedule 13D dated December 11, 2002 (including amendments thereto) with respect to the Common Stock of Pizza Inn, Inc. This Joint Filing Agreement shall be filed as an Exhibit to such Statement.

Dated: December 11, 2002

NEWCASTLE PARTNERS, L.P.

By: Newcastle Capital Management, L.P.,  
its general partner

By: Newcastle Capital Group, L.L.C., its  
general partner

By: /s/ Mark Schwarz

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Mark Schwarz, Managing Member

NEWCASTLE CAPITAL MANAGEMENT, L.P.

By: Newcastle Capital Group, L.L.C., its  
general partner

By: /s/ Mark Schwarz

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Mark Schwarz, Managing Member

NEWCASTLE CAPITAL GROUP, L.L.C.

By: /s/ Mark Schwarz

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Mark Schwarz, Managing Member

/s/ Mark Schwarz

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MARK SCHWARZ

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OMNIBUS AGREEMENT

THIS OMNIBUS AGREEMENT (this "Agreement") is entered into on December 6, 2002 (the "Execution Date"), by C. Jeffrey Rogers ("Rogers"), and Newcastle Partners, L.P., a Texas limited partnership ("Newcastle").

ARTICLE A PROPOSED REFINANCING

1. Rogers Existing Indebtedness. Rogers has pledged 2,905,000 shares of common stock, \$.01 par value, of Pizza Inn, Inc. (the "Common Stock") to secure certain indebtedness pursuant to the following (collectively, such indebtedness referred to herein as the "Existing Indebtedness"):

a. \$5,337,000.52 owing to Wells Fargo Bank Texas, National Association ("Wells Fargo") under the terms of that certain Loan Agreement dated as of June 2, 1997, executed between Rogers and Wells Fargo; and

b. \$2,036,725.90 owing to Pizza Inn, Inc. (together with Wells Fargo, collectively referred to herein as the "Existing Lenders") under the terms of that certain Promissory Note dated October 6, 1999, in the principal sum of \$1,949,697.51, executed by Rogers payable to the order of Pizza Inn, Inc.

2. Proposed Refinance. Rogers has proposed that Newcastle refinance the Existing Indebtedness in the amount of \$7,373,726.42 under the terms of a Refinancing Promissory Note (as the same may be hereafter amended, renewed and extended, the "Note") in the principal amount of \$7,373,726.42, executed by Rogers payable to the order of Newcastle. Rogers has further proposed that payment and performance of the Note (together with certain other obligations, including [but not limited to] this Agreement) be secured by a Stock Pledge Agreement (as the same may hereafter be amended, renewed and extended, the "Pledge Agreement") dated the date hereof, executed between Rogers and Newcastle, under the terms of which Rogers shall pledge the "Pledged Shares" (as defined in the Pledge Agreement) consisting of 2,905,000 shares of the Common Stock.

3. Conditions to Refinance. Newcastle has agreed to refinance the Existing Indebtedness under the terms of the Note, subject to the following:

a. Written confirmation of the amount of the Existing Indebtedness secured by the Pledged Shares and owing by Rogers to each of the Existing Lenders and, pursuant to the first advance under the Note:

1) All obligations owing to the Existing Lenders shall be paid in full; and

2) All liens or security interests in favor of each of the Existing Lenders on the Pledged Shares and otherwise in connection therewith shall be terminated and/or released upon such payment.

b. Execution and delivery by Rogers to Newcastle of this Agreement and the following documents:

1) Note

2) Pledge Agreement

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3) Upon payment of the Existing Indebtedness, delivery of the following stock certificates

	Name of Entity	Certificate No.	Number of Shares
1.	Pizza Inn, Inc.	PI12370	200,000
2.	Pizza Inn, Inc.	PI2152	500,000
3.	Pizza Inn, Inc.	PI12326	500,000
4.	Pizza Inn, Inc.	PI13354	939,000
5.	Pizza Inn, Inc.	PI13744	10,000
6.	Pizza Inn, Inc.	PI14336	300,000
7.	Pizza Inn, Inc.	PI13776	300,000
8.	Pizza Inn, Inc.	PI14788	156,000

4) Stock Powers executed in blank (2 for each certificate)

5) Federal Reserve Form U-1

4. Return of Documents. Newcastle will return to Rogers documentation concerning the Existing Indebtedness promptly following Newcastle's receipt thereof from the Existing Lenders.

#### ARTICLE B. OPTION

1. OPTIONS TO PURCHASE COMMON STOCK. For value received, Newcastle is entitled, subject to the terms herein, to purchase from Rogers, on or after January 3, 2003, or from time to time thereafter, fully paid and nonassessable shares of the Common Stock all on the terms and conditions and pursuant to the provisions hereinafter set forth (collectively, the "Option"). The exercise price applicable to this Option (the "Exercise Price") shall be all amounts owed pursuant to the Note for the aggregate of the 2,905,000 shares of the Common Stock set forth in the table above in lines 1 through 8 (collectively, the "Option Shares"). As used herein, the term "Holder" shall initially mean Newcastle, and shall subsequently mean each person or entity to who this Option is duly assigned. The Option may be exercised in whole, but not in part, commencing on January 3, 2003, and shall extend to January 31, 2003 (the "Exercise Period") unless a court or other governing body prevents or delays the exercise of the Option in which case the Exercise Period shall extend through such period of prevention or delay.

2. MANNER OF EXERCISE; PAYMENT FOR SHARES; ISSUANCE OF CERTIFICATES. Subject to the provisions of this Agreement, the Option Shares may be purchased by the Holder, in whole, but not in part, by a completed election to purchase agreement in the form attached to this Omnibus Agreement, to Rogers during normal business hours on any business day, during the Exercise Period, at Rogers's principal residence located at 7529 St. Andrews Ct., Plano, Texas 75093 (or such other office or agency of Rogers as he may reasonably designate by notice to the Holder), which payment shall occur upon the cancellation by Newcastle, and the declaration by Newcastle, of the payment in full of all amounts (both principal and interest) owing under the Note and the Pledge Agreement, in which event the Note shall be returned, marked "Paid in Full," to Rogers. Payment for any Option Shares shall not be made prior to January 3, 2003.

3. DAMAGES. Rogers agrees that a breach of any of the covenants contained in this Agreement will cause irreparable injury to Newcastle and that Newcastle has no adequate remedy at law in respect of such breach and, as a consequence, agrees that each and every covenant contained in this Agreement shall be specifically enforceable against Rogers. Rogers further acknowledges the impossibility of ascertaining the amount of damages which would be suffered by Newcastle by reason of a breach of any of the covenants contained in this Agreement and, consequently, agrees that, if Rogers shall breach any of such

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covenants, Rogers shall pay to Newcastle, as liquidated damages and not as a penalty, an aggregate amount equal to the excess of the Exercise Price above the actual price of the related capital stock plus any appropriate premiums.

#### ARTICLE C. MISCELLANEOUS

1. NOTICES. All notices, requests and other communications required or permitted to be given or delivered hereunder to the Holder of the Option shall be in writing, and shall be personally delivered, or shall be sent by certified or registered mail or by recognized overnight mail courier, postage prepaid and addressed, to such Holder at the address shown for such Holder on the books of Rogers, or at such other address as shall have been furnished to Rogers by notice from such Holder. All notices, requests, and other communications required or permitted to be given or delivered hereunder to Rogers shall be in writing, and shall be personally delivered, or shall be sent by certified or registered mail or by recognized overnight mail courier, postage prepaid and addressed to the office of Rogers at 7529 St. Andrews Ct., Plano, Texas 75093, or at such other address as shall have been furnished to the Holder of the Option by notice from Rogers. Any such notice, request or other communication may be sent by facsimile, but shall in such case be subsequently confirmed by a writing personally delivered or sent by certified or registered mail or by recognized overnight mail courier as provided above. All notices, requests and other communications shall be deemed to have been given either at the time of the receipt thereof by the person entitled to receive such notice at the address of such person for purposes of this Section 1 or, if mailed by registered or certified mail or with a recognized overnight mail courier upon deposit with the United States Post Office or such overnight mail courier, if postage is prepaid and the mailing is properly addressed, as the case may be.

2. GOVERNING LAW. THIS OMNIBUS AGREEMENT SHALL BE GOVERNED AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF TEXAS WITHOUT REGARD TO THE CONFLICTS OF LAW.

3. AMENDMENTS. This Omnibus Agreement may only be amended by an instrument signed by Rogers and the Holder.

4. DESCRIPTIVE HEADINGS. The descriptive headings of the several paragraphs of this Omnibus Agreement are inserted for purposes of reference only, and shall not affect the meaning or construction of any of the provisions of this Omnibus Agreement.

5. SEVERABILITY AND SAVINGS CLAUSE. If any one or more of the provisions contained in this Omnibus Agreement is for any reason (i) objected





"IMMEDIATE DEFAULT" means the occurrence and continuance of any one or more of the following events: (i) this Note, the Pledge Agreement, or the Omnibus Agreement shall: (a) cease to be legal, valid, binding agreements enforceable against any party executing the same in accordance with the respective terms thereof in all material respects; (b) shall in any way be terminated, or become or be declared ineffective or inoperative or shall in any way whatsoever cease to give or provide (1) the respective liens, or security interests, or (2) or the material rights or remedies intended to be created thereby; (ii) a Bankruptcy Default; or (iii) Payee's liens, mortgages or security interests in any of the Pledged Collateral should become unenforceable, or cease to be first priority liens, mortgages or security interests.

"LOAN DOCUMENTS" means (collectively) this Note, the Pledge Agreement, the Omnibus Agreement and any agreements, documents, any modifications, amendments, renewals, extensions, or restatements thereof, or certificates at any time executed or delivered pursuant to, in collateral security of, or with reference to, any of the aforementioned documents.

"MATURITY DATE" means January 15, 2003.

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"MAXIMUM RATE" means, with respect to the holder hereof, the highest non-usurious rate of interest, if any, permitted by applicable law on such day.

"OBLIGATION" means all indebtedness, liabilities and obligations, of every kind and character, of Maker, now or hereafter existing in favor of Payee, regardless of whether they are direct, indirect, primary, secondary, joint, several, joint and several, liquidated, unliquidated, fixed or contingent, and regardless of whether the same may, prior to their acquisition by Payee, be or have been payable to some other person or entity, including, but not limited to, all indebtedness, liabilities and obligations arising under this Note, the Omnibus Agreement and the other Loan Documents.

"OMNIBUS AGREEMENT" means that certain Omnibus Agreement dated the date hereof, executed between Maker and Payee.

"PLEDGE AGREEMENT" means that certain Pledge Agreement dated as of the date hereof, executed by Maker in favor of Payee, as the same may be hereafter revised, modified, renewed or extended.

"PLEDGED COLLATERAL" shall have the meaning assigned to such term in the Pledge Agreement.

"RECOURSE EVENT" means at any time Payee brings an action to foreclose, or exercise its rights against, the Pledged Collateral and Maker, or any person acting on its behalf, seeks to restrain, enjoin, hinder, impede or delay the foreclosure, or Maker or such person institutes, any suit or other proceeding in a civil court filed to hinder, impede or delay the exercise of Payee's rights or remedies against the Maker or the Pledged Collateral.

"RECOURSE LIABILITIES" means liability for any of the following:

(a) all indemnification obligations of Maker under the Pledge Agreement;

(b) Maker's fraud or willful misrepresentations in connection with the Loan Documents;

(c) if a Bankruptcy Default occurs, then accrued, unpaid interest on this Note; and

(d) Maker, or any person or entity acting on its behalf, interferes with or contests the exercise or validity of the exercise of any remedies by Payee or files a petition in bankruptcy on behalf of Maker or institutes litigation or a petition or claim in any proceeding contesting the exercise or the validity of the exercise of any right or remedy by Payee or the legality, validity or enforceability of any Loan Document, or the legality or validity of any sum contracted for, charged or received by Payee;

(e) all costs, expenses and fees including, but not limited to, court costs and reasonable attorneys' fees, disbursements and expenses, arising in connection with the collection of items (a) through (d), above.

2. Payment. The principal of and interest upon this Note shall be due and payable on the Maturity Date. All payments of principal and interest of this Note shall be made by Maker to Payee in federal or other immediately available funds. Payments made to Payee by Maker hereunder shall be applied first to accrued interest and then to principal.

Should the principal of, or any installment of the principal of or interest upon, this Note become due and payable on any day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day, and interest shall be payable with respect to such extension.

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All past due principal of and, to the extent permitted by applicable law, interest upon this Note shall bear interest at the Maximum Rate, or if no Maximum Rate is established by applicable law, then at the rate per annum which shall from day to day be equal to fifteen percent (15%).

3. WAIVERS. Maker and each surety, endorser, guarantor, and other party ever liable for payment of any sums of money payable upon this Note, jointly and severally waive presentment, demand, protest, notice of protest and non-payment or other notice of default, notice of acceleration, and intention to accelerate, or other notice of any kind, and agree that their liability under this Note shall not be affected by any renewal or extension in the time of payment hereof, or in any indulgences, or by any release or change in any security for the payment of this Note, and hereby consent to any and all renewals, extensions, indulgences, releases, or changes, regardless of the number of such renewals, extensions, indulgences, releases, or changes.





limited to, any excess of the "Exercise Price" (as such term is defined in the Omnibus Agreement) above the actual price of the related capital stock plus any appropriate premiums.

"Omnibus Agreement" means that certain Omnibus Agreement dated the date hereof, executed between Pledgor and Lender.

"Pledged Collateral" shall have the meaning assigned to it in Section 2 hereof.

"Pledged Shares" shall have the meaning assigned to it in the recitals.

"Secured Indebtedness" shall mean all indebtedness, obligations, and liabilities described or referred to in clauses (a) through (c) below:

(a) the Obligation;

(b) all fees and expenses, including, without limitation, all reasonable attorneys' fees and legal expenses incurred by Lender to preserve and maintain the Pledged Collateral, collect the obligations herein described, and enforce any of the Loan Documents; and

(c) all extensions, renewals, amendments, and modifications of any of the foregoing.

SECTION 2. Pledge. As collateral security for the payment and performance of the Secured Indebtedness, Pledgor hereby pledges, hypothecates, assigns, transfers, sets over, and delivers unto Lender, and hereby grants Lender a lien and security interest in, the following:

(a) the Pledged Shares and the certificates representing the Pledged Shares, and all cash, securities, dividends, increases, distributions, and profits received therefrom or in connection therewith, including distributions or payments in partial or complete liquidation or redemption, or as a result of reclassifications, readjustments, reorganizations, or changes in the capital structure of the Issuer, and any other property at any time and from time-to-time received, receivable, or otherwise distributed or delivered to Lender, and all rights and privileges pertaining thereto;

(b) all dividends, cash, instruments, and other property from time-to-time received, receivable, or otherwise distributed in respect of or in exchange for any or all of such shares;

(c) all securities hereafter delivered to Lender in substitution for, or in addition to, any of the foregoing, all certificates representing or evidencing such securities, and all cash, securities, instruments, documents, dividends, increases, distributions, and profits received therefrom, and any other property at any time and from time-to-time received by, receivable by, or otherwise distributed or delivered to Lender in respect of or in exchange for any or all of the property described;

(d) all subscriptions, warrants, options, and any other rights issued now or hereafter by the Issuer or any other person whatsoever upon or in connection with the Pledged Shares and any part of the Pledged Collateral; and

(e) all products and proceeds of the foregoing and all general intangibles and contract rights related thereto, including without limitation, all revenues, distributions, dividends, property, registration rights, contract rights, and other rights and interests that Pledgor is, or may hereafter become, entitled to receive on account of any collateral described in subsections 2(a) through (e);

(all such Pledged Shares, certificates, securities, instruments, documents, dividends, increases, distributions, profits, intangibles, contract rights, and other property being herein collectively called the "Pledged Collateral"). Pledgor shall forthwith deliver to Lender all subscriptions, warrants, options, and all such other rights, and upon delivery to Lender, Lender shall hold such subscriptions, warrants, options and other rights as additional collateral pledged to secure the Secured Indebtedness; provided, however, that if Lender determines, in its sole discretion, that the value of any such subscriptions, warrants, options, or other rights shall terminate, expire, or be materially reduced in value by holding the same as Pledged Collateral, Lender shall have the right (but not the obligation), in its sole discretion after sending written notice to Pledgor, to sell or exercise the same, and if exercised, then the monies disbursed by Lender in connection therewith shall become part of the Secured Indebtedness and all of the stock, securities, evidences of indebtedness, and other items so acquired shall become part of the Pledged Collateral;

TO HAVE AND TO HOLD the Pledged Collateral, together with all rights, titles, interests, privileges, and preferences appertaining to or incidental thereto, unto Lender, its successors, and assigns, forever subject, however, to the terms, covenants, and conditions hereafter set forth.

SECTION 3. Lender As Custodian. Lender (or an agent designated by Lender) shall have physical possession of the certificates or instruments representing or evidencing the Pledged Collateral. Pledgor agrees that either (a) all certificates representing Pledged Shares shall be registered in the appropriate stock record books in the name of Lender or a nominee or nominees of Lender and, in either such case, such registration shall reflect that the registered owner is acting as agent on behalf of Lender, or (b) in lieu of or, at Lenders option, in addition to presently registering the Pledged Collateral in the name of Lender or its nominee as provided in clause (a) above, Pledgor will deposit with Lender, along with the certificates or instruments representing or evidencing the Pledged Collateral, duly executed stock powers in favor of Lender or its nominee. In addition, Lender shall at all times have the right to exchange certificates or instruments representing or evidencing the

Pledged Collateral for certificates or instruments of smaller or larger denominations for any purpose consistent with its performance of this Pledge Agreement.

SECTION 4. Representations and Warranties. Pledgor hereby represents and warrants that: (a) Pledgor is a resident of the State of Texas, residing at 7529 St. Andrews Ct., Plano, Texas 75093; (b) after giving effect to the refinancing of the Existing Indebtedness, Pledgor is the sole legal and beneficial owner of the Pledged Collateral free and clear of all liens, charges, pledges, encumbrances, and security interests of every kind and nature, other than liens and security interests in favor of Lender; (c) each Pledged Share has been validly authorized, issued, and is fully paid and non-assessable; (d) Pledgor has good right and lawful authority to pledge the Pledged Collateral in the manner hereby done or contemplated; (e) no consent or approval of any Governmental Authority, or of any securities exchange, is necessary to effect the validity of the rights created hereunder which have not been obtained; (f) except for any financing statement which may have been filed by Lender, after giving effect to the refinancing of the Existing Indebtedness, no financing statement covering the Pledged Collateral, or any part thereof, has been filed with any filing officer or office; (g) after giving effect to the refinancing of the Existing Indebtedness, no security agreement covering the Pledged Collateral, or any part thereof, has been made and no security interest, other than the one herein created, has attached or been perfected in the Pledged Collateral or any part thereof; (h) the execution, delivery, and consummation of this Pledge Agreement will not violate any law, regulation, mortgage, indenture, contract, instrument, judgment, or decree applicable to or binding on Pledgor; (i) to the best of Pledgor's knowledge, the aggregate fair market value of Pledgor's assets exceeds Pledgor's liquidated liabilities; (j) the Note constitutes a refinancing by Pledgor of certain of the Existing Indebtedness; and (k) Pledgor is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any "margin stock" within the meaning of Regulation U and no part of

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Previous Indebtedness has been used for, nor will the proceeds of the Note be used for, directly or indirectly, a purpose which violates any law, statute or regulation, including, without limitation, the provisions of Regulations T, U, or X (as enacted by the Board of Governors of the Federal Reserve System, as amended). The delivery at any time by Pledgor to Lender of additional Pledged Collateral shall constitute a representation and warranty by Pledgor that, with respect to such Pledged Collateral and each item thereof, the matters heretofore warranted in clauses (a) through (k) immediately above are true and correct in all material respects at, and as if they were made at, the date of such delivery.

SECTION 5. Covenants.

(a) Additional Documents and Information. Pledgor covenants and agrees to: (i) from time-to-time promptly execute and deliver to Lender all such stock powers, assignments, certificates, supplemental writings, financing statements, and other items and do all other acts or things as Lender may reasonably request in order more fully to evidence and perfect the interest of Lender in the Pledged Collateral; (ii) punctually and properly perform all of Pledgor's covenants and duties under any other security agreement, deed of trust, collateral pledge agreement, or contract of any kind now or hereafter existing as security for or in connection with payment of the Secured Indebtedness (to the extent liable thereon) in accordance with the terms hereof; (iii) promptly furnish Lender with any information or writings which Lender may reasonably request concerning the Pledged Collateral or the Issuer; (iv) allow Lender to inspect all records of Pledgor relating to the Pledged Collateral or to the Secured Indebtedness, and to make and take away copies of such records; (v) promptly notify Lender of any material change in any fact or circumstance warranted or represented by Pledgor in this Pledge Agreement or in any other writing furnished by Pledgor to Lender in connection with the Pledged Collateral or the Secured Indebtedness; (vi) promptly notify Lender of any claim, action, or proceeding affecting title to the Pledged Collateral, or any part thereof, or the security interest therein, and, at the request of Lender, appear in and defend, at Pledgor's expense, any such action or proceeding; and (vii) promptly, after being requested by Lender, pay to Lender the amount of all reasonable expenses, including reasonable attorneys' fees and other legal expenses, incurred by Lender in enforcing the security interest.

(b) Proceeds. Should the Pledged Collateral, or any part thereof, ever be in any manner converted by the Issuer or maker into another type of property, or any money or other proceeds ever be paid or delivered to Pledgor as a result of Pledgor's rights in the Pledged Collateral, then, in any such event, all such property, money, and other proceeds, except only ordinary cash dividends (unless and until payable to Lender pursuant to Section 6(c) hereof), shall become part of the Pledged Collateral and shall be delivered to Lender by Pledgor.

(c) Performance by Lender. Should any covenant, duty, or agreement of Pledgor fail to be performed in accordance with its terms hereunder, Lender may, but shall never be obligated to, perform or attempt to perform such covenant, duty, or agreement on behalf of Pledgor, and any amount expended by Lender in such performance or attempted performance shall become a part of the Secured Indebtedness. At the request of Lender, Pledgor agrees to pay such amount promptly to Lender at Lender's office in Dallas, Texas, together with interest thereon at the rate provided in the Note.

(d) Negative Covenants. Pledgor covenants and agrees that, without the prior written consent of Lender, Pledgor will not: (i) sell, assign, or transfer any rights of Pledgor in the Pledged Collateral except pursuant to the "Option" (as such term is defined in the Omnibus Agreement); (ii) except for the Option, grant any options or other rights in the Pledged Collateral; (iii) create any other lien or security interest in, mortgage, or otherwise encumber the Pledged Collateral, or any part thereof, or permit the same to be or become subject to any lien, security interest, mortgage, attachment, execution, sequestration, other legal or equitable process, or any encumbrance of any kind or character, except the security interest herein created; (iv) vote for, consent to, or permit any amendment of the articles of incorporation or charter of the Issuer that might materially adversely affect the value of the Pledged



Collateral; or (v) vote for, consent to, or permit (A) any transfer of shares in, or change in ownership of, the Issuer, or (B) any other changes in the capital structure of the Issuer.

SECTION 6. Voting Rights; Dividends, Etc.

(a) Termination of Rights. All rights of Pledgor to exercise the voting and/or consensual rights and powers under the Pledged Collateral shall hereby cease, and all such rights shall thereupon become vested in Lender, who shall have the sole and exclusive right and authority to exercise such voting and/or consensual rights. Further, Lender shall have the right to notify and direct the Issuer to make all payments, dividends, and any other distributions payable in respect thereof directly to Lender. The Issuer making any such payment or distribution to Lender hereunder shall be fully protected in relying on the written statement of Lender that it then holds a security interest which entitles it to receive such payments and distributions. Any and all money and other property paid over to or received by Lender pursuant to the provisions of this subsection (a) shall be retained by Lender as additional collateral hereunder and may be applied (and upon Pledgor's written request all cash shall promptly be applied) in accordance with the provisions hereof.

(b) Dividends. All cash dividends, returns of capital, or other distributions made on or in respect of the Pledged Collateral, whether resulting from a subdivision, combination, or reclassification of the outstanding capital stock or other ownership interests of the Issuer, received in exchange for Pledged Collateral or any part thereof, or as a result of any merger, consolidation, acquisition, or other exchange of assets to which the Issuer may be a party or otherwise, and any and all cash and other property received in exchange for the Pledged Collateral, or received in payment of the principal of or in redemption of the Pledged Collateral, shall be paid or delivered to Lender.

SECTION 7. Rights and Remedies of Lender Upon and After Default.

(a) Remedies. In addition to any and all other rights and remedies which Lender may then have hereunder, under other contracts or agreements between Pledgor and Lender (including, without limitation, the Omnibus Agreement), under applicable law, or under the Uniform Commercial Code as in effect in the State of Texas (hereinafter called "Code"), or otherwise, Lender may (at its option) at any time following the occurrence of an Immediate Default (as such term is defined in the Note) - and, if any other Event of Default occurs, then at any time following the Maturity Date: (i) declare the entire unpaid balance of principal and all accrued interest on the Secured Indebtedness immediately due and payable, without written notice of demand, notice of intent to accelerate, notice of acceleration, or presentment, all of which are hereby waived; (ii) reduce its claim to judgment, foreclose, or otherwise enforce its security interest in all or any part of the Pledged Collateral by any available judicial procedure; (iii) after notification, if any, expressly provided for herein, sell or otherwise dispose of, at the office of Lender or elsewhere, as chosen by Lender, all or any part of the Pledged Collateral, and any such sale or other disposition may be as a unit or in parcels, by public or private proceedings, and by way of one or more contracts (it being agreed that the sale of any part of the Pledged Collateral shall not exhaust Lender's power of sale, but sales may be made from time to time until all of the Pledged Collateral has been sold or until the Secured Indebtedness has been paid in full; provided, however that Lender shall have no obligation to sell the Pledged Collateral piecemeal, it being specifically acknowledged that a sale of all of the Pledged Collateral to one purchaser in a single transaction shall be conclusively presumed to be commercially reasonable), and at any such sale it shall not be necessary to exhibit the Pledged Collateral; (iv) at its discretion, retain the Pledged Collateral in satisfaction of the Secured Indebtedness whenever the circumstances are such that Lender is entitled to do so under the Code; (v) purchase the Pledged Collateral at any public sale in accordance with the Code; (vi) purchase the Pledged Collateral at any private sale in accordance with the Code; and (vii) exercise the rights set forth in Section 7 hereof in accordance with the Code.

(b) Sale of Pledged Collateral. Lender is authorized at any sale of the Pledged Collateral, if it deems it advisable, to restrict the prospective bidders or purchasers to those persons who will represent and agree that they are purchasing for their own account, for investment, and not with a view to distribution or sale of any of the Pledged Collateral. Upon any such sale, Lender shall have the right to deliver, assign, and transfer to the purchaser thereof the Pledged Collateral so sold. Each purchaser at any such sale shall hold the property sold absolutely free from any claim or right of whatsoever kind, including any equity or right of redemption of Pledgor which hereby specifically waives, to the fullest extent permitted by applicable law, all rights of redemption, stay, or appraisal which it has or may have under any rule of law or statute now existing or hereafter adopted, and such waiver shall be deemed to have been made after default. Lender shall give Pledgor ten (10) days' written notice of its intention to make any such public or private sale or sale at broker's board or on a securities exchange. Such notice, in case of sale at broker's board or on a securities exchange, shall state the board or exchange at which such sale is to be made and the day on which the Pledged Collateral, or that portion thereof so being sold, which will first be offered for sale at such board or exchange. Lender shall have no obligation to disclose or provide any information concerning the Issuer or the Pledged Collateral to prospective purchasers of the Pledged Collateral other than information in its possession at such time, and Pledgor agrees and acknowledges that it shall be commercially reasonable for any notices of any such sale, published or otherwise, to specifically so state. At any such sale the Pledged Collateral may be sold in one lot as an entirety or in separate parcels, as Lender may elect, and any such election shall be presumed to be commercially reasonable. Lender shall not be obligated to make any such sale pursuant to any such notice. Lender may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which the same may be so adjourned. In case of any sale of all or any part of the Pledged Collateral on credit or for future delivery, the Pledged Collateral so sold may be retained by Lender until the selling price is paid by the purchaser thereof, but Lender shall not incur any liability in case of the failure of such purchaser to take and pay for the Pledged Collateral so sold, and, in case of

any such failure, such Pledged Collateral may again be sold upon like notice. Lender may also, at its discretion, proceed by a suit or suits at law or in equity to foreclose the pledge and sell the Pledged Collateral, or any portion thereof, under a judgment or decree of a court or courts of competent jurisdiction. If any consent, approval, or authorization of any state, municipal, or other governmental department, agency, or authority should be necessary to effectuate any sale or other disposition of the Pledged Collateral, or any partial disposition of the Pledged Collateral, Pledgor will execute all such applications and other instruments as may be required in connection with securing any such consent, approval, or authorization, and will otherwise use its best efforts to secure the same.

(c) Possible Restrictions on Sale of Pledged Collateral. Because of the Securities Act of 1933, as amended (the "Securities Act"), or any other applicable laws or regulations, there may be legal restrictions or limitations affecting Lender in any attempts to dispose of certain portions of the Pledged Collateral in the enforcement of its rights and remedies hereunder. For these reasons Lender is hereby authorized by Pledgor, but not obligated, in the event of any Event of Default hereunder giving rise to Lender's rights, to sell or otherwise dispose of the Pledged Collateral, and after the giving of any notices required herein, to sell all or any part of the Pledged Collateral at a private sale, subject to an investment letter or in any other manner which will not require the Pledged Collateral, or any part thereof, to be registered in accordance with the Securities Act, as amended, or other applicable rules and regulations promulgated thereunder, or any other law or regulation, at the best price reasonably obtainable by Lender at any such private sale or other disposition in the manner mentioned above, and Pledgor specifically acknowledges that any such disposition shall be commercially reasonable under the Code. Lender is also hereby authorized by Pledgor, but not obligated, to take such actions, give such notices, obtain such consents, and do such other things as Pledgor may deem required or appropriate in the event of a sale or disposition of any of the Pledged Collateral. Pledgor clearly understands that Lender may at

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its discretion approach a restricted number of potential purchasers and that a sale under such circumstances may yield a lower price for the Pledged Collateral, or any part or parts thereof, than would otherwise be obtainable if same were registered and sold in the open market. Pledgor agrees (i) in the event Lender shall, upon an Event of Default hereunder, sell the Pledged Collateral, or any portion thereof, at such private sale or sales, Lender shall have the right to rely upon the advice and opinion of any member firm of a National Security Exchange (as defined in the Securities Exchange Act of 1934) or other business or stock valuation company as to the best price reasonably obtainable upon such private sale thereof, and (ii) that such reliance shall be conclusive evidence that Lender handled such matter in a commercially reasonable manner under the Code.

(d) Notification. Reasonable notification of the time and place of any public sale of the Pledged Collateral, or reasonable notification of the time after which any private sale or other intended disposition of the Pledged Collateral is to be made, shall be sent to Pledgor and to any other person entitled under the Code to notice. It is agreed that notice sent or given not less than ten calendar days prior to the taking of the action to which the notice relates is reasonable notification and notice for the purpose of this Pledge Agreement.

(e) Application of Proceeds. Upon the maturity of any instrument evidencing the Secured Indebtedness or any part thereof, whether such maturity be by such terms of such instruments or through the exercise of any power of acceleration, Lender is authorized and empowered to apply any and all funds realized from the sale of the Pledged Collateral not previously credited against the Secured Indebtedness first, toward the payment of the costs, charges, and expenses, if any, incurred in the collection of such funds hereunder, and then, toward the payment (in such order as Lender shall elect) of the Secured Indebtedness, and shall pay any balance remaining to Pledgor or as prescribed by the Code.

(f) Notices. In the event that any notice is required to be given to Pledgor with respect to any sale or liquidation of the Pledged Collateral, any notice addressed to Pledgor at the address set forth in Section 12(g) below, postage prepaid, deposited in the United States mail ten (10) days prior to the date of any such intended action shall be deemed to be a sufficient and commercially reasonable notice. Nothing contained herein shall prevent Lender from giving notice in any other manner which is considered reasonable.

SECTION 8. Authority of Lender. Lender shall have and be entitled to exercise all such powers hereunder as are specifically delegated to Lender by the terms hereof, together with such powers as are reasonably incidental thereto. Lender may execute any of its duties hereunder by or through sub-agents or employees and shall be entitled to retain counsel and to act in reliance upon the advice of such counsel concerning all matters pertaining to said duties. Lender and any affiliate, director, officer, or employee of Lender shall not be liable for any action taken or omitted to be taken by them or any of them hereunder or in connection herewith, except for their own gross negligence or willful misconduct; nor shall Lender be responsible for the validity, effectiveness, or sufficiency hereof or of any document or security furnished pursuant hereto or in connection herewith. Lender shall be entitled to rely on any communication, instrument, or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Pledgor hereby agrees to reimburse Lender, on demand, for all reasonable expenses incurred by it in connection with the administration and enforcement of this Pledge Agreement and agrees to indemnify and hold harmless Lender from and against any and all liability incurred by it hereunder or in connection herewith, unless such liability shall be due to willful misconduct or gross negligence on the part of Lender. Other than the exercise of reasonable care in the physical custody of the Pledged Collateral while held by Lender, Lender shall have no responsibility for or obligation or duty with respect to all or any part of the Pledged Collateral or any matter or proceeding arising out of or relating thereto, including, without limitation, any obligation or duty to collect any sums due in respect thereof or to protect or preserve any rights against prior parties or any other rights pertaining thereto, it being

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may pay for the repair, maintenance, or preservation of any of the Pledged Collateral, and all sums so expended, including, but not limited to, reasonable attorneys' fees, court costs, agents' fee or commissions, or any other costs or expenses, shall become part of the Secured Indebtedness, shall bear interest from the date of payment at the Maximum Rate, shall be payable at the place designated for payment of the Secured Indebtedness, and shall be secured by this Pledge Agreement.

SECTION 11. Obligations of Pledgor. So long as no Recourse Event occurs, Pledgor shall not have any personal liability for payment of the Obligation other than the Recourse Liabilities. Following the occurrence of a Recourse Event, Pledgor shall have unlimited personal liability for the Obligation. Nothing contained in this Section shall (a) impair the validity of the Note or the Obligation or any collateral or security securing the payment and performance thereof, (b) affect, diminish, negate, alter, amend or impair the validity or enforceability of the Recourse Liabilities, it being intended that Pledgor shall at all times be fully liable for the Recourse Liabilities. The provisions of this Section shall not in any way affect or impair the right of any holder of the Note or any of the other Loan Documents to exercise any or all of its rights under the Note or any of the other Loan Documents against Pledgor or the Pledged Collateral pursuant to the Lender's rights of foreclosure or other rights with respect to collateral or security for the Obligation.

SECTION 12. Miscellaneous.

(a) Terms Commercially Reasonable. The terms of this Pledge Agreement shall be deemed commercially reasonable within the meaning of the Code in effect and applicable hereto.

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(b) Headings. The headings of articles and sections herein are inserted only for convenience and shall in no way define, describe, or limit the scope or intent of any provision of this Pledge Agreement.

(c) Amendments. No change, amendment, modification, cancellation, or discharge of any provision of this Pledge Agreement shall be valid unless consented to in writing by the party or parties against whom enforcement is being sought.

(d) Assignment of Lender's Rights. Lender shall have the right to assign all or any portion of its rights under this Pledge Agreement to any subsequent holder or holders of the Secured Indebtedness.

(e) Parties in Interest. As and when used herein, the term "Pledgor" shall mean and include Pledgor herein named and his heirs, personal representatives, successors and permitted assigns, and the term "Lender" shall mean and include Lender herein named and its successors and assigns, and all covenants and agreements herein shall be binding upon and inure to the benefit of Pledgor and Lender and their respective heirs, personal representatives, successors and assigns, provided that Pledgor shall have no right to assign his rights hereunder to any other person or entity.

(f) Applicable Laws. THIS PLEDGE AGREEMENT AND ALL ISSUES AND CLAIMS ARISING IN CONNECTION WITH OR RELATING TO THE PLEDGED COLLATERAL OR THE SECURED INDEBTEDNESS, INCLUDING BUT WITHOUT LIMITATION, ALL CONTRACT, TORT, EQUITY, OR OTHER CLAIMS OR COUNTERCLAIMS SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS (WITHOUT CONSIDERATION OF ITS CONFLICTS OF LAWS RULES) AND THE APPLICABLE LAWS OF THE UNITED STATES OF AMERICA. If any provision of this Pledge Agreement is held to be invalid or unenforceable, the validity and enforceability of the other provisions of this Pledge Agreement shall remain unaffected.

(g) Notices. Any notices or other communications required or permitted to be given by this Pledge Agreement or any other documents and instruments referred to herein must be in writing and shall be deemed to have been given when personally served or when deposited in the United States mails, registered or certified, return receipt requested, addressed to the party to be notified at the following address (or at such other address as may have been designated by written notice):

If to Lender: Newcastle Partners, L.P.  
300 Crescent Court, Suite 1110  
Dallas, Texas 75201  
Attention: Mark E. Schwarz, Managing Member

If to Pledgor: C. Jeffrey Rogers  
7529 St. Andrews Ct.  
Plano, Texas 75093

(h) Obligations Absolute. All rights and remedies of Lender hereunder, and all obligations of Pledgor hereunder, shall be absolute and unconditional irrespective of:

(i) any lack of validity or enforceability of the Note or any of the other Loan Documents or any other agreement or instrument relating to any of the foregoing;

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(ii) any change in the time, manner, or place of payment of, or in any other term of, all or any of the Secured Indebtedness, or any other amendment or waiver of or any consent to any departure from the Note or any of the other Loan Documents; or

(iii) any exchange, release, or nonperfection of any interest in any Pledged Collateral, or any release or amendment or waiver of or consent to any departure from any guarantee, for all or any of the Secured Indebtedness.

(i) Counterparts. This Pledge Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same instrument, and in making proof of this Pledge Agreement it shall not be necessary to produce or account for more than one such



EXHIBIT A  
PLEDGED SHARES

Name of Entity	Certificate No.	Number of Shares
Pizza Inn, Inc.	PI12370	200,000
Pizza Inn, Inc.	PI2152	500,000
Pizza Inn, Inc.	PI12326	500,000
Pizza Inn, Inc.	PI13354	939,000
Pizza Inn, Inc.	PI13744	10,000
Pizza Inn, Inc.	PI14336	300,000
Pizza Inn, Inc.	PI13776	300,000
Pizza Inn, Inc.	PI14788	156,000