

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

X Filed by Registrant  
Filed by a Party other than the Registrant

Check the appropriate box:

X Preliminary Proxy Statement  
Definitive Proxy Statement  
Definitive Additional Materials  
Soliciting Material Pursuant to 240.14a-11(c) or  
240.14a-12

PIZZA INN, INC.  
(Name of Registrant as Specified In Its Charter)

PIZZA INN, INC.  
(Name of Person(s) Filing Proxy Statement)

Payment of Filing Fee (Check the appropriate box):

X \$125 per Exchange Act Rules 0-11(c)(1)(ii), 14a-6(i)(1), or  
14a-6(i)(2)  
\$500 per each party to the controversy pursuant to Exchange  
Act Rule 14a-6(i)(3)  
Fee computed on table below per Exchange Act Rules 14a-6(i)(4)  
and 0-11.

Check box if any part of the fee is offset as provided by  
Exchange Act Rule 0-11(a)(2) and identify the filing for which the  
offsetting fee was paid previously. Identify the previous filing  
by registration statement number, or the Form or Schedule and the  
date of its filing.

PIZZA INN, INC.  
5050 QUORUM DRIVE, SUITE 500  
DALLAS, TEXAS 75240  
(972) 701-9955

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD DECEMBER 4, 1996

To our Shareholders:

The Annual Meeting of Shareholders of Pizza Inn, Inc. (the "Company") will be held at The Westin Hotel (Galleria), 13340 Dallas Parkway, Dallas, Texas 75240, on Wednesday, December 4, 1996, at 10:00 a.m., Dallas time, for the following purposes:

1. To elect four Class I directors;
2. To approve an amendment to the 1993 Stock Award Plan; and
3. To transact such other business as may properly come before the meeting or any adjournments thereof.

Only shareholders of record at the close of business on October 15, 1996 are entitled to notice of, and to vote at, this meeting and any adjournments thereof.

Sincerely,

Jeff Rogers  
President and Chief Executive Officer

October 24, 1996

Whether or not you plan to attend the meeting in person, please complete, date, and sign the enclosed proxy, and mail it in the stamped envelope enclosed for your convenience. The enclosed proxy is revocable at any time prior to its use.

YOUR VOTE IS IMPORTANT.

PIZZA INN, INC.  
5050 QUORUM DRIVE, SUITE 500  
DALLAS, TEXAS 75240  
(972) 701-9955

PROXY STATEMENT FOR THE  
ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD DECEMBER 4, 1996

The Board of Directors of Pizza Inn, Inc. (the "Company"), a Missouri corporation, is soliciting proxies to be voted at the Annual Meeting of Shareholders (the "Annual Meeting") to be held at The Westin Hotel (Galleria), 13340 Dallas Parkway, Dallas, Texas 75240, on Wednesday, December 4, 1996, 10:00 a.m., Dallas time, and at any adjournments thereof. This Proxy Statement was first mailed to the Company's shareholders on or about October 24, 1996.

If the proxy is signed and returned before the Annual Meeting, it will be voted in accordance with the directions on the proxy. A proxy may be revoked at any time before it is voted by execution of a subsequent proxy, by signed written notice to Pizza Inn, Inc., Church Street Station, P.O. Box 1673, New York, New York 10277-1673, or by voting in person at the Annual Meeting.

#### OUTSTANDING CAPITAL STOCK

The record date for shareholders entitled to notice of, and to vote at, the Annual Meeting is October 15, 1996. At the close of business on that date, there were outstanding 13,017,152 shares of Common Stock, \$.01 par value ("Common Stock"). No other class of securities of the Company is entitled to notice of, or to vote at, the Annual Meeting.

#### ACTION TO BE TAKEN AT THE MEETING

The accompanying proxy, unless the shareholder otherwise specifies in the proxy, will be voted:

1. For the election of the four Class I director nominees named herein, to serve for a term of two years each or until their respective successors are elected and qualified;
2. For approval of an amendment to the 1993 Stock Award Plan (the "Plan") increasing by 500,000 shares the aggregate number of shares of Common Stock issuable under the Plan; and
3. In the discretion of the proxy holders, as to the transaction of such other business as may properly come before the meeting or any adjournments thereof.

The Board of Directors is not presently aware of any other business to be brought before the Annual Meeting.

#### QUORUM AND VOTING

The presence, in person or by proxy, of the holders of a majority of the outstanding shares of Common Stock is necessary to constitute a quorum at the Annual Meeting. In deciding all questions, a holder of Common Stock (a "Shareholder") is entitled to one vote, in person or by proxy, for each share held in his name on the record date. Solely with respect to the election of directors, a Shareholder has that number of votes equal to the number of shares held by him on the record date multiplied by the number of directors being elected and he is entitled to cumulate his votes and cast them all for any single nominee or to spread his votes, so cumulated, among as many nominees and in such manner as he sees fit. Directors must be elected by a plurality of the votes cast. To be elected as a director, a candidate must be one of the four candidates who receive the most votes out of all votes cast at the Annual Meeting.

A Shareholder who is present, in person or by proxy, and who withholds his vote in the election of directors, will be counted for purposes of determining whether a quorum exists, but the withholding of his vote will not affect the election of directors. A Shareholder who is present, in person or by proxy, and who abstains from voting on other proposals, will be counted for purposes of a quorum, and the abstention will have the same effect as a vote against the proposals. Brokers' "non-votes" are treated the same as votes withheld or abstained.

The enclosed proxy, if executed and returned, will be voted as directed on the proxy or, in the absence of such direction, for the election of the nominees as directors and for the approval of the proposed amendment to the Stock Plan. If any other matters properly come before the meeting, the enclosed proxy will be voted by the proxy holders in accordance with their best judgment.

#### ELECTION OF DIRECTORS

The Company's Articles of Incorporation and By-laws provide that the Board of Directors shall be divided into two Classes. The terms of the four Class I directors expire at the Annual Meeting. The Board has nominated for election at the Annual Meeting all four incumbent Class I directors, each to serve for a term of two years. Each nominee of the Board has expressed his intention to serve the entire term for which election is sought. Directors will be elected by cumulative voting. The Board of Directors recommends a vote for each of the four nominee directors.

The following table lists the names and ages, as of October 1, 1996, of the four nominee directors and the three directors whose terms of office will continue after the Annual Meeting, the class to which each director has been or will be elected, the year in which each director was first elected, and the annual meeting (assuming that it is held in December) at which the term of each director will expire (assuming the election of each nominee).

Nominee Directors	Age	Class	Director Since	Term Expires
Bobby L. Clairday	53	I	1990	1998
Don G. Navarro	52	I	1990	1998
Ronald W. Parker	46	I	1993	1998
Ramon D. Phillips	63	I	1990	1998
Continuing Directors				
C. Jeffrey Rogers	49	II	1990	1997
F. Jay Taylor	73	II	1994	1997
Steve A. Ungerman	52	II	1990	1997

#### EXECUTIVE OFFICERS

The following table sets forth certain information, as of October 1, 1996, regarding the Company's executive officers:

Name	Age	Position	Executive Officer Since
C. Jeffrey Rogers	49	President, Vice Chairman and Chief Executive Officer	1990
Ronald W. Parker	46	Executive Vice President and Chief Operating Officer	1992
Amy E. Manning	33	Controller and Treasurer	1991
Roy H. Lotz	47	Vice President of Concept Development and Equipment	1996
Ward T. Olgreen	37	Vice President of International Operations and Brand R & D	1995
Robert L. Soria	41	Vice President of Restaurant Development	1993
Donald W. Zentmeyer	44	General Counsel	

## BIOGRAPHIES OF NOMINEE DIRECTORS AND CONTINUING DIRECTORS

Steve A. Ungerman became President of Medsynergies, Inc., a physician practice management company, in September 1996, and Of Counsel to the law firm of Ungerman Sweet & Brousseau. Prior to September 1996, he practiced law in the areas of business matters, commercial finance and mediation for 28 years. Mr. Ungerman was elected a Director and Chairman of the Board of Directors of the Company in September 1990.

Bobby L. Clairday is an Area Developer of Pizza Inn restaurants and he is President and sole shareholder of Clairday Food Services, Inc., a Pizza Inn franchisee operating Pizza Inn restaurants in three states. Mr. Clairday also is a shareholder of Advance Food Services, Inc., a franchisee operating Pizza Inn restaurants in Arkansas. From 1990 until his election as a Director of the Company in January 1993, Mr. Clairday was an ex-officio member of the Board of Directors, serving as a representative of our franchisees. He has served as the President of the Pizza Inn Franchisee Association and as a member of various committees and associations affiliated with the Pizza Inn restaurant system. Mr. Clairday has been a franchisee of the Company for over twenty years.

Don G. Navarro is President of The Navarro Group, Inc. ("TNG"). TNG and its predecessor, Don Navarro and Associates, LLC, have provided financial and business advisory services to a wide range of corporate and individual clients since 1982. Mr. Navarro is also a Director of IMCO Recycling, Inc., Industrial Thermoform, Inc. and Southeastern Paralegal Institute. Mr. Navarro was elected a Director of the Company in September 1990.

Ronald W. Parker is Executive Vice President and Chief Operating Officer of the Company. Mr. Parker joined the Company in October 1992 and was elected Executive Vice President, Chief Operating Officer and a Director in January 1993. From October 1989 to September 1992, he was Executive Vice President and General Manager of the Bonanza restaurant division of Metromedia Steakhouses, Inc. and its predecessor Metsa, Inc. From 1983 to 1989, Mr. Parker served in several executive positions for USACafes, the franchisor of the Bonanza restaurant chain.

Ramon D. Phillips has been President, Chief Executive Officer and Chairman of the Board of Hallmark Financial Services, Inc., a financial services company, since May 1989. From 1987 to May 1989, Mr. Phillips was a Director and Executive Vice President, responsible for administrative matters, for Pantera's Corporation (a predecessor of the Company). From 1974 through 1987, Mr. Phillips was employed in various capacities by Pizza Inn, Inc. (a Delaware corporation which was also a predecessor of the Company). Mr. Phillips was elected a Director of the Company in September 1990.

C. Jeffrey Rogers was appointed President of the Company's predecessor in February 1990 and he became President, Chief Executive Officer and a Director of the Company in September 1990 pursuant to the terms of the Company's recapitalization plan. From 1983 to 1989, Mr. Rogers was President, Chief Executive Officer and a Director of USACafes General Partner, Inc., the general partner of the limited partnership that owned the Bonanza family restaurant system and franchised approximately 650 Bonanza restaurants, and its predecessor USACafes. Mr. Rogers was elected Vice Chairman of the Board of Directors of the Company in January 1994, and he was elected a Director of Hallmark Financial Services, Inc. in May 1995.

F. Jay Taylor is an arbitrator in Ruston, Louisiana who is affiliated with the American Arbitration Association and the Federal Mediation and Conciliation Service. He is a Director and Chairman of the Audit Committee of Michael's Stores, Inc. and a Director of the Illinois Central Railroad. He formerly served as a Director of USACafes, Earth Resources and Mid South Railroad. Dr. Taylor, who received his Ph.D. from Tulane University, served as President of Louisiana Tech University from 1962 to 1987 and currently serves as its President Emeritus. Mr. Taylor was elected a Director of the Company in 1994.

## BIOGRAPHIES OF NON-DIRECTOR OFFICERS

Amy E. Manning was elected Controller in January 1991 and Treasurer for the Company in January 1993. She joined the Company in April 1990. From 1988 to 1990, she was an Accounting Manager with USACafes, the franchisor of Bonanza restaurants. Prior to 1988, Ms. Manning was an Accounting Manager with the Dondi

Group/Vernon Savings & Loan and an auditor with the public accounting firm of Deloitte & Touche.

Roy T. Lotz was appointed Vice President of Concept Development and Equipment for the Company in July 1996. He was assigned responsibility for concept development and equipment sales in September 1995. He joined the Company in December 1991 as a Franchise Operations Consultant. Mr. Lotz was Director of Real Estate and Construction for Tony Roma's Restaurants from 1988 to November 1991, and he was employed as Director of Franchise Operations and in other positions for El Chico Restaurants from 1971 to 1988.

Ward T. Olgreen was appointed Vice President of International Operations and Brand R&D for the Company in January 1995. He joined the Company in September 1991 as a Franchise Operations Consultant. Mr. Olgreen was promoted to Senior Franchise Operations Consultant in July 1992 and Director of Franchise Operations in July 1993. Mr. Olgreen was a Branch Manager for GCS Service, Inc., a restaurant equipment service provider, from 1986 through July 1991.

Robert L. Soria was appointed Vice President of Restaurant Development for the Company in February 1996. He was Vice President of Franchise Operations from July 1993 through February 1996. Mr. Soria joined the Company in May 1991 as a Regional Director, and he was promoted to Director of Franchise Services in September 1991. Mr. Soria was a Regional Franchise Manager for Popeye's Fried Chicken in San Antonio, Texas from 1989 through May 1991. Prior to 1989, Mr. Soria served in several positions for USACafes with responsibility for restaurant and franchise operations.

Donald W. Zentmeyer was elected General Counsel and Secretary of the Company in August 1993. From 1987 through August 1993, he was Assistant General Counsel and Assistant Secretary of ShowBiz Pizza Time, Inc., a company which franchises and operates restaurants. From 1987 through October 1988, he was also Assistant General Counsel and Assistant Secretary for Integra - A Hotel and Restaurant Company. Prior to 1987, Mr. Zentmeyer was Senior Counsel for Maxus Energy Corporation.

#### SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth certain information, as of October 1, 1996, with respect to the beneficial ownership of Common Stock by: (a) each person known to be a beneficial owner of more than five percent of the outstanding Common Stock; (b) each director, nominee director, and executive officer named in the section entitled "Summary Compensation Table;" and (c) all directors and executive officers as a group (12 persons). Except as otherwise indicated, each of the persons named in the table below is believed by the Company to possess sole voting and investment power with respect to the shares of Common Stock beneficially owned by such person. Information as to the beneficial ownership of Common Stock by directors and executive officers of the Company has been furnished by the respective directors and executive officers.

<TABLE>  
<CAPTION>

Name (and Address of 5% Beneficial Owner )	Shares Beneficially Owned	Percent of Class
<S>	<C>	<C>
C. Jeffrey Rogers (a) 5050 Quorum Drive, Suite 500 Dallas, Texas 75240	3,939,244	27.0%
Ronald W. Parker (a)	694,828	4.8%
Don G. Navarro (a) (b)	122,000	less than 1%
Bobby L. Clairday (a)	98,300	less than 1%
Ramon D. Phillips (a) (c)	40,646	less than 1%
Steve A. Ungerman (a) (d)	30,566	less than 1%
F. Jay Taylor (a)	10,000	less than 1%
Robert L. Soria (a)	65,708	less than 1%
Amy E. Manning (a)	59,557	less than 1%
Donald W. Zentmeyer (a)	98,950	less than 1%
All Directors and Executive Officers as a Group	5,259,951	36.1%

(a) Includes vested options under the Company's stock option plans, as

follows: 700,000 shares for Mr. Rogers; 600,000 shares for Mr. Parker; 30,000 shares for Mr. Navarro; 10,000 shares for Mr. Clairday; 20,323 shares for Mr. Phillips; 6,783 shares for Mr. Ungerman; 5,000 shares for Mr. Taylor; 57,000 shares for Mr. Soria; 45,000 shares for Ms. Manning; and 91,000 shares for Mr. Zentmeyer.

(b) Mr. Navarro shares voting and investment power for 90,000 shares with the general partners of Pistalero Partners, L.P.

(c) Mr. Phillips shares voting and investment power for 18,490 shares with the shareholders of Wholesale Software International, Inc.

(d) Mr. Ungerman shares voting and investment power for 1,000 shares with Jay W. Ungerman.

#### COMMITTEES AND MEETINGS OF THE BOARD OF DIRECTORS

The Board has established Audit, Compensation, Executive, Finance and Stock Award Plan Committees. The Audit Committee selects independent auditors and reviews audit results. The Compensation Committee reviews and approves remuneration for officers of the Company and administers the 1992 Stock Award Plan. The Finance Committee reviews and oversees the Company's capital structure and operating results. The Executive Committee considers business as directed by the Chairman of the Board. The Stock Award Plan Committee administers the 1993 Stock Award Plan and the 1993 Outside Directors Stock Award Plan.

As of October 1, 1996, Messrs. Clairday, Phillips, Taylor and Ungerman serve on the Audit Committee; Messrs. Navarro, Phillips and Ungerman serve on both the Compensation and Stock Award Plan Committees; Messrs. Navarro, Phillips, Rogers and Ungerman serve on the Executive Committee; and Messrs. Parker, Phillips and Taylor serve on the Finance Committee.

During fiscal year 1996, the Board of Directors held four meetings. The Audit Committee met three times, the Compensation and Stock Award Plan Committees jointly met once, the Executive Committee met five times and the Finance Committee met three times.

In addition, the Compensation and Stock Award Plan Committees took several actions by unanimous written consent in lieu of meetings. Each of the directors attended at least three-fourths of the total number of meetings held by the Board and the committees on which he served.

#### SUMMARY COMPENSATION TABLE

The following table sets forth the annual compensation of the Chief Executive Officer and the other four most highly compensated executive officers of the Company for the fiscal years ended June 30, 1996, June 25, 1995, and June 26, 1994 (designated as years 1996, 1995, and 1994).

<TABLE>

<CAPTION>

Name (and Principal Position)	Annual Compensation			Long Term Compensation Awards	
	Year	Salary (\$)	Bonus (\$)	Other Annual Comp- ensation (\$)(a)	Securities Underlying Options (# of shares)
<S>	<C>	<C>	<C>	<C>	<C>
C. Jeffrey Rogers (Chief Executive Officer)	1996	\$495,107 (b)	\$500,000	\$236,158	330,000 shares
	1995	462,711	650,000	153,267	1,400,000 (d)
	1994	441,727	500,000	228,928	350,000
Ronald W. Parker (Chief Operating Officer)	1996	\$295,149 (b)	\$267,660	\$165,207	193,500
	1995	267,554	230,000	115,123	800,000 (d)
	1994	222,500	219,500	135,820 (c)	200,000
Robert L. Soria (Vice President of Restaurant Development)	1996	\$ 84,581 (b)	\$ 34,160	\$ 5,474	10,000
	1995	84,365	15,000	6,624	130,000 (d)
	1994	70,769	15,000	8,625 (c)	35,000
Amy E. Manning (Controller)	1996	\$ 87,242 (b)	\$ 24,260	\$ 5,178	10,000
	1995	79,021	15,000	5,479	70,000 (d)
	1994	72,368	15,000	8,994 (c)	5,000
Donald W. Zentmeyer (General Counsel)	1996	\$102,662 (b)	\$ 24,260	\$ 6,467	10,000
	1995	100,000	10,000	6,075	171,000 (d)

</TABLE>

(a) Includes: for Mr. Rogers, supplemental retirement benefits of \$43,860 in 1996, \$43,860 in 1995, and \$177,383 in 1994 (for service in past and current years) and life insurance benefits of \$42,842 in 1996 and \$42,842 in 1995; for Mr. Parker, supplemental retirement benefits of \$43,860 in 1996, \$43,860 in 1995, and \$99,965 in 1994 (for service in past and current years) and life insurance benefits of \$36,400 in 1996 and \$39,210 in 1995; for Mr. Soria, car allowance of \$4,800 in 1996, \$4,800 in 1995, and \$4,750 in 1994; for Ms. Manning, car allowance of \$3,600 in 1996, \$3,600 in 1995 and \$3,115 in 1994; for Mr. Zentmeyer, car allowance of \$4,800 in 1996 and \$4,800 in 1995.

(b) The Company's 1996 fiscal year included 53 weeks, compared to 52 weeks in 1995 and 1994.

(c) Includes grants of Common Stock issued pursuant to the Company's recapitalization plan, as follows: to Mr. Parker, 2,000 shares (\$7,125 value) granted and vested 5-13-94 and 2,600 shares (\$7,150 value) granted 7-6-93 and vested 1-1-95; to Mr. Soria, 1,000 shares (\$2,750 value) granted 7-6-93 and vested 1-1-95; to Ms. Manning 500 shares (\$1,781 value) granted and vested 5-13-94 and 1,000 shares (\$2,750 value) granted 7-6-93 and vested 1-1-95; to Mr. Zentmeyer, 1,000 shares (\$3,563 value) granted and vested 5-13-94. Dollar values are calculated as the closing bid price (or the average of high and low bid prices if closing price is not published) for the Common Stock on the date of grant, multiplied by the number of shares granted. Grants made with deferred vesting are subject to forfeiture if the officer's employment terminates before the vesting date. The officer does not receive any dividends paid on the Common Stock before the vesting date. All grants have totally vested.

(d) Includes newly granted options as well as replacement options granted in exchange for the cancellation of previously granted options, as follows: for Mr. Rogers 350,000 new options on 7-21-94 and 350,000 replacement options on 12-20-94, all subsequently replaced on 6-12-95 by 700,000 options which he currently holds; for Mr. Parker 200,000 new options on 7-21-94 and 200,000 replacement options on 12-20-94, all subsequently replaced on 6-12-95 by 400,000 options which he currently holds; for Mr. Soria 30,000 new options on 7-21-94 and 35,000 replacement options on 12-20-94, all subsequently replaced on 6-12-95 by 65,000 options which he currently holds; for Ms. Manning 30,000 new options on 7-21-94 and 5,000 replacement options on 12-20-94, all subsequently replaced on 6-12-95 by 35,000 options which she currently holds; for Mr. Zentmeyer 50,000 new options on 7-21-94 and 30,000 replacement options on 12-20-94, all subsequently replaced (along with 11,000 previous options) on 6-12-95 by 91,000 options which he currently holds. For the total number of options (net of replacement options) held by each named officer, see the table entitled "Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values."

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR  
AND FISCAL YEAR-END OPTION VALUES

The following table sets forth information regarding stock options exercised during fiscal year 1996 and unexercised stock options held at the end of fiscal year 1996 by the Chief Executive Officer and the other four most highly compensated executive officers of the Company. The closing bid price for the Company's Common Stock, as reported by the National Association of Securities Dealers Automated Quotation System, was \$4.25 on June 28, 1996 (the last trading day of the Company's fiscal year).

<TABLE>  
<CAPTION>

Name	Shares Acquired on Exercise (#)	Value Realized (\$)	Number of Unexercised Options at Fiscal YearEnd (Exercisable/Unexercisable) (#)	Value of Unexercised In-the-Money Options at Fiscal Year End (Exercisable/Unexercisable) (\$)
<S>	<C>	<C>	<C>	<C>
C. Jeffrey Rogers	--	--	700,000 (e) 330,000 (u)	\$ 1,225,000 41,250
Ronald W. Parker	--	--	600,000 (e) 193,500 (u)	1,325,000 24,188
Robert L. Soria	27,000	61,750	25,000 (e) 53,000 (u)	44,500 76,500
Amy E. Manning	--	--	15,000 (e)	28,750

		40,000 (u)	53,750
Donald W. Zentmeyer --	--	66,000 (e)	115,500
		35,00 (u)	45,000

</TABLE>

- (e) Denotes exercisable options.  
(u) Denotes unexercisable options.

#### OPTION GRANTS IN LAST FISCAL YEAR

The following table sets forth information regarding stock options granted during fiscal year 1996, pursuant to the Company's 1993 Stock Award Plan, to the Chief Executive Officer and the other four most highly compensated executive officers of the Company.

<TABLE>  
<CAPTION>

Name	Options Granted (#)	% of Total Options Granted to Employees in Fiscal Year	Exercise Price (\$/Share)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
					5% (\$)	10% (\$)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
C. Jeffrey Rogers	330,000 (a)	43.7	4.125	06/28/02	462,955	1,050,287
Ronald W. Parker	193,500 (a)	25.6	4.125	06/28/02	271,460	615,850
Robert L. Soria	10,000 (b)	1.3	4.125	06/28/04	19,695	47,173
Amy E. Manning	10,000 (b)	1.3	4.125	06/28/04	19,695	47,173
Donald W. Zentmeyer	10,000 (b)	1.3	4.125	06/28/04	19,695	47,173

(a) All of such options become exercisable on June 28, 1997.

(b) One half of such options become exercisable on June 28, 1997 and the other half become exercisable on June 28, 1999.

#### COMPENSATION COMMITTEE AND STOCK AWARD PLAN COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Compensation Committee of the Board of Directors is comprised of three independent, non-employee directors. The Compensation Committee is responsible for establishing the level of compensation of the executive officers of the Company and administering the 1992 Stock Award Plan. The same three directors also comprise the Stock Award Plan Committee, which administers the 1993 Stock Award Plan.

In its administration and periodic review of executive compensation, the Compensation Committee believes in aligning the interests of the executive officers with those of the Company's shareholders. To accomplish this, the Compensation Committee seeks to structure and maintain a compensation program that is directly and materially linked to operating performance and enhancement of shareholder value. This has been effectively accomplished in the past by heavily weighting the compensation of most executive officers in favor of equity ownership incentives and bonuses paid on the basis of performance.

The Company intends for all compensation paid to its executives to be fully deductible under federal income tax laws. Recently adopted changes to the Internal Revenue Code impose certain limitations on compensation in excess of \$1 million per year paid to executives. The Compensation Committee believes that performance based bonuses and stock options granted to its executive officers will continue to be fully deductible.



## Chief Executive Officer

The salary and bonus of C. Jeffrey Rogers, Chief Executive Officer of the Company, is set forth in his Employment Agreement, which was originally executed in connection with Mr. Rogers' joining the Company in 1990 and was most recently amended in July 1994.

In reviewing Mr. Rogers' agreement, as amended, the Compensation Committee found his base salary and bonus to be in line with the overall leadership he has provided to the employees and to the franchise community. The bonus program established in Mr. Rogers' agreement is based on the Company's profitability, cash flow and debt repayments. Termination provisions were found to be industry competitive and in line with historical performance and expected future contributions as well as helping to ensure his continued leadership. See the section entitled "Executive Employment Contracts."

## Executive Officers

Salaries of the executive officers, excluding Mr. Rogers, are reviewed annually and adjusted based on competitive practices, changes in level of responsibilities and, in certain cases, individual performance measured against goals. The Compensation Committee strongly believes that maintaining a competitive salary structure is in the best interest of shareholders. It believes the Company's long-term success in its marketplace is best achieved through recruitment and retention of high caliber executives who are among the most skilled and talented in the industry.

Bonus targets for the four most highly paid executive officers, other than the Chief Executive Officer, are set annually. Mr. Parker's 1996 bonus was based on individual performance and targets related to the Company's profitability, cash flow and debt repayments. The 1996 bonuses for Mr. Soria, Ms. Manning and Mr. Zentmeyer were based on targets related to profitability of the Company for the fiscal year.

## Stock Options

The Compensation Committee and Stock Award Plan Committee believe that equity ownership motivates officers and employees to provide effective leadership that contributes to the Company's long-term financial success as measured by appreciation in its stock price. The Company established the 1993 Stock Award Plan for the purpose of aligning employee and shareholder interests. Under these plans, stock options have been granted in fiscal year 1996 to Mr. Rogers and the other executive officers, as well as other employees, based upon their relative positions and responsibilities, as well as historical and expected contributions to Company growth.

Submitted by the Compensation Committee and Stock Award Plan Committee:

Don G. Navarro  
Ramon D. Phillips  
Steve A. Ungerman

## EXECUTIVE EMPLOYMENT CONTRACTS

C. Jeffrey Rogers and the Company entered into an Employment Agreement dated July 1, 1994, for a term which currently extends through June 30, 2000. The agreement provides for an annual base salary in fiscal year 1996 of \$485,847, which will be increased by 5% per year.

Under the agreement, Mr. Rogers is also entitled to the following cash bonuses, based on performance: (a) \$37,500 payable quarterly, if the Company earns a profit for the quarter; (b) \$75,000 payable semi-annually, if the Company makes all required payments when due under its bank loans; and (c) \$150,000 payable annually, if the Company meets targets established in the agreement for cash flow from operations (such bonus being adjustable to a maximum of \$250,000 per year if such targets are exceeded by certain amounts).

Under the agreement, Mr. Rogers also receives a \$25,000 annual allowance to purchase life and disability insurance and a \$10,000 annual allowance to maintain secondary health, dental and other insurance. As compensation for the use of his personal automobile on Company business, Mr. Rogers receives \$1,350 per month as an automobile allowance, plus reimbursement of gasoline and maintenance expenses.

Mr. Rogers may terminate the agreement at any time within six months after a "change in control" of the Company occurs. Change in control is defined as: (a) a transfer of substantially all of the assets of the Company to an outside group or entity; (b) the acquisition by an outside group or entity of 50% or more of the stock of the Company or other surviving corporation; or (c) an unapproved change in the majority of the Company's Board of Directors. If the Company terminates Mr. Rogers' employment without cause, or if

Mr. Rogers terminates his employment upon a "change in control," he will be entitled to a lump sum payment of his base salary for the remainder of the term of the agreement plus two times the maximum annual bonus amounts provided in the agreement. The agreement includes a noncompetition covenant that would apply for three years after termination of employment.

Ronald W. Parker and Donald W. Zentmeyer entered into Executive Compensation Agreements with the Company in July 1994. Both agreements provide for payment of compensation (three times annual salary and bonus for Mr. Parker, and two times annual salary and bonus for Mr. Zentmeyer) if the Company terminates the executive's employment without cause or if the executive terminates his employment within six months after a change in control of the Company. The agreements include a noncompetition covenant which would apply for the same number of years that salary and bonus are paid under the agreement after termination of employment.

#### COMPENSATION OF DIRECTORS

A director who is an employee of the Company is not compensated for service as a member of the Board of Directors or any Committee of the Board. Outside directors receive an annual fee of \$17,000 plus meeting fees equal to \$1,000 per Board meeting and \$250 per Committee meeting attended. The Chairman of the Board receives an additional \$6,000 annual fee for serving in that capacity. Mr. Navarro receives an additional \$250 per month to partially pay for a health insurance policy. Directors are also reimbursed for Board related expenses.

Under the 1993 Outside Directors Stock Award Plan each elected outside director is eligible to receive, as of the first day of the Company's fiscal year, options for Common Stock equal to the total number of shares which he owns when first elected, purchases during the preceding fiscal year, or purchases by exercise of previously granted options during the first ten days of the current fiscal year, subject to a maximum of 20,000 shares per year. Stock options granted under the plan have an exercise price equal to the market price of the Common Stock on the date of grant and are first exercisable one year after grant.

Since the beginning of fiscal year 1996, stock options were granted to outside directors pursuant to such plan as follows: on June 26, 1995, options for 20,000 shares (at \$2.6875) to Mr. Navarro and 6,783 shares (at \$2.6875) to Mr. Ungerman; on July 1, 1996, options for 20,000 shares (at \$4.25) to Mr. Clairday, 20,000 shares (at \$4.25) to Mr. Navarro, and 8,500 shares (at \$4.25) to Mr. Ungerman.

#### COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The members of the Compensation Committee during fiscal year 1996 were Messrs. Navarro, Phillips and Ungerman. During fiscal year 1996, C. Jeffrey Rogers served on the Board of Directors and the Compensation Committee of Hallmark Financial Services, Inc., of which Mr. Phillips is Chief Executive Officer and Chairman of the Board of Directors. Prior to 1990, Mr. Phillips served as a director and officer of two predecessors of the Company. See "Biographies of Nominee Directors and Continuing Directors."

#### CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Bobby L. Clairday is President and a shareholder of Clairday Food Services, Inc. and is a shareholder of Advance Food Services, Inc., both of which are franchisees of the Company. Mr. Clairday also holds area development rights in his own name. As franchisees, the two corporations purchase a majority of their food and other supplies from the Company. In fiscal year 1996, purchases by these franchisees made up 8% of the Company's food and supply sales, and royalties, license fees and area development fees from Mr. Clairday and such franchisees made up 6% of the Company's franchise revenues.

In September 1990, Clairday Food Services, Inc. purchased from the Company seven Pizza Inn restaurants in Missouri for a price of \$1,308,000, paid in cash and promissory notes with an interest rate of prime plus 2% and a maturity of July 1995. These notes have been paid in full.

In December 1992, Mr. Clairday purchased area development rights for Arkansas and a portion of Missouri for a price of \$1,250,000, paid in cash and a promissory note with an interest rate of 8% and a maturity of July 1998. This note has been paid in full.

Ramon D. Phillips is a Vice President, and his sons are shareholders of Wholesale Software International, Inc., which is a franchisee operating one Pizza Inn restaurant.

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's executive officers and directors and the persons who own more than ten percent of the Company's Common Stock to file initial reports of ownership of Common Stock and reports of changes of ownership with the Securities and Exchange Commission and the National Association of Securities Dealers, Inc. and to furnish the Company with copies of such reports.

The Company believes that, during the preceding fiscal year, all of the Company's executive officers, directors and holders of more than 10% of its Common Stock complied with all Section 16(a) filing requirements.

#### STOCK PERFORMANCE GRAPH

The following graph compares the cumulative annual total shareholder return (change in share price plus reinvestment of any dividends) on the Company's Common Stock versus two indexes for the past five fiscal years. The graph assumes \$100 was invested on the last trading day of the fiscal year ending June 30, 1991. The Company has not paid any cash dividends on its Common Stock during the applicable period. The Dow Jones Equity Market Index is a published broad equity market index. The Dow Jones Entertainment and Leisure Restaurant Index is compiled by Dow Jones and Company, Inc., and is comprised of seven public companies, weighted for the market capitalization of each company, engaged in restaurant or related businesses (Boston Chicken, Inc., Brinker International, Inc., Cracker Barrel Old Country Store, Inc., Darden Restaurants, Inc., McDonald's Corporation, Sysco Corporation, and Wendy's International, Inc.).

<TABLE>  
<CAPTION>

	6/30/91	6/27/92	6/26/93	6/25/94	6/24/95	6/28/96
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Pizza Inn, Inc.	100	192	733	900	767	1133
Dow Jones Equity Market	100	113	130	132	168	212
Dow Jones Entertainment & Leisure Restaurant Index	100	134	146	161	200	238

#### 1993 STOCK AWARD PLAN

The Company's 1993 Stock Award Plan (the "Plan") became effective as of October 13, 1993. The purpose of the Plan is to attract and retain excellent officers and employees by providing opportunities for them to participate in increased stock value which their efforts help to produce.

The Plan is administered by the Stock Award Plan Committee (the "Committee"), which is comprised of three outside directors, who are not employed by the Company and who qualify as "disinterested persons" under rules issued by the Securities and Exchange Commission. All officers and employees of the Company (approximately 300 persons) are eligible to participate in the Plan. The Committee determines, in its discretion but subject to the limitations set forth in the Plan, the persons to whom awards are granted, the number of shares covered by awards, the exercise price of awards, and the conditions, if any, imposed upon the granting of awards under the Plan. The Committee issues awards under the Plan to employees in correlation with their respective responsibilities to the Company.

The total number of shares of the Company's Common Stock which may be issued to employees under the Plan (before the proposed amendment) shall not exceed 2,000,000. During any one Plan year, the total number of options granted and shares issued pursuant to stock appreciation rights ("SARs") shall not exceed 1,000,000, plus any unused allocations from prior years. Awards granted under the Plan which expire or terminate without being exercised may be regranted.

The exercise price for any option granted under the Plan may not be less than the fair market value of the Company's Common Stock on the date of grant. For all awards under the Plan, the minimum vesting period is six months after grant and the maximum exercise period is five years after vesting. Payment for shares purchased pursuant to an option must be made at the time of exercise in cash or other payment method approved by the Committee. The Plan terminates on October 13, 2003 and no awards may be granted thereafter.

Awards granted pursuant to the Plan may not be transferred and may only be exercised by the participant, or, in the event of his death, by his

heirs or estate. Upon the death (or permanent disability) of a participant while he is employed by the Company, any outstanding unvested award becomes immediately vested and the award may be exercised by the participant's heirs, estate or guardian within one year following the participant's death (or commencement of such disability), after which any unexercised award terminates. If the employment of a participant terminates for any reason other than death or disability, he may exercise any vested award within 21 days after termination, after which period any unexercised award terminates. In the event of a "change of control" of the Company, as defined in the Plan, all outstanding awards will become immediately vested and exercisable.

The Plan authorizes the Committee to grant "Incentive Options," which are intended to permit the participant to defer resulting federal income taxes, as well as "Standard Options" which do not have such tax benefit. The Plan also authorizes the Committee to grant SARs either independent of, or in connection with, options. Upon exercise of either form of option, the participant purchases shares of Common Stock. Upon exercise of an SAR, the participant receives, for each share with respect to which the SAR is exercised, an amount equal to the difference between the fair market value of the Common Stock on the date of the award and the fair market value of the Common Stock on the date of exercise. Payment of an SAR benefit may be, at the discretion of the Committee, in the form of cash, a note, or Common Stock of equivalent value.

The Committee may amend or terminate the Plan, including modification or waiver of terms as they apply to individual participants. Shareholder approval is required for any amendment which would: increase the aggregate number of shares of Common Stock issuable under the Plan; materially increase the benefits accruing to participants in the Plan; or modify the eligibility requirements for, or decrease the minimum exercise price of, any Incentive Options. No amendment or termination of the Plan may adversely affect the rights of any participant under any then outstanding award without the consent of the participant. The Plan provides for automatic adjustments to prevent dilution or enlargement of the participant's rights in the event of a stock split, stock dividend or similar transaction.

#### Federal Income Tax Consequences Under the Plan

Under the Internal Revenue Code (the "Code"), the holder of a Standard Option will realize no taxable income upon the receipt of the option but will realize compensation upon the exercise of such option, taxable as ordinary income to the extent that the fair market value on the date of exercise exceeds the option price. The Company is entitled to a deduction from income in an equal amount at the time the optionee realizes such income. Upon a resale of shares acquired pursuant to exercise of an option, any difference between the sale price and the fair market value of the shares on the date of exercise will be treated as capital gain or loss.

Incentive Options are intended to qualify as incentive stock options under Section 422 of the Code. Generally, the optionee is not taxed and the Company is not entitled to a deduction on the grant or exercise of an Incentive Option. However, if the optionee disposes of the Option shares at any time within (i) one year after the transfer of such shares to the optionee pursuant to the exercise of such Incentive Option, or (ii) two years after the grant of such Incentive Option, then the optionee will recognize ordinary income equal to the excess, if any, of the lesser of the amount realized from such disposition or the fair market value of the shares on the exercise date, over the exercise price of such Incentive Option (with any remaining gain being taxed as a capital gain). In such event, the Company will generally be entitled to a deduction in an amount equal to the amount of ordinary income recognized by the optionee. If the optionee disposes of the option shares outside of the above described time limits, then capital gain or loss will be recognized in an amount equal to the difference between the amount realized on the disposition and the exercise price. The Company will not be entitled to any deduction in this event. Finally, any excess of the fair market value of the stock on the date the Incentive Option is exercised over the option exercise price will be included in the calculation of the optionee's alternative minimum taxable income, which may subject the optionee to the alternative minimum tax.

#### New Plan Benefits

In June 1996, the Stock Award Plan Committee granted certain stock options subject to shareholder approval of the proposed amendment to the Plan, increasing by 500,000 shares the total number of shares issuable under the Plan. The following table sets forth the dollar value and number of stock options which were granted, subject to shareholder approval of such amendment, to each of the named executive officers, all executive officers as a group, and all other participating employees (excluding executive officers) as a group. Outside directors, who are not employees of the Company, are not eligible to receive stock options under this Plan.

<TABLE>

<CAPTION>

Name (and Position)	Dollar Value (\$)(a)	Number of Units
<S>	<C>	<C>
C. Jeffrey Rogers (b) (Chief Executive Officer)	\$ 0	0
Ronald W. Parker (b) (Chief Operating Officer)	\$ 0	0
Robert L. Soria (c) (Vice President of Restaurant Development)	\$ 8,130	10,000
Amy E. Manning (c) (Controller)	\$ 8,130	10,000
Donald W. Zentmeyer (c) (General Counsel)	\$ 8,130	10,000
All Executive Officers	\$ 40,650	50,000
All Other Employees (27 persons)	\$132,519	163,000

</TABLE>

(a) Based on the difference between the exercise price of \$4.125 per share and the closing bid price of the Common Stock of \$4.938 per share on October 1, 1996.

(b) In June 1996, Mr. Rogers and Mr. Parker were granted stock options which are not subject to the proposed amendment to the Plan. See the table above entitled "Option Grants in Last Fiscal Year."

(c) Terms of the options granted to Mr. Soria, Ms. Manning, and Mr. Zentmeyer are set forth in the table above entitled "Option Grants in the Last Fiscal Year."

AMENDMENT TO THE 1993 STOCK AWARD PLAN  
INCREASING THE NUMBER OF SHARES ISSUABLE  
UNDER SUCH PLAN

In June 1996, the Stock Award Plan Committee adopted, subject to the approval of the Company's shareholders, an amendment to the Company's 1993 Stock Award Plan (the "Plan"), increasing by 500,000 shares the total number of shares of Common Stock which may be issued under the Plan. After giving effect to such amendment, the total number of shares issuable under the Plan will be 2,500,000.

As of June 28, 1996, there were only 17,000 shares available for the grant of options under the Plan, as currently constituted. The Board of Directors believes that the amendment will enable the Company and its shareholders, through future grants of stock options, to continue to secure the benefits of the incentives inherent in stock ownership by its officers and employees. For additional information regarding the Plan, see the section entitled "1993 Stock Award Plan."

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS APPROVE THE AMENDMENT TO THE PLAN.

INDEPENDENT AUDITORS

The Audit Committee has selected Price Waterhouse, certified public accountants, as the independent auditors of the Company for fiscal year 1997. A representative of Price Waterhouse will be present at the Annual Meeting, will be available to respond to appropriate questions, and will have an opportunity to make a statement.

SHAREHOLDER PROPOSALS

A shareholder wishing to present a proposal at the Annual Meeting of Shareholders tentatively scheduled for December 1997 must deliver his or her proposal to the Company at its principal executive offices no later than June

26, 1997, in such form as required under rules issued by the Securities and Exchange Commission, in order to have it included in the proxy materials of the Company for such Annual Meeting of Shareholders.

#### MISCELLANEOUS

The accompanying proxy is being solicited on behalf of the Board of Directors of the Company. The expense of preparing, printing and mailing the proxy and the material used in the solicitation thereof will be borne by the Company. In addition to the use of the mails, proxies may be solicited by directors, officers and employees of the Company by personal interview, telephone or telefax. Arrangements may also be made with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of solicitation materials to the beneficial owners of stock held of record by such persons, and the Company may reimburse them for reasonable out-of-pocket expenses of such solicitation.

A copy of the Company's Annual Report on Form 10-K excluding exhibits, dated September 27, 1996, is being furnished to Shareholders with this Proxy Statement. Copies of such exhibits will be furnished upon written request and upon reimbursement of the Company's reasonable expenses for furnishing such exhibits. Requests should be addressed to Pizza Inn, Inc., 5050 Quorum Drive, Suite 500, Dallas, Texas 75240, Attention: Corporate Secretary.

PIZZA INN, INC.  
1993 STOCK AWARD PLAN

Statement of the 1993 Stock Award Plan (the "Plan") of Pizza Inn, Inc., a Missouri corporation (the "Company").

1. Purpose. The purpose of the Plan is to provide a means by which the Company shall be able to attract and retain excellent employees and provide those personnel with an opportunity to participate in the increased value of the Company which their efforts, initiative and skill have helped produce.

2. Administration. The Plan shall be administered by the Stock Award Plan Committee or any successor thereto (the "Committee") of the Board of Directors (the "Board") as that Committee may be constituted from time to time. The Committee shall consist of not less than two members of the Board of Directors of the Company, each of whom shall qualify as a "disinterested person" to administer the Plan within the meaning of Rule 16b-3, as amended, or other applicable rules under Section 16(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Committee shall administer the Plan so as to conform at all times with the provisions of Section 16(b) of the Exchange Act and Rule 16b-3 promulgated thereunder. A majority of the Committee shall constitute a quorum, and subject to the provisions of the following section, the acts of a majority of the members present at any meeting at which a quorum is present, or acts approved in writing by a majority of the Committee, shall be the acts of the Committee.

The Committee may delegate to one or more of its members such administrative duties as it may deem advisable, and the Committee or any person to whom it has delegated duties may employ one or more persons to render advice with respect to any responsibility the Committee or such person may have under the Plan; provided, however, that the Committee may not delegate any duties to a member of the Board of Directors of the Company who, if elected to serve on the Committee, would not qualify as a "disinterested person" to administer the Plan as contemplated by Rule 16b-3, as amended, or other applicable rules under the Exchange Act. The Committee may employ attorneys, consultants, accountants, or other persons and the Committee, the Company, and its officers and directors shall be entitled to rely upon the advice, opinions or valuations of any such persons. All actions taken and all interpretations and determinations made by the Committee in good faith shall be final and binding upon all persons who have received grants under the Plan, the Company and all other interested persons.

No member or agent of the Committee shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan and all members and agents of the Committee shall be fully protected by the Company in respect of any such action, determination or interpretation.

In addition to other authority granted to the committee under the Plan, and subject to and not inconsistent with the express provisions of the Plan and the Code (as defined in Section 17), the Committee shall have authority, in its sole discretion, to:

- (a) prescribe, amend, modify and rescind rules and regulations relating to the Plan;
- (b) make all determinations specified in or permitted by the Plan or deemed necessary or desirable for its administration or for the conduct of the Committee's business; and
- (c) establish any procedure determined to be appropriate in discharging its responsibilities under the Plan.

3. Eligibility. The class of persons eligible to receive Options and /or awards of Units pursuant to this Plan shall be all officers and all employees.

The Options and Units awarded pursuant to this Plan collectively are referred to as "Awards". From time to time the Committee shall designate, from among such eligible persons, the persons to whom Awards shall be granted (each person so designated, a "Participant", and collectively, the "Participants"). Such designations shall be made in the absolute discretion of the Committee. In designating Participants, the Committee shall fix the number of shares subject to an option or number of Units to be granted to Participants in its absolute discretion.

4. Vesting; Award Restrictions. All Awards shall be subject to a minimum six-month vesting period. The Committee may, in its absolute discretion, impose a longer vesting period or other restrictions on any Award under this Plan or may choose not to impose any additional restriction on any Award. The vesting period of an Award shall lapse in accordance with a

schedule established by the Committee, provided the Participant continues to be employed by the Company at the end of the vesting period, except as otherwise provided below. Each such schedule may provide for installment vesting or full vesting at the end of the period, and may include any other conditions upon the vesting of the Award as the Committee shall determine. Any unvested Award shall vest upon a Change of Control. The terms and conditions of each Award shall be set forth in a written document constituting a "Stock Award Agreement" substantially in the form attached hereto (the "Agreement") or in such other form as may be adopted by the Committee from time to time, to be signed by the Participant and returned to the Company. An Agreement must be executed and returned by the Participant to the Company within thirty (30) days after the Award Date or the Award will be null and void; provided, however, that such period may be extended by the Committee.

#### 5. Termination of Employment.

(a) Termination Due to Death or Disability. If a Participant's employment terminates during the vesting period due to death or Disability (as defined in Section 17), the Award will fully vest as of the date of death or Disability. In the event of the death of any Participant, the estate of such Participant shall have the right, within one (1) year after the date of death, to exercise such Participant's options with respect to all or any part of the related shares of Stock. If the employment of any Participant is terminated because of Disability, such Participant shall have the right, within one (1) year after the date of termination, to exercise the options with respect to all or any part of the related shares of Stock. In the event of death or Disability, the Account of a holder of Units shall be credited as set forth in Section 8(g) (ii).

(b) Termination for other Reasons. Termination as an employee for any other reason, including retirement, resignation or discharge, will result in forfeiture of the Award at the time of termination as to any unvested shares of Stock, unvested options or unvested Units, unless otherwise specified in writing by the Committee. The Committee, in its sole discretion, may waive the forfeiture in whole or in part in connection with any terminated Participant, Provided, however, that, in the case of an Incentive Option, any exercise must take place within three (3) months of the date of termination. The discharged person will have a twenty-one (21) day period in which to exercise vested Awards, unless such time is extended by the Committee.

6. Amount of Stock. The total aggregate number of shares of the Company's Stock which may be subject to Options under Section 7 of this Plan and distribution upon exercise of Units under Section 8 of this Plan shall be Two Million Five Hundred Thousand (2,500,000) shares of the Company's Stock, subject to legal availability; provided, however, that no more than One Million (1,000,000) shares (plus unused allocations from prior years) may become subject to Options and distributed in payment of Units in any one Plan Year. This total number of shares available under the Plan shall be subject to appropriate increase or decrease in the event of a stock split, stock dividend, reclassification, reorganization, or other capital adjustment of shares of Stock (but excluding, without limitation, issuance of authorized but unissued shares whether or not as a result of an increase in the number of authorized shares). In the event Options under this Plan are forfeited or expire as provided in this Plan, such forfeited or expired options may be granted to other Participants as provided in this Plan.

#### 7. Provisions Applicable to Stock Options.

(a) Incentive and Non-qualified options. The Committee shall have the authority, in its sole discretion, to grant incentive stock options ("Incentive Options") pursuant to Section 422 of the Code, or to grant non-qualified stock options ("Standard Options") (options which do not qualify under Section 422 of the Code) or to grant both types of Options. No Awards shall be granted after the tenth anniversary of the Effective Date as provided in Section 17. Each Option shall be clearly identified in the Agreement as an Incentive Option or Standard Option. Upon exercise of any Incentive Option, the Company shall provide the Participant with the written statement required by Section 6039(a) of the Code and any additional or other information then required by the Code.

(b) Expiration. Subject to the following sentence, Options shall expire as specified in the respective Agreement establishing the award of options for each Participant. No Options shall be exercisable and all Options shall expire no later than ten (10) years from the date of the grant of the Option or five (5) years from the date of vesting of the Option; provided, however, in the case of an Incentive Option granted to a person who, at the time such Option is granted, owns Stock of the company, or any parent corporation or subsidiary corporation thereof, possessing more than ten percent (10%) of the total combined voting power of all classes of Stock of the Company, or any parent corporation or subsidiary corporation thereof (a "Ten Percent Holder"), such Option shall not be exercisable after the expiration of five (5) years from the date such Option is granted.

(c) Exercise Price--Standard Options. The exercise price for shares purchasable under Standard Options shall be equal to the Fair Market Value (as defined in Section 17) per share of Stock on the date the option is granted.



(d) Exercise Price--Incentive Options. The exercise price for shares purchasable under Incentive Options shall be such amount as the Committee shall, in its best judgment, determine to be not less than one hundred percent (100%) of the Fair Market Value (as defined in Section 17) per share at the date the Option is granted; provided, however, that in the case of an Incentive Option granted to a Ten Percent Holder, the purchase price for each share shall be such amount as the Committee, in its best judgment, shall determine to be not less than one hundred ten percent (110%) of the Fair Market Value per share at the date the option is granted.

(e) Exercise. Options may be exercised, to the extent exercisable by their terms, in whole or in part from time to time and at any time after their vesting and before their expiration. Any exercise shall be accompanied by a written notice to the Company specifying the number of options being exercised.

(f) Maximum Exercise--Incentive options. The aggregate Fair Market Value of Stock (determined at the time of the grant of the option) with respect to which Incentive Options are exercisable for the first time by a Participant during any calendar year under all plans of the Company, or any parent corporation or subsidiary corporation thereof, shall not exceed \$100,000.

(g) Payment. The price per share of Stock with respect to each option shall be payable at the time the option is exercised. Such price shall be payable in cash, which may be paid by wire transfer in immediately available funds, by certified or cashier's check, or, in the sole discretion of the Committee, by: (i) a commitment by a broker-dealer to pay to the Company that portion of any sale proceeds receivable by the Participant upon exercise of an Option in the manner permitted under Section 9(a) hereof or by any other instrument acceptable to the Committee, or (ii) by delivery to the Company of shares of Stock of the Company owned by the Participant or by the Company withholding from the total number of shares to be acquired pursuant to the option a portion of such shares. Shares delivered to or withheld by the Company in payment of the Option price shall be valued at the Fair Market Value of the Stock of the Company on the day preceding the date of the exercise of the option.

(h) Adjustment in Number of Shares Subject to Option. In the event of a stock split, stock dividend, reclassification, reorganization, or other capital adjustment of shares of Stock (but excluding, without limitation, issuance of authorized but unissued shares whether or not as a result of an increase in the number of authorized shares), the number of Shares subject to the Participant's Option shall be adjusted in the same manner as shares of Stock subject to the Option would be adjusted. Any fractional shares or interests resulting from such adjustment shall be eliminated. Notwithstanding the foregoing, (i) each such adjustment with respect to an Incentive Option shall comply with the rules of Section 424(a) of the Code, and (ii) in no event shall any adjustment be made which would render any Incentive Option granted hereunder other than an "incentive stock option" for purposes of Section 422 of the Code.

(i) Merger. In the event of a merger between the Company and another corporation in which the Company is not the surviving entity and where any Participant holds options issued pursuant to the Plan which have not been exercised, such options shall be cancelled and replacement Options shall be issued by the surviving entity in accordance with Rule 16b-3(f)(1) under the Exchange Act.

#### 8. Provisions Applicable to Stock Appreciation Units.

(a) Expiration. Units shall expire no later than five years from the date of vesting.

(b) Exercise. A Unit may not be exercised by a Participant until vested, except that this limitation shall not be applicable in the event of death or Disability of that Participant occurring before the expiration of the vesting period. Except as provided in the previous sentence, Units may be exercised, to the extent exercisable by their terms, in whole or in part from time to time and at any time before their expiration, Provided, however, that any election by the Participant to exercise a Unit may be made only during the period beginning on the third business day following the date of release of the quarterly and annual summary statements of sales and earnings specified in section 8(k) below and ending on the twelfth business day following such date. This condition will not apply to any exercise by a Participant where the date of exercise is automatic or fixed in advance and is outside the control of the Participant. Any exercise shall be accompanied by a written notice to the Company specifying the number of Units being exercised.

(c) Units; Value. Units shall be established by ledger, shall be valued and payment at exercise or upon termination shall be made, all as provided in this Plan.

(d) Nature of Units. The Units shall be used solely as a device for the measurement and determination of the amount to be paid to Participants as provided in the Plan. The Units shall not constitute or be treated as property

or as a trust fund of any kind and shall not constitute ownership of Stock or any other equity security of or interest in the Company. All amounts at any time attributable to the Units shall be and remain the sole property of the Company.

(e) Dilution. In the event of a stock split, stock dividend, reclassification, reorganization, or other capital adjustment of shares of Stock (but excluding, without limitation, issuance of authorized but unissued shares whether or not as a result of an increase in the number of authorized shares), the number of Units of a Participant shall be adjusted in the same manner as shares of Stock reflected by those Units would be adjusted.

(f) Establishment of Special Ledger. When Units are awarded to the Participant, the Company shall enter in the Special Ledger the name of the Participant, the number of Units granted to the Participant, and an amount equivalent to the Fair Market Value of a number of shares of Stock equal to the number of Units granted to the Participant.

(g) Credits to Account in Special Ledger.

(i) So long as the Plan remains in effect, the Company shall credit the Account throughout the term of the Participant's employment with the Company, with amounts equivalent to dividends payable in cash or property paid from time to time on issued and outstanding shares of Stock equal to the number of Units in the Account, so that the amount of each such credit will be equivalent to dividends which the Participant would have received had the Participant been the owner of the number of shares of Stock equal to the number of Units in the Account. No such credit shall be made with respect to any dividend paid after the Termination Date or Exercise Date, even though the record date is prior thereto.

(ii) On the Termination Date of a Participant, the Company shall credit to the Account an amount equivalent to the excess, if any, of the Fair Market Value on the Termination Date of a number of shares of Stock equal to the number of Units then in the account over the Fair Market Value of such shares at the Award Date.

(iii) on the Exercise Date, the Company shall credit to the Account an amount equivalent to the excess, if any, of the Fair Market Value on the Exercise Date of a number of shares of Stock equal to the number of Units being exercised by the Participant over the Fair Market Value of such shares at the Award Date.

(iv) The Company shall have the right to terminate the Plan with respect to Units at any time by giving written notice to the Participants, whereupon no further credits whatsoever shall be made to the Accounts, but such termination shall not affect the Participants' rights to payment for amounts already standing to the Participants' credit in the Accounts as of the Termination Date. The notice of termination may specify an effective date. If no effective date is specified, the notice shall be effective when mailed or delivered to the Participants.

(h) Payment of Benefits.

(i) The Committee in its sole discretion shall determine the form in which payment of the economic value for Units will be made, in cash, a note, shares of Stock, or any combination thereof.

(ii) Within ninety (90) days following the Termination Date or an Exercise Date, the Company and the Participant, or in the event of the Participant's death, the personal representative of the Participant's estate, shall close the payment of benefits to the Participant on account of the Units. At the closing, the full amount of the credit in the Account as of the Termination Date or the amount due to the Participant pursuant to the Participant's exercise of Units (the "Amount Due") shall be payable, at the Company's sole option, (x) in cash or by check at closing, or (y) in accordance with a promissory note delivered at closing bearing simple interest at the rate of ten percent (10%) per annum with principal and accrued interest to be paid within thirty-six (36) months after date of closing, or (z) through issuance to the Participant, or in the event of the Participant's death, the personal representative of the Participant's estate, of the number of shares of Stock with a Fair Market Value as of the Termination Date or Exercise Date equal to the Amount Due.

(i) Limitation of Rights. Nothing in Section 8 of this Plan shall be construed to:

(i) Give the Participant any rights whatsoever with respect to shares of Stock, or any other equity security of or interest in the Company.

(ii) Give the Participant any rights whatsoever with respect to any assets of the Company, the Participant at all times remaining in the status of a general creditor of the Company with respect to the SAR obligations created under this Plan.

(j) Tandem Awards. Units may be granted in tandem with Options only in the manner permitted pursuant to applicable regulations under section 422 of the Code.

(k) Informational Requirements. At any time while Units are outstanding and vested, the Company will comply with the information availability rules of Regulation 16b-3(e)(1) relating to filing of regular reports under the Exchange Act and regular release of quarterly and annual summary statements of sales and earnings through the news media.

(1) Merger. In the sole discretion of the Committee, the Plan may be terminated as provided in Section 8 (g) (iv) , including, without limitation, upon any merger of the Company and another corporation in which the Company is not the surviving entity. In addition, the Committee in its sole discretion, with respect to unexercised units issued under the Plan, may cancel such Units and issue replacement Units issued by the surviving entity in accordance with Rule 16b-3(f)(1) under the Exchange Act. Any such replacement Units shall be subject to such terms and conditions as may be determined by the Committee in its sole discretion.

9. Additional Authority of Committee. In addition to other authority granted to the Committee under Section 2, and subject to and not inconsistent with the express provisions of the Plan and the Code (as defined in Section 17), the Committee shall have authority, in its sole discretion, to:

(a) provide an arrangement through registered broker-dealers whereby temporary financing may be made available to a Participant by the broker-dealer, under the rules and regulations of the Federal Reserve Board, for the purpose of assisting the Participant in the exercise of an Option, such authority to include the payment by the Company of the commissions, fees and charges of the broker-dealer;

(b) provide the establishment of procedures for a Participant (1) to have withheld from the total number of shares to be acquired upon the exercise of an option that number of shares having a Fair Market Value (as defined in Section 17) which, together with such cash as shall be paid in respect of fractional shares, shall equal the option exercise price, and (2) to exercise a portion of an Option by delivering that number of shares already owned by such Participant having a Fair Market Value which shall equal the partial Option exercise price and to deliver the shares thus acquired by such Participant in payment of shares to be received pursuant to the exercise of additional portions of such Option, the effect of which shall be that such Participant can in sequence utilize such newly acquired shares in payment of the exercise price of the entire Option, together with such cash as shall be paid in respect of fractional shares; and

(c) provide the establishment of a procedure whereby a number of shares of Stock or other securities may be withheld from the total number of shares of Stock or other securities to be issued upon exercise of an option to meet the obligation of withholding for taxes incurred by a Participant upon such exercise.

10. Condition of Employment. The granting of Awards under this Plan shall impose no obligation on the Company (or any of its parent or subsidiary corporations) to continue the employment of any Participant and shall not lessen or affect the right to terminate such employment of the Participant.

11. Transferability; Nonalienation of Benefits. Any rights arising under the Plan with respect to Awards shall not be transferable otherwise than by will or the laws of descent and distribution, and, during the lifetime of the Participant, shall be exercisable only by the Participant.. No right or benefit of the Participant under the Plan with respect to Awards shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge the same shall be void. No right or benefit with respect to Awards hereunder shall in any manner be liable for or subject to the debts, contracts, liabilities or torts of the Participant.

12. Amendment of the Plan. The Committee shall have the right to amend, modify, suspend or terminate the Plan at any time; provided, however, that no amendment shall be made which shall:

(a) increase the total number of shares of the Stock of the Company which may be issued and sold pursuant to Options granted under the Plan,

(b) materially increase the benefits accruing to participants under the Plan,

(c) decrease the minimum option price in the case of an Incentive Option, or

(d) modify the provisions of the Plan relating to eligibility with respect to Incentive options, unless in any such event such amendment is made by or with the approval of the stockholders. The Committee shall be authorized to amend the Plan and the options granted thereunder (i) to qualify as

"incentive stock options" within the meaning of Section 422 of the Code or (ii) to comply with Rule 16b-3 (or any successor rule) under the Exchange Act. No amendment, modification, suspension or termination of the Plan shall alter or impair any Options previously granted under the Plan, without the consent of the holder thereof.

13. Grants Discretionary. The granting of Awards under this Plan shall be entirely discretionary and, except as expressly stated herein, nothing in the Plan shall be deemed to give any employee any right to participate in the Plan or to receive an Award.

14. Securities Laws. The Company has no obligation to register Awards granted to Participants or Stock distributed under this Plan. If Awards granted have not been registered, upon issuance of Awards to the Participant and upon issuance of Stock upon exercise of an Award, the Participant shall represent and warrant to the Company that shares of Stock or the Award are being acquired for investment purposes and shall acknowledge transfer restrictions under applicable securities laws. The Company shall place a legend on any Stock certificate issued under the Plan to assure compliance with this Section. No shares of Stock shall be required to be distributed until the Company shall have taken such action, if any, as is then required to comply with the provisions of the Securities Act of 1933 and any other than applicable securities law. If, subsequent to the delivery by a Participant of the representation and warranty described in the preceding sentence, the Stock issuable upon exercise of an Award is registered under the Securities Act, the Company may release such Participant from such written statement without effecting a "modification" of the Plan within the meaning of Section 424(h)(3) of the Code.

15. Withholding of Tax. There shall be deducted from each distribution under the Plan the amount of any tax required by any governmental authority to be withheld and paid over by the Company to that governmental authority for the account of the Participant entitled to the distribution. At its discretion, the Company may require a Participant receiving shares of Stock hereunder to reimburse the Company for any such taxes required to be withheld by the Company and withhold any distribution in whole or in part until the Company is so reimbursed. In lieu thereof, the Company shall have the right to withhold from any other cash amounts due or to become due from the Company to the Participant an amount equal to such taxes required to be withheld by the Company to reimburse the Company for any such taxes or retain and withhold a number of shares having a Fair Market Value not less than the amount of such taxes and cancel (in whole or in part) any such shares so withheld in order to reimburse the Company for any such taxes.

16. Miscellaneous.

(a) Impact on Other Benefits. At no time shall the value of any Award be includable as compensation or earnings for purposes of any other benefit plan offered by the Company.

(b) Funding of Plan. The Plan shall be unfunded. The Company shall not be required to make any segregation of assets to assure the payment of any benefits under the Plan.

17. Definitions. In addition to the definitions of terms contained elsewhere in this Plan, the following terms are defined as follows:

Account: A Participant's credit account in the Special Ledger.

Award Date: The date of granting of any Award, as specified in the Terms and Conditions for any particular Award.

Change of

Control: Any of the following: (a) all or substantially all of the assets of the Company are sold, leased, exchanged or otherwise transferred to any person or entity or group of persons or entities acting in concert as a partnership, limited partnership, syndicate or other group (a "Group of Persons") other than a person or entity or Group of Persons at least 50% of the combined voting power of which is held by persons who, pursuant to the Company's plan of reorganization, were holders of Stock or rights to acquire Stock; (b) the Company is merged or consolidated with or into another corporation with the effect that the then existing stockholders of the Company hold less than 50% of the combined voting power of the then outstanding securities of the surviving corporation of such merger or the corporation resulting from such consolidation ordinarily (and apart from rights accruing under special circumstances) having the right to vote in the election of directors; or (c) a person or entity or Group of Persons (other than (1) the Company or (2) an employee benefit plan sponsored by the Company) shall, as a result of a tender or exchange offer, open market purchases, privately negotiated purchases or otherwise, have become the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act) of

securities of the Company representing 50% or more of the combined voting power of the then outstanding securities of the Company ordinarily (and apart from rights accruing under special circumstances) having the right to vote in the election of directors.

Code: The Internal Revenue Code of 1986, as amended.

Disability: A disability as construed under the appropriate provisions of the long-term disability plan maintained for the benefit of employees of the Company who are regularly employed on a salaried basis, unless another meaning shall be adopted by the Committee.

Exercise  
Date: A particular date on which a Participant chooses to exercise one or more Awards.

Fair Market  
Value: As it relates to the Stock of the Company, the fair market value as of the applicable date determined in good faith by the Committee, taking into account bid, ask, and/or trading information, as available to the Committee at the time of its determination.

Option: An option to acquire Stock created under this Plan.

Plan Year: The plan year which shall run concurrently with the fiscal year of the Company.

Special  
Ledger: The record of the Accounts and other information as provided in Section 8.

Stock: The Company's common stock, par value \$0.01.

Termination  
Date: With respect to Units, the earliest of: (a) the termination of a Participant's employment for any reason whatsoever, including death, retirement, resignation, discharge, Disability or otherwise; (b) the date that there ceases to be any issued and outstanding Stock; or (c) the date that the Company terminates this Plan as to Units.

Terms and  
Conditions: The terms and conditions of the Award set forth in any Agreement.

Unit: A stock appreciation right unit created under this Plan.

18. Effective Date; Term of Plan. The Plan shall become effective as of October 13, 1993, the date as of which the Plan was adopted by the Board of Directors (the "Effective Date"). No Awards shall be granted under this Plan from and after the tenth anniversary of the Effective Date.

(As amended by the Stock Award Plan Committee on June 28, 1996, subject to shareholder approval.)

## APPENDIX II

### SIDE ONE

#### PROXY

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF PIZZA INN, INC.

5050 Quorum, Suite 500  
Dallas, Texas 75240

Annual Meeting of Shareholders on December 4, 1996

The undersigned, revoking all proxies heretofore given, hereby appoints C. Jeffrey Rogers and Donald W. Zentmeyer, or either of them, as proxies of the undersigned, with full power of substitution and resubstitution, to vote on behalf of the undersigned the shares of Pizza Inn, Inc. (the "Company") which the undersigned is entitled to vote at the Annual Meeting of Shareholders to be held at 10:00 a.m., Dallas time on Wednesday,

December 4, 1996, at the Westin Hotel (Galleria), 13340 Dallas Parkway, Dallas, Texas 75240, and at all adjournments thereof, as fully as the undersigned would be entitled to vote if personally present, as specified on the reverse side of this card.

(continued, and to be marked, dated and signed on the other side)

SIDE TWO

This Proxy, when properly executed, will be voted by the Proxies in the manner designated below. If this Proxy is returned signed but without a clear voting designation, the Proxies will vote FOR Items 1 and 2.

Please mark your votes as this X

The Board of Directors recommends a vote FOR Items 1 and 2.

ITEM 1		FOR	WITHHELD
ELECTION OF			FOR ALL
	CLASS I DIRECTORS		
	Nominees:		
	Bobby L. Clairday		
	Don G. Navarro		
	Ronald W. Parker		
	Ramon D. Phillips		

WITHHELD FOR: (Write that nominee's name in the space provided below).

ITEM 2  
PROPOSED AMENDMENT TO THE COMPANY'S 1993  
STOCK AWARD PLAN INCREASING  
BY 500,000 SHARES THE AGGREGATE  
NUMBER OF SHARES OF STOCK  
ISSUABLE UNDER SUCH PLAN.

FOR      AGAINST              ABSTAIN

If you plan to attend the Annual Meeting, please mark the WILL ATTEND block.

WILL ATTEND

Date:  
Signature:

Signature, if held jointly

NOTE: Please sign as name appears hereon. Joint owners should each sign.  
When signing as attorney, executor, administrator, trustee or guardian, please give full title as such.