

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended December 25, 2011

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 0-12919

PIZZA INN HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Missouri
(State or other jurisdiction of
Incorporation or organization)

45-3189287
(I.R.S. Employer
Identification No.)

3551 Plano Parkway
The Colony, Texas 75056
(Address of principal executive offices)

(469) 384-5000
(Registrant's telephone number,
including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One)

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of February 3, 2012, 8,020,919 shares of the issuer's common stock were outstanding.

PIZZA INN HOLDINGS, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

PIZZA INN HOLDINGS, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (In thousands, except per share amounts)
 (Unaudited)

	Three Months Ended		Six Months Ended	
	December 25, 2011	December 26, 2010	December 25, 2011	December 26, 2010
REVENUES:				
Food and supply sales	\$ 8,138	\$ 8,489	\$ 17,044	\$ 17,191
Franchise revenue	943	917	1,892	1,942
Restaurant sales	1,255	949	2,547	1,854
	<u>10,336</u>	<u>10,355</u>	<u>21,483</u>	<u>20,987</u>
COSTS AND EXPENSES:				
Cost of sales	8,611	8,473	17,861	17,177
Franchise expenses	521	344	973	820
General and administrative expenses	1,062	873	1,969	1,755
Costs associated with store closure	-	-	-	319
Bad debt	15	40	30	55
Interest expense	17	18	33	28
	<u>10,226</u>	<u>9,748</u>	<u>20,866</u>	<u>20,154</u>
INCOME FROM CONTINUING OPERATIONS BEFORE TAXES	110	607	617	833
Income taxes	39	213	217	294
INCOME FROM CONTINUING OPERATIONS	71	394	400	539
Loss from discontinued operations, net of taxes	(15)	(15)	(31)	(31)
NET INCOME	<u>\$ 56</u>	<u>\$ 379</u>	<u>\$ 369</u>	<u>\$ 508</u>
EARNINGS PER SHARE OF COMMON STOCK - BASIC:				
Income from continuing operations	\$ 0.01	\$ 0.05	\$ 0.05	\$ 0.07
Loss from discontinued operations	-	-	-	(0.01)
Net income	<u>\$ 0.01</u>	<u>\$ 0.05</u>	<u>\$ 0.05</u>	<u>\$ 0.06</u>
EARNINGS PER SHARE OF COMMON STOCK - DILUTED:				
Income from continuing operations	\$ 0.01	\$ 0.05	\$ 0.05	\$ 0.07
Loss from discontinued operations	-	-	-	(0.01)
Net income	<u>\$ 0.01</u>	<u>\$ 0.05</u>	<u>\$ 0.05</u>	<u>\$ 0.06</u>
Weighted average common shares outstanding - basic	<u>8,013</u>	<u>8,011</u>	<u>8,012</u>	<u>8,011</u>
Weighted average common and potential dilutive common shares outstanding	<u>8,362</u>	<u>8,012</u>	<u>8,292</u>	<u>8,013</u>

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

PIZZA INN HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

ASSETS	December 25, 2011 (unaudited)	June 26, 2011
CURRENT ASSETS		
Cash and cash equivalents	\$ 509	\$ 949
Accounts receivable, less allowance for bad debts of \$189 and \$162, respectively	3,280	3,128
Inventories	1,724	1,829
Income tax receivable	653	553
Deferred income tax assets	783	822
Prepaid expenses and other	403	232
Total current assets	<u>7,352</u>	<u>7,513</u>
LONG-TERM ASSETS		
Property, plant and equipment, net	4,059	3,196
Long-term notes receivable	39	51
Deposits and other	486	392
	<u>\$ 11,936</u>	<u>\$ 11,152</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable - trade	\$ 2,095	\$ 2,103
Accrued expenses	1,262	1,557
Deferred revenues	157	202
Bank debt	580	333
Total current liabilities	<u>4,094</u>	<u>4,195</u>
LONG-TERM LIABILITIES		
Bank debt, net of current portion	809	482
Deferred tax liability	461	360
Deferred revenues, net of current portion	145	165
Deferred gain on sale of property	96	109
Other long-term liabilities	25	-
Total liabilities	<u>5,630</u>	<u>5,311</u>
COMMITMENTS AND CONTINGENCIES (See Note 3)		
SHAREHOLDERS' EQUITY		
Common stock, \$.01 par value; authorized 26,000,000 shares; issued 15,140,319 and 15,130,319 shares, respectively; outstanding 8,020,919 and 8,010,919 shares, respectively	151	151
Additional paid-in capital	9,105	9,009
Retained earnings	21,686	21,317
Treasury stock at cost		
Shares in treasury: 7,119,400	(24,636)	(24,636)
Total shareholders' equity	<u>6,306</u>	<u>5,841</u>
	<u>\$ 11,936</u>	<u>\$ 11,152</u>

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

PIZZA INN HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended	
	December 25, 2011	December 26, 2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 369	\$ 508
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	389	546
Stock compensation expense	73	60
Deferred tax	39	(92)
Provision for bad debts	30	55
Net income adjusted for non-cash items	900	1,077
Changes in operating assets and liabilities:		
Notes and accounts receivable	(282)	(192)
Inventories	105	(394)
Accounts payable - trade	(8)	(25)
Accrued expenses	(169)	(243)
Deferred revenue	(78)	58
Prepaid expenses and other	(283)	(18)
Net changes in operating assets and liabilities	(715)	(814)
Cash provided by operating activities	185	263
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(1,222)	(1,313)
Cash used by investing activities	(1,222)	(1,313)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	23	-
Change in bank debt, net	574	615
Cash provided by financing activities	597	615
Net decrease in cash and cash equivalents	(440)	(435)
Cash and cash equivalents, beginning of period	949	761
Cash and cash equivalents, end of period	\$ 509	\$ 326

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

CASH PAYMENTS FOR:

Interest	\$ 32	\$ 27
Income taxes - net	57	290

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

PIZZA INN HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying condensed consolidated financial statements of Pizza Inn Holdings, Inc. (the "Company") have been prepared without audit pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in the financial statements have been omitted pursuant to such rules and regulations. The unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended June 26, 2011.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary to fairly present the Company's financial position and results of operations for the interim periods reflected. Except as noted, all adjustments contained herein are of a normal recurring nature. Results of operations for the fiscal periods presented herein are not necessarily indicative of fiscal year-end results.

(1) **Summary of Significant Accounting Policies**

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. All appropriate intercompany balances and transactions have been eliminated.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Fiscal Quarters

The three and six month periods ended December 25, 2011 and December 26, 2010, each contained 13 weeks and 26 weeks, respectively.

Revenue Recognition

The Company recognizes revenue when products are delivered and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable. The Company's Norco division sells food and supplies to franchisees on trade accounts under terms common in the industry. Food and supply sales revenues, including shipping and handling costs, are recognized upon delivery of the product. Revenue from restaurant sales is recognized when food and beverage products are sold. The Company reports revenue net of sales taxes collected from customers and remitted to governmental taxing authorities.

Franchise revenue consists of income from license fees, royalties, and area development and foreign master license fees. License fees are recognized as income when there has been substantial performance under the agreement by the Company. Domestic license fees are generally recognized at the time the restaurant is opened. Foreign master license fees are generally recognized upon execution of the agreement as all material services relating to the sale have been substantially performed by the Company and the fee has been collected. Royalties are recognized as income when earned.

Stock-Based Compensation

We account for stock options using the fair value recognition provisions of the authoritative guidance on share-based payments. The Company uses the Black-Scholes formula to estimate the value of stock-based compensation for options granted to employees and directors and expects to continue to use this acceptable option valuation model in the future. The authoritative guidance also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow.

Use of Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company's management to make estimates and assumptions that affect its reported amounts of assets, liabilities, revenues, expenses and related disclosure of contingent liabilities. The Company bases its estimates on historical experience and other various assumptions that it believes are reasonable under the circumstances. Estimates and assumptions are reviewed periodically and actual results could differ materially from estimates.

Reclassification

Certain items have been reclassified in the prior year financial statements to conform to current year presentation.

(2) Long-Term Debt

On January 11, 2010, the Company entered into a Loan Agreement with Amegy Bank National Association (“Amegy”) providing for a \$2.0 million revolving credit facility (with a \$250 thousand letter of credit subfacility) and a \$1.0 million term loan facility. On January 10, 2011, the Company and Amegy entered into a First Amendment to Loan Agreement increasing the Company's term loan facility and amending certain other provisions of the Loan Agreement. On October 26, 2011, the Company and Amegy entered into an Amended and Restated Loan Agreement further increasing the Company's term loan facility and amending certain other provisions of the Loan Agreement. As amended, the Amegy credit facility provides a \$2.0 million revolving credit facility (with a \$250 thousand letter of credit subfacility) and a \$4.0 million term loan facility, in addition to \$0.7 million in existing term loans.

The Company may borrow, repay and re-borrow under the Amegy revolving credit facility through January 11, 2013, at which time all amounts outstanding under the revolving credit facility mature. Availability under the revolving credit facility is limited by advance rates on eligible inventory and accounts receivable. Interest on indebtedness from time to time outstanding under the revolving credit facility is computed at the greater of Amegy's prime rate or 5% and is payable monthly. A commitment fee of 0.25% per annum is payable quarterly on the average unused portion of the revolving credit facility.

The Company may borrow under the term loan facility through October 31, 2012. Advances for such term loans are limited by a percentage of the costs of equipment and leasehold improvements for new restaurant locations of the Company. Interest only is payable monthly on each term loan for up to 120 days after the initial advance. Thereafter, each term loan is payable in 36 equal monthly installments of principal plus accrued interest. Interest on each term loan accrues at either (a) the greater of 6% or Amegy's prime rate plus 1% or (b) at the Company's option, a fixed rate determined by Amegy. A fee of 0.5% of the total term loan facility was paid at closing.

The obligations of the Company under the Loan Agreement are guaranteed by each of the subsidiaries of the Company and are secured by a pledge of all of the stock of such subsidiaries as well as security interests in substantially all of the assets of the Company and its subsidiaries including, but not limited to, accounts receivable, inventory and equipment. The Amended and Restated Loan Agreement contains various affirmative covenants which, among other things, require the Company to provide Amegy with certain financial statements, compliance statements, reports and other information. The Amended and Restated Loan Agreement also contains various negative covenants which, among other things, require the Company to maintain certain financial ratios and restrict the ability of the Company to engage in certain activities. The Company is in compliance with all covenants as of the reporting date. If an event of default occurs under the Amended and Restated Loan Agreement, Amegy may terminate all commitments under the credit facilities and declare all unpaid principal, interest and other amounts owing under the credit facilities to be immediately due and payable. As of December 25, 2011 the balance on the term loan facility was \$1.4 million with an interest rate of 6% and the balance on the revolving credit facility was zero with an interest rate of 5%.

(3) Commitments and Contingencies

On April 22, 2009 the Company's board of directors amended the stock purchase plan first adopted on May 23, 2007 and previously amended on June 2, 2008, to increase the number of shares of common stock the Company may repurchase to a total of 3,016,000 shares. As of December 25, 2011, up to an additional 848,425 shares could be purchased under the plan.

The Company is subject to other claims and legal actions in the ordinary course of its business. The Company believes that all such claims and actions currently pending against it are either adequately covered by insurance or would not have a material adverse effect on the Company's annual results of operations, cash flows or financial condition if decided in a manner that is unfavorable to the Company.

(4) **Stock-Based Compensation**

For the quarter and six months ended December 25, 2011, we recognized stock-based compensation expense of \$30,000 and \$72,700. As of December 25, 2011, unamortized stock-based compensation expense was \$0.1 million.

The following table summarizes the number of shares of the Company's common stock subject to outstanding stock options:

	Six Months Ended	
	December 25, 2011	December 26, 2010
Outstanding at beginning of year	604,036	565,510
Granted	94,032	20,996
Exercised	(10,000)	-
Forfeited/Canceled/Expired	(15,000)	(25,000)
Outstanding at end of period	<u>673,068</u>	<u>561,506</u>
Exercisable at end of period	<u>511,702</u>	<u>404,010</u>

(5) **Earnings per Share (EPS)**

The following table shows the reconciliation of the numerator and denominator of the basic EPS calculation to the numerator and denominator of the diluted EPS calculation (in thousands, except per share amounts).

	Three Months Ended			
	December 25, 2011		December 26, 2010	
	Diluted	Basic	Diluted	Basic
Income from continuing operations	\$ 71	\$ 71	\$ 394	\$ 394
Discontinued operations	(15)	(15)	(15)	(15)
Net income available to common stockholders	<u>\$ 56</u>	<u>\$ 56</u>	<u>\$ 379</u>	<u>\$ 379</u>
Weighted average common shares	8,013	8,013	8,011	8,011
Dilutive stock options	349	-	1	-
Average common shares outstanding	<u>8,362</u>	<u>8,013</u>	<u>8,012</u>	<u>8,011</u>
Income from continuing operations per share	\$ 0.01	\$ 0.01	\$ 0.05	\$ 0.05
Discontinued operations loss per common share	-	-	-	-
Net income per common share	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ 0.05</u>	<u>\$ 0.05</u>

	Six Months Ended			
	December 25, 2011		December 26, 2010	
	Diluted	Basic	Diluted	Basic
Income from continuing operations	\$ 400	\$ 400	\$ 539	\$ 539
Discontinued operations	(31)	(31)	(31)	(31)
Net income available to common stockholders	<u>\$ 369</u>	<u>\$ 369</u>	<u>\$ 508</u>	<u>\$ 508</u>
Weighted average common shares	8,012	8,012	8,011	8,011
Dilutive stock options	280	-	2	-
Average common shares outstanding	<u>8,292</u>	<u>8,012</u>	<u>8,013</u>	<u>8,011</u>
Income from continuing operations per share	\$ 0.05	\$ 0.05	\$ 0.07	\$ 0.07
Discontinued operations loss per common share	-	-	(0.01)	(0.01)
Net income per common share	<u>\$ 0.05</u>	<u>\$ 0.05</u>	<u>\$ 0.06</u>	<u>\$ 0.06</u>

For the three and six months ended December 26, 2010, options to purchase 565,506 shares of common stock at exercise prices ranging from \$1.85 to \$3.30 per share were not included in the computation of diluted EPS because the options' exercise prices were greater than the average market price of the common shares for the period.

(6) **Closed restaurants and discontinued operations**

The authoritative guidance on "Accounting for the Impairment or Disposal of Long-Lived Assets," requires that discontinued operations that meet certain criteria be reflected in the statement of operations after results of continuing operations as a net amount. This guidance also requires that the operations of the closed restaurants, including any impairment charges, be reclassified to discontinued operations for all periods presented.

The authoritative guidance on "Accounting for Costs Associated with Exit or Disposal Activities," requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. This authoritative guidance also establishes that fair value is the objective for initial measurement of the liability.

Loss from discontinued operations reflects costs associated with a former Company owned restaurant in Houston, Texas that was closed during the quarter ended September 23, 2007. This property is on the market for sub-lease. Because we believe that the property will sub-lease at or above the contracted lease rates, we have not reserved any additional costs related to our obligations under this non-cancelable lease.

(7) **Income Taxes**

For the three and six month periods ended December 25, 2011, income tax expense of \$39,000 and \$217,000, respectively, was calculated on an effective income tax rate that is consistent with the statutory U.S. federal income tax rate of 34% adjusted for state income tax effects and permanent difference items. Management believes that future operations will generate sufficient taxable income, along with the reversal of temporary differences, to fully realize the net deferred tax asset of \$0.8 million.

(8) **Segment Reporting**

Summarized in the following tables are net sales and operating revenues, operating income and geographic information (revenues) for the Company's reportable segments for the three month and six month periods ended December 25, 2011 and December 26, 2010 (in thousands). Operating income reported below excludes income tax provision and discontinued operations.

	Three Months Ended		Six Months Ended	
	December 25, 2011	December 26, 2010	December 25, 2011	December 26, 2010
Net sales and operating revenues:				
Food and supply distribution	\$ 8,138	\$ 8,489	\$ 17,044	\$ 17,191
Pizza Inn franchise and company operations (1)	1,852	1,866	3,863	3,796
Pie Five company operations	346	-	576	-
Consolidated revenues	<u>\$ 10,336</u>	<u>\$ 10,355</u>	<u>\$ 21,483</u>	<u>\$ 20,987</u>
Depreciation and amortization:				
Food and supply distribution	\$ -	\$ -	\$ -	\$ -
Pizza Inn franchise and company operations (1)	103	81	215	483
Pie Five company operations	42	-	54	-
Combined	145	81	269	483
Corporate administration and other	61	37	120	63
Depreciation and amortization	<u>\$ 206</u>	<u>\$ 118</u>	<u>\$ 389</u>	<u>\$ 546</u>
Income from continuing operations before taxes:				
Food and supply distribution (2)	\$ 273	\$ 553	\$ 791	\$ 1,052
Pizza Inn franchise and company operations (1) (2)	355	391	793	423
Pie Five company operations (2)	(179)	-	(140)	-
Combined	449	944	1,444	1,475
Corporate administration and other (2)	(339)	(337)	(827)	(642)
Operating income	<u>\$ 110</u>	<u>\$ 607</u>	<u>\$ 617</u>	<u>\$ 833</u>
Geographic information (revenues):				
United States	\$ 10,020	\$ 10,105	\$ 20,921	\$ 20,497
Foreign countries	316	250	562	490
Consolidated total	<u>\$ 10,336</u>	<u>\$ 10,355</u>	<u>\$ 21,483</u>	<u>\$ 20,987</u>

(1) Company stores that were closed are included in discontinued operations in the accompanying Condensed Consolidated Statement of Operations.

(2) Portions of corporate administration and other have been allocated to segments.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the consolidated financial statements and accompanying notes appearing elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended June 26, 2011, and may contain certain forward-looking statements that are based on current management expectations. Generally, verbs in the future tense and the words "believe," "expect," "anticipate," "estimate," "intends," "opinion," "potential" and similar expressions identify forward-looking statements. Forward-looking statements in this report include, without limitation, statements relating to our business objectives, our customers and franchisees, our liquidity and capital resources, and the impact of our historical and potential business strategies on our business, financial condition, and operating results. Our actual results could differ materially from our expectations. Further information concerning our business, including additional factors that could cause actual results to differ materially from the forward-looking statements contained in this Quarterly Report on Form 10-Q, are set forth in our Annual Report on Form 10-K for the year ended June 26, 2011. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. The forward-looking statements contained herein speak only as of the date of this Quarterly Report on Form 10-Q and, except as may be required by applicable law, we do not undertake, and specifically disclaim any obligation to, publicly update or revise such statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

Results of Operations

Overview

The Company operates and franchises pizza buffet, delivery/carry-out and express restaurants domestically and internationally under the trademark "Pizza Inn" and operates four domestic fast casual restaurants ("Pie Five Units") under the trademark "Pie Five Pizza Company." We provide or facilitate food, equipment and supply distribution to our domestic and international system of restaurants through our Norco Restaurant Services Company ("Norco") division and through agreements with third party distributors. At December 25, 2011, the Pizza Inn trademarked system consisted of 295 restaurants, including four Company-owned restaurants and 291 franchised restaurants. The 213 domestic Pizza Inn restaurants were comprised of 136 buffet restaurants ("Buffet Units"), 30 delivery/carry-out restaurants ("Delco Units") and 47 express restaurants ("Express Units"). The 82 international Pizza Inn franchised restaurants were comprised of 19 buffet restaurants, 53 delivery/carry-out restaurants and 10 express restaurants. Domestic restaurants were located predominantly in the southern half of the United States, with Texas, North Carolina, Arkansas and Mississippi accounting for approximately 34%, 17%, 10% and 8%, respectively, of the total number of domestic restaurants.

On September 25, 2011, we completed a corporate reorganization creating a holding company structure. The reorganization was implemented through an agreement and plan of merger under Section 351.448 of The General Corporation Law of the State of Missouri, which did not require a vote of the shareholders. As a result of the reorganization, the previous parent company, Pizza Inn, Inc., is now a wholly owned subsidiary of the new parent company, Pizza Inn Holdings, Inc. In the reorganization, each issued and outstanding share of common stock of Pizza Inn, Inc. was converted into a share of common stock of the Company, with the same designations, rights, qualifications, powers, preferences, qualifications, limitations and restrictions, and without any action being required on the part of holders of shares of Pizza Inn, Inc. common stock or any exchange of stock certificates. Shares of the Company's common stock were substituted for the shares of common stock of Pizza Inn, Inc. listed on The NASDAQ Global Select Market and continue to trade under the same "PZZI" symbol but with a new CUSIP Number (725846109).

In connection with the reorganization, Pie Five Pizza Company, Inc. and PIBC Holdings, Inc. were also organized as direct subsidiaries of the new holding company. Pie Five Pizza Company, Inc. was created to provide separation of the operating concepts and provide a platform for franchising the Pie Five concept. PIBC Holdings, Inc. will hold, through its subsidiaries, the liquor licenses for both the Pizza Inn and Pie Five brands.

Basic and diluted income per common share decreased \$0.04 to \$0.01 for the three month period ended December 25, 2011 compared to \$0.05 in the comparable period in the prior fiscal year. Net income for the three month period ended December 25, 2011 decreased \$0.3 million to \$0.1 million compared to \$0.4 million for the comparable period in the prior fiscal year, on revenues of \$10.3 million for the both periods. Earnings before interest, taxes, depreciation and amortization (“EBITDA”) for the second quarter of fiscal 2012 decreased 56.3%, or \$0.4 million, to \$0.3 million compared to \$0.7 million for the comparable period in the prior fiscal year. Basic and diluted income per common share decreased \$0.01 to \$0.05 for the six month period ended December 25, 2011 compared to \$0.06 in the comparable period in the prior fiscal year. Net income for the six month period ended December 25, 2011 decreased \$0.1 million to \$0.4 million compared to \$0.5 million for the comparable period in the prior fiscal year, on revenues of \$21.5 million for the six month period ended December 25, 2011 and \$21.0 million for the comparable period in the prior fiscal year. EBITDA for the first half of fiscal 2012 decreased 26.7%, or \$0.4 million, to \$1.0 million compared to \$1.4 million for the comparable period in the prior fiscal year.

The change in results from prior year is primarily due to costs related to the continued development of the Pie Five concept, costs associated with the Company reorganization and the expansion into China. In addition to the corporate reorganization during the first quarter of fiscal 2012, during the second quarter of fiscal 2012 the Company opened three new Pie Five units and worked with its master franchisee to open the first Pizza Inn restaurant in China. The total costs associated with these activities were approximately \$0.3 million for the three and six month periods ended December 25, 2011.

Management believes that key performance indicators in evaluating financial results include domestic and international chain-wide retail sales and the number and type of operating restaurants. The following table summarizes these key performance indicators.

	Three Months Ended		Six Months Ended	
	December 25, 2011	December 26, 2010	December 25, 2011	December 26, 2010
Domestic retail sales of Buffet Units (in thousands)	\$ 24,401	\$ 25,266	\$ 50,802	\$ 51,933
Domestic retail sales of Delco Units (in thousands)	1,712	1,819	3,574	3,596
Domestic retail sales of Express Units (in thousands)	907	968	1,824	1,893
Domestic retail sales of Pie Five Units (in thousands)	347	-	578	-
Total domestic retail sales (in thousands)	\$ 27,367	\$ 28,053	\$ 56,778	\$ 57,422
Average number of domestic Buffet Units	137	149	138	150
Average number of domestic Delco Units	30	33	31	32
Average number of domestic Express Units	46	48	45	48
Average number of domestic Pie Five Units	2	-	2	-
	Three Months Ended		Six Months Ended	
	December 25, 2011	December 26, 2010	December 25, 2011	December 26, 2010
International retail sales of Buffet Units (in thousands)	\$ 873	\$ 935	\$ 1,624	\$ 2,063
International retail sales of Delco Units (in thousands)	2,766	2,850	5,395	5,536
International retail sales of Express Units (in thousands)	643	535	1,164	1,041
Total International retail sales (in thousands)	\$ 4,282	\$ 4,320	\$ 8,183	\$ 8,640
Average number of International Buffet Units	16	15	16	15
Average number of International Delco Units	56	46	56	46
Average number of International Express Units	9	8	9	8

Total domestic chain-wide retail sales decreased 2.4% and 1.1%, and international chain-wide retail sales decreased 0.9% and 5.3%, for the three and six months ended December 25, 2011, respectively, when compared to the prior year. Domestic same store retail sales decreased 0.2% for the three months ended December 25, 2011 and increased 1.1% for the six months ended December 25, 2011 when compared to the prior year. International same store retail sales decreased 0.2% for the three months ended December 25, 2011 and increased 0.9% for the six months ended December 25, 2011 when compared to the prior year.

Revenues

Revenues are derived from restaurant operations, sales of food, paper products and supplies by Norco to franchisees, franchise royalties and franchise fees. Financial results are dependent in large part upon the pricing and cost of the products and supplies sold to franchisees, and the level of chain-wide retail sales, which are driven by changes in same store sales and restaurant count.

Total revenues for the three month period ended December 25, 2011 and for the same period in the prior fiscal year were \$10.3 million. Total revenues for the six month period ended December 25, 2011 increased 2.4%, or \$0.5 million, to \$21.5 million during the current six month period ended December 25, 2011 compared to \$21.0 million the same period in the prior fiscal year.

Food and Supply Sales

Food and supply sales by Norco include food and paper products and other distribution revenues. For the three month period ended December 25, 2011, food and supply sales decreased to \$8.1 million compared to \$8.5 million the same period in the prior fiscal year due primarily to a decrease in sales to franchisees as a result of a 3.7% decrease in domestic franchisee retail sales primarily attributable to a reduction in the average number of stores open. Partially offsetting this reduction in sales were price increases of approximately 6.3% due primarily to increases in certain food commodity costs. For the six month period ended December 25, 2011, food and supply sales decreased to \$17.0 million compared to \$17.2 million the same period in the prior fiscal year primarily due to a decrease in sales to franchisees as a result of a 2.4% decrease in domestic franchisee retail sales primarily attributable to a reduction in the average number of stores open. Partially offsetting this reduction in sales were price increases of approximately 7.8% due primarily to increases in certain food commodity costs.

Franchise Revenue

Franchise revenue, which includes income from domestic and international royalties and license fees, was essentially unchanged at \$0.9 million and \$1.9 million for the three and six month periods ended December 25, 2011, respectively, compared to the comparable periods for the prior fiscal year. Royalties from increased domestic same store sales of 1.1% year to date were offset by fewer average locations compared to prior year.

Restaurant Sales

Restaurant sales, which consist of revenue generated by Company-owned restaurants, increased 32.2%, or \$0.3 million, to \$1.3 million for the three month period ended December 25, 2011, and 37.4%, or \$0.7 million, to \$2.5 million for the six month period ended December 25, 2011, compared to \$0.9 million and \$1.9 million, respectively, for the comparable periods in the prior fiscal year. These increases were primarily due to the opening of three new Company stores in fiscal 2011 and three new Company owned stores during the six months ended December 25, 2011, partially offset by the closing of one Company owned store in each of the first fiscal quarters of 2011 and 2012. The following chart details revenues at the Company-owned restaurants by concept (in thousands):

	Three Months Ended	
	December 25, 2011	December 26, 2010
Pizza Inn	\$ 909	\$ 949
Pie Five	346	-
Restaurant sales	<u>\$ 1,255</u>	<u>\$ 949</u>

	Six Months Ended	
	December 25, 2011	December 26, 2010
Pizza Inn	\$ 1,971	\$ 1,854
Pie Five	576	-
Restaurant sales	<u>\$ 2,547</u>	<u>\$ 1,854</u>

Costs and Expenses

Cost of Sales

Cost of sales, which primarily includes food and supply costs, distribution fees, and labor and general and administrative expenses directly related to restaurant sales, increased 1.6%, or \$0.1 million, to \$8.6 million for the three month period ended December 25, 2011 compared to \$8.5 million for the comparable period for the prior fiscal year. Cost of sales increased 4.0%, or \$0.7 million, to \$17.9 million for the six month period ended December 25, 2011 compared to \$17.2 million for the comparable period for the prior fiscal year. The increases in costs were associated primarily with the new Company stores and higher direct costs associated with food and supply sales as a result of increases in commodity prices, offset by lower costs due to reduced food and supply sales.

Franchise Expenses

Franchise expenses include selling, general and administrative expenses directly related to the sale and continuing service of domestic and international franchises. These expenses increased \$0.2 million for the three and six month periods ended December 25, 2011, compared to the comparable periods in the prior fiscal year primarily due to \$48,000 and \$97,000, respectively, in costs associated with opening a new franchise location in China as well as \$19,000 and \$58,000, respectively, of higher payroll expense. The higher payroll costs during the three and six month periods ended December 25, 2011 were a result of the addition of management resources during fiscal 2012 to build the necessary infrastructure to continue to develop and expand the Pie Five concept.

General and Administrative Expenses

General and administrative expenses increased \$0.2 million to \$1.1 million, for the three month period ended December 25, 2011 compared to \$0.9 million for the comparable period for the prior fiscal year primarily due to pre-opening and other operating expenses associated with the three new Company owned Pie Five stores. General and administrative expenses increased \$0.2 million to \$2.0 million for the six month period ended December 25, 2011 compared to \$1.8 million for the comparable period for the prior fiscal year primarily due to pre-opening expenses and other operating expenses for the three new Company owned Pie Five stores, and legal and other expenses of approximately \$67,000 relating to the Company reorganization into a holding company structure. Pre-opening expenses for the new Company owned Pie Five stores were approximately \$164,000 and \$177,000 for the three and six months ended December 25, 2011, respectively.

Costs Associated with Store Closure

The Company closed its Plano, Texas location during the first fiscal quarter of fiscal 2011 when the initial lease term expired and recorded a \$0.3 million non-recurring expense attributable to a change in estimated useful life of the equipment and leasehold improvements.

Provision for Income Tax

For the three and six month periods ended December 25, 2011, income tax expense of \$39,000 and \$217,000, respectively, was calculated on an effective income tax rate that is consistent with the statutory U.S. federal income tax rate of 34% adjusted for state income tax effects and permanent difference items. Management believes that future operations will generate sufficient taxable income, along with the reversal of temporary differences, to fully realize the net deferred tax asset of \$0.8 million.

Discontinued Operations

Discontinued operations include losses from Company-owned stores in Houston, Texas closed during the quarter ended September 23, 2007.

Restaurant Openings and Closings

The following charts summarize restaurant activity for the three and six month periods ended December 25, 2011 and December 26, 2010:

Three months ended December 25, 2011

	<u>Beginning of Period</u>	<u>Opened</u>	<u>Closed</u>	<u>End of Period</u>
Domestic:				
Buffet Units	141	-	5	136
Delco Units	31	-	1	30
Pie Five Units	1	3	-	4
Express Units	45	2	-	47
International Units	80	2	-	82
Total	<u>298</u>	<u>7</u>	<u>6</u>	<u>299</u>

Three months ended December 26, 2010

	<u>Beginning of Period</u>	<u>Opened</u>	<u>Closed</u>	<u>End of Period</u>
Domestic:				
Buffet Units	150	2	2	150
Delco Units	34	-	1	33
Pie Five Units	-	-	-	-
Express Units	48	2	2	48
International Units	75	1	-	76
Total	<u>307</u>	<u>5</u>	<u>5</u>	<u>307</u>

Six months ended December 25, 2011

	<u>Beginning of Period</u>	<u>Opened</u>	<u>Closed</u>	<u>End of Period</u>
Domestic:				
Buffet Units	141	1	6	136
Delco Units	32	1	3	30
Pie Five Units	1	3	-	4
Express Units	45	2	-	47
International Units	79	4	1	82
Total	<u>298</u>	<u>11</u>	<u>10</u>	<u>299</u>

Six months ended December 26, 2010

	<u>Beginning of Period</u>	<u>Opened</u>	<u>Closed</u>	<u>End of Period</u>
Domestic:				
Buffet Units	151	4	5	150
Delco Units	35	2	4	33
Pie Five Units	-	-	-	-
Express Units	49	3	4	48
International Units	77	1	2	76
Total	<u>312</u>	<u>10</u>	<u>15</u>	<u>307</u>

Non-GAAP Financial Measures

We report and discuss our operating results using financial measures consistent with U.S. generally accepted accounting principles ("GAAP"). From time to time we disclose certain non-GAAP financial measures such as the EBITDA presented below. We believe EBITDA is useful to investors as a widely used measure of operating performance without regard to items that can vary substantially depending upon financing and accounting methods, book value of assets, capital structures and methods by which assets have been acquired. In addition, our management uses EBITDA in evaluating the effectiveness of our business strategies and for planning and budgeting purposes. However, this non-GAAP financial measure should not be viewed as an alternative or substitute for our reported GAAP results.

The following table sets forth a reconciliation of net income to EBITDA for the periods shown:

	Three Months Ended	
	December 25, 2011	December 26, 2010
Net Income	\$ 56	\$ 379
Interest Expense	17	18
Taxes	39	213
Depreciation and Amortization	206	118
EBITDA	<u>\$ 318</u>	<u>\$ 728</u>

	Six Months Ended	
	December 25, 2011	December 26, 2010
Net Income	\$ 369	\$ 508
Interest Expense	33	28
Taxes	217	294
Depreciation and Amortization	389	546
EBITDA	<u>\$ 1,008</u>	<u>\$ 1,376</u>

Liquidity and Capital Resources

Our primary sources of liquidity are cash flows from operating activities and our credit facilities.

Cash flows from operating activities generally reflect net income adjusted for certain non-cash items including depreciation and amortization, changes in deferred tax assets, share based compensation, and changes in working capital. In the six month period ended December 25, 2011, cash provided by operating activities was \$0.2 million compared to cash provided by operating activities of \$0.3 million in the comparable period for the prior year.

Cash flows from investing activities generally reflect capital expenditures for the purchase of Company assets. The Company used cash of \$1.2 million for the six month period ended December 25, 2011, primarily for new Company stores that opened or will open in the Dallas/Fort Worth, Texas area. This compares to cash used by investing activities of \$1.3 million during the in the prior fiscal year attributable to two stores that opened in Dallas/Fort Worth, Texas area.

Cash flows from financing activities generally reflect changes in the Company's borrowings during the period. Net cash provided by financing activities was \$0.6 million for the six month period ended December 25, 2011 and for the comparable period in the prior fiscal year.

On January 11, 2010, the Company entered into a Loan Agreement with Amegy Bank National Association (“Amegy”) providing for a \$2.0 million revolving credit facility (with a \$250 thousand letter of credit subfacility) and a \$1.0 million term loan facility. On January 10, 2011, the Company and Amegy entered into a First Amendment to Loan Agreement increasing the Company's term loan facility and amending certain other provisions of the Loan Agreement. On October 26, 2011, the Company and Amegy entered into an Amended and Restated Loan Agreement further increasing the Company's term loan facility and amending certain other provisions of the Loan Agreement. As amended, the Amegy credit facility provides a \$2.0 million revolving credit facility (with a \$250 thousand letter of credit subfacility) and a \$4.0 million term loan facility, in addition to \$0.7 million in existing term loans.

The Company may borrow, repay and re-borrow under the Amegy revolving credit facility through January 11, 2013, at which time all amounts outstanding under the revolving credit facility mature. Availability under the revolving credit facility is limited by advance rates on eligible inventory and accounts receivable. Interest on indebtedness from time to time outstanding under the revolving credit facility is computed at the greater of Amegy's prime rate or 5% and is payable monthly. A commitment fee of 0.25% per annum is payable quarterly on the average unused portion of the revolving credit facility.

The Company may borrow under the term loan facility through October 31, 2012. Advances for such term loans are limited by a percentage of the costs of equipment and leasehold improvements for new restaurant locations of the Company. Interest only is payable monthly on each term loan for up to 120 days after the initial advance. Thereafter, each term loan is payable in 36 equal monthly installments of principal plus accrued interest. Interest on each term loan accrues at either (a) the greater of 6% or Amegy's prime rate plus 1% or (b) at the Company's option, a fixed rate determined by Amegy. A fee of 0.5% of the total term loan facility was paid at closing.

The obligations of the Company under the Loan Agreement are guaranteed by each of the subsidiaries of the Company and are secured by a pledge of all of the stock of such subsidiaries as well as security interests in substantially all of the assets of the Company and its subsidiaries including, but not limited to, accounts receivable, inventory and equipment. The Amended and Restated Loan Agreement contains various affirmative covenants which, among other things, require the Company to provide Amegy with certain financial statements, compliance statements, reports and other information. The Amended and Restated Loan Agreement also contains various negative covenants which, among other things, require the Company to maintain certain financial ratios and restrict the ability of the Company to engage in certain activities. The Company is in compliance with all covenants as of the reporting date. If an event of default occurs under the Amended and Restated Loan Agreement, Amegy may terminate all commitments under the credit facilities and declare all unpaid principal, interest and other amounts owing under the credit facilities to be immediately due and payable. As of December 25, 2011 the balance on the term loan facility was \$1.4 million with an interest rate of 6% and the balance on the revolving credit facility was zero with an interest rate of 5%.

Management believes the cash on hand combined with cash from operations and available credit facilities is sufficient to fund operations for the next 12 months.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company's management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosure of contingent liabilities. The Company bases its estimates on historical experience and various other assumptions that it believes are reasonable under the circumstances. Estimates and assumptions are reviewed periodically. Actual results could differ materially from estimates.

The Company believes the following critical accounting policies require estimates about the effect of matters that are inherently uncertain, are susceptible to change, and therefore require subjective judgments. Changes in the estimates and judgments could significantly impact the Company's results of operations and financial condition in future periods.

Accounts receivable consist primarily of receivables generated from food and supply sales to franchisees and franchise royalties. The Company records an allowance for doubtful receivables to allow for any amounts which may be uncollectible based upon an analysis of the Company's prior collection experience, general customer creditworthiness and the franchisee's ability to pay, as reflected by the franchisee's sales and operating results, and other general and local economic trends. Actual realization of accounts receivable could differ materially from the Company's estimates.

Inventory, which consists primarily of food, paper products and supplies primarily warehoused by the Company's third-party distributors, is stated at lower of cost or market, with cost determined according to the weighted average cost method. The valuation of inventory requires us to estimate the amount of obsolete and excess inventory. The determination of obsolete and excess inventory requires us to estimate the future demand for the Company's products within specific time horizons, generally six months or less. If the Company's demand forecast for specific products is greater than actual demand and the Company fails to reduce purchasing accordingly, the Company could be required to write down additional inventory, which would have a negative impact on the Company's gross margin.

Management re-evaluates the deferred tax asset each quarter and believes that it is more likely than not that the net deferred tax asset of \$0.8 million will be fully realized based on the Company's recent history of pre-tax profits and the expectation of future taxable income as well as the future reversal of existing temporary differences. As a result, the effective federal tax rate for fiscal 2012 is estimated to be 34%.

The Company assesses its exposures to loss contingencies, including legal matters, based upon factors such as the current status of the cases and consultations with external counsel and accrues a reserve if a loss is judged to be probable and can be reasonably estimated. If the actual loss from a contingency differs from management's estimate, operating results could be impacted.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not required for a smaller reporting company.

Item 4. Controls and Procedures

The Company maintains disclosure controls and procedures designed to ensure that information it is required to disclose in the reports filed or submitted under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. The Company's disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports filed or submitted under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

The Company's management, including the Company's principal executive officer and principal financial officer, or persons performing similar functions, have evaluated the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on such evaluation, the Company's principal executive and principal financial officers, or persons performing similar functions, have concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report. During the most recent fiscal quarter, there have been no changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

In July, 2008, the Company filed a complaint against a former franchisee that had operated one restaurant in the Sherman, Texas market from 2003 to 2008 for breach of contract, misappropriation of trade secrets and trademark infringement. The former franchisee filed a counterclaim alleging racial discrimination, retaliation and breach of contract. The case went to trial in June, 2010 and the Company prevailed on its breach of contract, misappropriation of trade secrets and trademark infringement claims and successfully defended against the racial discrimination allegation, but was unsuccessful in defending the retaliation claim. Both parties submitted post-trial briefings for recovery of interest, attorneys' fees and costs and recovery of statutory damages. In March, 2011, the Court entered its Order on the issues submitted in the post-trial briefings and entered a final net judgment against the Company for \$255,183. In April, 2011, the Company filed additional motions with the Court to set aside the jury's findings on several grounds and to amend the Court's award of attorneys' fees. In May, 2011, the former franchisee filed his response to the Company's motions and subsequently the Company filed its response. On May 24, 2011 the judge rejected the motions filed by the Company and the Company subsequently filed an appeal with the Fifth Circuit U.S. Court of Appeals. In August, 2011, the Company fully and finally settled the matter for a cash payment less than the judgment amount and the parties exchanged mutual releases.

The Company is subject to other claims and legal actions in the ordinary course of its business. The Company believes that all such claims and actions currently pending against it are either adequately covered by insurance or would not have a material adverse effect on the Company's annual results of operations, cash flows or financial condition if decided in a manner that is unfavorable to the Company.

Item 1A. Risk Factors

Not required for a smaller reporting company.

Item 2. Unregistered Sales of Equity Securities and the Use of Proceeds

On May 23, 2007, the board of directors of the Company approved a stock purchase plan (the "2007 Stock Purchase Plan") authorizing the purchase of up to 1,016,000 shares of the Company's common stock in the open market or in privately negotiated transactions. On June 2, 2008, the Company's board of directors amended the 2007 Stock Purchase Plan to increase the number of shares the Company may repurchase by 1,000,000 shares to a total of 2,016,000 shares. On April 22, 2009, the board of directors further amended the 2007 Stock Purchase Plan by increasing the aggregate number of shares the Company may repurchase by 1,000,000 shares to a total of 3,016,000 shares. The 2007 Stock Purchase Plan does not have an expiration date. There were no stock purchases in the three or six months ending December 25, 2011. As of December 25, 2011, up to an additional 848,425 shares could be purchased under the 2007 Stock Purchase Plan.

Item 3. Defaults upon Senior Securities

Not applicable.

Item 4. (Removed and Reserved)

Item 5. Other Information

Not applicable.

Item 6. Exhibits

- 3.1 Articles of Incorporation (filed as Exhibit 3.1 to Form 8-K filed on September 23, 2011 and incorporated herein by reference).
- 3.2 By-laws (filed as Exhibit 3.1 to Form 8-K filed on September 23, 2011 and incorporated herein by reference).
- 10.1 Employment Letter entered into between the Company and Jerome L. Trojan, III on November 29, 2011 (filed as Item 10.1 to Form 8-K dated January 4, 2012 and incorporated herein by reference)
- 31.1 Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer.
- 31.2 Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer.
- 32.1 Section 1350 Certification of Principal Executive Officer.
- 32.2 Section 1350 Certification of Principal Financial Officer.
- 101 Interactive data files pursuant to Rule 405 of Regulation S-T.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PIZZA INN HOLDINGS, INC.
(Registrant)

By: /s/ Charles R. Morrison
Charles R. Morrison
President and Chief
Executive Officer
(Principal Executive Officer)

By: /s/ Jerome L. Trojan III
Jerome L. Trojan III
Chief Financial Officer
(Principal Financial Officer)

Dated: February 8, 2012

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Charles R. Morrison, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pizza Inn Holdings, Inc. (“the Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and
5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: February 8, 2012

By: /s/ Charles R. Morrison
Charles R. Morrison
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jerome L. Trojan III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pizza Inn Holdings, Inc. ("the Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: February 8, 2012

By: /s/ Jerome L. Trojan III
Jerome L. Trojan III
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of Pizza Inn Holdings, Inc. (the "Company"), does hereby certify, to such officer's knowledge, that:

The accompanying Quarterly Report on Form 10-Q for the quarter ended December 25, 2011 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Form 10-Q.

Date: February 8, 2012

By: /s/ Charles R. Morrison
Charles R. Morrison
President and Chief
Executive Officer
(Principal Executive Officer)

The foregoing certification is being furnished as an exhibit to the Form 10-Q pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and, accordingly, is not being filed as part of the Form 10-Q for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of Pizza Inn Holdings, Inc. (the "Company"), does hereby certify, to such officer's knowledge, that:

The accompanying Quarterly Report on Form 10-Q for the quarter ended December 25, 2011 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Form 10-Q.

Date: February 8, 2012

By: /s/ Jerome L. Trojan III
Jerome L. Trojan III
Chief Financial Officer
(Principal Financial Officer)

The foregoing certification is being furnished as an exhibit to the Form 10-Q pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and, accordingly, is not being filed as part of the Form 10-Q for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.